

China
Matters



A New China Narrative for Australia

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Principal Contributor: Linda Jakobson
Contributors: Stephen FitzGerald, Allan Gyngell, Jackson Kwok,
Andrew Parker, Michael Wesley



About China Matters

China Matters is an independent organisation that strives to advance sound China policy. We are unique in Australia. We engage business executives, public servants, politicians and university leaders about challenging policy choices in the Australia-China relationship. We generate public debate about Australia's relationship with the People's Republic of China. We aim to inject nuance and realism into these discussions. On the basis of solid China expertise and Chinese-language sources, we research problematic policy issues with the goal of formulating recommendations and providing analysis on how these policy challenges are viewed in Beijing.

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Office Tel: 0403 524 332

Email: chinamatters@chinamatters.org.au

A New China Narrative for Australia

Written as from a Prime Minister of Australia, setting out a basis for a national consensus or accord on a China Narrative for Australia:

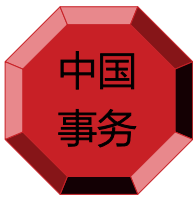
Today I will address the question, why we have to engage with the People's Republic of China (PRC). A simple answer is because China is of overwhelming importance to Australia. But that obscures the complexities of this great yet controversial nation. We must untangle these often contentious issues to explain frankly why – regardless of our likes and dislikes – we simply must maintain a constructive relationship with the PRC.

Let us be clear first about how values and national interests determine our foreign policy. Our values – including our commitment to a free and open society, to the rule of law, and to the universality of human rights – are a constant. We do not negotiate or compromise our values. Interests dictate how we manage our foreign relations. For any relationship to work, interests have to be negotiated. We will strive for a fusion of security and economic interests, but at the same time we must recognise that at times we will prioritise one over the other.

So then, what are Australia's interests? Simply put, these are the interests we want to advance and protect through our foreign policy:

- We want to continue to live in a prosperous society and enjoy the lifestyle we have.
- We want to live in a clean and sustainable environment.
- We want a mutually agreed upon set of rules about how nations interact in our region and the world.
- We want to be at peace.
- We want to formulate our foreign policy independently and free from the coercion of other powers.
- We want to have control over our own affairs, without undue influence from other countries. In short, we must be masters of our own house.

Each of these interests is impacted by the People's Republic of China. Whatever we think of some actions of the government in Beijing, we must acknowledge that, while we are complementary economies, Australia and the PRC are very different societies, with different political and legal systems, different interests, and different values and world views.



Australia-China relations have been mutually beneficial for 47 years, marked of late by our Comprehensive Strategic Partnership and the China-Australia Free Trade Agreement. Today bilateral ties are evolving to a large extent as a result of rapid changes in regional dynamics. Opinion in Australia is sharply divided about how best to respond. That is why we need a new narrative, one that can be inclusive in terms of Australia's interests.

We want to continue to live in a prosperous society and enjoy the lifestyle we have.

Our prosperity depends heavily on the PRC. China is the world's largest or second-largest economy, depending on how you measure it. It is an irreplaceable part of the global and regional economy. China is the largest or second-largest trading partner for all countries in North and Southeast Asia. Fortunately, the economies of Australia and the PRC are complementary. We have high-quality resources and services the PRC and its increasingly middle-class citizens seek. The middle class in China will soon consist of over 300 million households that need raw materials for industry and want advanced health care and education as well as reliable sources for food products.

The PRC economy is already so large that even if its growth slows considerably – and that could happen – the purchasing and spending power of PRC companies as well as middle-class and wealthy citizens will remain formidable. Today, fewer than 10 per cent of China's citizens have a passport. Yet, already one-quarter of total visitor expenditure in Australia comes from PRC tourists. Think of the day – not far off – when 20 per cent of PRC citizens have a passport and the opportunity to visit Australia.

