

Can Australia and China have a stable relationship?

by Yun Jiang

Executive Summary

- A long-term stable relationship between Australia and the PRC will be challenging because the PRC believes Australia is not capable of pursuing an independent foreign policy and remains hostage to its alliance with the US.
- Scholars in the PRC argue that Australia's antagonism towards the PRC was a "shortcut" to ensuring that it will not be abandoned by the US.
- The PRC's decision in 2020 to punish Australia was partly due to emotion rather than wholly a rational calculation of risk and reward. To counteract this, building mutual trust and personal relationships is important to ensure long-term stability in the relationship, especially at the senior leader level.
- One of the biggest long-term risks to a stable bilateral relationship is the expanding raft of issues seen through a national security lens in both Australia and the PRC. This will continue to damage trade and people-to-people links.
- Rather than emulating the PRC's approach to national security, Australia should encourage engagement, including minilateral and multilateral initiatives with both the PRC and US.

Introduction

With the first visit to the People's Republic of China (PRC) by an Australian Prime Minister since 2016, the Albanese Government has successfully stabilised the bilateral relationship in just over a year. This stabilisation comes after a severe deterioration in ties under the Morrison Government. Albanese's visit to the PRC resolved some of the frictions from the Morrison years. President Xi says the two countries have "embarked on the right path of improving... relations."

But can this stability continue? What underlying factors could derail it in the medium to long term?

In this report, drawing upon research in the PRC in late August 2023, I explore the perspectives of PRC academics and analysts regarding the future of Australia-PRC relations. The views in this report are from interviews I conducted with around a dozen specialists in international relations. They do not reflect all the views that exist in the PRC but provide a snapshot of mainstream thinking.

Most PRC-based scholars and analysts are not optimistic about the long-term prospects for the Australian-China relationship. Their expectations for the relationship are shaped primarily by increasing competition between the US and the PRC. Meanwhile, Australia is just as committed to the US alliance as under previous governments.

I make the case that the PRC's deeply entrenched sense of victimhood and its continued dismissal of Australia's capacity for independent foreign policy-making are impediments to better bilateral relations. I argue that the greatest risk to a stable long-term relationship is the expanding suite of issues deemed

Independence, power, and influence

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to be of national security significance in both countries, as they will over time erode trade and people-to-people links.

Taken together, these trends make maintaining a stable Australia-China relationship difficult but not impossible.

Many strategic experts around the world believe that avoiding major power conflict between the US and the PRC will be difficult, if not impossible.¹ According to mainstream thinking in the PRC, the US is actively rallying allies to contain the PRC, and Australia has firmly fallen into the American orbit, become a vassal state, and lost its independence.²

A common refrain amongst PRC commentators is that their country is a victim of US containment and suppression efforts and, compared to the US, has little impact on shaping the current international order. Belief in determinism and powerlessness on the part of both Australia and the PRC is prevalent among PRC experts.

A dependent ally

Many international relations scholars I spoke to during my visit were perplexed as to why Australia has been so aggressively “anti-China” over the last five years. From their perspective, the bilateral relationship was relatively stable until around 2017, when Australia started seeing the PRC as a threat to its national security.³ Since then, from their perspective, Australia has been “demonising” China. This includes characterising the country as a threat while stopping PRC investment into Australia and countering foreign interference.

Most of these scholars see Australia’s decisions primarily through the prism of US-PRC competition.⁴ The most common explanation for Australia’s strategic choices is that the Australian Government is under significant pressure from the US and, as such, Canberra’s choices are not driven by Australia’s own national interests.⁵

Indeed, some scholars in the PRC are incredulous regarding the suggestion that Australia may have independently chosen to align with the US. It appears to them that an independent strategic and foreign policy can only mean resisting US influence.

