

Are Australia's universities over-reliant on China?

IRU briefing note

Overview

Federal Parliament's Parliamentary Joint Committee on Intelligence and Security (PJCIS) is currently conducting an inquiry into [national security risks affecting the Australian higher education and research sector](#). Some [submissions](#) to the inquiry focus on the perceived risk of Australia's international education industry relying too heavily on China.

"[T]here is a need to diversify Australia's intake of international students, with a focus on students from nations socially, politically and strategically aligned to ours. This will only serve to strengthen Australia's relationships with its key allies and drive mutually beneficial partnerships." - Cyber Security CRC submission to PJCIS inquiry¹

In 2019, 133,000 Chinese international students studied at universities in Australia, making up 13% of all enrolments.² In monetary terms, China is the biggest international student market for Australia, representing 31% of its international education 'exports' in 2019.³

China is undoubtedly an important market for international education. However, IRU analysis shows that many industries considered essential to our economy depend on China at a much higher rate than education – yet do not attract anything like the same level of rhetoric and concern from politicians and other interested commentators.

For example, Australia sells 47% of its minerals and fuels to China including 82% of its iron ore, 36% of its copper and 33% of its natural gas.

Agriculture and fishing industries derive 32% of their income from China.⁴

Many of these sectors, notably mining, service export markets for the bulk of their product. Universities remain primarily a service for Australians, with international income making up less than 30% of all revenue, and hence China provides under 10% of universities' revenue.

Why is it, then, that education providers face so much criticism from sections of the Australian community about their reliance on China when other sectors are more reliant? Ironically, the 'over-reliance on China' criticism is often levelled at universities by parliamentarians who concurrently celebrate mining and agriculture as an Australian success story, apparently with no such similar

¹ <https://www.aph.gov.au/DocumentStore.ashx?id=bf3db46c-dd67-4a6e-bc73-6c291a3b6138&subId=699796>

² IRU breakdown of Universities Australia data on international student numbers

³ All education providers, so includes vocational education, schools, English language as well as universities – though universities represent the vast majority of international intake.

⁴ The figures used in this briefing are for 2019 unless otherwise specified, the last 'normal' year before the COVID-19 pandemic hit. Additionally, ongoing trade tensions between Australia and China may separately impact on the proportion of manufacturing exports going to China in future years.

concerns about Chinese dominance of Australia's export market. It is as if the idea of universities as successful organisations providing education and research to the world is a problem for some.

Think-tanks the Institute of Public Affairs (IPA) and the Centre for Independent Studies (CIS) have been outspoken about universities' reliance on Chinese markets, yet without having voiced the same concerns about the resources sector. Everybody is entitled to an opinion. However, there does seem to be a double-standard in some instances when it comes to views on the higher education sector.

The IRU also argues the value of international students goes beyond revenue to education providers such as universities. International students spend on accommodation, food, travel and entertainment, providing valuable support to a wide range of other industries while they are here. The Australian Government estimates that international education supports at least 250,000 jobs in the broader Australian economy.⁵

Rather than simply shipping a product offshore, international education attracts students from over 150 countries to come here and contribute to Australian society, sharing their cultures, languages and histories with Australians. We gain far more than money as a result.