Today our universities rely financially on tuition fees from international students. One-third – approximately 170,000 – of these overseas students are from the PRC. PRC international students added \$11 billion to our economy in 2018. That's almost as much as our total trade with the United Kingdom. This funding is instrumental for our universities to build laboratories, hire experts, and maintain their ratings as first-class research institutions so they can develop the medical treatments, technologies and energy solutions of tomorrow. Engagement with China's universities is also essential if we wish to tap into a growing hub of innovation.

Australia's continued prosperity depends, first, on being open to trade and investment. We don't get rich selling things to ourselves. We thrive in a world of free trade and open markets. We cannot dictate where demand for our goods comes from – be it for our iron ore, coal, beef, or berries – nor who chooses our country as a holiday destination or place of study.

Some Australians, wary of the PRC's growing influence, call for Australia to diversify its external markets. That is understandable. Dependency on a single buyer is unhealthy, not only for a company but for a country. The degree of our exposure to the PRC is far from ideal. We must work even harder to make our goods and services desirable to people in countries such as Indonesia, India, Japan and South Korea. However, at the end of the day, the market determines where goods are purchased; where young people pursue a university degree; where a family goes on holiday. That decision is in our hands only to the extent that we can keep Australia competitive. If we wish to continue to prosper, we must accept the facts: Projections of demand from the PRC are mindboggling. For example, beef consumption in the PRC is expected to rise 47 per cent by 2030. Even if the PRC's economic growth slows, demand for our products and services cannot be replaced by other emerging markets for decades.

Australia has always relied on foreign investment. Our savings are not sufficient to fund our investment needs. The inflow of capital brings competition that drives innovation and, in turn, productivity, jobs and growth. For instance, Australian agriculture needs an estimated 300 billion dollars of investment over the next 10 years to remain competitive. That sum simply cannot be raised domestically. And when we look abroad, Asian money, often PRC money, is a growing source. Naturally we must ensure that investment from the PRC, or anywhere, does not pose a national security risk, particularly for our critical infrastructure. We need to continuously review and update the screening processes of our Foreign Investment Review Board.

Second, and imperative for our desire to continue to enjoy our way of life, is that the PRC is transforming our region in ways we have only just started to understand. With prosperity comes influence. China will have a larger role in setting standards; not only industrial standards, which our businesses will rely on to ensure they remain competitive outside Australia's borders; but also many other kinds of standards – especially in emerging technologies, such as new energy sources, artificial intelligence, and robotics, and in design and architecture. Australia needs to be at the table to negotiate these standards to advance our interests. Collaboration between industry and research institutions, both in Australia and in China, is essential for Australian companies and universities to remain globally competitive. At the same time, we must introduce new mechanisms and methods to evaluate joint research projects and investment from the PRC to ensure that collaboration serves Australian interests. Business and the security agencies also need to cooperate more effectively to counter industrial espionage and protect our telecommunication networks.

China will have an impact on the future occupations of young Australians – from communications to resources, from education to science. To cut ourselves off from the PRC would be to cut ourselves off from the world. The entrepreneurial buzz in the PRC is palpable even to a short-term visitor. This is not a country that we can or should keep at arm's length.

We must engage with the PRC's international strategies. The PRC's Belt and Road Initiative – the BRI – is helping to meet the massive need for infrastructure in our region. Australia should engage with the BRI. While we must be mindful of concerns about the BRI's transparency and strategic purpose, we should do our utmost to be an integrating force for the PRC in our region, not a distancing force. We will engage more with the PRC.

Our desire to live in a clean, sustainable environment aligns with the PRC's efforts to reduce greenhouse gas emissions. The government in Beijing has shown a serious commitment to mitigate climate change: it invests heavily in renewable energy; demands that local officials' performance reviews include an evaluation of their work to clean up the environment; and imposes restrictions on traffic, coal use and industrial activity to meet the ambitious targets it has set. There are enormous collaboration opportunities for Australia and the PRC to work towards a cleaner planet. Combating climate change is a shared interest that should spur greater cooperation between our two countries.

