

The lowest ebb – the decline and decline of Australia's relationship with China

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Chancellor, Vice Chancellor, distinguished academic staff, ladies and gentlemen.

I am delighted to be here today to give this the second Annual China Oration.

When I first went to China as Ambassador at the beginning of 2007, relations with China were very different than today. We enjoyed almost unrivalled access to the top Chinese leadership. High-level visits were frequent, and engagement was expanding exponentially on every front.

Today, the Australia-China relationship is at its lowest point since diplomatic relations began 46 years ago. This is something the Australian Government doesn't wish to discuss. Its diplomats are paid to put a positive spin on things. Elements of the conservative populist media almost rejoice in this state of affairs.

These days all official contact has been frozen. China is doing what it usually does to show its official displeasure – close off official contact. An Australian Prime Minister has not been in China since 2016 when Malcolm Turnbull visited for APEC, a multilateral meeting. Premier Li Keqiang visited Australia early in 2017 for a bilateral meeting. The draw bridge has since been raised and we stare at each other across a moat that is inexorably widening.

This is the longest gap between high-level visits for decades. When Bob Hawke embraced China's vision of reform and engagement in the international system and understood what it could mean for Australia, both sides had endeavoured to maintain annual high-level exchanges.

Ever since diplomatic relations were established in 1973, regular official high-level contact has been maintained over all these years. Never before has Australia been denied access to the highest levels of the Chinese political system as it has been for the past two years. It is in this sense that relations are at their "lowest ebb", notwithstanding the fact that bilateral trade flows are at record levels.

Prime Minister Morrison's recent meeting in Jakarta with Vice President Wang Qi Shan, on the sidelines of the inauguration of the Indonesian President, does not mark a thaw. Wang is only number four in protocol order. More importantly, he is not a member of China's key ruling group, the seven-member Standing Committee of the Central Committee. It says much about the relationship that after a prolonged gap in senior level contact, this was the best Australia could achieve for a recently elected Prime Minister. For the obsessively protocol conscious Chinese Government, it was just short of giving Australia a diplomatic rhubarb.

How we got into this state of affairs, what it means and what we might do about it are the subjects of this evening's China Oration.

The China Threat

Over the past 46 years of diplomatic relations, Australia and China have been through a number of difficult times, but none so emphatic as we are experiencing today.

On the Australian side, officials rightly say that China has increasingly engaged in bad behaviour, notably in the South China Sea, in cyberattacks, in attempting political interference in domestic politics, and monitoring and influencing student behaviour on our campuses.

These are the main grievances cited but there are others. Purported theft of technology, unfair and un-reciprocal investment rules, and breaches of WTO subsidy commitments to mention a few more.

Many of these grievances are not new. Ten years ago, for instance, China resumed assertive, muscular and, on occasions, aggressive tactics in the South China Sea. Certainly, China pushed harder than ever before and had a ruling against it by the International Dispute Settlement Court which it flouted. From an international perspective, its behaviour was bad, no matter what it believed to be the merits of its own case, something, by the way, it shared with “democratic” Taiwan.

Beijing has all too often adopted bullying behaviour in its foreign relations, be it trying to interrupt the lucrative tourist trade with Taiwan to express displeasure over the outcome of the last presidential election; curtailing travel and trade with South Korea over the deployment of THAD missiles; seizing Philippine fishing vessels in the Parcel Reef; or much further back discouraging Japanese auto sales over the Diaoyu/Senkaku Islands dispute. Recently, Australia has been left to ponder the meaning of unexplained interruptions to trade in coal and wine resulting from new inspection regimes and a reportedly appreciable fall in student enrolments for next year.

Last year, in the AFR I wrote that China needed to adopt a more confident and mature foreign policy commensurate with its weight and standing in the world. The Chinese Government’s hyper-sensitivity to criticism was out of place with a

country that exercises great influence owing to its economic strength and the investment it makes in diplomacy.

A major challenge for China then is that with its ever-increasing presence and influence in world affairs it must behave more like a leader, rather than a victim.

On the Australian side, the discrete elements that have led to the current situation are easy to identify. Friction rose substantially over Australia's strident criticism of China over the South China Sea, especially in the wake of the Hague Decision. It wasn't that Australia was critical, many others were, but we were extreme in our public statements and became an outlier. This was compounded when in the middle of the furore, then Foreign Minister Julie Bishop made a poorly judged speech in Singapore, saying that China was not fit for regional leadership because it was not a democracy.

