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2014

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## Publication Details

Mascitelli, B. & O'Mahony, G. Barry. 2014, 'Australia in the Asian Century - A critique of the white paper', *Australasian Journal of Regional Studies*, vol. 20, no. 3, pp. 540-566.

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## **AUSTRALIA IN THE ASIAN CENTURY – A CRITIQUE OF THE WHITE PAPER**

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**ABSTRACT:** This article critiques the Australian Government's White Paper: *Australia in the Asian Century*. It begins by reflecting on the relationship between Australia and Asia suggesting that this is measured solely through the narrow economic lens of Australian interests. The critique then focusses on the key drivers presented as the means by which Australia will navigate the Asian century concluding that although Australia punches above its weight in terms of living standards, equity and social inclusion, the White Paper overstates the country's capability and capacity particularly in the areas of skills, education, innovation and relationship development. This presents a number of unrealistic expectations, presenting difficulties for the current government to fund the fundamental initiatives required to deliver on the promises contained in the document.

**KEY WORDS:** Australia; Asian Century; White Paper; Asia; China; Economy.

### **1. INTRODUCTION**

The White Paper; *Australia in the Asian Century* (2012), delivered by former Australian Treasury figure Ken Henry, was the first fully elaborated political and strategically focused government document to present the direction and self-perception of Australia's position in relation to the nation's interests in the Asian region. It was also the most comprehensive document of its kind since the 1989 "Australia and the Northeast Asian ascendancy" Garnaut paper, which focused on trade outcomes with the then emerging East Asian giants.

Though Prime Minister Julia Gillard initially claimed that she lacked interest in Foreign Affairs, the document she commissioned addressed a combination of Australian economic assumptions relative to Asian

economies and provides insights into Australia's perceived role within this context. The White Paper, which took one year to complete and involved over 150 separate consultations, was released in the midst of global uncertainty, especially with regard to the performance of Asian economies. It was also a paper that sought to address the oft-used explanation of China's role in helping Australia bypass the worst of the global financial crisis since 2008.

Coincidentally, the White Paper was released in the historic week in which both the Chinese and US leadership was being decided. The release of this White Paper also commemorated forty years of diplomatic relations with China. This could be interpreted as recognition that Australia's strategic direction remained firmly tied to markets that are on the one hand, the centre of global growth and on the other, reliant on Australia's mineral commodities.

Certainly, Australia has come a long way since the pre-1945 days when its destiny was dependent on the United Kingdom (UK) and the Commonwealth. At that time, not only were more than half of Australia's exports bound for the UK (DFAT, 2002) but Australia's political, strategic and security direction was also firmly based on this historical and ongoing relationship. This Anglocentric mindset ultimately underpinned Australia's entry into the First (Great) and Second World Wars, which remain to this day icons of Australia's national identity. But Britain's place in the world would change dramatically after World War Two and the world would be dominated by the emerging United States and its Cold War tussle with the former Soviet Union. This vulnerability forced Australia to rethink security arrangements within its region and the decisions made at that time have continued to inform security policy as Australia juggles its international commitments with its aspirations for regional prosperity (Bull, 1977; Miller, 1966).

While Europe was the theatre of the Cold War in the west, in the Far East soon after the end of the Second World War, China was the theatre of a social uprising with the People's Liberation Army under the leadership of Mao Tse Tung, creating a new China and setting the stage for an Asian Cold War. From the early 1950s, much of Australia's attention, with its limited military capabilities, was focused on this new entity's emergence on the world stage and especially on the ideological position it represented for regional security. China epitomized a Communist threat to the region and ultimately to "capitalist" countries in the area. Australia was positioned as a beacon of the west and a partner of the new US superpower's presence in Asia. The political approach at that time was, therefore, to reject China's rise and rally against this emerging

power. Indeed, Australia along with numerous western nations, refused to even acknowledge the presence of the People's Republic of China (PRC) until the Labor government formally recognised it in 1972 (Bull, 1977; Fullilove and Oliver, 2013). It is worth noting, however, that although Australia did not formally recognise Communist China before 1972, Australia did have a strong export relationship with the so-called "Mainland" China, especially in the area of wheat exports. As a result, the economic relationship with China is long standing and has not always been influenced by American policy in the region.

The aim of this paper is to provide a critique of the Government's White Paper in a focused analysis of its immediate past and current context and to discuss and challenge some of the key drivers that underpin it. We seek to go beyond the somewhat superficial commentaries previously published on this document to assess the spirit, tone and veracity of the paper by comparing some of the key future assessments contained within the paper with available evidence. Through this process we gauge the likelihood of success of some of the initiatives foreshadowed in the document and provide a series of conclusions that we anticipate will open up further debate on Australia's position in the Asian Century.

## **2. THE STRUCTURE OF THE WHITE PAPER**

Published in October 2012, the White Paper is a comprehensive document set out in nine Chapters. Chapter One catalogues the rise of Asia and is, for the most part, an innocuous historical overview. Chapter Two discusses Asia's future to 2025, predicting strong economic growth ahead while highlighting historical rises in gross domestic product (GDP) across the region. It presents forecasts and projections for the region, predicting that average economic growth rates will exceed six percent in many Asian countries particularly China, India, Indonesia, Vietnam and Malaysia with Thailand lagging a little at about five percent. The White Paper concedes that productivity is a driver of economic growth and reminds us that productivity increases in the Australian economy have declined over the past decade. Chapter two also examines the history of Australia's engagement within the Asian region going back to the end of the cold war hostilities with the former Soviet Union. It compliments Australia for policy change in the development of macroeconomic frameworks, asserting that the rise of Asia will provide great opportunities for Australia. A series of charts and graphs, as well as case studies of Australian manufacturing, are presented to support this

contention. Despite these pictorial additions, however, the resources sector maintains a position of prime importance, followed by education, which is presented as the largest of Australia's services exports. This claim is based on the number of Asian students studying in Australia, particularly those from the Association of East Asian Nations (ASEAN) countries, China and India.