Next, to our aim to have a mutually agreed upon set of rules for the region.

We need to work constructively with the People's Republic of China because this country will be a dominant force in our region. Not only do we want to be part of research and design teams leading tomorrow's technological innovations; it is in Australia's interest to be part of the conversations



about the political and economic changes which a more powerful China will inevitably bring about, especially with regard to how our region operates and is governed. We do not want to be marginalised. We want our voice to be heard. We want to participate in consultations that determine the direction and fate of our region.

For that to happen we must understand the policies and goals of the People's Republic of China and we must work with China and other countries in the region. The rules and institutions which have been central to Australia's interests for many decades are being eroded from all directions; by the United States, by the PRC and by other states. As a trading nation with global interests, but without the power to impose our will, we care about international rules. Together with others in the region we must engage the PRC, on the basis of give and take, to find mutually acceptable rules for all. Together we need to convince Beijing that some of its heavy-handed actions are ultimately counterproductive. And that the best way for the PRC to be respected as a great power is to adhere to mutually accepted rules.

Deep and forward-looking engagement with the PRC means having serious discussions about strategic issues affecting the region. It means putting considerable effort into making the PRC international student experience in Australia meaningful. It entails expanding collaboration with the PRC on projects in the Pacific Islands, especially to combat climate change, which Pacific states are deeply concerned about. It means deepening security cooperation and undertaking concrete action on issues such as crisis management, conflict resolution, nuclear safeguards, anti-piracy, counter-terrorism and disaster relief.

Australians need to know the world more than they ever thought necessary in the past. We need to become more China-literate. What precisely do I mean? Many more Australians need to master the Chinese language and many, many more Australians need to learn about the PRC, and the mindset within the Communist Party of China. As a government wanting to influence both PRC thinking and the way in which our relationship with the PRC develops, we must devote much more time to the China relationship than we have done. Ministers, politicians generally, and public servants must visit the PRC often, continuously pursue face-to-face engagement to investigate and understand PRC objectives and policies, and seek to identify matters in which our interests align with the PRC's.

And now to the most profound of all our interests, we want to be at peace.

How does this relate to the People's Republic of China? First, we must ask, what kind of a country can we expect the PRC to become? President Xi Jinping has urged his people to aspire to a China Dream. He wants to make China wealthy and strong. He wants the People's Liberation Army to be powerful. He wants the People's Republic to be a technological superpower. He wants to strengthen the ideological legitimacy of the Communist Party. He strives to achieve all that by continuously raising the living standards of PRC citizens and enhancing the PRC's international standing.

His words resonate with many PRC citizens, indeed with many people of Chinese heritage across the globe. The China Dream reflects a historical yearning for wealth, power, respect, and the global standing commanded before the country experienced a century of shame and humiliation at the hands of colonial powers.

We must not forget the energy and determination with which hundreds of millions of Chinese have gone about fulfilling their personal dreams over the past four decades. At the same time we must not forget the 3 billion Asians outside the People's Republic who also are pursuing their dreams and who, like Australians, must find a way to forge a meaningful relationship with the PRC for many of the same reasons as we do.

A plausible goal set by the Communist Party of China stipulates that the country (or most of it) will become prosperous by 2049. This means Australia must assume the PRC will be even more powerful and have at its disposal the means to be even more assertive than it is today.

But more than just peace, Australia wants a region with a stable balance of power. Beijing's assertiveness already confronts us. We oppose the PRC's unilateral actions to dispute maritime boundaries. Although we acknowledge that many countries coerce others economically, we are concerned about the PRC's increasing willingness to punish countries economically and use other forms of coercion to achieve its goals. Beijing's pressure on Hong Kong and Taiwan is disturbing, too.