Domestically within Australia, the China Threat syndrome gained momentum with some sensational TV reports of spies and agents of influence. That there was fire where there was smoke in the form the Dastyari Affair encouraged something a political feeding frenzy.

In the midst of this, and with anti-China fear being whipped up by the shock-jocks, Prime Minister Turnbull made his disastrous statement, in reasonable Chinese, during the Bennelong election campaign that the Australian people had stood up to China by introducing anti-foreign interference laws.

Such laws were perfectly reasonable and long overdue. China could have no objection to them and did not. But when Turnbull para-phrased the statement made at the founding of the PRC by Chairman Mao, which referred to standing up to over 100 years of foreign occupation, depredations, oppression and war, Turnbull at once made the foreign anti-interference laws solely about China, and

in some of the most insulting terms possible. It was not intended to be like this, and Turnbull did not mean to offend, but Beijing is brittle, and face means much to Chinese people, whether Communist or not.

This was soon compounded by the grand statement made in the Australian Parliament by Mr Morrison when as Minister for Home Affairs he said that Huawei would be blocked from participating in any aspect of Australia's 5G network. It was a blanket ban like no other from any other government up to that time, and like no other since, except possibly the US (but from one day to the next, it is hard to tell as President Trump keeps changing the policy). Other members of the five-eyes are fudging for sure under pressure from both US and China, but none seems to believe that a blanket ban is required. Certainly, the British and Germans do not see the need, believing that sensitive aspects of the network can be protected.

Similarly, and under pressure from the US, Australia has not signed up to any of the Belt and Road Memoranda of Understanding.

Some 152 countries, including 18 from Europe, have signed relevant memoranda to participate in the BRI. A number of international bodies, including UN Agencies, also now participate.

Joining the BRI is costless in terms of taking on any new obligations or surrendering any aspect of Australia's sovereignty. At most, our signing the non-binding MOUs adds legitimacy to the BRI, which has achieved that in any event whether or not Australia were to sign on. Whatever the commercial benefits of BRI may or may not be, it is curious to say the least that we would choose to stand outside an emerging international body that will impact on Australia's interests and not seek to participate and influence its development.

The Victorian Government should be congratulated on having the clear-eyed vision to recognise that BRI poses no threat to Australia's national interest, while not participating denies the people of Victoria the opportunities that may follow signing the MOUs.

The Canberra security, intelligence and defence establishment's view that BRI is an attempt to impose a "Sino-centric order" on the world is not widely shared outside of Canberra. The more it is at odds with the reality, the more likely it will be that other state governments will follow Victoria's lead.

The New Order

The international order has now changed, not only because of China's rise and the US's stepping back from leadership of a unipolar global liberal international order, but because China has been willing and able to build new coalitions and international arrangements in collaboration with many other countries to start to re-fashion the US-led, post-second world war, institutional arrangements.

These developments were inevitable, not just because of China's economic ascendancy, but the overall shift in the weight of world economic activity from the Atlantic to East Asia and the Indian Ocean.

Australia's response to these profound changes in the international order has been largely one of denial. Hoping to keep our vital commercial interests with China growing, while hewing more closely the US.

It is something that Canberra does not like to hear said, but from a realist foreign policy perspective the relationship is asymmetrical. Australia needs China more than China needs Australia.

This is not to say Australia should be supine in its dealing with China or that it should step back from asserting its values and concerns, especially over issues such as borders and human rights.

Rather, it means that Australia needs to be much more skilful in how it handles the relationship, relying much more on diplomacy and coalitions, and defining for itself a more independent foreign policy.

In what remains of this Oration, I will state four propositions and then make some policy suggestions with which to wrap up.

The propositions are:

- Australia's China policy is a mess as it is unable to decide if China is friend or foe
- Australia is all at sea in the new global order
- Australia's foreign policy has been weaponised
- The China Threat lacks context and proportionality

Australia's China policy is in a mess

This is because it is based on a fundamental contradiction. Sensibly, both prime ministers Turnbull and Morrison have felt it necessary to state clearly that Australia does not see China a strategic competitor but rather as a strategic partner and one with which Australia seeks to cooperate.

In view of the huge economic dependency Australia has on China and the fact we have no border issues or any historical grievances on either side, how could it be otherwise?