Chapter three discusses Australia in Asia, focusing on developing institutional connections and what is termed Australia's economic integration into Asia as well as regional engagement. Chapter four discusses Australia's comparative advantages and the opportunities arising from Asia's development. Collectively, these four chapters are presented as "setting the context for the Asian Century" (p. 4), while the five chapters that follow (Chapters 5 – 9) present a "roadmap to navigate the Asian century" (p. 5).

Our analysis begins by reflecting on the relationship between Australia and Asia (Chapters 1 – 4), suggesting that this is contradictory and measured solely through the narrow economic lens of Australian interests. Moreover, we contend that it lacks the essential elements of trust and commitment that bond ongoing relationships (Morgan and Hunt, 1994). The key intention of this component of our analysis is to examine the projected direction established for Australia within the White Paper and to determine whether it is an affirmation of blind faith in the continued demand for mineral resources or a considered purposeful direction based on an accurate assessment of the national competencies and capabilities required to underpin a more mature Australia that can lead and engage with all of our neighbours in a respectful way regardless of whether they are major resource consumers.

Following our reflection on the background and context that underpins the document (Chapters 1-4), we focus on the key drivers contained within the roadmap that has been presented as the means by which Australia will navigate the Asian century. The roadmap is underpinned by Chapters five to nine and the key dimensions of each of these chapters are presented in Table 1 below. In our analysis we reflect on a number of these dimensions and present our synopsis of how these are likely to play out in the Australian/Asian context. Our conclusions are then presented in the context of the White Paper statement that declares that: "Australia will be a more prosperous and resilient nation, fully part of the region and open to the world" (p. 5).

**Table 1.** Roadmap to Navigate the Asian Century.

Chapter 5	Chapter 6	Chapter 7	Chapter 8	Chapter 9
<ul style="list-style-type: none"> <li>• skills and education</li> <li>• innovation</li> <li>• infrastructure</li> <li>• tax reform</li> <li>• regulatory reform</li> <li>• environmental sustainability</li> <li>• macroeconomic and financial frameworks</li> </ul>	<ul style="list-style-type: none"> <li>• schools</li> <li>• universities</li> <li>• vocational training</li> <li>• participation</li> <li>• Asia-capable leaders and institutions</li> <li>• adaptability</li> <li>• fair, multicultural and cohesive society</li> </ul>	<ul style="list-style-type: none"> <li>• tapping into regional opportunities</li> <li>• linking with value chains</li> <li>• starting at home</li> <li>• working in the region</li> </ul>	<ul style="list-style-type: none"> <li>• security has underpinned Asia's development</li> <li>• changing security environment</li> <li>• building trust</li> <li>• comprehensive national, collective and human security</li> </ul>	<ul style="list-style-type: none"> <li>• effective diplomacy</li> <li>• stronger and more comprehensive relationships</li> <li>• closer people-to-people links</li> <li>• vibrant cultural connections</li> </ul>

Source: Adapted from Australia in the Asian Century White Paper.

### 3. THE MINERALS DISCOVERY – AUSTRALIAN LUCK AND OBSESSION

Until the 1960s Australia's primary industry was concentrated around agricultural products and wool. With the war rationing system still in place until the early 1950s, there was a need for food to feed a population that was increasing at a rapid rate. Indeed, the birth rate in Australia in the 1950s doubled from that of the 1930s (Butlin *et al.*, 1982) and this natural population increase was further boosted by migration programs designed to assist with post war reconstruction. As a result, "...from 1947 to 1971 the annual rate of [population] growth was 2.2 percent, though it slowed from 1972 to 1979 to 1.3 percent ... and 1.5 percent in 1982 ... (Betts, 1984, p.48).

At the same time, Australia was a small, late developer in manufacturing and its services industry was internally focused, concentrating mainly on short terms needs. As a result, agriculture and wool in their own respective ways offered important economic opportunities for Australia's international trade profile. The Korean War,

for example, drove the demand for wool and, as a result, the price of wool reached historic highs. Australia also consolidated its markets for agricultural products within the UK and beyond. The mineral wealth that now dominates Australia's economy remained hidden beneath the soil until the 1960s (Mascitelli and Tinney, 2012).

Even during the period of the Whitlam government (1972-75), and especially after its fall in 1975, Australia displayed a split personality in a *real politic* game in which relations with China were encouraged because they supported Australian economic interests but were always tempered by security concerns. This is reflected in its approach to Taiwan, human rights, and a hard line stance that mirrors the US *hard power* approach (Wang, 2012). This contradictory approach is still inherent in Australia's White Paper aspirations which are based on an expectation that China will continue its agenda of state de-regulation, privatisation, and the dismantling of "socialist foundations". Within the White Paper, the opening up of the Chinese economy appears to be linked to political democratisation, indicating that the Tiananmen Square massacre of 1989 and the annihilation of the democratisation movement will not reoccur. In reality, it would seem that the enriched middle class, which is the driver of emerging wealth, and the upper class in China, are content that the current political leadership still best represents its interests. Can it be assumed that this state of affairs will necessarily last? As long as China's interests are in line with the nationalist will of the Chinese Communist Party (CCP), this is likely to continue. But growing levels of corruption and the personal enrichment of members of the political elite may reach breaking point. The arrest of Bo Xia Lai, for instance, may be the "tip of the iceberg" and, if so, other cases could provoke an internal reaction and party conflict. How the bureaucracy reacts to retain political and economic power within the party under such circumstances remains to be seen, but it would be unwise to assume it would not be forceful and repressive. Certainly, the personal wealth accumulated by the families of previous and current party leaders appears to be eroding credibility for a party that preaches equality and care for the people (Barboza and LaFraniere, 2012; He, 2012).

