



Session I Discussion Paper

Does the security establishment adequately consider Australia's economic interests with the PRC?

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Australia's domestic conversation on the People's Republic of China (PRC) has swung over the past 15 years from being dominated by economic gain to being dominated by security risk. The growing size and influence of Australia's national security agencies have played a role in this, but we should also consider the relative imperviousness of national security thinking to the breadth and vitality of Australia's economic relationship with the PRC. The national security establishment's inability to engage with economic arguments could be attributable to several factors.

First, there is a general tendency in Australian society to take the economic relationship with the PRC for granted. This country has not had an economic recession for 27 years. This has led to an expectation that the Australian economy is immune to economic shocks because the PRC economy will continue to grow strongly, and that as the PRC grows it will continue to demand Australian commodities, energy and food. Australia has experienced a number of serious frictions in its bilateral relationship with the PRC since 1996, and none have resulted in a diminution of our trade with the PRC. This has led to a growing sense that our economic relationship with the PRC is largely decoupled from our political and strategic relationship with Beijing.

But, the Australia-PRC economic relationship is not static. Sure, resources are still comfortably Australia's largest export to the PRC. But services trade is growing dynamically, and the PRC now is a source of technology and know-how for Australia. This will have significant implications for both Australian prosperity and Australian security. We should also acknowledge, as do our major resources companies, that the PRC's economy will become less resource-intensive over time. This will make the PRC less dependent on Australia as a supplier. In short, we may not be able to take the PRC's continuous demand for what we produce for granted for too much longer.

Second, there is an orthodoxy that the economic relationship between Australia and the PRC is a "stabiliser" in bilateral relations and run largely by private-sector companies with little need for government involvement. It also speaks to the conceptual division at the heart of government, of the functional separation of trade and economics from diplomacy and security. This in turn reflects a liberal Western conviction preferring the separation of politics from economics. Policy professionals enter either "economic" or "diplomatic-security" streams in their academic and then bureaucratic careers, which in turn reflects certain preferences in thinking about international relationships. Rarely have these mindsets needed to seriously grapple with alternative ways of thinking about these relationships. This is a problem in an era when governments, businesspeople and academics are increasingly concerned with the rise of "geoeconomics", or the use of economic leverage to gain strategic advantage.

Third, there are no permanently operating mechanisms in government that bring together security and economic considerations. Security advice reaches Cabinet via a different route from economic advice, and Cabinet has struggled to resolve questions where the two sources of advice have contradicted each other. Over the past year several initiatives from within government have emerged to bring economic and security perspectives together, but it is still too early to judge whether this will influence official thinking or policy making.

Fourth, the secretive nature of national security makes it particularly impervious to critical scrutiny or input. This means there is a significant information asymmetry in operation. There is a point where rational debate must stop, when national security agencies and Ministers invoke superior knowledge which they are unable to divulge. This tends to have a pre-emptive silencing effect on the contribution of non-security perspectives to the debate, which in turn reduces the motivation of security agencies to engage outside of the security community.

Fifth, is an undercurrent in the national conversation on the PRC that anyone with an economic connection to the PRC is compromised. Some commentators have labelled this a “McCarthyist” culture which devalues critical perspectives and silences those who hold them. A notable aspect of the current discussion is the lack of prominent business voices challenging the dominant national security narrative on the PRC.

All these tendencies have been intensified by the rising trade war between the United States and the PRC. There is a strand of narrative from within the United States that the collateral damage to the American and global economies is worth it if it delivers a sustained slowdown in PRC economic growth. Amidst this type of logic, it becomes easier for the national security community to be dismissive of Australia’s economic relationship with the PRC, which is assumed to be less important than the larger geopolitical and national security outcomes at stake.

Session 1 questions:

- Does the security establishment have too much influence on the formulation of China policy?
- How can business ensure its voice about the importance of robust engagement with the PRC is heeded by Canberra?
- Under what circumstances would Australia’s security decisions have economic consequences?