However, some PRC experts point out that Australia has sometimes actually been ahead of the US in its antagonism towards the PRC.⁶ Australia was the first country to ban Huawei from the 5G network in 2017, for instance, and the first country to call for an independent inquiry into the origin of COVID in 2020.⁷

These scholars argue that Australia’s “fear of abandonment” has overwhelmed its other longstanding “fear of entrapment”⁸ — which is that as the PRC becomes more powerful and the geopolitical situation more uncertain, Australia’s fear of being left alone in the region goes much further than being asked to do more by its great and powerful friend.⁹ They also argue that being antagonistic towards the PRC is a “shortcut” to ensuring that the US-Australia alliance will not be abandoned.¹⁰

These scholars believe that Australia’s approach was wrong-headed. This is because as the US competes with the PRC, it actively seeks out allies in the region, so Australia should not fear that the US will abandon it. Instead, these scholars suggest that Australia should take more cues from countries in Southeast Asia, trying to extract maximum benefit while hedging between the

two superpowers.¹¹ Evidently, they underestimate the fear of abandonment that many US allies had during the isolationist Trump years.

PRC analysts argue that Australia's threat perceptions stem primarily from its identity as an Anglosphere country located in an Asian region far away from other larger Anglosphere powers.¹² During my interviews, the AUKUS trilateral security partnership between Australia, the United Kingdom, and the US was routinely cited as evidence of this.

Emotions and respect

If Beijing genuinely believes that Australia has no independence in its strategic or foreign policy, why then did Xi Jinping punish the Morrison Government, including by applying trade sanctions, since doing so presumably would not change Australia's decisions?

Some scholars in the PRC described the decision to punish Australia as based on emotion rather than wholly a rational calculation of risk and reward.¹³ According to this view, punishing Australia may have made PRC leaders, as well as the broader public, feel emotionally satisfied through taking actions in retaliation for Australia "disrespecting" the PRC as a great power.

The PRC Government wants to be respected by other countries. The leadership and the people believe that Western countries looked down on China during the so-called "century of humiliation." Now that the PRC is powerful, its leaders are especially sensitive about any signs of disrespect from Western governments, which could be seen as a continuation of the disparaging attitude of the West that prevailed when China was weaker.

There are at least two types of "respect": deference or treatment as an equal. While governments around the world claim in their public messaging that sovereign states are equal, the international system is inherently hierarchical. Countries do not treat great powers the same way they treat smaller powers.¹⁴

When experts in the PRC speak about being respected, they mean to be respected as a great power in the region, almost equal to the US. Therefore, a degree of deference by countries such as Australia is expected. When Australia did not show enough deference, such as by calling for an independent inquiry into the origin of COVID, the PRC felt disrespected.

To PRC experts, this disrespect is a sign that Australia, along with most other Western countries, is not ready to accept the PRC as a great power.¹⁵ Many of them put the blame on racist thinking in the West – that they are unable to accept an Asian power on top.

Contrary to this, most experts in Australia would argue that Australia does respect the PRC, but that respect does not mean deference to the PRC, partly because the PRC is not the preeminent power in the region, which is the US.

PRC either too polite or too weak

As pointed out above, according to most PRC experts, the reason that Western countries such as Australia do not accept the PRC as a great power is not due to anything that the PRC Government has done, either domestically or internationally. Rather, the PRC is a victim of US containment. Since it is constrained in its actions by pressure from the US, it has relatively little influence in shaping world affairs. This stands in contrast to the nationalistic public image promoted by Beijing that the country has become strong and powerful.

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There are two common explanations for this paradox. In the first explanation, the PRC remains relatively weak compared to the US.¹⁶ The strong public image projected is a form of nationalistic propaganda, designed to make the population feel good about the country. So-called “wolf warrior” rhetoric is used to distract the population from the fact that there is little the PRC can do to challenge the US. Instead, it can only punish smaller countries such as Australia.¹⁷ However, such actions ultimately do not shape the international order.