#### **4. EFFECTIVE DIPLOMACY OR DIPLOMATIC BARN DANCE? THE OUTLOOK FOR TRADE WITH ASIA**

Although Australian trade, especially in relation to exports, is currently dominated by Asian markets, the UK was the main trading partner from Federation in 1901 until it was replaced by Japan in the 1960s. China's

economic emergence on the world stage in the post 2000 years was even more important for Australia than was Japan's post war reconstruction with its subsequent effect on Australia in the 1950s and 60s. Japan in the post-war recovery period was also hungry for Australian resources particularly coal and iron ore but Japan's economic slowdown saw it replaced by China in 2009. Table 2 below shows how Australian trade with China has grown between 1980 and 2012. Table 3 shows foreign direct investment in Australia (FDI). These figures show that Australia's investment in China is upwards of \$A8.3 billion and Chinese investment in Australia is around \$A16.7 billion (DFAT Fact sheet 2013).

But does Australia's trade with the three top markets in Asia actually translate to these "stronger, more comprehensive relationships" (p.25) as the White Paper suggests, and are our Asian neighbours also our closest allies and partners? The answer is probably not and for many Australian businesses the dictum is "business for the sake of business". In other words, you do not have to like your trading partner in order to do business with them let alone develop long term relationships with them.

In both the United States and Australia, there has been much commentary about China assuming a more, assertive approach to international affairs and engagement with both of these countries. In the case of Australia, the focus has been on Chinese investment in agriculture and in mining, while in the US, the concern is about the power and might of China and its influence on the control of US government debt. The failed attempt by the Chinese Chinalco corporation to buy into Rio Tinto in 2009 and recent expressions of interest by Chinese investors to buy out Australian cotton producer, Cubbie Station, led to cries of "selling out the farm" from politicians such as Barnaby Joyce and others. Nevertheless, Australia has, with the exception of the telecommunications Huawei case, by and large avoided scare mongering against China. Indeed, the Huawei's exclusion from bidding for the Australian National Broad Band Network (NBN), reconfirmed by the Abbott government in July 2013, surprised many given the special trade relationship between China and Australia. What makes the case even more surprising is the fact that the Managing Director of Huawei is a former Admiral of the Australian Navy and its Australian board includes reputable Australian politicians such as former Victorian Premier John Brumby and former Foreign Affairs Minister and leader of the Liberal Party of Australia, Alexander Downer.



**Table 2.** Australian Exports to Principal Markets 1980-1981 to 2012-2013

	<b>1980-1981 (\$b)</b>	<b>1990-1991 (\$b)</b>	<b>2000-2001 (\$b)</b>	<b>2012-2013 (\$b)</b>
USA	2.1	5.7	11.6	9.0
UK	0.700	1.8	4.6	5.5
China	0.976	2.8	10.7	78.0

Source: DFAT (2002)

**Table 3.** Direct Foreign Investment in Australia

<b>Stock of Foreign Direct Investment in Australia by Country, at 31 December 2011</b>				
<b>Country</b>	<b>Total stock of investment \$ million</b>	<b>Share of total foreign investment %</b>	<b>Foreign direct investment (FDI) \$ million</b>	<b>Share of total FDI %</b>
USA	555,868	27.4	122,379	24.1
UK	470,846	23.2	69,747	13.7
Japan	123,410	6.1	52,334	10.3
Singapore	48,709	2.4	19,966	3.9
Netherlands	43,706	2.2	32,870	6.5
Switzerland	42,281	2.1	23,005	4.5
Hong Kong SAR	39,416	1.9	6,714	1.3
New Zealand	29,707	1.5	5,980	1.2
Canada	25,048	1.2	17,326	3.4
Luxembourg	23,542	1.2	2,344	0.5
Germany	22,491	1.1	14,333	2.8
France	20,036	1.0	6,777	1.3
China (Mainland)	19,047	0.9	13,354	2.6

Source: NSW Government (2011).

Consequently, “setting the context” in terms of the manner in which Australia has developed relationships within the region, is not as positive as the White Paper portrays. Granted, in the White Paper Ms Gillard cautions that “... predicting the future is fraught with risk, but the greater risk is in failing to plan for our destiny” (p. ii). If Australia's destiny is to

exploit the Asian region as a market for Australian goods and services, then this White Paper captures that spirit. But seizing the economic opportunities that will flow from this era will not be as simple as documenting Australia's aspirations in a White Paper. An editorial in the *Australian Financial Review* aptly captured this contradiction: "Australia has built its economic settings on a Chinese growth model which may not be sustainable" (Australian Financial Review, 2013). Along with the growing middle classes in the Asian region is a growing level of confidence that is driving a global mindset among Asian citizens to a point where they now envisage a world beyond the region. This is evident in patterns of outbound tourism (Turner, 2012). At the same time Europe and North America are vying to improve their own opportunities by creating bilateral trade agreements within the Asian region. Like Australia, these nations seek to capitalise on the potential of this large emerging, economic powerhouse. Australia, therefore, is but one player in the region, and as is the case in contemporary business practice, when faced with intense competition businesses seek to develop long term relationships based on trust and commitment (Fullerton, 2005; O'Mahony et al., 2013).

