What should Australia do about...

PRC-US tensions?

by James Curran

Washington's trade war with Beijing has led to a tendency to label the economic, strategic, technological and ideological contest between the United States and the People's Republic of China (PRC) as the coming of a new 'Cold War'. A long-term shift in US strategic thinking about the PRC is clearly underway, but its magnitude remains unclear. Whilst both Australia and the United States view the PRC's assertive behaviour in the South China Sea and authoritarianism under President Xi Jinping as acute challenges, Canberra and Washington do not agree on the policies required to address it.

Australia is squeezed from both sides: as the US increases pressure on Canberra to take a tougher line on the PRC, Australia's bilateral relationship with the PRC remains frozen. Beijing continues to express its wrath at Canberra's decision to ban Huawei and the manner with which the new foreign interference legislation was introduced. Canberra for its part remains concerned about the excesses of the Xi government, especially Beijing's repression of Uighurs and the threat of heavy-handed actions in Hong Kong. Australian business leaders, on the other hand, publicly demand that Canberra embark on rapprochement with Beijing.

Prime Minister Scott Morrison insists Australia will not be a 'passive bystander' in this intensifying geopolitical competition.[1] Yet, both Xi's policies and President Donald Trump's confrontational approach to the PRC, which decrease the space for flexibility and de-escalation, unnerves US allies. At stake are not only Australia's prosperity and living standards – its record trade surplus of $49.89 billion for the 2018-19 financial year was buttressed by the PRC's demand for mining commodities – but also Canberra's strategic room for manoeuvre.

This brief first examines the debate over the PRC in the United States and challenges the assumption that US policy is settled. Second, it shows that despite the broadly shared views of the difficulties posed by a rising PRC, US and Australian interests and approaches to the PRC are not fully aligned across all policy fronts. Third, given that this divergence may increase in the near to medium term, the brief assesses what this means for Australia. In short, Canberra will have to prepare for more friction in both the US alliance and with the PRC. The Morrison government will have to play an even more prominent leadership role in the national debate on the PRC, particularly as respective positions harden – including within the Liberal/National party Coalition.

The US debate on the PRC: an incomplete consensus

Following Vice-President Mike Pence's speech on US policy toward the PRC last October, in which he said the US would not 'stand down' from meeting the PRC challenge in Asia, the then acting Defense Secretary Patrick Shanahan described the PRC-US relationship as 'geopolitical rivalry between free and repressive world order visions'.[2] Kiron Skinner, then head of the State Department's policy planning staff, labelled it a 'clash of civilisations'.[3] Some assess that the PRC-US relationship is trapped in a 'dangerous downward spiral'.

The assumption in much Australian commentary is that US policy towards the PRC is now fixed. ASPI's Peter Jennings points to 'a very clear consensus in the administration, congress and the national security system ... that China has emerged as the biggest strategic threat to the interests of democratic countries'.[4] That might be true on issues related to foreign interference, technology competition and Beijing's militarisation of the South China Sea, but there is no agreement about what precisely the United States should do to push back against the PRC. In July, a group of senior US scholars of the PRC,

former ambassadors and senior US Asia policymakers claimed there is no 'single Washington consensus endorsing an adversarial stance towards China'.[5] They stressed that whilst they were 'very troubled by Beijing's recent behaviour', they did not believe Beijing to be 'an existential national security threat that must be confronted in every sphere'. Former Assistant Secretary of State Kurt Campbell believes Washington should aim for a 'steady state of clear-eyed coexistence' with the PRC 'on terms favourable to US interests and values', an objective requiring 'elements of competition and cooperation'. [6]

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In June, Walmart and Target joined around 600 other American companies in urging President Trump to quickly resolve the trade dispute with the PRC. A national campaign, 'Tariffs hurt the heartland', comprises representation from the agriculture, manufacturing, retail and technology industries, whilst Intel, Google and Qualcomm are quietly pressing the US Commerce Department to ease its ban on sales to Huawei.[7] Some Republican and Democratic governors continue to court PRC investment despite the Trump administration's stance. Many American SMEs are considering not only job cuts but moving their factories offshore, while surveys of small business owners and entrepreneurs show mixed views on whether Trump's approach benefits them.[8] In short, the full effects of America's awakening to the challenge posed by the PRC are difficult to predict.

Divergence in Australian and US approaches

Both Australia and the US view aspects of the PRC's domestic and foreign policy with deep concern, especially Beijing's coercion of its neighbours. Washington and Canberra agree on the introduction of foreign interference legislation, the joint investment facility for the Pacific, human rights concerns and the banning of Huawei from the 5G network.

However, on numerous economic issues, Australia and Washington do not agree. The Australian government has expressed support for President Trump's efforts to hold the PRC to account for its actions in the international trading system. In practice, Australian exports to the PRC continue to grow, and Canberra has shown its desire for more regional economic integration with the PRC by pushing hard for agreement on the Regional Comprehensive Economic Partnership – a pan-Asian free trade agreement which includes southeast Asian nations, India, Japan, New Zealand and the PRC, but not the US. Australia has also called on the US to abide by international trade rules.

