

**Tom Switzer, Draft remarks for China Matters 1st National Meeting,
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OUR HISTORY AND FUTURE

Australian policymakers and politicians alike face this central task in coming decades: how to reconcile our deepening commercial relations with our largest trade partner China and deepening security ties with our most important strategic ally the U.S.

In meeting this challenge, we will need to learn to ride two horses simultaneously – a difficult diplomatic feat, for which our history has not provided clear guideposts.

From our birth as a nation state in 1901 -- and indeed before that when we were still a collection of colonies far removed from the rest of the Western world -- Australia has always sought a close association with a great power, with which we share values and interests.

For the first half of the 20th century, a declining but still formidable Britain filled that role.

Then for a decade or so it was shared by Britain and America.

For the last 60 years, it has been performed by the U.S. alone.

The U.S. alliance continues to command broad bipartisan and public support for good reason: it serves real and substantial interests, such as Australian access to U.S. intelligence, military technology, the security guarantee, and the need for what Sir Robert Menzies called “a great and powerful friend.”

To be sure, our two nations have had our fair share of disagreements. Just think of China trade following the Communist Revolution in 1949; Nasser's nationalisation of Suez canal in 1956; Indonesia's annexation of Dutch New Guinea in 1962; and the clash between Gough Whitlam and Richard Nixon that, according to James Curran's new book *Unholy Fury*, nearly culminated in Washington scrapping ANZUS in 1974.

Such tensions aside, the U.S. alliance has been the centrepiece of Australian foreign policy -- informally since those desperate days of 1942-45 (the only period when our existence and independence was at serious risk) and formally since 1951 when the ANZUS Treaty was signed in San Francisco.

In recent years, the U.S. has deepened its military and intelligence engagement with Australia.

Indeed, as Bates Gill and I have argued in *Foreign Affairs* recently, Australia figures more prominently in U.S. foreign policy than at any time since Australian combat troops served under General Douglas MacArthur in World War Two.

The level of bipartisan support in Canberra for the U.S. alliance is higher today than even after September 11.

But although the U.S. alliance will endure, we need to recognize that the rise of China increasingly means different things for Canberra and Washington.

For the Americans, its main significance is the emergence of a strategic rival; for us, it is the opportunity for a rewarding trade and commercial partnership.

Australia now exports more to China than the U.S. by a ratio of more than six to one.

A Lowy Institute poll last year said China was “Australia’s best friend in Asia” (slightly ahead of Japan).

That might explain the cautious progress on securing the Force Posture Agreement last August, which provides the legal basis for the rotation of U.S. Marines near Darwin that was announced three years earlier.

It might explain why Canberra has been so keen to stress that enhanced security cooperation with Washington is not aimed at containing China.

Or why Canberra invited Chinese soldiers and U.S. soldiers to conduct a trilateral joint exercise on Australian soil, which they did for the first time last October.

Or why Canberra was so keen to kill last week’s story that the Pentagon was in the process of sending B-1 Bombers to northern Australia.

Or why then-defence minister David Johnston’s frank remark last June that ANZUS would not apply to any Sino-American conflict was not treated with the kind of hostility and ridicule that met Alexander Downer’s equally candid remarks a decade earlier.

Think about this.

In mid-2004, then-foreign minister Alexander Downer said Washington could not expect Australia to automatically side with the U.S. if China attacked Taiwan.

In mid-2014, then-defence minister David Johnston made more or less the same remarks, only this time they were in relation to any Sino-American confrontation.

But the response from the media and political class was strikingly different.

The reaction to Downer's answer to an ABC journalist's hypothetical question in 2004 was overwhelmingly hostile.

Defence expert Paul Dibb warned Downer's gaffe had QUOTE "threatened the very fabric of Australia's alliance with the U.S."

Labor's foreign affairs spokesman Kevin Rudd chided: QUOTE "One rolled gold diplomatic disaster."

According to *The Australian's* Greg Sheridan: QUOTE "Grievous, foolish, needless."

The U.S. ambassador Tom Schieffer – brother of the aforementioned veteran journalist Bob Schieffer -- slapped down Downer, making it clear he expected Canberra would help Washington in any military conflict in the region.

