

# **Australia's diplomatic dustup with China threatens its number two export industry: Education**

Australia's relationship with its top trading partner, China, is suddenly on the rocks. Echoing the Russian election-meddling scandal in the US, Australia's Prime Minister Malcolm Turnbull has accused China of interfering in Australian politics as Australian Senator Sam Dastyari has been forced from office over allegations of Chinese influence-peddling. Australia's spy agency, the ASIO, reportedly believes that several Australian politicians have links to Chinese intelligence services.

Turnbull's accusation attracted a sharp rebuke from China, which suggested that Australia's "hysterical paranoia" was "full of racial overtones." The head of the Chinese Navy then accused Australia of jeopardizing regional security with its participation in US-led naval exercises and its condemnation of China's artificial island-building in the South China Sea. China is also angry that Australia hosts a U.S. Marine Corp rapid response force in Darwin, the Australian city that is closest to East Asia's conflict hotspots.

Meanwhile, a moral panic has broken out over Chinese influence in Australian universities. The ASIO has warned of improper Chinese influence on campus, two Australian cabinet ministers have weighed in with concerns, and the top university trade body has admitted that a problem exists. Separately, a book written by Australia's most prominent critic of Chinese influence, Professor Clive Hamilton of Charles Sturt University, has been quashed by its publisher out of fear of Chinese legal retaliation.

## **Nightmare on Marcus Clarke Street**

Down on Marcus Clarke Street in Australia's capital Canberra, the worries are very different. Marcus Clarke Street is the home of Australia's Department of Education and Training (DET), which oversees the education of 1.3 million students at 38 public universities. Roughly a quarter of those students are from overseas, the lion's share from China.

Australia's dependence on overseas students gets deeper the deeper you drill down into the numbers. Though foreigners make up only a quarter of the student population, they accounted for 29% of equivalent full-time student load (EFTSL) in 2016. Total EFTSL at Australian universities is rising by 3.2% per year, but overseas student EFTSL is rising at a rate of 8.6%. In 2018 it is likely that one in every three students in a typical Australian university classroom will be foreigners.

EFTSL is the magic number of university financial health and DET's biggest concern. Australia doesn't report EFTSL by nationality, but Chinese nationals account for roughly 10% of all Australian university students. Since Chinese students are much more likely to attend full-time than local students, they probably account for one-eighth of all seats in Australian classrooms. And they account for an even larger proportion of income.

In Australia, as in most countries, foreign students pay much higher tuition fees than domestic students. Australian universities are noticeably hush-hush on revealing their level of dependence on Chinese student dollars, but one Australian state looked into the situation earlier this year. Data from the NSW Auditor-General show that overseas students now contribute more than domestic students to university income, at least in Australia's largest state, New South Wales (the state that includes Sydney).

### **Stand up, or stand down?**

Australia's extreme dependence on Chinese students creates a serious economic and foreign policy dilemma. Australia's Prime Minister Malcolm Turnbull can go on TV to declare (in Chinese!) that the Australian people will stand up to China, but what will he do if Chinese students stand down from Australia's publicly-funded universities? Where will they find the EFTSL to survive?

Australian universities are desperate to diversify by attracting Indian students, going so far as to lobby for a special visa category to let them stay in Australia after graduating. India is now the world's second largest source

of international students, but it is still a long way behind China. And many Indian students have been scared away from Australia by extensive media coverage of a spate of attacks on Indian students in Melbourne.

The Chinese government has been known to use the withholding of tourists as a tool of economic diplomacy. It could in theory do the same with students. But it might not have to. Bad publicity in China combined with the poor treatment of Chinese students on campus could lead to a voluntary exodus of Chinese students from Australia. It's every administrator's nightmare, and DET's biggest fiscal threat.

Education is Australia's number two export industry. Just like mining, the number one, it is highly dependent on the Chinese market. But public opinion plays little role in where people buy their iron and coal. It is crucial for education. Obviously, Australia must ensure the integrity of its political system against international influences. But if in the process it demonizes Chinese students, the Australian university system may find the resulting EFTSL deficit difficult to fill.

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