

Part one: How the China relationship collapsed

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As antagonism between Canberra and Beijing flares, tracing the history of the relationship reveals that ties began to fray long ago and tensions may get even worse

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In November 2014, China's president, Xi Jinping, addressed a joint sitting of the Australian parliament. He spoke warmly of China and Australia fighting as allies in two world wars, of "a vast ocean of goodwill" between the two countries. During his visit, Beijing and Canberra had agreed to upgrade their bilateral relationship to the status of a "comprehensive strategic partnership" and to the substantial completion of a free trade agreement. The future of the relationship looked bright.

Xi will almost certainly be the last president of the People's Republic of China to set foot in the Australian parliament, and possibly the last to visit Australia. Six years on from Xi's speech, the bilateral relationship is now so damaged neither Australia nor China can retrieve the situation by taking actions that are simultaneously acceptable to itself and the other.

The Chinese embassy's decision to release a list of 14 demands Australia needs to meet to repair the relationship has made it politically impossible for any Australian government to do so, just as it has made it hard for Beijing to resile from any of these demands. Perhaps that was the point.

Given the dramatic demise of cordial – or even civil – ties between Canberra and Beijing, it is predictable that many are casting around for someone to blame. The media is full of accounts of which side said, did or tweeted what to so badly damage the relationship.

But a relationship based on so powerful an economic complementarity and such long and extensive mutual interaction does not deteriorate so quickly because of a series of statements, actions and incidents.

Previous periods of bilateral tensions between China and Australia, in 1996-97 and 2008-09, were quickly healed by a rising tide of mutual prosperity and conciliatory gestures.

Neither is it the case that things have changed because of new leadership and policy from the other side. Australia has long criticised China's policies on human rights and blocked Chinese investment in certain infrastructures; China has claimed the South China Sea, opposed United States alliances in Asia, and sought to forge ties with Chinese Australians and gain access to Western technology for even longer.

A shift as dramatic as the one seen in recent years can only be understood by appreciating the deep plate tectonics that have shaped ties between Australia and China since before 1972.

For decades, economic complementarity, geopolitical interest and public attitudes gave the relationship a greater strategic dimension for each country, elevating the significance of the bilateral relationship for both. It is successive tectonic shifts of each of these aspects – economic complementarity, geopolitical interest and public attitudes – that created a fragility beneath the public appearance of the bilateral relationship, causing it to deteriorate so badly, so quickly.

The trajectory of relations between China and Australia can be separated into roughly three periods, each governed by particular economic, geopolitical and public perceptions. Phase one was a period of optimism, underpinned by complementary economic and strategic interests. In the '70s, Australia's moves towards normalisation of ties were driven by growing wheat sales to China even before Canberra recognised Beijing. This happened against a backdrop of Britain joining the European Economic Community. American and British statements limiting their military commitments in Asia brought an end to Australia's policy of forward defence, necessitating a more nuanced policy of defence self-reliance and diplomatic activism. Washington's reclassification of China from Cold War rival to strategic partner made Australia's opening to China entirely consistent with the ANZUS alliance.

Australian governments from Gough Whitlam's to Paul Keating's invested more in Australia's relationship with China than with any other country in Asia. From the '70s to the mid-'90s, Australia's prime ministers each took personal carriage of the China relationship, leaving other relationships to their Foreign ministers; each enthused that the bilateral relationship with Beijing was the cornerstone of Australia's new foreign policy in Asia. Whitlam, Malcolm Fraser, Bob Hawke and Keating all saw Australia as able to play a significant role in helping China evolve in the right ways: peaceful economic development, growing liberalisation, a

positive presence in regional and global forums. China became a passion project for these four very different men: the grandest possible canvas for transformation through bold action and commitment.

By the beginning of the 2010s, it became clear the premise underlying the optimistic and pragmatic phases of the relationship – that a more prosperous and internationally engaged China would not be disruptive to the status quo – had been wrong.

China came to see that fostering a relationship with such an eager suitor could have its advantages. The Chinese economy had been ravaged by the Great Leap Forward and the Cultural Revolution, and the country was completely isolated internationally after its acrimonious estrangement from the Soviet Union. Mao's attempts to spread revolution through Asia had sputtered out at the Thai border. Australia came to the relationship without direct experience of Beijing-backed subversion, allowing China to build warm relations with a close US ally, which could serve as an example to others that normalisation of ties with Beijing carried low risk.

Australia was one of the first countries to suggest that China's economic reform and opening after 1978 was also a harbinger of political liberalisation. Hawke's close relationship with Hu Yaobang, the Chinese leader at the time, convinced the then prime minister that he could work with Hu on liberalising political reforms for China. Hawke, and Keating after him, campaigned strongly for China's inclusion in the Asia-Pacific Economic Co-operation (APEC) forum and other regional bodies, arguing membership would strengthen Beijing's commitment to economic reform while dealing it into the collective stewardship of the Asia-Pacific.

The period of optimism began to fray in the 1990s and was replaced by phase two: pragmatism. Complex processes underpinned this shift. The massacre in Tiananmen Square in June 1989 changed public attitudes, with prominent China specialists and Chinese Australians emerging as vocal critics of the Chinese government and its human rights practices. But still, Australia remained hopeful. It was one of the first countries to breach Beijing's diplomatic isolation by sending its Trade minister to China after the shock of Tiananmen Square.