The ABC's *World at Noon* and *Lateline* rolled out Ronald Reagan's former China policy expert and Taiwan's deputy foreign minister, respectively, to condemn the besieged foreign minister.

One ABC journalist even took Downer's gaffe as a sign that QUOTE "Australia will choose China over the U.S."

It was left to the prime minister, John Howard, to calm things down. Australia, he cautioned, would work hard to resolve any conflict between

China and America, because relationships with both nations were in our interest.

But Johnston's response to an ABC journalist's hypothetical question in 2014 met hardly any notice, much less scorn.

No front-page newspaper stories. No editorials. No ABC television and radio coverage. No prime ministerial intervention to clarify Johnston's remarks.

The point here is that China matters more to us than ever before, which means that in certain circumstances we will qualify our support for the United States.

CHINA'S RISE

We are all too often told that global stability will be shaped by how the world's established power (the U.S.) handles the rising power (China).

Harvard's Graham Allison notes that since 1500, of the 15 cases where the transition of power has taken place, 11 times the result was a war.

Whether China's rise confounds history has a claim to be one of two key questions of our time.

Opinion varies.

One school of thought believes China will be a status quo power, unable or unwilling to overturn the regional peace that U.S. strategic dominance has ensured for decades.

Among other things, China is so focused on maintaining high economic growth rates while holding together a vast and disparate people.

This is why the outgoing ONA director-general Peter Varghese predicted in 2009 that China was QUOTE “more likely to become self-absorbed than to act aggressively.”

By this logic, a nation that has suffered invasion, civil war, mass famine, political purges and chaotic upheaval during the past 80 years is no mood to be an aggressively expansionist power.

So to treat China as a national security threat will contribute to making it one.

This view was held by, among others, Malcolm Fraser.

Another school of thought is that China’s rise won’t be peaceful, that the People’s Republic will be a revisionist power that threatens and eventually overturns the regional order.

If China’s economy continues to grow at an impressive rate over the next few decades, the argument goes, Beijing could try to push the U.S. out of Asia, just as America pushed the European great powers out of the Western hemisphere in the 19th century.

Diplomatic history shows that a rising state’s definition of vital interests grows as its power increases. Over time, it attempts to court neighbours with economic inducements and use its growing military muscle to assert a sphere of influence and keep out foreign forces that are invariably seen as a potential security threat.

The appropriate U.S. response, according to scholars such as University of Chicago’s John Mearsheimer and Harvard University’s Bob Blackwill, is to beef up U.S. security commitments in the region in order to contain China.

I take a different view.

Both the engagers (who believe China's rise will be peaceful) and the containers (who believe its rise will be anything but) make sound points.

But neither school of thought presents a satisfactory policy response for a middle power such as Australia whose interest lies in the preservation of the status quo.

The former understates China's capacity to upset the regional equilibrium; the latter exaggerates China's ability to impose its will and leadership on the region.

(As an aside, I readily concede the existence of other schools of thought, which emphasize qualified and nuanced versions of the aforementioned arguments. Nonetheless, the engagement and containment schools are broadly where thinkers increasingly fit.)

Those who take a benign view of China's rise need to recognize the widespread fears about its conduct in the South China Sea.

China, exercising what it sees as the traditional prerogatives of a rising great power, has built artificial islands hundreds of kilometres off its coast, in waters claimed by several other nations.

It has transformed tiny reefs into potential homes for Chinese military assets.

And it has used military, coastguard and civilian vessels to challenge territorial rivals and extend its strategic reach.

That is why South-East Asia is so uneasy.

Who would have thought Vietnam, America's Cold War foe 40 years ago, would clamour for U.S. security guarantees?

Or the Philippines, the former U.S. colony that kicked the U.S. Navy out of Subic Bay in 1992?

Long gone are the days when Hugh White could argue with justification, as he did in 2005, that:

“most of [China's] neighbours are now more comfortable with the idea of China's growing power—and so feel less dependent on America. This has deprived the U.S. of an important political asset.”

But those who take a more alarmist view of China's rise should also recognize that Beijing's leaders face serious domestic challenges.

