How now? Kowtow? Australian foreign policy and a rising China

By Allan Gyngell

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A couple of months ago, the editor of the ANU's East Asia Forum blog asked me to write 800 words or so on the Australia – China bilateral relationship. 'Of course', I replied breezily, confident I could knock something together quickly.

But it took me only a little time to realise that that this was going to be harder than I imagined. That's not because I haven't thought about, worked on and written about Australia- China relations over the years, but because the domestic and international environment in which the relationship operates has changed so substantially and quickly.

It seemed clear that I needed to start all over in my own thinking, and the best way of doing that is always to write a speech. So when I was asked what I would like to talk about today, this was the obvious topic.

The question I want to address is a limited one: not 'Where is China going?' but 'How should Australia approach and conduct its own bilateral relationship with China?'

A couple of obvious points. I claim some knowledge of Australian foreign policy but I'm not a China expert.

And I have been out of the public service for four years – so I'm well and truly dealing with the open source world. But that's the way 99.9 per cent of Australians experience it.

In the interests of full disclosure I should also declare that I'm on the board of Linda Jakobson's public policy initiative, China Matters, and I was an advisor to the ANU's East Asia Bureau of Economic Research's *Australia-China Joint Economic Report*, which was published last year with the China Centre for International Economic Exchanges.

There's no doubt in my mind that the way Australia engages with China is the most important issue in Australian foreign relations. I mean important in the sense of combining complexity and consequence.

Under Xi Jinping some of our comfortable assumptions from the 1990s and early 2000s that China's economic growth and its integration into the international system would soon make it more like us have proved illusory.

In reinforcing Communist Party control and discipline and limiting areas of public debate, Xi has forcefully reminded us of the clear systemic differences in the way the Chinese party-state operates, the demands it makes of its citizens, and the values it seeks to impose.

Xi is certainly the most ambitious Chinese leader in decades. He has moved decisively away from Deng Xiaoping's injunction to China to hide its capabilities and bide its time, and is seeking a larger international role and greater influence.

In an important recent statement with the snappy title '*Study and Implement General Secretary Xi Jinping's Thought on Diplomacy in a Deep-Going Way and Keep Writing New Chapters of Major-Country Diplomacy with Distinctive Chinese Features*', State Counsellor Yang Jiechi wrote that Xi has 'pointed out in explicit terms that we are closer than ever to the centre of the global stage'.

China sees itself as a great power.

This shift was inevitable. It's hard to hide and bide when you're already the largest economy in the world by PPP measurements.

Xi and his colleagues are using nationalism as a way of strengthening the party's legitimacy, or at least avoiding its being outflanked on the patriotism scale by a public which is increasingly proud of China's achievements.

I'll take it for granted that we can agree on the importance of the Australia-China relationship.

Economically, our bilateral trade in goods and services topped $155 billion in 2016, growing three times faster than world trade as a whole. China was our largest export market and our largest source of imports. It was also the largest source of foreign investment for the third consecutive year, with $47.5 billion in proposals.

Around 1.2 million Chinese tourists arrived in Australia last year, second only in number to New Zealanders, and likely to exceed them next year. More than 157,000 Chinese students are studying here. Andrew Parker from PwC points out that our services exports to China now exceed the value of our iron ore exports to Japan and South Korea combined.

There's a side-bar story attracting some attention at the moment about whether the United States is a bigger economic partner for Australia than China. The objective seems to be to suggest that we don't need to worry so much about China, or that there are alternatives to it.

The argument involves mixing historical stocks of investment into investment flows, and throwing in calculations like ease of doing business, or the size of Australian-owned businesses in the other country.

For any practical purpose of managing our economic prospects, however, this is a pointless debate.

Because, whichever way you look at it, if things go badly wrong, either because financial crisis or trade war causes China's growth to slow suddenly, or Beijing cuts back on trade or investment in Australia, perhaps to register disapproval of Australian policy positions, the consequences would be painful. We have no immediate alternative markets for our products or sources of investment to fill the gap.

Australia would adjust over time, of course, but many of the other things we want to do as a country, including funding an ambitious defence procurement program, would become much more difficult.

And China is systemically important to the health of the entire international economy, the largest contributor to global growth since the Global Financial Crisis of 2008.

In a security sense, too, the scale and nature of China's activities are transforming the international order. It's hard to think of a major issue – the North Korean nuclear program, maritime security in East Asia, development challenges in the South Pacific, climate change – that doesn't involve China in some way.

And China is an important player in every major international institution whose outcomes we want to influence, from the United Nations and the G 20, to APEC and the ASEAN Regional Forum.

Important aspects of Australian domestic policy, as well, including budget sustainability, the foreign investment regime, the viability of the tertiary education system and social cohesion, have a vital China dimension to them.