The United States, however, has been very clear in the past couple of years, especially as set out in Vice President Pence's speeches at the Hudson Institute

last October and again this month at the Woodrow Wilson Institute, that the United States views China as a strategic competitor and as a strategic threat.

This is not surprising. The US is the dominant power and China is the ascendant rising power. The US has and will continue to cede strategic space to China. It must if military conflict is to be avoided and clearly neither the US nor China believe they could prevail in such an event.

So, the US-China conflict will continue to be played out at an intensity short of military engagement, but nonetheless it will, as we are starting to see, be disruptive. Moreover, the US will increasingly look to its allies like Australia to participate on its side, even when the reliability of the US itself is, legitimately, being discussed.

Consequently, at the same time Australia declares that China is neither a strategic competitor nor threat, we behave as if it were both. This can be seen in everything from our strident position on the South China Sea, our blanket ban on Huawei's participation in 5G, our refusal to countenance participation in BRI, our competition with China for influence in the South Pacific, and our feverish domestic discussion of Chinese interference in everything from politics to university campuses and laboratories.

Australia is all at sea in the New Global Order

Whether arch realist John Mearsheimer was correct or not when he said the post-Cold War Liberal Global order was *bound* to fail, it is definitely over now. In response, when it comes to China Australia has moved ever closer to the US. As Alan Gyngell argued in his aptly titled book, *Fear of Abandonment*, Australia has always had the security, and indeed luxury, of a world order that has been led by a dominant power with whom we shared values, political system and general

outlook. This has led to lazy foreign policy so that with the rise of China, we have sought greater comfort in our relationship with the US.

As a result, Australia's foreign policy has somewhat counter intuitively become more complicated rather than simpler. The profound change in the US's approach to China was not foreseen in Canberra.

With China's becoming a power capable of challenging the US on many fronts, while remaining a one-party, authoritarian state, Washington DC now seems to be gripped by a type of "buyers' regret" which has put the US in direct to conflict with China, much to Australia's discomfort.

The dominant view in Washington is that the US engaged China for the past 40 years on the implicit promise that as its economy grew, markets expanded and it became more deeply integrated in the international system, its domestic politics would become more liberal and pluralistic. In other words, China would become more like us, the US.

Former CIA intelligence analyst and now academic, Michael Pillsbury, argues in a recent book that all along China has set out dupe the West (read the US). According to Pillsbury, China has embarked on a secret "100-year marathon" to replace the US as the single dominant world power. Pillsbury argues that China's communist leadership are pursuing a strategy of warfare first set out by Sun Tzu two and half thousand years ago in the *Art of War*.

Pillsbury argues that China is adopting Sun Tzu's tactics of co-opting and beguiling an enemy rather than entering direct conflict. Pillsbury is said to be President Trump's most important adviser on China. Trump has said of Pillsbury that he is the most knowledgeable person in the US on China.

For those of us in Australia who have been engaged with China during most of the past 35 years of its reform and open-door policies we feel anything but buyers' regret. In Australia, few supported engagement with China on the ideologically premised assumption that somehow China's political system would evolve into a more competitive pluralist one.

While we hoped China would become less oppressive and overtime respect for human rights would grow, none really imagined that under economic growth, rising prosperity and its entry into the World Trade Organisation, China would become democratic in the way that Taiwan and South Korea had – but, note, that Singapore had not.

Australia and many other Western countries supported engagement with China in our own well-defined self-interest. In addition to the obvious potentially enormous economic benefits for a country like Australia, with such pronounced complementarities, Australia's security could only benefit from a stable, increasingly prosperous China.

Try to imagine what a breakdown of China would mean for regional stability and illegal immigration. That was a real possibility at the end of the self-destructive Cultural Revolution, when Deng Xiaoping began to implement China's market-based reforms and open-door policies.

It is something of an irony to hear last week the Minister for Stopping-the-Boats say that he has nothing against Chinese people, it is just the Communist Party that runs China that he does not like. Whether China's past half century of peace, development and stability could have been achieved under any other form of political and social organisation is a historical counterfactual that could be discussed forever in tutorial classes, but the historical record is what it is, whether we like the Chinese Communist Party or not.