While the Labor Government believed that Australia would benefit from a track record of engagement with the nations of the region, when describing Australia's principal relationships within Asia the White Paper lists China, India, Indonesia, Japan and the Republic of Korea. Within the same section of the White Paper, it is noted that Australia's alliance with the United States remains as strong as ever, highlighting some notional link with the US in Australia's Asian relationship. This dilutes the concept of a principal relationship between Australia and our Asian neighbours, limiting trust and the commitment required to develop lasting, meaningful relationships. Indeed, recent scholarly work would suggest that our alliance with the US is not sustainable, which has significant implications for our relations with China and indeed with our other Asian neighbours. For example, White (2013) asserts that the Australian approach towards the US and its related approach in Asia and especially towards China, underscores an Australian "... assumption ... that America knows what it's doing with China, and will do what's best. This goes hand in hand with the assumption that Australia has no choice but to support American primacy in Asia against the threat of Chinese hegemony. Both these assumptions now need to be challenged" (White, 2013, p. 13).

Recent concern from China about the new Australian Abbott government and its "harder line" foreign policy in relation to China does little to improve this perception (Murray and Grigg, 2013). Leaving aside

the political back-patting permeating this one and a half page foreword, this opening statement fails to convince the reader that the White Paper is indeed "... focused on fairness..." (p. iii). Most readers would consider this section of the document to be somewhat immodest, verging on arrogant, with an added hint of threat in the form of Australia's relationship with the US. This view would appear to be shared by Asian observers. Murray Hunter wrote in the *Jakarta Post* on 30 October 2012, For example:

"The paper ... reeks of Austro-centrism where most of the points made in the document are written with the expectation that Australia will win out with closer ties with Asia without necessarily giving much back in exchange — such as Australia having closer ties with Asian universities in order to attract students and skilled workers. Rather one-way to say the least" (Hunter, 2012).

Hunter is sceptical of Australia's claim to be a competitive force in the region explaining that first it must have an accepted place in the region. This belies the documents emphasis on stronger and more comprehensive relationships as well as vibrant cultural connections. It is even more worrying when, in chapter five, the relationship element is presented as "... enabling closer economic and social integration across the Asian region ..." (p. 134).

It should be noted, however, that the White Paper has a three stage implementation timeline (which is presented in Chapters 5 to 9). The first stage, described on pages 134 and 135, is to be completed by 2013 and this stage is a consultation phase in which the Government seeks to promote and facilitate discussion through a series of State by State consultation fora. The second stage, which runs from 2014 to 2018, as described on pages 24 and 25, will concentrate on building a deeper understanding and relationships within the region and seeks to develop broader economic integration and connectivity. Stage three (presented on page 252) runs from 2019 to 2025 and this final stage is designed to focus on ensuring Australia becomes fully part of the region across all levels of society, business, government and the community (Burgess, 2013). Thus, we see some acknowledgement in this implementation regime that there is still some work to be done in the area of relationship development.

Nevertheless, the focus on an emerging wealthy and mobile middle-class is correct and, within this context, no doubt the demand for

Australian goods and services will increase. The areas noted in the White Paper where Australia will reap the benefits of this emerging middle class, include health, aged care, education, household goods, tourism, banking and financial services, as well as high quality food products. Market intelligence would suggest that some of these are indeed growth areas, for example; the emphasis on high quality food is already showing signs of strong demand within the region (Monk et al., 2012). Australia's role in the provision of services such as health and aged care, however, is not as easily understood particularly since many Asian countries are already capitalising on health care in the form of medical tourism and many Australians are abandoning the national medical system to take advantage of low cost elective procedures, cosmetic surgery and dentistry in the region (Connell, 2006).

## **5. AUSTRALIAN EDUCATION AND PRODUCTIVITY IN THE ASIAN CENTURY**

The White Paper's ambitions for national education (first outlined on page 2), from early childhood to tertiary education, are acknowledged as forming the building blocks to access the benefits of the Asian Century. Recent Government reports, however, including the much publicised Gonski report, have concluded that our schools are failing in many of the basics but especially in language, literacy and numeracy (Gonski Report, 2011). School reform is required across the entire system and that system is charged with the aim of placing Australia in the top five schooling systems in the world by 2025. At the same time many of our Asian neighbours (the Shanghai region of China, South Korea, Singapore and Hong Kong) already have a world class school system. The White Paper also accepts that in the Shanghai region of China, the average 15 year old student is performing two to three years ahead of their counterparts in Australia or conversely Australian 15 year olds are two to three years behind.

Moreover, much of the political discussion relative to the 41 recommendations contained within the Gonski report has centred on the funding required to implement those recommendations. There is general agreement that the implementation of the Gonski recommendations will require billions of dollars in investment. The Labor Government indicated its intention to claw \$2.8 billion out of the higher education system to fund schools, thus reducing the quality of education in that sector. This has invoked the ire of members of the Gonski panel, who see the education sector as one system rather than the three component parts of

primary, secondary and tertiary education. Thus removing funding from one area to fund another undermines the overall system. While this might suggest that the educational aspirations in the White Paper are beyond our means, school performance in the area of languages is even less promising. Australia's first ambassador to China, Stephen Fitzgerald has described Labor's promise of providing Asian language classes for every school student as a delusion. More importantly, he goes on to state that understanding China, in particular, requires a high capacity in the Chinese language and scoffs at the idea in the White Paper that all school pupils will have access to one priority Asian language (Lane, 2013).

This being the case, the cultural and structural changes destined to occur within our school system under the White Paper are unlikely to be achieved. Indeed, the provision of the foundations required to attempt to deliver on these promises requires an enormous, long-term financial commitment which, when added to the cost of the proposed education reform agenda, will represent a staggering funding investment with little assurance of a return on that investment.

