Security is not the only factor in managing China tech challenge

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The Australian Financial Review, 2 Dec 2019

https://www.afr.com/policy/foreign-affairs/security-is-not-the-only-factor-in-managing-china-tech-challenge-20191201-p53frq

When Chinese technology is discussed, it is usually in terms of Chinese equipment potentially providing a vehicle for espionage, and Beijing's alleged use of access to our universities to develop military capabilities.

These are critical issues for Australia, but they are not the sum total of our national interests at stake. Maintaining our security and way of life depends on balancing counter-espionage and defence policy with the needs of the economy and foreign relations.

This is what scholars of the world wars and the Cold War called "grand strategy": aligning policy with the long-term bases of national power, which lie in a wealthy economy and a sustainable position in international politics.

The role of Chinese companies in artificial intelligence and 5G mobile networks receives much attention, but Chinese firms and researchers are also becoming leading actors in emerging fields from nanotechnology to quantum science.

While its innovation system has many weaknesses, China has leveraged its strengths in rapid application and scaling up of existing technologies to establish a growing presence in foreign research partnerships and market share. This is especially true in the developing world, which now dominates global growth in economic activity and internet usage.

This global trend has been largely ignored in Australia's public debate about China, which has focused on our relations with Beijing and Washington.

Australia cannot sustain an internationally competitive economy or broad-based foreign relations without some exposure to Chinese technology and the influence it generates. We have always depended for prosperity and technological progress on other nations for consumer demand, human resources and investment.

These will increasingly come from developing nations, especially those in our own region, which are deeply integrated with China's economy and Chinese technology. China itself is likely to become a leading, perhaps dominant, player in many industries worldwide in the near future.

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Simultaneously, the nature of China's government and the policies it pursues - epitomised by the mass incarcerations in Xinjiang and artificial islands in the South China Sea - are generating growing tensions with Australian interests.

The US government has made preserving a technological lead over China a national security priority and is introducing a range of measures to achieve this, including blacklisting Chinese firms, expanding export and investment controls, and empowering the US executive to veto commercial transactions involving information technology developed or supplied by persons subject to the direction of "foreign adversaries".

Washington is putting growing pressure on other governments to follow, with the campaign against Huawei likely the start of a "new normal" that is already being called a technology cold war.

Despite this, Chinese technology and economic power are being steadily embedded worldwide. The deciding factors have so far proved to be not the political nature of China's government, but the scale and dynamism of its markets, investments and firms, backed by Beijing's heavy-handed diplomacy and industrial policy.

That is why Huawei is installing 5G equipment in countries around the world, why Chinese firms are leading Africa's telecoms revolution, and why German automakers are designing cars around Chinese-built batteries and AI.

Australia should not shut out Chinese technology, and the innovation economy behind it, because of the risks that it entails. To do so would undermine our ability to engage not just with China, but with countries across the Asia-Pacific region and beyond that are unlikely to make such a policy choice.

As a small economy whose future lies in international integration, Australia should strive to avoid the splitting of global technology ecosystems. This demands a risk

management approach, rather than a quest for absolute security from the growing influence of Chinese technology.

The Australian government must ensure it is receiving advice on issues involving Chinese technology that reflects the range of effects on Australian interests, and which is not driven by immediate pressures or focus on particular challenges.

The National Science and Technology Council should vet advice on the security risks of Chinese equipment and partnerships, so that measures taken in response have accounted-for effects on Australia's innovative capacity and international engagements. Australian business and universities must accept that a growing range of research and development is inherently "securitised", requiring higher levels of government supervision.

Building political consensus around this approach is essential to put Australian foreign policy on a sustainable footing. This would be the first step in devising a new Australian "grand strategy" to manage the realities of Chinese power in the century ahead. Without it, our increasingly conflicted responses will divide our society and undermine both security and prosperity.

John Lee previously worked for Australia's Department of Foreign Affairs & Trade and Department of Defence. He is the author of a China Matters policy brief "What should Australia do about PRC-US technology competition?" His views are his own and do not represent a China Matters perspective. China Matters does not have an institutional view.