

## **How Australia read China better than the Americans did**

By **Geoff Raby**

*Australian Financial Review*, 15 July 2018

Link: <https://www.afr.com/news/world/asia/how-australia-read-china-better-than-the-americans-did-20180715-h12p67>

Imagine if Jiang Qing, "Madam Mao", and her cohorts in the Gang of Four, had prevailed on the evening of October 6, 1976 and not been arrested. Imagine that Deng Xiaoping was never rehabilitated and died in relative obscurity in exile from Beijing. Or if transitional leader Hua Guofeng had proved, as Joseph Stalin did some 45 years earlier, to be a strong decisive leader rather than a safe pair of hands that would not rock the boat. These were all real choices. Arguably, the rehabilitation of Deng was the least likely on that fateful evening.

Could it really be that global history is shaped by such chance events? Perhaps. But without Deng's rehabilitation, the overthrow of the Gang of Four and later Hua's removal, it is fair to say that China most probably would not have had the economic reform policies that were launched at the 3rd Plenum of the 11th Central Committee 40 years ago. Without Deng's having prevailed at that time, China today might have been a big, impoverished, closed, angry, fearful and destabilising force in the region. The region itself would have been much poorer, more fractious and much less secure and peaceful. Australia would be very much poorer for it while having to spend a big share of GDP on defence at the expense of education and healthcare, for example. In any event, this is one alternate future had the reforms not been started.

Much is being written and said about China's remarkable economic and social transformation on the 40th Anniversary of the reform and open-door policies. The transformation of China from a desperately poor, closed backward country to today's protean force that is a main driver of the global economy and shaper of a new world order, lifting some 600 million people out of extreme poverty along the way. Chinese leader Deng Xiaoping in 1978. Even today his role in fashioning modern China is not widely appreciated.

Today, among conservative think-tanks in the US, a growing body of revisionist thinking is asking whether it was a mistake for the rest of the world to have embraced [China's reforms](#) by adopting explicit policies to engage China in the international system. In an important essay in *Foreign Affairs* (March/April 2018), former assistant secretary of state for East Asia Kurt Campbell, and Ely Ratner of the US Council on Foreign Relations declare US China policy of the past 40 years a failure because China has become neither a liberal market economy nor a liberal democracy and instead has emerged as a strategic competitor to the United States.

The "Engagement Debate" surveyed in the current edition of *Foreign Affairs* (July/August 2018) reads as a peculiarly US conversation. Australia's embrace of China's economic reform and open-door policies, and our own engagement policies towards China by successive governments, were based more on pragmatic considerations than ideologically inspired wishful thinking about China eventually becoming much more like us in terms of economic and political organisation. US exceptionalism often leads scholars and policy makers to Whiggish notions of progress as convergence towards the American ideal. Australia welcomed the reforms because of a simple but powerful consideration – a more prosperous China would be a more stable China and a more stable China would contribute to greater stability in the East Asia region – the region that most directly affected Australia's security – and that was just emerging from decades of war, rebellion, famine and refugees, including boat people turning up on our shores.

### **Advantages of a prosperous China**

In policy-making circles in those days, it was often speculated what would happen if China were to implode economically and how we would manage waves of Chinese refugees. It was generally understood then that Australia's security and national interests were best served by an economically successful China and that was most likely to be achieved by following the reforms that Deng instituted 40 years ago.

Australia had a much greater sense of intimacy with the region than the United States and saw China in more practical ways. It was all fairly simple but sound thinking. It was prime minister Bob Hawke and his economic adviser at the time, Ross Garnaut, that began to understand fully the potentially profound implications for Australia of the reforms and what they would mean for Australia if China implemented even only a goodly part its ambitions.

In May 1986, Hawke visited China for eight days during which he was accompanied throughout by either general secretary Hu Yaobang or premier Zhao Ziyang. They travelled around China together and talked late into the night about their plans for economic reform and the modernising of China. Hawke and Garnaut, by now Australian ambassador, were riveted.

At the time, the so-called "Flying Geese" model of export-led economic development in East Asia was becoming well understood. First Japan, then South Korea and Taiwan, as well as Hong Kong and Singapore, followed each other to become Newly Industrialising Economies (NICs). Could China be next? And if so, this would mean huge demand for Australia's natural resources, energy and agriculture products as China's incomes rose. The reforms had by the mid-1980s spurred considerable growth and this was seen in ever-increasing amounts of wool and wheat exports from Australia. Some Australian firms, sensing the possibilities, were also starting to enter China through direct investment to take advantage of the open-door policies.

In a visionary move, Hawke and Garnaut engaged China's leaders to start thinking about investing in Australia's resources and metals sectors. China's investment in the Mt Channar iron ore mine in WA and in the Portland Aluminum Smelter were Communist China's first overseas investments.

Had the Chinese Communist Party not been persuaded by Deng to embark on the risky and unprecedented path of economic reform and open-door policies and had Deng not had the exceptional political skills to keep reform more or less on course until he died in 1997, Australia presumably would have been a poorer and less secure.

But it wasn't just good luck. Australia had a succession of governments that understood the need to reform and open the Australian economy. Importantly, Australia also had a succession of governments that took a pragmatic approach to China and sought to integrate China in the global system, be it through APEC or the WTO, or through opening our own economy to trade and investment from China to the benefit of Australia's consumers and workers. Australia has been an immense beneficiary of that fateful night autumn evening 1978.

*Dr Geoff Raby is chair of Geoff Raby & Associates and a former ambassador to China. He is an Associate of China Matters.*