The White Paper also acknowledges that Vocational or Technical and Further Education (TAFE) has a major role to play in creating the conditions for businesses to boost productivity (see page 17). Thus, TAFE is an important support structure because it is here that we develop our trade skills base and provide workers with the training and development programs that positively impact on productivity. The vocational sector is a state government prerogative, however, and in Victoria, the nation's manufacturing capital, TAFE has been stripped of funding leading to campus closures and the abandonment of many programs of study. Regional providers have been particularly hard hit. While gaps in provision are likely to be taken up through cut-price private provision, this will be at the expense of quality, particularly in the provision of ancillary services such as libraries and student support. These cuts in TAFE have been replicated across other States including Queensland and New South Wales. Thus, it remains to be seen whether any productivity gains will accrue to businesses reliant on this system for their training and development needs.

The White Paper's aspirations for Higher Education are positive. However, few in that sector would be happy to read about further reform as they grapple to absorb the deregulation of university places for local students and to mitigate a major downturn in international student enrolments. The removal of a cap on University places has already seen some universities struggle to fill classrooms and others to set the entry criteria so low it is difficult to see how this will build the capabilities

described in Chapter Six of the White Paper. Having 10 Australian universities in the top 100 worldwide by 2025 is an aspiration that may be possible to achieve depending on the indices used to measure success. For example, the QS Times ranking is more generous than the Academic Ranking of World Universities (ARWU) and the general view is that the latter is the only one that matters. With five Australian Universities currently in the ARWU top 100 (as of 2012), achieving the goals set out in the White Paper will require major research funding because top 100 status is predominantly measured in terms of research quality. This has now been undermined by the announcement that an already cash poor system is to absorb further major cuts making it among the least funded higher education systems in the western world. As Iain Martin reported in the *Australian Financial Review*... “just to maintain Australia’s standing in the global ranking probably requires a two percent annual improvement in performance, something that a 2 percent funding cut and increasingly intrusive legislation will hardly facilitate” (Martin, 2013, p.55).

Nevertheless, given that most research funding goes to the Group of Eight (Go8) universities, getting more of these universities up to the top 100 standard by 2025 would seem feasible, if significant additional research funding was provided. Currently a number of the five research hubs highlighted in the White Paper, which are funded collaborations with the CSIRO, are already working with Go8 universities. More important than how many Australian universities are ranked in the World’s top 100 rankings, however, are the benefits that are expected to accrue from this achievement. Among these are the development of capability within Australia, the attraction of international students from Asia to Australia and the development, through the five aforementioned research hubs, of commercial, innovative spin-off companies and products, particularly in the area of biotechnology.

Dealing firstly with the former, while boasting ten of the top 100 universities might be seen as positive, how this is to translate into a major opportunity for Australia is unclear. Firstly, although achieving research funding and increasing research can improve international rankings; this does not necessarily translate into better learning and teaching within universities. In fact, there are many who believe that the concentration on research leads to lower teaching standards. As a result, the link between top 100 universities and building capability among graduates is spurious. Indeed, this is more likely to increase elitism within Australian society which has the potential to undermine any perceived benefits. Secondly, if further research funding is to be diverted to Go8 universities there will be

less available to the other 32 universities, with a subsequent negative impact on learning and teaching. These are hardly the conditions that will attract international students from the Asian region to Australia in great numbers. Thus far, attempts to reinvigorate the international student market, which was decimated by a combination of poor policy, an overreaction to the opportunistic behaviour of some Registered Training Organisations (RTOs) and the high Australian dollar, have failed. The introduction of the recommendations of the Knight Review have yielded little or no improvement and the competitive edge granted to the US, Canada and New Zealand in the interim have reduced Australia's market share. Of more concern is that once these alternative options become established, just like trade routes of the past, it is difficult to change behaviour. At the same time, major increases in the cost of living, for example - such as increases in electricity prices - means that those receiving scholarships in their home currencies (as do many Thai, Malaysian and Indonesian students) find it difficult to survive and this undermines many of the predicted benefits of Australia's close position to Asia.

At the same time, universities within Asia are developing their own capability, with major investments across the region. Malaysia has upgraded many of its institutions to university status, as has Indonesia. There has been a move to send university academics from these countries overseas to achieve doctoral qualifications to support these upgrades but we are now seeing more universities in the region supporting their cohorts of higher education teachers and researchers by bringing in eminent professorial staff to mentor and guide them within their own institutions. This means that scholarship funding to study overseas will decrease and students will be encouraged to study in their own countries. Moreover, changes to curriculum in Europe under the Bologna agreement have not gone unnoticed in the Asian region. ASEAN, for example; which includes Thailand, Indonesia, Malaysia, the Philippines, Singapore, Brunei, Vietnam, Myanmar, Laos and Cambodia are shaping up to be a powerful, integrated union within South East Asia. This has the potential to negatively impact Australia's ambitions in education and in tourism. For example, ASEAN is currently developing a common core within the higher educational curriculum so that transferability within ASEAN nations can be seamlessly achieved. This means that students can add travel and an international dimension to their studies in much the same way that the Bologna agreement operates within Europe. These developments do not validate the White Paper's suggestion that

universities in Australia would be a major beneficiary of increasing wealth in Asia.

The White Paper predicts growth in a number of areas where Australia has export opportunities - such as agriculture, finance, mining and other services. While it is most likely that many of these, mainly private sector, businesses, will gain significant returns on shareholder investment, the same may not be the case for Australian taxpayers. In the following sections two important areas that are predicted in the White Paper to yield significant returns to Australia are examined. These are biotechnology and tourism. Australia's ambitions in biotechnology (first mentioned on page 124 of the White Paper) may also be difficult to achieve. The biotechnology industry grew out of university-based research and was supported by large companies. The industry therefore relies on strong functioning networks to flourish. A comprehensive study into the biotechnology industry in Australia, however, found that the 'tyranny of distance' along with a dependence on external support for ideas, start-up money and taking products to market was a major barrier to this industry (Gilding, 2008). The study further found that there are few countries where distance is more of an issue, that relationships with universities were limited and that the key players in the industry were located offshore. As a result, the benefits from biotechnology to Australia, if indeed these were to be realised, are more likely to accrue to large, overseas-based companies. As a CEO interviewed for the study put it, if anybody "... thinks he is going to take Australian technology, and develop it in Australia using Australian researchers, never moving outside the country, [...] is a fool ..." (Gilding, 2008, p.1143). With a key biotechnology hub already established in Singapore, the aims of the White Paper in the development of this industry are unlikely to be attained.