With statements like this from a senior minister, it is clear that Australia is being increasingly drawn into the US ideological conflict with China. Through the Government's actions Australia is being taken far from its stated position that China is not a threat. For Beijing, actions matter more than words. In 2013, Hugh White in his prescient book *China Choice* set the commentators at each other's throats over how the US should respond to the rise of China. He argued that the US will someday need to choose between confronting China and trying to contain it or to find a way to accommodate China's rise which will mean sharing global and particularly regional leadership, and eventually living with the fact that China will become the regional hegemon in East Asia.

Sensibly, White, as a realist, argued that China's rise could not and would not be contained and so the preferable course for the US would be to adopt a strategy of accommodating China in advance of conflict.

White had audaciously suggested diplomacy was a preferred strategy to war. He was traduced by conservative commentators in Australia who shamefully accused him of appeasement or worse.

In many ways, this set the tone for the subsequent debate and policy development in Australia. Conservative commentators in bodies such as the Australian Strategic Policy Institute (ASPI), which is funded by the Australian Department of Defence and the US military-industrial complex, would never countenance China's becoming a regional hegemon.

Weaponised foreign policy

Australia's foreign policy has been "weaponised", with the security, intelligence, defence establishment taking charge of foreign policy towards China and geopolitical policy more generally.

They frame Australia's response to the end of the old order and see our security entirely aligned with the US on everything from Chinese inward investment, to technology, cyber, students and research, and ideology.

China is viewed as trying to extend its reach and influence in every sphere to the detriment of Australia's security, values and institutions. The central aim of which is to peel Australia off from the US Alliance.

As a result, in Canberra, thinking about China policy has become much more confrontational. Business concerns about the poor state of the bilateral relationship are dismissed as self-interested without any regard to the national interest; academics, well-meaning but dangerously naïve; and, commentators such as me, "panda huggers".

That the relationship is so poor is seen by some as a badge of honour. Little support exists for doing anything substantive to improve the relationship. The prevalent view is that this is just how things are going to remain and there is no need to do anything to change the current situation.

The China Threat is everywhere. Internationally, China is seen as a disruptor to the rules-based order and a potential aggressor; domestically it is seeking to influence our political processes and undermine Australia's institutions. Both dimensions of the Threat – domestic and external – are used to reinforce each other.

The domestic dimension is used to feed the narrative that China must be pushed back in foreign policy, and bad behaviour by China internationally is used to support the need for greater vigilance domestically.

Absence of Context and Proportionality

The China Threat narrative in Australia is entirely lacking in context and proportionately. For purposes that serve the interests of the proponents of the China Threat, fear of the Other is prevalent. Evil Fu Manchu is abroad again.

Last week, the Secretary of the Department of Home Affairs made the front pages with dire warning of an imminent 'cyber Pearl Harbour'. No evidence for such a wild assertion was provided, it was simply enough for the Departmental Secretary to say it to put it on the front page. Once Senate Estimates was a forum for politicians to grandstand, but now senior bureaucrats have taken over that role from their political masters. It was, as is so often the case, a bid for more resources and enhanced powers. The means were at hand to protect us from such a catastrophic event, if only politicians would provide both.

The Pearl Harbour analogy was itself revealing. Attack would be from the East. No doubt that it would be from China, but in the absence of any evidence this, of course, had to be left unsaid. Cleverly, this assertion sought to be reinforced by the publicity surrounding the hacking of the ANU's computers involving a big breach of personal records. Media commentary without evidence claimed it was from China, but the University and the Government have remained silent.

It may have been China, and it may not have been. We do not know, but it is reasonable in the current atmosphere to think that had it been China some evidence would have been provided. It may also be the case, that whomever the perpetrator, the ANU's cyber defences were found wanting.

In recent years, ASIO has discovered a nice little earner for attracting funds in the bureaucratic tussle for additional resources. ASIO now has a Business and Government Liaison Unit (BGLU) dedicated to alerting, or alarming, business around a range of real or assumed security threats, purported mainly coming from China.

Some six years ago, ASIO began itself approaching businesses to warn of potential or actual threats from foreign interests. Companies that I had been associated with, for example, were warned not to take mobile phones or laptops into China. In the case of publicly listed companies, however, almost all information that ASIO advised might be stolen was already on the public record as part of the continuous disclosure obligations under ASX listing rules. These are all matters that are appropriately handled by company's risk management committees and treated on a case-by-case basis in the normal course of a company's business.