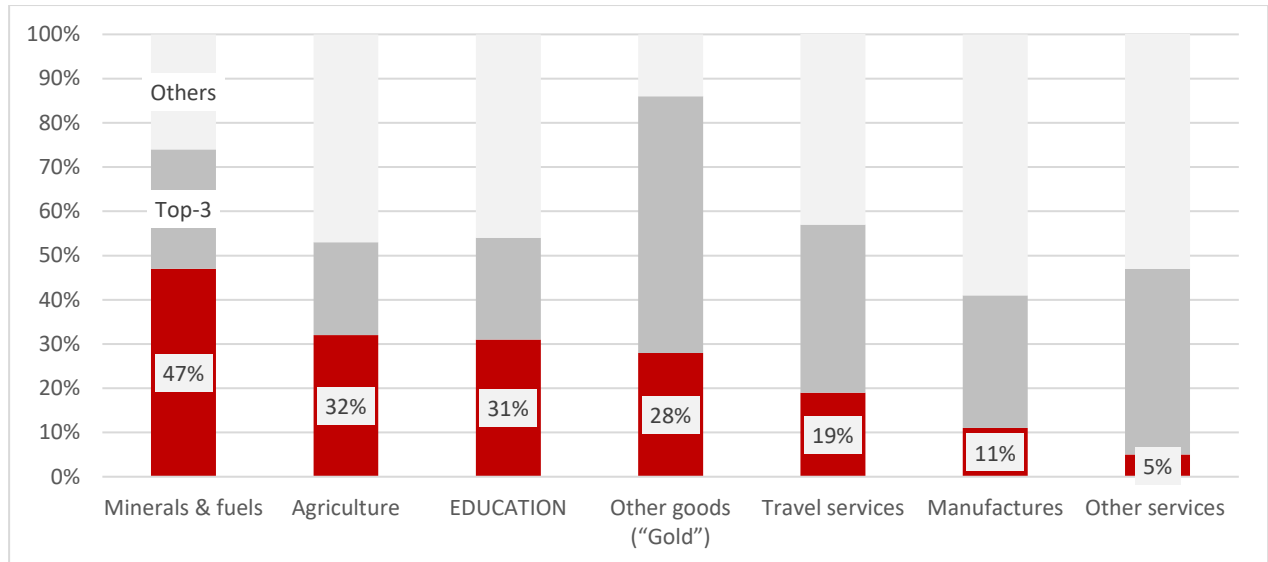
Additionally, higher education draws its international students from a far more diverse list of countries than other export industries. Several countries in Australia's top 10 international student markets are not in the top 10 countries for overall exports (e.g. Vietnam, Pakistan and Colombia – see Table 2 and Table 3 below).


The IRU does not suggest that China is not a big market for Australian education; the numbers are plain for all to see. However, we make the case that politicians and other commentators who wish to criticise this fact would be better targeting other sectors with an even higher concentration on the Chinese market.

⁵ <https://ministers.dese.gov.au/tudge/supporting-international-students-support-australian-jobs#:~:text=International%20students%20are%20extremely%20important,to%20become%20great%20Australian%20citizens.>

Key facts

Figure 1. Proportion of Australian trade by export sector, 2019.



 = China  (including red) = Top-3 trading partners

Sources: DFAT 2020, [Country and Commodity Pivot Table](#); ABS 2020, [International Trade: Supplementary Information, Calendar Year](#)

- In 2019, Australia generated \$390 billion in merchandise export revenue and \$102 billion in trade in services. China was responsible for buying 38% of merchandise and 19% of services.
- International education exports were \$40 billion in 2019 (40% of all services), with 31% of revenue from China, 16% from India and 7% from Nepal.
- International education exports are a relatively small part, 8%, of Australia's trade with China. Education is more important to Australia's trade with India (21% of total trade) and other countries in our region, such as Vietnam (17%), Malaysia (12%) and Indonesia (11%).
- The international education sector's success and hence reliance on China is similar to manufacturing export sectors, and so too is Australia's concentration of 55% of international education exports in its top-3 markets.
- The Minerals and fuels sector is more concentrated and reliant on China, which comprises 47% of Australia's main export category worth \$253 billion in 2019. Along with Japan and Korea, 74% of exports are to Australia's top-3 trading partners.
- Agriculture exports are larger than education (\$53 billion), but with similar reliance on China (32%) and with 52% of exports to the top-3 countries.
- Australia's manufacturing exports are less concentrated, with the USA as the main export market (17% of \$55 billion) and 42% of exports to the top-3 countries.
- Australia's non-education related travel services (\$25 billion) are less reliant on China (19%), with 38% from the top-3 countries, including New Zealand (10%) and UK (9%)

Australia's merchandise, education and services exports in 2019

In 2019 Australia's merchandise exports were \$390 billion, with minerals and fuels comprising roughly two thirds of merchandise exports (65%), manufacturing comprising 14%, agriculture 14% and other goods 7%. "Other goods" contains only one sub-category for gold.

By comparison, education exports were \$40 billion in 2019, of which higher education was 69% and vocational education was 20%. Travel services (excluding education) were \$25 billion in 2019 and other export services, which includes a diverse range of business-related services, were \$36 billion.