The Lowy Institute poll continues to show that Australians feel largely positive towards China. Nearly 80 percent of all respondents consider China more of an economic partner than a military threat to Australia.

When asked which relationship is more important to Australia, China or the United States, Australians divide almost equally, but young people more strongly choose China. On the poll's thermometer gauge of feelings of warmth, China rates at 59 degrees, almost exactly the same as India or South Korea.

So back to my subject: how should Australia approach and conduct its bilateral relationship with China? I want to give as precise an answer as possible.

In order to do that, I need to deal with some other important questions which take up much of the space in the public debate but which, for reasons I'll explain, are not relevant to my purpose.

At a time when every commentator is his – and it's usually his - own Thucydides or Alfred Thayer Mahan, the great American proponent of naval power, I will ignore grand strategy.

I read the debate, I'm intellectually engaged by its historical sweep, I agree that it is important and that Australia has a part to play in it, but it can't tell me much about how we should conduct Australia's relations with China now.

That's because we can't know what China's real ambitions are, or how attainable they may be. Indeed, it is almost certain that China's leaders themselves do not have a master blueprint. Like all countries, China's ambitions will be shaped over time by the strength of its economy, its political resolution, the skill of its diplomacy and the way its neighbours and competitors respond to its actions.

So, too, we can set aside the questions about China's domestic prospects – whether it will succeed in escaping the middle income trap, whether an authoritarian state can successfully manage a transformation to a knowledge economy, or whether a financial crunch is coming.

Of course, these are important and answers will come eventually, but we will never be able to anticipate them with sufficient confidence to enable us to place all our bets on one outcome or the other.

My own view, for what it's worth, is that the US will not be able to maintain military primacy in East Asia, but that the order that will replace it will, in Professor Nick Bisley's useful distinction, be China-centred but not sino-centric.

Whatever China might want to be the case, this will be a region in which a number of large powers, including the United States, Japan, India and Indonesia, will continue to have significant influence. Australia will have its own role to play.

And on the question of whether China will succeed or fall apart, my own view is that it will succeed, in the sense of continuing to grow, not smoothly but without stability-threatening social or economic upheaval.

I certainly hope it does. The consequences of a failing China would be orders of magnitude worse for Australia than the complications of dealing with a rising state.

The recent arrival by boat of six Chinese nationals on one of Australia's Torres

Strait islands and their speedy return, was a reminder of just one of the possible outcomes of any weakening of central authority in China.

But my point is that whether I'm right or wrong about these outcomes, the requirement for Australia to understand what is going on in China and to engage at all levels with its policymakers is unchanged.

There is another set of questions which I also want to park to one side – those relating to the activities inside this country of Chinese citizens and Chinese-Australians.

Again, this is not because the issues are unimportant, or can be entirely disconnected from the bilateral relationship, but, in this case, because the tools we have to deal with them lie in domestic policy.

In the census taken in the year I was born, the non-European population of Australia (not including indigenous Australians, who were excluded both socially and in the census) was just 0.4 percent.

By 2017, more than a million Australians claim Chinese ancestry and 2.2 percent of Australians were born in China, about the same number as were born in New Zealand. This has been an extraordinary national achievement.

The Australian Chinese community is enormously diverse, encompassing people whose families have been here for a century, those who arrived from Chinese communities in Southeast Asia, others who came in the aftermath of the political struggles around Tiananmen Square, and recent immigrants from the mainland.

You hear two slightly different arguments about Chinese immigrants.

The first is a complaint that they are being cut off from the mainstream Australian community, receiving their news through the filter of officially controlled or influenced Chinese-language media in Australia, or Chinese social media platforms whose content is subject the Communist Party's oversight.

The concern about language bubbles is one that has often been expressed about new migrant communities over the years. What's new this time is the degree of official Chinese government involvement in the media business.

But there seems no reason to doubt that in a pluralistic society like ours, Chinese Australian readers will be just as able as anyone else – and probably more so – to identify propaganda when they see it. Certainly their children will.

The other, slightly contradictory, line of argument is that some Chinese

Australians are engaging themselves too directly in the Australian political process. Sometimes, it is alleged, this is at the behest of the Chinese government, and that contributions to political parties or universities are an effort to influence political and public discourse in ways that serve China's interests.

I don't know any more about that than recent media accounts, including the Four Corners program, although with its sinister music and shadowy reconstructions, that seemed to me to imply more than it eventually delivered.

Partly connected with these accusations, we're beginning to hear unpleasant whispers that the most recent wave of Chinese immigrants are not 'genuine' migrants. They're here, we are told, for economic reasons (a strange echo of the criticism of some asylum seekers), or as a bolt hole if things go wrong at home.

In extreme cases, some of them are being portrayed as a fifth column designed to weaken Australian democracy from within. 'One Million Chinese Here May Not All Be on Our Side', Andrew Bolt warned his readers in a column in the Melbourne Herald Sun a couple of weeks ago.