When ASIO's Annual Report was released last week, the outgoing Head of ASIO was reported as saying that threats were increasing so much, especially foreign interference (now synonymous with China), and demand from business for advice that ASIO needs still more resources to do its job. A search of the media couldn't find any suggestion that this may have been somewhat self-serving. Instead, media reported this was more evidence of the Threat.

Another area where ASIO has been active is in inward Chinese foreign investment. A number of senior executives and Chairs of Boards have told me of unsolicited visits by ASIO to warn that potential M&A activity posed risks to national security because of Chinese involvement and would not gain FIRB approval. Accordingly, it would be better not to go ahead than be rejected by the FIRB. We do not know how much potential investment into Australia has been deterred by this.

It would appear that ASIO has become something of a self-appointed gatekeeper on foreign investment into Australia. None of this would matter very much if the process was transparent, open, and contestable, but it is not.

The latest ASIO report makes much of the need to protect Australia's intellectual property. In reality, much of Australia's intellectual property is already owned by foreigners be it US, European, Japanese or Chinese parent companies. The image

of Australia's vulnerable innovators and scientist being naively fleeced of their intellectual property is largely a fiction.

Most universities and other research laboratories have long had protocols to protect that which needs to be protected. Moreover, Australia's capacity to develop technology and innovate relies heavily on collaboration with foreigners.

Given that China's investment in R&D matches that of the US, and in some disciplines surpasses the US in terms of articles published in scholarly journals, it is inevitable that, for the good of Australia's research effort, a high level of cooperation occurs between Australian and Chinese experts.

According to Stephanie Fahey, CEO of Austrade, China is now Australia's number one research partner, while Australia is China's number six. A high mutual dependence now exists between Australia and China in research. Collaboration between Australian and Chinese researchers is both inevitable and, in view of China's increasing global leadership in many areas, is of overwhelming importance for Australia's interests.

The recent *ABC 4 Corners* program on alleged Chinese technology and intellectual property theft from Australian universities was a classic of the genre the ABC has developed. It is shot in the style of an Orson Wells movie with shadows, sharp angles and close ups to increase the sinister effect. *4 Corners* has become Orson Wellsian when doing stories on the China Threat.

Interviewee after interviewee piled on unsubstantiated assertion implying the University of Queensland had been naïve about the Chinese threat. As such, UQ had been complicit in allowing technologies that could be used against Australia to be spirited away to China. The message was that this was all orchestrated by Beijing in the interests of the Communist Party.

While the Vice Chancellor was given time to rebut allegations, the time available to him was far outweighed by those asserting dark deeds by China, many without any obvious technical expertise in the matter.

The irony of the program's having singled out UQ for special attention is that its Chancellor, Peter Varghese, is a former Director General of the Office of National Assessments and Secretary of the Department of Foreign Affairs and Trade. If anyone in Australia would be aware of and alert to the China Threat, it would be he.

Hilariously, it was even suggested that Australia should not work collaboratively with China on genetic research because Australia may become complicit in human rights abuses if such technology could assist in identifying Uighur minorities from the Han majority.

It is highly doubtful that China requires any assistance from Australian scientists in identifying Uighurs whose human rights it seems intent on abusing.

A university in Western Australia is collaborating with a Chinese counterpart in producing a new super variety of barley, using genetic material that can be derived only from Tibet. Should this research not proceed because of the human rights situation in Tibet?

No doubt there are risks and Australia has vulnerabilities that need to be understood and addressed as best they can. These should be put into context by people that know what they are talking about, and the response needs to be proportional to the risks posed.

Where there may have been some insouciance on behalf of university administrators, the intense public discussion has raised awareness of potential risks. Australian universities have taken steps to ensure the nature of

collaboration with Chinese institutions and researchers is understood, but in view of the enormous potential benefits to be had for their universities, and Australia more generally, have not allowed themselves to be panicked into over-reacting.

Despite over two years of intense media discussion around Chinese interference, the actual number of individuals who have been outed should cause embarrassment to the proponents of the China Threat. Only two individuals have faced any consequences – the businessman Huang Xiangmo and former Senator Sam Dastyari. If anything, their cases highlight the strength and resilience of Australia's institutions to protect Australia's interests and values, namely the media, parliament and, in the case of Huang, latterly the ATO.

The entire Dastyari affair does not reveal an Australia vulnerable and under threat from dark forces of the United Front Work Department of the Communist Party. To the contrary, it highlights the strength and resilience of Australia's institutions.