Table 1. Australia's exports, reliance on China and top-3 trading partners by export sector, 2019

Industry sector	Export revenue (\$m)	% from China	% top-3 countries
Minerals & fuels	253,130	47%	74%
Agriculture, forestry & fisheries	52,763	32%	53%
Other goods ("Gold")	29,192	28%	86%
Manufactures	54,817	11%	41%
Total merchandise exports	389,902	38%	60%
Education	40,366	31%	54%
Travel services (excluding education)	25,416	19%	38%
Other services	36,354	6%	45%
Total services exports	102,106	19%	36%

Sources: DFAT 2020, [Country and Commodity Pivot Table](#); ABS 2020, [International Trade: Supplementary Information, Calendar Year](#)

China is Australia's main export market, comprising 38% of total merchandise exports overall, including 47% of minerals and fuels, and 32% of agriculture. Japan is the second most important export market overall (15% of the total) and for minerals and fuels (19%), and agriculture (12%). Manufacturing is less concentrated with USA (17%) and New Zealand (13%) the main export markets. The UK is the main export market for other goods or gold (42%).

The education sector sits roughly in the middle in its reliance on China at 31% of total education exports and 54% concentrated in the top-3 countries, with 16% from India and 7% from Nepal. Australia's non-education related travel services (\$25 billion) are less reliant on China (19%) and with 38% from the top-3 countries, including New Zealand (10%) and UK (9%).

In other services, Australia is not as reliant on China (5%), but 45% are generated from the top-3 countries of USA (24%), New Zealand (11%) and Singapore (10%). Within certain sub-sectors concentration is relatively high, including 59% of all insurance exports from New Zealand and 36% of all IP revenue from the USA, but few other services have strong reliance on China.

Table 2 Australia’s merchandise exports by sector for top-10 export countries, 2019

Country	Agriculture	Minerals & fuels	Manufacture	Other (“Gold”)	Total (\$m)	% total
China	32%	47%	11%	28%	149,229	38%
Japan	12%	19%	4%	7%	57,712	15%
R. of Korea	6%	8%	3%	3%	25,988	7%
UK	1%	0%	4%	42%	15,357	4%
USA	9%	0%	17%	4%	15,192	4%
India	1%	5%	1%	3%	14,194	4%
Taiwan	2%	4%	2%	1%	12,844	3%
Singapore	2%	2%	4%	16%	11,936	3%
New Zealand	3%	0%	13%	2%	10,291	3%
Malaysia	2%	2%	4%	4%	9,040	2%
Hong Kong	2%	0%	3%	14%	7,520	2%

Breaking the merchandise exports into sub-sectors, the top-10 sub-sectors comprise roughly three quarters of total merchandise exports (\$287 billion, 74% of total). Iron ores and concentrates is the largest sub-sector (\$96 billion), followed by coal (\$64 billion) and natural gas (\$49 billion). Education is the fourth largest export sector overall (\$40 billion), above gold, which is the fourth largest merchandise export (\$23 billion), and roughly four times the size of the beef sector (\$11 billion).

Compared to Australia’s top-5 sub-sectors of merchandise exports, the education sector sits roughly in the middle in its reliance on China. In order of total exports, China comprises 82% of iron ore, 21% of coal, 33% of natural gas, 13% of gold and 25% of beef. Outside the top-5, China also comprises 36% of copper ores and 24% of non-beef meats. Japan is the main export market for the energy sub-sectors of coal (27%) and natural gas (41%).

Table 3. Education export income by country, 2019

	(\$m)	%
China	12,655	31%
India	6,403	16%
Nepal	2,973	7%
Vietnam	1,449	4%
Malaysia	1,372	3%
Brazil	1,050	3%
Indonesia	1,009	3%
Rep. of Korea	997	2%
Pakistan	822	2%
Colombia	820	2%
Rest of world	10,786	27%
Grand Total	40,336	100%

Table 4. Australia's education exports (\$m) and as a % of total trade, selected Asian countries, 2019

	China	India	Nepal*	Malaysia	Vietnam	Indonesia
Education	12,655	4,573	2,137	1,405	1,343	899
Total services	19,346	7,593	N/A	2,660	1,801	1,786
Total Manufacturing exports	149,229	14,194	39	9,040	6,130	6,263
Total	168,575	21,787	7,931	11,700	7,931	8,049
Education as % of total trade	8%	21%	98%*	12%	17%	11%

* No data available for non-education services with Nepal.

25 January 2021