But the US-China relationship became more fractious, with the Clinton administration linking most-favoured-nation trade status with progress on human rights. Beijing reacted with menace to Taiwan's democratisation in 1995-96, showing its willingness to coerce those who went against its wishes. The US responded by sending two aircraft carrier battlegroups into the Taiwan Strait.

Australia was caught in the slipstream: when the Howard government spoke in favour of the US dispatch of aircraft carriers, Beijing reacted with a now-familiar playbook: a diplomatic freeze, trenchant denunciations and threats to trade.

At the same time, though, our trade with China began to boom, especially as the new millennium approached. At the 1996 APEC summit in Manila, John Howard met with the then Chinese president, Jiang Zemin, and the two agreed Australia and China needed to manage their differences while accentuating their common interests. It became Howard's formula for Australia's diplomacy in Asia. As Australia's expanding trade with China pulled it through successive regional and global shocks – the Asian financial crisis, the dotcom bust, the global financial crisis – the Australian public came to see the direct benefits of the relationship.

China also started to see the growing economic relationship as a strategic opportunity. America's flexing of its naval muscle during the 1995-96 Taiwan Strait crisis had convinced Beijing that its strategy had to transition – away from accepting the US role in Asia and towards displacing US presence in the region. China's strategy ever since has been to weaken US alliance links in the region, which it regards as America's anchors in Asia.

Howard's constant refrain – that Australia did not have to choose between its prosperity and its security – suggested to Beijing the possibility of inserting a wedge between Australia's international commitments. The historical materialists in Zhongnanhai believed that allowing the economic relationship to roar along would so profoundly shift the material foundations of Australia's international policy that Canberra would come to see its alliance with the US as increasingly contradictory and would, gradually, drift away from it.

The evidence began to suggest the Marxist reading of history was bearing fruit. In October 2003, the then Chinese president, Hu Jintao, was invited to address a joint sitting of Australia's parliament the day after an address to parliament by the then US president, George W. Bush. The symbolism was unmistakable: China appeared to have gained equivalent status to America in the Australian official mind. The next year, during a visit to China, then Foreign minister Alexander Downer answered a journalist's question that the ANZUS Treaty would not necessarily apply to a US-China conflict over Taiwan.

Washington was not amused. Clear signals were sent that if Australia failed to pitch in to a US-China standoff, it would mean the end of the alliance. Canberra's responses to China's overtures became more closely scrutinised by the US, which began seeking to directly influence Australia's choices. Washington warned that if Australia allowed Huawei to build parts of its mobile phone infrastructure, it would affect the flow of intelligence between the two allies. The Obama

administration also campaigned publicly against Australia joining the Asian Infrastructure Investment Bank.

Far from not having to choose between China and the US, Australia increasingly found its choices over-interpreted by both Beijing and Washington. As the US rivalry with China deepened, the bar for loyalty was raised ever higher: soon China hawks in Washington were muttering that only Canberra's willingness to endure real economic pain was sufficient to demonstrate it was prepared to stand up to China.

In this febrile atmosphere, anxieties about Australia's economic dependence on China began to displace the satisfaction of being so complementary to the world's most dynamic economy. China's assertiveness in the South and East China seas and its growing repressiveness at home also started to challenge perceptions that, for all its flaws, China was basically a benign presence in a stable and increasingly prosperous region. It also became clear Beijing had been patiently developing weapons systems that directly threatened the US Navy's ability to operate in the western Pacific. Australia's security blanket was slipping: for the first time since the end of World War II, the US role in the Pacific was under sustained challenge.

So began phase three of the Sino-Australian relationship: deepening antagonism.

By the beginning of the 2010s, it became clear to many in Australia the premise underlying the optimistic and pragmatic phases of the relationship – that a more prosperous and internationally engaged China would not be disruptive to the status quo – had been wrong.

Suspicious grew that Beijing was looking for multiple avenues of leverage following the discovery of a cyber attack on the Australian parliament and revelations that Labor senator Sam Dastyari trimmed his views on Beijing's behaviour to suit his China-connected financial backers. Chinese investment in Australia drew ever more intense critical public scrutiny, and foreign investment rules were tightened.

Australia's urge to lead in belling the dragon had several motives. One was the depths of disillusion Canberra felt towards Beijing after hope fell away for a mutually trusting relationship. Australia's new perspective on China carried with it a belief that other countries in the region had not understood the danger as clearly, and needed to be shown the way. There was also the need to signal to Beijing that Australia's delusion about the benign rise of China's power had ended; Australia was not a soft touch to China's blandishments but a tough and resolute counterpart. And it helped to make it clear to the Americans where Australia stood.

Beijing's attitude shifted sharply also. Here was Australia – a country that had promoted co-operation, mutual respect and partnership – now directly countering China's attempts to reassure other countries its rise was benign. China's reaction – so sustained and vigorous – to Australia's rejection suggests this goes beyond annoyance with Australia's actions or attitudes. Beijing sees a serious threat to its foreign policy goals in Canberra's behaviour. But China's punishment is only partially aimed at Australia. A significant audience are the other small and medium-sized countries in the region that may be contemplating following Australia. So far it has worked: no other country has done so.

Phase three still has some way to run. The biggest challenge is that the relationship could well worsen further.

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