There is always going to be a difficult dividing line here. It's perfectly legitimate for the Chinese government to draw on its diaspora in order to celebrate connections and build them deeper, just as we use 'G'Day USA' to celebrate those links in America, or draw on our networks of university alumni in Asia.

Chinese Australians are as entitled to be proud of their heritage, and to support close ties with their other homeland, as Maltese or Dutch or Indian Australians. It's quite legitimate for any Australian to believe that our country should stay out of joint patrols with the United States in the South China Sea or adhere firmly to our 'One China' commitments. Thankfully, Australia has no authorised foreign policy catechism.

But the debate does need to be public and open. More urgently than ever in the light of Russian intrusions in the U.S. system, we need to protect the legitimacy of our democratic institutions. Foreign donations to Australian political parties should certainly be banned and all donations declared and easily identifiable. And political parties and public institutions must protect themselves against being suborned by special interests.

If pressure is being put on universities to accommodate Chinese government positions in their teaching, it should be called out and resisted. But the evidence so far put forward seems limited and the response of our educational institutions pretty robust, as it should be.

Whenever actions by Australian citizens or foreign governments slip into espionage or subversion, we have appropriate ways of dealing with them. Our security and intelligence agencies should be encouraged to do their job and given the resources they need.

Finally, as Australia adjusts to the reality of a community more ethnically diverse than we have known before, in which six million of us, a higher percentage of our population than for 120 years, were born overseas, it will be important for Australian public policy to revisit the questions of social inclusion that are part of our long multicultural experiment. This includes making sure that all Australian residents can access a full range of information about this country and participate in its democratic process.

And, in this case, it certainly means ensuring that we draw Chinese Australians actively into the debate about the future of the relationship.

I believe myself that national identity issues such as the Republic are going to become more important as we try to forge a new identity from the very different components of this new Australian community, but that's another story.

Let me pause here to repeat my argument.

First, we know that there are significant questions about China's strategic ambitions and its domestic outlook whose answers are intrinsically unknowable. We can and should form views about them and try to help nudge developments towards our preferred outcomes, but we cannot conduct our relationship on the basis of confident assumptions about how China will behave in the world or about its domestic outlook.

Secondly, some of the China-related issues we have to deal with have a fundamentally domestic component – questions of improper influence on our political system or of social inclusiveness. These may require us to engage
China but they are overwhelmingly our own responsibility and the solution lies in our own hands.

Finally, however, we come to my core question: how should Australia approach and conduct its bilateral relations with China?

I include here the work of the vast range of Australian departments and agencies dealing with China – our economic and strategic dialogues, our security and intelligence links, our engagement in a wide range of different international contexts, our consular responsibilities. I also include the equally important set of business, cultural, scientific and educational interactions that take place outside the immediate oversight of government.

We have never had to manage a relationship of this complexity before. Never.
Nothing like it.

We have a surprisingly solid place to begin, however, in the formal declaratory positions of the Australian governments led by Kevin Rudd, Julia Gillard, Tony
Abbott and Malcolm Turnbull. These have been remarkably consistent.

The core of the policy response has been to acknowledge that China's rise is both legitimate and welcome but to note that the world into which China rises needs to be one in which agreed rules are kept, all voices are heard, and China acts responsibly.

Here's Kevin Rudd in 2010 in his Morrison Lecture at the ANU:

> 'China is already a major stakeholder in the current global order.
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> What the world would welcome is China engaging across the board as major global stakeholder in the maintenance and enhancement of that stable, rules-based order in the future.'

And Julia Gillard in the Australia in the Asia Century White Paper:

> 'All the major Asian states will have a deep interest in avoiding armed conflict, but the form and conditions of regional peace will be just as important a consideration.
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> We will encourage … the construction of a peace in which all the region's countries have a voice in its future, which is guided by established rules and transparent behaviour, and in which decisions are taken without threats of the use of force or other forms of intimidation.'

Or Tony Abbott's 'Weary' Dunlop Lecture in 2013:

> 'We accept the modernisation of China's armed forces because that is what all countries want for their military. Of course, the more successful the country is, the more capacity it has to throw its weight around; but it also has less reason to do so and more to lose from the attempt. Growing power is accompanied by increased responsibility.'

And, finally, Malcolm Turnbull in his Shangri-La Dialogue speech in June this year:

> 'China will play a larger role in shaping the region. It is natural that Beijing will seek strategic influence to match its economic weight, but we want to see China build a leadership role it desires in a way which strengthens the regional order that has served us all so well.'

These seem to me to be robustly defensible positions. Of course, a great number of tough, complex policy choices then follow. But knowing clearly what you are after is an essential starting point.