More crucially, Australia and the United States do not share a common conceptual framework for dealing with the PRC. Unlike the US, the Australian government has not labelled the PRC a 'strategic competitor'. Mr Morrison eschews talk of a new 'Cold War' and has underlined the risks in seeing 'malevolent intent' at every turn in PRC-US tensions, warning such views can become a 'self-fulfilling prophecy'.[9]

The Prime Minister's Asialink speech in June illustrates the divergence.[10] In addition to labelling both the US and the PRC as the nation's new 'great and powerful friends', Mr Morrison emphasised a number of themes, namely that Australia has a Comprehensive Strategic Partnership with the PRC; that Australia 'will continue to welcome China's economic growth', that it is in 'no-one's interest in the Indo-Pacific region to see an inevitably more competitive US-China relationship to become adversarial in character'; and that Japan, India, Vietnam and Singapore among others are seeking to balance their interests, history, alliances, partnerships and aspirations in the context of this new dynamic of great power competition. All of these themes diverge significantly from the stark assumptions that guide current trends in the White House's PRC policy.

What does this mean for Australia?

Canberra, like other regional allies, will face more pressure to toe a harder American line if US policy continues to evolve toward containment of the PRC, or if those arguing that PRC-US tensions are an epoch-defining civilisational battle gain traction. As Secretary of State Mike Pompeo's Australian visit demonstrated, senior US officials will not hesitate to state bluntly where they think Australia ought to stand on the PRC. Canberra will face further discomfort as Washington turns up the heat on US allies to back its present course toward Beijing. That could mean the US attempts to persuade Australia to abandon its Comprehensive Strategic Partnership with the PRC; it could also mean the US demands more military cooperation from Australia to counter the PRC, particularly on the unofficial proposal to station US-intermediate missiles on Australian soil: a proposal that will surely return. Likewise, the stress on shared values, the public face of the Alliance, could be given a sharper edge in terms of making it clear, from the American perspective, just where Australia's loyalties ultimately lie. Such a strategy, if reduced to scoring points against the PRC, could add to the current pressure on Australian diplomats, while it would also be detrimental to social cohesion amongst Chinese-Australian communities.

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Only rarely have Australian governments made a decision independent of American demands to challenge the PRC. These include Canberra's decisions to join the Asian Infrastructure Investment Bank against expressed US wishes and to not conduct the more contentious freedom of navigation operations. However, Canberra still refuses to endorse Beijing's Belt and Road Initiative due to relentless US pressure.

If those pushing for a 'competition-and-cooperation' framework sway US policy debates towards a more engagement focused approach, the impact on the Australia-PRC relationship will be less severe. Washington might re-energise its Asian alliance system, not as a tool of Cold War containment but as a force for rebooting those institutions it created after the Second World War. Canberra should therefore continue to stress to Washington the diplomatic benefits that flow from a more committed America in Asia. The US is not investing enough in diplomatic initiatives that can help reassure allies concerned about waning US staying power and an expansionist PRC. Making this case to a President not disposed to listening to allies will be a tall order. But Australia should do so. It must also continue to be proactive to shape a more substantial and broader view of regional cooperation with like-minded neighbours.

At the same time, Canberra must persevere in its insistence to the PRC what it will not stand for in terms of foreign interference and coercive diplomacy. Beijing for its part will not hesitate to keep expressing its displeasure with Australian policies it deems as hostile toward the PRC. Beijing has already shown its hand in this regard: by stopping official visits, and signalling economic costs such as delays in processing Australian coal through PRC ports and the opening of an anti-dumping investigation into barley imports. Australian policy flexibility will become much harder to maintain: and not only because Washington would like Australia to amplify its criticism of an increasingly assertive Beijing. Australia's dilemma is intensified by a domestic debate on the PRC already prone to bouts of panicked agitation, along with deepening internal political divisions in the government and opposition on how to deal with the PRC. More than ever, Australia has to display its capacity to articulate and prosecute a constructive, independent approach to getting relations with the PRC back on track.

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Policy recommendation

The existing institutional structure in which Australian PRC policy is made needs modification to meet the numerous and diverse challenges the PRC poses. There are now many stakeholders in the Australia-PRC relationship, including state governments, universities, diaspora groups, small and large businesses, and the security services. All are lobbying for their interests to be considered.

Therefore, the Australian government should establish a standing sub-committee of the National Security Committee of Cabinet (NSC) exclusively focused on bringing a whole of government approach towards the PRC. Whilst there is already a Secretaries Committee on the PRC chaired by DFAT – which feeds into the Secretaries Committee on National Security and the NSC – the government needs a new forum at the highest level to determine Australia's policies toward the PRC. To be chaired by the Prime Minister, and comprising the Ministers for Finance, Foreign Affairs, Trade, Defence, Education and Industry, along with the Treasurer and Attorney-General, the committee's membership would also underline that PRC policy is not the sole preserve of Australia's intelligence agencies.

In addition to coordinating Australian PRC policy, this NSC sub-committee could:

i) invite – on a case by case basis – alternative views from experts outside government; and

ii) enable the presence – again, case by case – of external stakeholders such as university vice-chancellors and/or representatives of the business community, including the tourism industry, to contribute input to PRC policy deliberations; and

iii) convene an annual roundtable on Australian PRC policy, involving both federal and state government bodies as well as other policy stakeholders.

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This policy brief is published in the interests of advancing a mature discussion of rising PRC-US tensions and its implications for Australia. Our goal is to influence government and relevant business, educational and non-governmental sectors on this and other critical policy issues.

China Matters is grateful to five anonymous reviewers who received a blinded draft text and provided comments. We welcome alternative views and recommendations, and will publish them on our website. Please send them to ideas@chinamatters.org.au.

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