The United Front Work Department of the Communist Party has become another cottage industry of Australia's China Threat. Some commentators breathlessly write about it as if it were a new discovery. It has been a publicly known institution in China for decades. Some ten years ago I made an official call on its deputy head in Beijing. Western intelligence agencies would have known all about the United Front Work Department and would have been monitoring the activities of its staff and associates for years.

Recently Gladys Liu, the newly elected Liberal member for the outer-suburban House of Representatives seat, Chisholm, has come under intense public scrutiny for her past associations with overseas Chinese groups with apparent connections to the United Front Work Department. She mishandled the situation by initially denying the links. Instead, she would have been better off demanding evidence of where these links had compromised her loyalty towards Australia.

Here again we see the absence of context and proportionality. It is a fact of life China is run by the Communist Party. Similarly, that the Party has bodies such as the United Front Work Department to operate overseas to blunt overseas criticism of the Party and China more generally. Many other states similarly try to influence foreign opinion in favourable directions.

It is also a fact of life that overseas Chinese have a strong sense of cultural identity and many – not all – gravitate to overseas Chinese associations and business groups for mutual support in a foreign land.

Many such groups will have contacts with the United Front Work Department and Chinese diplomatic missions. Not all Chinese members of such groups are well disposed towards the Communist Party.

Similarly, Chinese businesspeople within and outside China give gifts to business associates. It is how business is done in a Chinese cultural setting. In China, businesspeople also crave recognition and legitimacy – and commercial favours – from association with politicians and government officials. Much of this association is about “face” or prestige above and beyond financial standing. Businesspeople like to line their office mantel pieces with photos of officials.

Business culture in China is markedly different than in Australia. This needs to be recognised as an uncomfortable truth, along with the influence of the United Front Work Department and links between it and legitimate overseas Chinese organisations.

This is the context, and Australia has well developed laws to deal with corruption, as do individual companies with internal rules on accepting and giving gifts. The regulatory framework has been strengthened through the foreign anti-interference laws. These should have been in place a long time ago.

Recognising all the challenges, in the scheme of things, and in view of the media and commentariat's obsession with the China Threat, the incidence of actual Chinese state-sponsored activity that have been discovered, and credibly documented, would seem to be relatively minor.

When put against the strength of Australia's institutions, as we have seen time and again in periods of public anxiety about external threats, we can safely sleep well at night. As the Howard Government said in the post 9/11 period when it was gearing up against real and potentially dangerous threats from fundamentalists, we need to be "alert, not alarmed".

Some Policy Responses

Context and proportionality are important in getting the policy responses right. Context is important so problems are not exaggerated domestically. In foreign policy, it is also important to understand the historical reasons for disputes and the domestic political imperatives of the various actors.

The South China Sea is a case in point. China is one of five claimant states and was not the only claimant that sought to build structures on the reefs and atolls. Both China and Taiwan have the same claims over the original boundary (9 or 11 dash line) which had been taken from Japan and given to the KMT when they were briefly recognised as the post-war government of China.

Each of the claimants have important domestic constituencies that pressure their governments, not least China's, to assert their claims. China as the most powerful actor, of course, can do so with greater effect. It is the way of the world that great powers do what they want and the rest do what they can.

Freedom of navigation, which the Australian Government has howled insistently about, mimicking the US, is another furphy. By freedom of navigation, the US

means provocatively sailing through China's unrecognised maritime zones in the region to cock a snook at Beijing and in doing so raise the risk of accidental conflict.

By the media and general public is, helpfully for the China Threat narrative, misunderstood as China somehow wanting to close off maritime traffic through the South China Sea and the Straits of Malacca. Nothing could be further from the truth, as China is utterly dependent on the flow of energy and minerals through these waters to keep its industries humming along.

None of these contextual points were made at the time we were lecturing China. Australia's position lacked nuance. The South China Sea is not a Manichaean struggle between good and evil, as it is often presented in the media and by the Australian Government. It is instead an immensely complex historical problem that requires subtlety and diplomacy to navigate.

The Dastyari Affair was a gift for the China Threat folk. Its participants were directly from central casting. It had all the elements of a cheap thriller. Corrupt payments to a local politician by a wealthy Chinese businessman, who in turn was tenuously linked to the CCP's United Front Work Department, in order to have the politician make comments on the South China Sea issue, of which he clearly knew nothing, that would be favourable to China.