As noted on pages 40 and 97 of the White Paper, tourism is another key service industry that is expected to underpin Australia's economy within the Asian century. However, this industry also suffers from the tyranny of distance in that international tourist arrivals are invariably "long-haul tourists" (an industry term that denotes distance travelled). The Australian tourism industry has experienced peaks and troughs in demand along with crises, shocks, pandemics and natural disasters. Although a vulnerable industry, it is expected to grow (Rifai, 2011; Yeoman, 2008) particularly in the Asian Pacific region where a 6.5 percent annual increase is predicted to 2020 (WTO, 2001). Within the White Paper, capturing the Asian market appears to be based mainly on advertising tourism, which is an expensive strategy particularly when Tourism



Australia, which manages these campaigns, has been criticised in the past for missing the mark with its advertising. The Lara Bingle, “where the bloody hell are you?” campaign is one example. Curiously, Tourism Australia’s more recent promotions have included heavy investment in the Australian movie industry as well as attracting Oprah Winfrey and Ellen DeGeneres to host their shows in Australia. These initiatives provide significant television exposure for Australia. Nonetheless, the audience is mainly American and Australia does not host American tourists in large numbers. At the same time, future tourist arrivals from Europe are forecasted to either decrease or weakly increase in the next few years and current forecasts would suggest that tourism to Australia from most Asian countries is likely to decline from 2014 (Turner, 2012).

Table 4 shows the forecasted outbound tourism Average Annual Growth Rate from a number of Asian countries to 2014. As well as where they are expected to go. The table shows America will gain most from Asian outbound tourism with Australia (which is grouped within the Pacific region) reliant mainly on Chinese travellers. Within what is shaping up to be a competitive market, it is difficult to see the link between the Chinese traveller and American TV shows as suggesting that a more focussed strategy will be required to reap the benefits of the Asian Century for Australian tourism. Moreover, given that Australia’s tourism eggs are firmly in one basket then, the relationship with China is crucial to its success.

**Table 4.** A Comparison of Average Annual Growth Rate (AAGR) Percentage of Outgoing Travellers from East Asia and India

	<b>Americas</b>	<b>Asia</b>	<b>Pacific</b>
<b>Chinese travellers</b>	16.04	12.62	11.27
<b>Taiwanese Travellers</b>	0.67	1.85	0.26
<b>Hong Kongese Travellers</b>	3.25	1.49	1.99
<b>Japanese Travellers</b>	0.39	3.34	-8.07
<b>Korean Travellers</b>	4.17	6.32	-3.09
<b>Indian Travellers</b>	3.39	9.43	3.64

Source: Turner (2012).

## 6. WHAT THE WHITE PAPER SAYS AND WHAT IT DOES NOT

With over 350 pages of carefully crafted phrases the document brings together Australia's current economic reality with China and presents this with an excess of fanciful spin and expectations for the future. The document acknowledges the pace of GDP growth across China, India, Korea and other Asian countries, omitting Japan, no doubt due to its struggling economy and disappointing economic predictions over the coming years. The White Paper has made the assumption that economic growth rates can continue into 2025 based on the last ten years of growth. Many observers are less confident that both China and India can sustain these high growth rates. Some of the processes that drove the economic growth of these economies are no longer present and the global economic crisis that erupted in 2008 continues to rock Europe, the United States and Japan, Asia's principal markets. This is taking its toll on global growth rates and especially growth rates in key Asian markets. World Bank data and forecasts for 2012 indicate that the Asian economies excluding Japan and India will be 7.2 percent, down from 8.3 percent in 2011. China is expected to grow by just 7.7 percent, compared to 9.3 percent last year. Indian growth will be about 6 percent, down from more than 8 percent.

Australia is seen as fortunate to be in the vicinity of these economic powerhouses which, for now, continue to access Australian resources. As a result, Australia finds itself in a privileged position, but it would be fair to say that this is not based on carefully crafted relationships rather it is another manifestation of Australia's status as "the Lucky Country".

Demand for minerals has driven the Australian economy and allowed Australia to survive the global financial crisis, thus far, without recession. While mining continues to comprise about two thirds of Australia's exports to Asia, and even more so to China, there are some bumps on the horizon, which according to Rowan Callick in the *The Australian*, the Labor Government had chosen to overlook. The mining boom in its iron ore centrality is no longer reliable and, according to some pundits, is slowly declining. Callick asserts that:

“... the Labor government ignored warnings of China's economic slowdown and that recent economic data on China's economy has been overlooked because Canberra has placed China firmly in the frame for our economic woes, its slowing is portrayed as an utterly expected event” (Callick, 2013, p.24).

But the White Paper argues that once this boom has passed, Australia must become more competitive selling other goods and services to affluent Asia, such as food, education, health and financial services. Clearly the author of the White Paper, Ken Henry, wants Australia to jettison the “dismal thinking of the past” and also the tyranny of distance from its old partners in Europe and America, and to “embrace its geography” creating major markets for Australian goods closer to home.