China has not yet experienced the boom-and-bust cycle that afflicts all capitalist economies, and several economists are predicting lower annual growth rates of 6-7 per cent during the next three years, which would surely pose all sorts of serious problems for a vast, fragmented and disparate people that is conditioned to growth rates of 8-10 per cent.

China also suffers many domestic challenges – from demographic to environmental to political – enough for the distinguished China watcher David Shambaugh to write about “the coming Chinese crack-up.”

Xi Jinping's despotism, Shambaugh argues, QUOTE “is severely stressing China's system and society – and bringing it closer to a breaking point.” The demise is likely to “be protracted, messy and violent.”

To the extent that Shambaugh is right, his thesis seriously challenges the notion that China is a relentless Dragon bent on regional hegemony.

None of this is to deny China's success in converting economic opportunities into regional political influence. We are all aware, for instance, of the China-led infrastructure and investment bank that has aggravated Washington.

Nor is it to downplay a strident nationalism: a desire to revive the Middle Kingdom's rightful place in the world.

It's just that it's unrealistic, indeed counter-productive, to let worst case scenarios of China's intentions and capabilities determine Australian defence policy for the next two decades.

As Henry Kissinger has all too often warned, any western-led policies that amount to containment will appear like encirclement from Beijing's perspective.

Accidents or miscalculations could spiral into dangerous confrontation.

Or containment could push an insecure China into an anti-foreign posture that has often characterized that nation since its defeat in the Opium Wars in the mid-19th century.

Neither outcome is in our national interest.

THE U.S. PIVOT

So talk of Chinese hegemony in Asia is grossly premature; so too is talk about America's retreat from the region.

The U.S. will remain the world's largest economy and its predominant military superpower for the foreseeable future.

And as the international trendsetter in innovation, higher education and energy self-sufficiency, taken together with a moderately bullish demographic outlook, America has enormous capacity to bounce back from setbacks.

As for Asia, the U.S. military and diplomatic presence, including bases and other access agreements and up to 100,000 personnel in the Pacific Command, remains steadfast.

The Pentagon is on track to shift the 50-50 balance of forces between Europe and Asia to 40-60 in favour of the latter by 2020.

True, the U.S. will cease to act like the almost indiscriminating global hegemon that marked the post-911 era.

Long gone are the days when a senior White House adviser would say, as Karl Rove did in 2004, that "America is an empire now, and when we act, we create our own reality."

Still, the U.S. will remain a formidable presence in the world, especially in the Asia-Pacific region.

And American exceptionalism, the widely held belief that it is America's destiny and mission to reshape the world in its own image, remains deeply embedded in the national psyche.

Whether the U.S. recognizes a sense of limits and restraint in foreign affairs or pursues a more activist and interventionist global agenda has a

claim to be the other key question of our time (the other, as I mentioned earlier, being whether China's rise will be peaceful).

CONCLUSION

None of this means that Australia is faced with a hard, stark choice between the U.S. and China.

But it does mean, as Owen Harries and I have argued, that Canberra must learn to play a more demanding diplomatic game than ever before, one that will on occasion involve the difficult feat of riding two horses simultaneously.

From now on, Australia will need to regard the U.S. alliance not just as the centrepiece of our foreign policy but as a pragmatic device to be adjusted to changing conditions.

It means we have to learn to be much more agile, discriminating, ambiguous and flexible in our foreign policy outlook.

What should Australia do in the event of conflict between China and the U.S. over Taiwan?

What if China and a U.S.-backed Japan traded blows in the East China Sea?

What if the U.S. Navy sends military aircraft or ships within the 12 nautical-mile zone of China's built up reefs in the South China Sea?

I am a great admirer of America, a strong supporter of the U.S. alliance and a mate of Tony Abbott's.

But, like Alexander Downer in 2004 and David Johnston in 2014, even I am not sure Australia should or would support Washington in these cases.

I am sure about one thing: these issues are worth thinking about tomorrow, as we prepare for any possible Sino-American confrontation, and the appropriate Australian response, in the weeks, months and years ahead.

Thank you, Linda Jakobson for inviting me here this evening. Thank you Andrew Parker and Price Waterhouse Coopers for hosting this event. And congratulations to China Matters: may it play an influential and prominent role in the great foreign policy debates in this country and abroad.

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