But how many others have been outed? The China Threat people must be seriously frustrated that they have not been able to turn this into a serial. One Chinese agent of influence in nearly two years of intense media scrutiny doesn't look like much of a threat to Australia's democratic institutions or foreign policy.

On campuses, it needs to be acknowledged that among overseas Chinese students many are nationalistic, some fervently, and many are not. Chinese

students have protested in favour of the demonstrating Hong Kong students and others have protested against them. A range of views can be found among Chinese students for and against the CCP. The various Chinese Consulates and United Front Work would therefore seem not to be particularly effective in controlling what students are willing to say and how they behave.

Universities are acutely aware of academic freedom. The public debates over the role and activities of Confucius Institutes attest to this.

Similarly, with research, while some risks exist and these should be manageable within existing rules, the benefits to Australian research of cooperation with Chinese scholars and the costs of diminished cooperation should be part of the public discussion for some proportionality to be introduced.

Importantly it also needs to be recognised that Australia is not alone. All of Australia's neighbours are facing the same set of challenges. For all, China is the biggest trading partner and most look to the US for their security. All seem to be handling the rise of China and finding their feet within the new international order better than Australia seems to be doing.

Australia alone has its official relations with China frozen. Australia alone is having a highly divisive campaign of fear over the China Threat. Australia could well learn from its neighbours in how to manage these epochal changes.

Australia needs to move away from weaponizing its China foreign policy. Australia now approaches China on the basis of mutual suspicion and mistrust.

Consequently, Australia's foreign policy with respect to China is deeply flawed. On one hand, we declare China to be a country with whom we seek friendly relations and strategic cooperation, while acting as if China is a strategic competitor. At least the US has openly declared China to be a threat and must be contested at

every level. Australia should resolve the contradictions at the heart of its foreign policy.

Australian foreign policy needs to return to diplomacy. To the extent China threatens our security and that of our neighbours, then we should be actively building coalitions that will increase the costs to China from bad behaviour.

Coalition building was a singular feature of Australian diplomacy in the 80s and 90s, but we have largely vacated the field. Our credibility in any event is seriously tarnished as we have not been able to manage our relations with China. No one in the region will take Australia seriously if our Prime Minister is unable to meet China's top leaders.

It was once said that one of Australia's great assets in the region that gave us standing and weight was our close relationship with the US. That was true, but it is no longer if that relationship, through our incompetence and ideology, comes at the cost of our relations with China.

Together with regional neighbours we should be looking at how to engage with China constructively on matters of common interest, such as responses to asymmetrical security threats, environment, pandemics, drugs, people smuggling.

The challenge for Australia is how to protect and advance our interests in the region, which is increasingly dominated by China economically, and where its economic ascendancy also finds an increasing military expression, as is normal for a rising power.

Above all, our policy needs to be based on a realistic assessment of what China will be capable of doing as far as projecting its power. China is a constrained superpower. It is constrained by its history (still an Empire), long land borders and above all its reliance on international markets to supply everything it needs in

terms of raw materials and energy to continue to grow and prosper, and thus to maintain domestic political stability.

Conclusion

The China Threat is much exaggerated, both as a military adversary and as a challenge to Australia's domestic institutions. Australia is struggling to find its feet in the new order and it is unprepared for a world in which it cannot lazily rely on the dominant power to share our values and institutions.

A foreign policy that has Australia hewing ever closer to the US requires Australia to have a domestic China Threat to justify such a policy. Unless China is seen as an internal enemy to Australia, it would be difficult politically to explain why we are in conflict with our biggest trading partner and the dominant regional power with whom we have no historical animosity, and in fact to whom we owe a great debt for tying down over a million Japanese troops during the Second World War.

While Australia must be hard-headed about the risks and challenges in our relations with China, arguably, until recently, we had been doing pretty well at managing these as China emerged as a major power. To the extent China presents risks that we would wish to balance, Australia should return to active regional diplomacy of coalition building, which would include engaging China across a range of issues of common interest.

This will not happen until there is a return to more diplomacy in managing our relations with China, and in the current climate, regrettably that is a vain hope. Until we can engage with China's leaders and officials, Australia has little chance to defend and advance its interests.

The great noble enterprise of diplomacy is the avoidance of war. When statesmen forget that, we do indeed live in dangerous times.

Thank you.

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