In Australia, much commentary and criticism has been levelled at the shortcomings of the White Paper mainly based on a lack of commitment to providing the financial resources to fund the initiatives presented within the document. Former Victorian Premier Ted Ballieu directly attacked the Labor government for “... inconsistency in its statements of support for greater engagement with Asia but then cutting the budget for trade officials and export grants” (Dunckley and Earl 2012, p. 6) and for renegeing on a commitment to opening Embassies and Consulates throughout Asian countries. The recent cuts to higher education are another example, of a schizophrenic, naive view that improvements can be made without funding. Another damning criticism is the extent to which narrower Labor government policies permeate the White Paper departing from the bipartisan approach of past White Papers. While the White Paper has reaffirmed the US at the centre of the regions security axis, at the same time it dismisses the key economic roles which both the US and the European economies play in maintaining a strong Australian economy. Little mention is made of the key role which American and British investment play in growing the Australian economy.

The White Paper, therefore, which was intended to be a visionary statement, seems to contain little of that. It sees Australia’s economic advantage yet again as a minerals in the ground seller, a product of luck and fortune blowing in the winds of fate rather than a country endowed with any particular leadership, vision or talent to navigate the Asian Century. The report positions Australia as an outsider in a distant relationship with Asia bereft of trust or commitment. The framework presented is built around exploiting its mineral wealth as a seller in good times as the Asian tiger economies continue to grow rapidly. What the document fails to tackle is the strong possibility that the world will not remain positioned in a manner to benefit Australia. During the 1970s and 1980s Japan was a significant player in Australian economic life but withdrew in the 1990s due to the collapse of the Japanese economy. There is little reason to think that China could not respond in the same way. The report also fails to acknowledge competition from other western countries particularly the US and Europe who are also vying for

Asian business, creating trade agreements, trading blocs and no doubt developing their own White Papers to support them. Equally, if not more worrying, is recent speculation about economic decline among Asian economies. UBS senior economic advisor George Magnus has publicly posited the question "Is the Asia miracle over?" In his view "slightly slower growth and relatively disappointing equity returns over the last 18 months should be of fleeting concern" (*Asia Today International* 2012, p. 8). Although the Japanese economy currently appears to be returning to growth, being dependent upon more monetary easing may mean that this growth is not sustained. Australia can benefit from economic improvements in Japan. Indeed, Japanese investment in Australia has gradually increased over the last two decades into a diverse portfolio that includes Toyota, Paper Australia (in 2009), and Dairy Farmers (Joint Standing Committee on Foreign Affairs, defence and Trade, 2013). This suggests that two-way trade relationships, such as that which is foreshadowed in the Australia/Japan free trade agreement currently under negotiation, are likely to be more enduring than the one way trade flows suggested in the White Paper.

## **7. HAUNTED BY PAST LEGACIES**

The overly optimistic view of the White Paper has also been criticised in a comment entitled "Dark side of white paper", by *Australian Financial Review* commentator Geoffrey Barker, who noted that: "The white paper sees but does not stress the dark side of international relations. Security is hardly mentioned until the eighth chapter and the tone stays determinedly optimistic." Barker lists the potential triggers for conflict including a clash between the US and China, noting that "neither trade and financial integration, nor economic independence" prevented the outbreak of the First World War.

The best judge of how Australia is viewed in the region comes from the region. Building on his comments noted earlier, Hunter's observations from Indonesia take on a sarcastic note:

“After decades of successive government foreign and trade policy, Australia still does not have any embedded position within the region. The influence of Australian business and financial institutions in the region is minor, nowhere near the critical mass needed to become a competitive force in the region. The only exception is in the mining sector, which to all intents and purposes has made the Australian economy very dependent upon demand in Asia, particularly China” (Hunter, 2012).

For at least 40 years policymakers here have grappled with the chapter’s groundwork on how to focus Australia more closely on Asia. Over that time, Europe’s dominant place in immigration has waned. Seven Asian countries figured among Australia’s top ten sources of migration in 2011-12. India and China occupied first and second place respectively and mandarin has replaced Italian and Greek as the most commonly spoken languages in Australia after English. Cultural hurdles linger in the path of the white paper’s aspirations for closer Asian integration. A survey by Certified Practising Accountants (CPA) Australia, an accounting body, found that Australian businesses (except mining and farming) typically rate Asian markets less important than domestic ones. Australia, it says, risks being a spectator rather than a player in the Asian Century.

In the 1990s, Prime Minister Paul Keating stated that Australia was part of Asia and made a concerted effort to embed Australia within the region. However many of these gains have been perceived to have been lost when John Howard came to power in 1996, reaffirming the Canberra-Washington link and in so doing, earning the label for Australia as the US’s deputy sheriff in Asia. Australia’s relationship within the region, as presented in the White Paper, is one where Australia needs the region more than the region needs Australia. The Australian market is small compared to other markets and of little interest to regional exporters who prefer to put their efforts into the larger markets like China, Japan, the European Union and the US. White Papers aside, therefore, it is action and not words that will be important in realising the White Paper agenda and China and the region will be surprised to see any real change in Australia’s outlook, despite the emphasis in Chapter Nine of the White Paper on relationship development, “closer people to people links” and “vibrant cultural connections”.

One of the paramount barriers that must be overcome is the deep set belief that Australia's cultural values are not necessarily universally accepted across the region. In other words, it's not simply about learning Asian languages but about understanding different points of view, approaches, and "mindsets". Austro-centrism must, therefore, take a back seat in relationships around the region for Australia to be seriously considered a member of the region.

