

## Session I Discussion Paper

### How should Australia shape its ties with China in an unpredictable era?

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At a press conference with Julie Bishop last month, China's foreign minister Wang Yi said that Australia can continue to be an ally of the United States while at the same time be a comprehensive strategic partner of China.

Australians have heard this from their own government so many times that they can be forgiven if they did not note the significance of Wang's remarks. It was the first time a senior Chinese leader expressed in public what Australian officials have repeatedly said to their Chinese counterparts.

Paradoxically, there has never been a time that Wang Yi's description of Australia's geo-strategic situation is less convincing – or accurate. Today, uncertainty looms over Australia's two-pronged existence, the one that has enabled it to bolster its alliance with the United States while keeping on an even keel its relations with its most important trading partner. To quote Allan Gyngell: 'The period when successive Australian governments could insist that we did not have to choose between our security relationship with the United States and our economic ties with China has ended.' Gyngell does not mean that Australia needs to make a binary choice, but rather that Canberra can no longer avoid making choices on consequential issues that shape these relationships. Indeed, Canberra on a day-to-day basis already makes these choices.

Wang Yi also said that Australia is an important member of a common circle of friends, which China and the United States share. Australia is the first and only country China has officially specified in this circle.

Beijing was clearly reaching out to Canberra with these conciliatory remarks. The volatility injected into Asia's future by Trump's ascent to the White House is propelling Beijing to redefine its role in the region. China is angling for more sway in regional affairs and will reach out to nations, appealing to the perception of unreliable American foreign policy, alongside the unpredictability of an impulsive US president.

Australia's relations with China will inevitably transform as the region's economic, political and security dynamics evolve.

As long as Washington and Beijing have enjoyed a constructive relationship, Canberra has had the luxury of being complacent. Australian ministers have not felt compelled after each request by the United States for closer military cooperation with the Australian Defence Force to ask: What will we do in the event of military confrontation in the Taiwan Strait? Or a clash at sea between the US and China?

In fact Australia's political leadership has avoided contemplating the concrete steps it should take if ties between the US and China seriously deteriorate. Not only in public but

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\* Based on author's conversation with Gyngell 14.3.2017

even behind closed doors Cabinet ministers rarely touch upon policy options that would safeguard Australia's interests in the event of fractious US-China ties.

This possibility can no longer be sidestepped. While Trump's somewhat restrained comments about US-China ties in the past weeks are a welcome respite from the alarming remarks he made before being sworn in, the probability that tensions will soar between Beijing and Washington during the next four years remains high.

The relationship between Australia and China will always be lopsided, something Australians have to accept in pursuing their own interests. Australia needs China more than China needs Australia. But at this particular juncture China needs the cooperation of Australia – and indeed that of many nations – as it shapes its role as regional leader.

Canberra should increase its persuasive power with Beijing in this era of uncertainty. Australian ministers, public servants, businessmen and even Australian Defence Force officers should make every effort to reach out to their Chinese counterparts to influence policy thinking in China to align advantageously with Australia's interests. After all, these interests are to a great extent the same as those of Beijing and every other country in the region: we all want a stable and peaceful region, one that is economically vibrant and open, and has unimpeded access to shipping lanes.

Where Australia and many others diverge with China is the extent to which all nations, regardless of size, have a voice in regional affairs and adhere to internationally recognised and agreed-upon rules. Importantly, we do not support the use of coercion – though in reality this is a permanent feature of the international system. Australia must prepare to withstand the wrath of both major powers, depending on the situation. Canberra also needs to be mindful of the concerns of Australian businesses that ultimately may pay a price for geo-strategic decisions made by the government, as South Korean companies have had to in recent weeks.

Despite the concentration of formal power in Xi Jinping's hands, China has not discarded the consultative process that it has relied on for decades. It involves dozens of stakeholders before a major policy decision is made. Since returning from the Lunar New Year holiday public servants, People's Liberation Army officers, businessmen and academics have been called to closed-door discussions in Beijing to formulate recommendations to the question: how should China redefine its regional goals?

Australians need to have a grasp of these deliberations and the options China is mulling over. Australia also needs to find ways to shape and influence these discussions.

### **Questions:**

What should Australians do to effectively influence China's policies and actions?

Which issues are Australian priorities? On which issues are we willing to make a choice?

What should Canberra do in the event of US-China military confrontation in the Taiwan Strait? Or a clash at sea?



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