More contestable has been another bipartisan continuity: the declaration that we don't have to choose between what John Howard called our history and our geography; our strategic alignment with the United States or our economic ties with China.

All our political leaders have offered versions of that bromide. Malcolm Turnbull most recently said that a choice between Beijing and Washington was an 'utterly false choice'.

But that's true only in the sense that Australia is unlikely ever to be confronted with an ultimatum asking it to choose between preserving its trade with China and formally abrogating the ANZUS treaty (or to agree to do so if we were).

In the real world, however, Australia is choosing every day – to sign on to the Belt and Road Initiative, to conduct freedom of navigation patrols in the South China Sea, to urge one course or another on our Southeast Asian neighbours.

And these choices will sharpen as the stresses in the relationship between Washington and Beijing increase. How and to what degree should we make known in Washington our views on US threats to impose penalties on Chinese trade?

Let me say in passing that it feels at present as though China is becoming a proxy for the United States in the Australian national security debate. Because of the difficulty of talking frankly about the United States in circumstances where the Trump administration's policies veer wildly, and its values are uncertain, a posture of resolute opposition to China is becoming seen as a measure of loyalty to the alliance.

That's the wrong way to deal with either China or the United States.

In order to make effective choices in all these areas, we're going to need much better insight into the thoughts of Chinese policymakers and the processes of Chinese policy-making.

Ideas and fresh approaches are going to matter more as the easy years of the resources boom fade behind us and we need to work harder to cement our interests in China.

But there are plenty of good ideas out there.

Australian and Chinese economists, led on our side by the ANU's Peter Drysdale, have proposed the establishment of a permanent Australia-China Commission along the lines of the Australian American Fulbright Commission, to drive closer policy, research and scientific exchanges. They have also called for joint policy working groups and a high-level joint study of the Belt and Road initiative.

Bates Gill and Linda Jakobson have a broad and balanced set of principles and proposals in their book '*China Matters: Getting It Right for Australia*'.

Recent publications from the Asia Society Australia - *Disruptive Asia* - and from Asialink - *Match Fit: Shaping Asia Capable Leaders* - contain a wealth of other important data and suggestions.

We need to understand China as well as we do the United States, not because we will always agree with it but because we have more chance of shaping its behaviour if we are engaged and knowledgeable than if we are not.

As China moves further, as it inevitably will, to develop and shape multilateral institutions, we need to be there to help reinforce open and inclusive trade and economic norms, to support high environmental standards, to make the case for all voices to be heard. We won't achieve that by shouting from the sidelines.

The investment of time and education this will require from our political leaders, officials and business people is enormous.

We are seriously unprepared for this.

Differences in values and government structures inevitably make the task more difficult and affect the intimacy of our engagement.

And it's true that we would feel easier if we were able to watch a Chinese equivalent of Alec Baldwin satirising Xi Jinping on China Central Television, or see independent investigative journalists reinforcing the anti-corruption campaign.

But it's not just China which confronts Australian policymakers with the challenge of determining how and where to argue for the values which are important to us.

Apart from Australia and New Zealand, all the countries in East and South Asia, including Japan and India, rank somewhere between flawed democracies and authoritarian regimes in the Economic Intelligence Unit's broad-based 2017 democracy index. The depressing news is that in country after country it's getting worse.

But that's where foreign policy comes in. The role of foreign policy is precisely to manage differences.

And the world we are moving into, more nationalist, more protectionist, more nativist - post-truth and post-Trump - is one in which the functions and traditions of foreign policy, marginalised in recent decades, will be increasingly relevant.

I called this speech 'How Now? Kowtow?' In other words, does the weight of a rising China, important to Australia in many different ways, force us into some sort of tributary relationship with Beijing. The answer, of course, is no.

Within the broader scope of statecraft, the work of foreign policy is to expand the space in the international system within which our country can operate and to make sure that at critical points it has choices – that it is not forced or coerced into certain responses. That involves diversifying our markets and partners.

Foreign policy emphasises sovereignty, reciprocity and negotiation. It considers issues through a comprehensive prism, balancing, weighing and incorporating the different parts of the relationship – the purely bilateral elements and the common international objectives, the economic and the strategic, the values and the interests.

It then pursues these national objectives through creative diplomacy. Diplomacy is a skill-set not a profession, and it is exercised by policymakers as much as officials. It involves intense interaction and works towards the slow building of trust.

Those elements are precisely what Australia needs if it is successfully to conduct its bilateral relationship with China.

We need deep engagement, discipline, patient trust-building, balanced reciprocity, bearing in mind our different systems and interests, and an insistence on non-interference in our domestic political processes.

With China, we know that what works best is consistency of message, delivered clearly but in an atmosphere of mutual respect. China is by no means alone in this.

To state this objective isn't hard. But its effective execution will be one of the most difficult and consequential things we've had to do as a country.