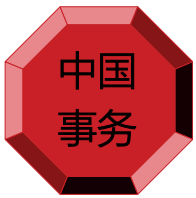
The manner in which Australia and its neighbours object to this assertiveness will determine the kind of region we live in. We need to draw Beijing into a discussion of mutually acceptable rules of behaviour and put our objections in a way that the PRC takes seriously. And where this is not possible, we will seek to constrain unacceptable PRC behaviour, together with other countries and in international forums, by finding new mechanisms and responses to unacceptable actions by the PRC or any other nation. For this, we have to work on building our coalitions with Asian, and particularly Southeast Asian, countries.

We must also speak up in support of internationally accepted universal human rights and against obvious violations. We must ensure that our public discussion is based on facts and is not overblown or emotive. A sober, matter-of-fact approach will help us convey our message to the PRC.

President Xi Jinping has said that China needs to tell its story better, and there is much good to tell. But not all good. The silencing of public intellectuals and rights activists is not a good one. Nor is the Uighur story. The mass detention of Uighurs in Xinjiang deeply concerns us.

The government is committed to a meaningful relationship with the PRC. We will rely on all the tools of statecraft and diplomacy at our disposal to navigate this unpredictable era, avoiding the perils of fatalism, or fixation on narrow, one-dimensional assessments of China. We will recognise the risks involved as well as the opportunities available. We will cultivate China expertise in all areas of the public service to ensure a well-informed and sophisticated China policy. We will strongly encourage a multiplicity of views in public policy thinking as the best guarantee of good policy advice and effective, agile diplomacy. And we will never accept that issues are viewed exclusively through the prism of security.

The PRC's economic might and its rise to our region's most powerful state require adjustments. The biggest risks in the coming decade will arise from possible mismanagement of this adjustment process by the Beijing government and the governments of other major states.



I turn next to our determination to formulate a foreign policy independently and free from coercion from other powers.

We must prepare for tensions between the PRC and the US to continue; and possibly escalate. The United States has formally labelled the PRC a strategic competitor and wants to curb its ability to develop capabilities which the government in Washington views as detrimental to US interests. How these two nations manage their relationship is of great consequence to Australia. The United States is our ally of nearly seven decades. The People's Republic of China will inextricably shape our future. Australia will not be forced into binary choices. Sometimes this will displease Beijing; at other times it will displease Washington.

Some commentators and even government officials across the region and in the United States have started to speak of a new Cold War. This is not accurate. The Cold War was a confrontation between the US and the Soviet Union founded in ideology. The PRC is a challenge to the United States and its allies not just because of its ideology, nor even just politically, economically or even militarily. Instead China's challenge to the United States is to America's role as the leader of the international system and in East Asia. The PRC seeks to displace the United States as our region's dominant power and revise the norms for governance in this region.

The PRC wants strategic influence. It wants to become economically and technologically superior. It also wants international respect and freedom of action to attain its goals, and it wants others to accommodate its interests – all in areas where the United States has long enjoyed preeminent power and influence, and is not inclined to concede. But the PRC is making this bid on the basis of reasonable great power aspirations. It does not seek to overthrow the international system. China has considerable resources. It is becoming more confident and more ready to compete globally but in many areas it also wants constructive and cooperative relations with the United States. A focus simply on the character of the political system in the PRC or on particular actions by the PRC government which we deem offensive or unfair can obscure this.

We must remain masters of our own house.

When I advocate a sensible and multi-dimensional approach to the PRC, I do not wish to sweep aside our different values and our different world views.

For example, Australia's universities have a long and proud history of supporting free debate and enabling the robust exchange of viewpoints. Universities do not just provide students with knowledge. They prepare citizens to participate fully in political, social and economic life. We do not wish students to silently withdraw, or blindly condemn, when they are confronted with different value systems. Rather, we want them to respectfully engage. The silencing of anyone in our society – from students to lecturers to politicians – is an affront to our values.

Similarly, we object to covert arm-twisting of any individual in Australia by an official of any foreign government. We must be masters of our own house. We will confront foreign interference head-on regardless of the country in question.