In this respect, the White Paper is still haunted by Australia's past. Maybe it's time for Australia to climb out from under the US security blanket and become a mature and independent nation within the Asian region. However, one fears that the emphasis on the promise of a rise in real income from the "Asian Century" initiative, suggests the document has been developed to pander to the domestic electorate. More worrying is the fact that, within the White Paper, Asia is seen only as a means for income levels in Australia to become among the top 10 per-capita incomes in the world. Under these circumstances therefore, the White Paper is positioned as a promissory note to be cashed in for a better future within Australia at some later stage in the Asian Century, this based upon the misconception that internal capacity building will make Australia more competitive in Asia. Thus the opportunity to "come of age" and develop a real strategy to engage within the region would appear to have been lost, a position that is confirmed by *The Economist* as follows:

Ms Gillard steered clear of the white paper's views on a key issue occupying foreign-policy: how Australia should manage any conflict between America, its closest strategic ally, and China, its biggest trading partner. Australia, the paper says, welcomes China's rise and accepts that its military growth is a "natural, legitimate outcome of its growing economy and broadening interests"; any cold-war-type containment of China would not work. A recent poll by the Lowy Institute, a think-tank, found a majority of Australians do not see China as a likely military threat (*The Economist*, 2012).

## 8. SECURITY CONCERNS

The White Paper devotes a chapter to strategic considerations, noting in particular that Australia "will work with the United States to ensure it continues to have a strong and consistent presence in the region." It points out that the economic emergence of China and India has the

potential to generate tensions and rivalries and that the many regional flashpoints create “the danger of miscalculation and accident”. But it dismisses the danger of war, by declaring that “Beijing and Washington both want to develop constructive relations and avoid conflict: their governments have consistently said so.”

The document reaffirms Australia’s loyalty to the United States and hints at the historic role of the US as Australia’s saviour. There has been a total commitment from successive Australian governments through the Cold War until the present time to US foreign policy as a result of US military aid in World War II. This has come at the loss of Australia’s individual identity in Southeast Asia. In contrast, China is now so important to Australian trade, investment, and tourism that Australia could be in danger of being ignored by China as a result of its staunch loyalty to the US. Since Prime Minister Gillard’s 2013 visit to China, however, there has been a change in Government rhetoric, which Kerin reports “as part of its softer line on China...”. Kerin believes that there is a move away from the government’s defence strategy, articulated in the white paper and that the Government is expected “... to assert that Australia does not have to choose between its security guarantor, the United States and its biggest trading partner China” (Kerin, 2013, p. 5).

No doubt China would prefer to deal with an Australia with a mature and independent foreign policy rather than an enthusiastic promoter of US foreign policy. In essence, Australia needs to decide whether the ties that bind will be geographic and based on developing unconditional relationships or hark back to yesteryear. Perhaps Australia can learn from the Indonesian approach of dynamic equilibrium, a doctrine where Washington and Beijing would agree to co-exist rather than compete for supremacy in the Asian region. These issues were extremely sensitive for the Gillard government, a point that was underscored in the *Australian* which reported that the Labour Government took the extraordinary step of ordering a major, last-minute rewrite of the White Paper by Allan Gyngell, from the Office of National Assessments. This key intelligence agency was apparently consulted because of concerns about the original draft, because it had “initially overlooked the continuing role of the US in the region”. Gyngell, it was reported, was called in to assist in making the document palatable to Washington. The omission was not accidental. By emphasising the economic imperatives confronting Australian capitalism, the White Paper necessarily focussed on its most dynamic economic partnerships, which lie in Asia, above all in China, and not with the United States (although it is acknowledged that the US is still our biggest source of FDI). Yet it would appear that Australian-Asian relations are, to

some degree, threatened by Washington's drive to maintain a dominant position in the region at the direct expense of China (Fullilove and Oliver, 2013). Some among Australia's business elite appear to agree with this view and are cynical of the government's espoused priorities in relation to trade and the development of relationships in the region. As a result, they have determined to develop their own alliances especially with China. Casino mogul James Packer for example recently lambasted Australian policy makers for continuing to define China through the eyes of the cold war (Kitney, 2012). His view was supported by other Australian business personalities such as Kerry Stokes, whose main concern was the harsh opposition towards certain Chinese investment proposals in Australia and antagonism from certain conservative politicians such as Barnaby Joyce, suggesting a lack of trust in Australian-Asian relationships.

Far from being a roadmap to a century of peace and prosperity, therefore, the document's glaring omissions underline the precarious position of Australian capitalism as it attempts to straddle the growing strategic antagonism between the US and China, while at the same time struggling to keep economically buoyant as Europe and the US slowly recovery from the global economic crisis. Insofar as the White Paper outlines a strategy, it is to assist Australian businesses to become ever-more "internationally competitive".

## **9. CONCLUSION AND IMPLICATIONS**

Our conclusion centres on whether "Australia will be a more prosperous and resilient nation, fully part of the region and open to the world" (Gillard p. 5). Given the polarity between Australia's history within the region and that which is portrayed within the White Paper, one could be tempted to conclude that Australia is schizophrenic. Certainly history would suggest that, on many occasions, Australia has perceived its location as a geographical constraint and that there is another place where it would rather be. Australia has, for the most part, perceived itself to be a western nation, with western values captured within an Asian perimeter and relationships have neither been longstanding nor friendly. It is also important to remember that Australia has only recently disengaged from the cold war framework of Asia and embraced an economic opportunities approach to relationship development within the region. However, as a new-world country Australia has made its mark on the global scene in a relatively short time and is now commanding global attention for its economic prosperity in trying financial times. This critique suggests that there is still much work to be done in relationship development and to



progress Australia's standing in the region so that future engagement is based on trust and friendship rather than purely economic imperatives.

It is important to acknowledge that Australia punches above its weight in terms of living standards, equity and social inclusion and these are the values that make a difference. Thus, Australia in the Asian Century must emerge as a regional leader using its position to bring nations together, share in regional success and promote the very values that have placed this nation in this unique and enviable position. The White Paper fails to deliver on this potential, overstating capability and capacity, particularly in the areas of skills, education, innovation and relationship development and presents a number of unrealistic expectations with little or no apparent intention to fund the fundamental initiatives required to deliver on the promises contained in the document.

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