

Why China has beaten up Australia harder than anyone else

By **Hugh White**

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We are a perfect example for Beijing to show other fence-sitters that they will have to make a choice.

Throughout 2020, as our relationship with China collapsed and our economic opportunities evaporated, Canberra has clung to a homely analogy. Beijing is just a schoolyard bully, and if we stand up to them they will soon slink away.

That makes it all look easy, but the analogy is dangerously misleading. This is not a schoolyard, China is not a schoolboy, it hasn't slunk away, and nothing about our predicament is as easy as the government would like us to believe.

Instead of backing down, [Beijing has week after week relentlessly escalated](#) the pressure both diplomatically and economically, and there is no reason to expect this to stop.

We are being steadily squeezed out of the market which has powered our prosperity for decades, and which offers by far the best prospects in the years ahead. As a result our economy may never be the same again. So we need to find a better way to understand what is happening.

First, we should recognise that this is new. China has never treated a country this way before.

In the past it has often hit individual products from countries that defied it on specific questions. But this is the first time China has mounted such a sustained campaign of economic punishment against any country for so long across so many commodities.

And we do not really know why they are doing it. The Morrison government has done a lot of foolish things to unnecessarily provoke Beijing, reflecting a distinct antipathy to China. But its offences – [as set out in the list that emerged from the Chinese embassy last month](#) – do not seem commensurate with the punishment.

Australia has not obviously crossed any of the old "red lines" set by Beijing on sensitive issues such as Taiwan or Tibet. It has distanced itself from Washington's talk of a new cold war and challenges to the legitimacy of the Chinese Communist Party's rule.

In fact, nothing Canberra has done this year would have provoked such stern punishment in the past, so we need to ask why Beijing has responded so harshly now.

No other country has been so eager to profit from China's rise while relying on America to contain its power.

The answer lies beyond the Australia-China relationship, because this is not happening in a vacuum. China's position in the global economy is being transformed by policy revolutions at home and abroad.

In America the idea of deep disengagement from the Chinese economy has moved from a fringe fantasy to the policy mainstream, fuelled both by escalating strategic rivalry and good old-fashioned protectionism.

This won't change under Joe Biden. There is no going back to the old US-China partnership that has done so much to define both countries' economies for so long. And Europe too is starting to close its doors to China.

In response, [China is developing a whole new model for the way its economy interacts](#) with the rest of the world, as part of a bold rethink of its entire economic system. Under the ungainly banner of "[dual circulation](#)", China is once again redefining the relationship between the party-state and the market, and between its domestic economy and the rest of the world.

Its aim is to drive growth in a more hostile world while preserving the authority of the Communist Party.

China is not abandoning its commitment to international economic engagement, but it plainly realises that this is going to be harder. One response is to refocus on what Xi Jinping has called "the domestic cycle", looking more to domestic demand to drive growth and fuel innovation.

'Are you with us or against us?'

It seems that another part of Beijing's response is to change the way it deals with other countries. In a world which is more bifurcated, economically and strategically, it wants to confront others with a simple choice: are you with us or against us? This is where we come in.

Australia offers Beijing a perfect opportunity to show other countries the choice they now face, because we have been so careful to sit on the fence for so long. No other country has been so eager to profit from China's rise while relying on America to contain its power.

For a long time China accepted this. Now China is telling us, and by making an example of us telling other countries too, that this is no longer acceptable. In this new world we have to choose.

Many people will be tempted to welcome the choice being forced upon us, because they believe the choice is easy. They expect that countries throughout the world, and especially in Asia, will resist Beijing's pressure and turn their backs on China, and Australia will naturally join them.

Moreover, they assume that as this happens the internal contradictions in China's economy will finally catch up with them and its rise will falter.

Well, maybe. But we have underestimated China for a long time now, and we should be careful not to repeat that mistake. It would be prudent to expect that China's new model will succeed and that its economy will keep growing richer and stronger over the years ahead.

And if it does, then few countries in Asia, or in Europe for that matter, will turn their back on China. [In the new tug of war with today's America, China carries more weight.](#)

Few if any Australians want to see Asia dominated by China, but as things are trending we may have no choice. The question for us then is how we relate to that Asia.

Since 1945 Australians have been committed to a great national project to move beyond our imperial history and enmesh ourselves in the region where we live. Do we abandon that now? And if we do, where do we turn – back to the old empire rebadged as the Anglosphere?

Anyone who relies on schoolyard analogies to convince themselves that these choices are easy does not understand what is happening.

Hugh White is the emeritus professor of strategic studies at the Australian National University. He is also a member of the China Matters Advisory Council.