We will not compromise our democracy and values. We will act to protect ourselves from foreign interference, by any external power, in ways that are consistent with our values. We must resist restrictions on freedom of speech and covert discriminatory practices against individuals from the

PRC applying for citizenship, or against Chinese Australians seeking jobs or promotion whether in the public service, public institutions or business. We do not accept the PRC government's claim that Beijing should have a say over all people of Chinese heritage because they are bound to the Chinese nation by common blood, even those who are foreign citizens. Especially if this claim is used to infringe on the rights of the 1.2 million Australians of Chinese heritage. They have the same freedoms as all Australians – to live in a society governed by rule of law without fear of arbitrary pressure on the basis of their political views or religious beliefs, or their ethnicity or family connections. Chinese Australians come from communities across Southeast Asia, Hong Kong, Taiwan and mainland China, and they have made a tremendous contribution to our multicultural society. They are enormously diverse in their political views and they view the PRC through multiple lenses. We will safeguard the rights of Chinese Australians. We must not suspect every person who has connections in the PRC.

Indeed, I would like to see more citizens of Australia and the PRC get to know one another. People from our two nations interact daily. We do business, conduct research, enjoy art, music, film and sport together; we visit each other's countries, and make friends with one another. We need to do more of this. People-to-people ties should be part of the glue that binds our two countries together.

In conclusion, I return to one of our most fundamental interests: We want to be at peace. This will require us to work closely with other countries to find a mutual understanding of the kind of regional environment we seek. It will require us to be independent-minded within our alliance relationship. Our alliance with the United States is a critical element of our security. But in this rapidly changing region in which the People's Republic of China is intent on becoming the dominant power, we must be nimble and constantly ready to grasp opportunities, meet challenges, and mitigate risks. We cannot automatically fall back on relying on our ally to support our interests. In this era of unpredictability, our interests are not always going to align with the interests of the United States.

I cannot emphasise enough the magnitude of the foreign policy challenge we face.

Can it work? Can this China narrative form the basis of a policy to protect and advance the interests I outlined at the beginning? It will not be easy. Neither for the Government, nor for Australians.

But I believe it can work, if we are clear in the way we go about it. First, everyone must keep in mind the many positives in our relationship with the PRC. Second, we in government must take you, the public, into our confidence. We fully accept that a foreign policy can only be successful if it has public understanding and support. I acknowledge that this means the security agencies must be as open as they possibly can about the concerns we have regarding the PRC without compromising national security. The Government will provide a factual report about the type of risks we have identified, so that you, the public, have the opportunity to properly debate the evidence.

Despite our differences, and the challenges we have faced, Australia and China have benefited immensely from our comprehensive relationship. For this to continue in this time of enormous change, Australia must have a new China narrative.



To conclude let me summarise what is new about this narrative.

- This narrative is about engaging China, not merely managing our relationship.
- This narrative calls for deep and forward-looking engagement with the PRC. We cannot secure our national interests with a transactional approach to China.
- This narrative is about building a new kind of relationship between a middle power and a great power, with which we are already intertwined in multiple ways.
- This narrative is a realistic, candid assessment of ourselves and of the PRC.
- This narrative calls for Australia to speak out respectfully and firmly about what it finds unacceptable, regardless of the country.
- This narrative acknowledges that we will set the terms of our relationship with the PRC according to our own interests and values. These may not always align with those of our partners, including the United States.
- This narrative acknowledges that our capacity to influence is limited. Our interests have to be negotiated with clear eyes. But our values are non-negotiable.

China Matters would like to thank the following individuals for their feedback and commentary on the narrative. We acknowledge their participation in an important nationwide debate about Australia's relationship with the People's Republic of China.

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Mr Michael Humphreys

Mr Paul Kelly

Professor James Laurenceson

Professor Peter Leahy

Mr John Lee

Mr Jason Yat-sen Li

Dr Darren Lim

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