In the second explanation, the PRC is too polite to exert pressure or influence others. This narrative is aligned with the official government view and is popular amongst the broader Chinese public. Beijing accuses the US of using its hegemonic power to bully and coerce others while vowing that it would never do the same. In a 2023 white paper on US hegemony, the PRC Government wrote: “The US must let go of its arrogance and prejudice, and quit its hegemonic, domineering and bullying practices.”¹⁸ In other words, all actions the PRC have undertaken are defensive in nature, specifically responses against US containment. This restraint is what makes the PRC reactive to international developments instead of actively shaping them.

There is a considerable difference of views among experts about the PRC’s status in the international system – whether it is a great power or on the way to become one or, in a view held by a minority, may never become one due to domestic factors.

Regardless of these views, most experts give little credit to the idea that the PRC’s foreign or domestic policies have affected other countries’ attitudes towards it. They dismiss the suggestion that the PRC’s militarisation in the South China Sea or its authoritarian turn have made other countries view it as a threat, but instead focus on the role the US has played in highlighting these issues to rally their allies. While some experts have admitted to me that the PRC’s actions may have antagonised other countries, they did not feel comfortable publishing this view.

The view of the PRC as the victim and merely reacting to outside forces is in stark contrast to how Australia sees the PRC. According to the Australian Government, it is the PRC that has changed, and Australia that has just reacted to it. Both governments see themselves as only reacting to outside changes.

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Expansion of national security

While some PRC experts perceive Beijing as having little influence in shaping the international order, all agree the government has a lot of power and control over the country it governs. This control has grown in recent years due to an elevated importance placed on national security.

The expansion of issues deemed to be of national security and strategic significance, in both the PRC and Australia, is the biggest long-term obstacle to a stable bilateral relationship. This is because the two governments are more willing to forego possible economic benefits and to brand unknowns and uncertainties as threats rather than opportunities.

Economic ties have for decades been seen as providing the ballast for Australia-PRC relations. However, the PRC’s long-term goal of self-reliance in food security and technology would mean limiting the scope for growth in economic links. As Beijing focuses on supporting and augmenting its domestic

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industry, the PRC market may become less attractive and more difficult for foreign companies in some industries.

Until Xi came to power in 2012, the conventional wisdom in the PRC was that economic growth was the bedrock of regime security – the Communist Party of China (CPC) would remain in power as long as reasonable economic growth was achieved and anticipated. However, growth is slowing, and intensifying geopolitical uncertainty has made the PRC feel cornered, threatened, and insecure. Instead of economic growth, national security has become the top priority for Beijing, “the bedrock of national rejuvenation” according to Xi.¹⁹

Australia is unlikely to convince the PRC leadership to place less importance on national security. Instead, a possible course reversal in the PRC would be a result of domestic developments. For example, if the PRC Government believes that the focus on national security has impeded its economic growth and caused social discontent, then it may moderate its approach to national security.

If Beijing places increasing importance on security than the economy, Australia will become less important to it.²⁰ The two national security trends that will most impact Australia-PRC relations are the growing emphasis on self-reliance and anti-espionage.

Self-reliance in food and technology

The PRC believes that the US is trying to contain it by restricting the flow of goods, technology, investment, and information into certain industries crucial to national development. To combat this, Beijing is re-emphasising self-reliance, especially in food and critical technology.

For the PRC, reliance on essential imports, as well as critical technologies controlled by others, is a grave source of risk, as the US could potentially disrupt these if a conflict were to break out. Even in the absence of an impending kinetic conflict, Beijing believes that the US is currently exploiting technological “chokepoints” such as semiconductor manufacturing as a primary mechanism in its larger containment strategy.

To facilitate self-reliance and to overcome these chokepoints, the PRC supports investments in research and development in critical technologies. Beijing will spend US\$143 billion over five years to support its slowly maturing semiconductor industry.²¹ In August 2023, Huawei released its new Mate 60 Pro, which uses 7 nanometre chips manufactured by a PRC foundry, placing it two generations behind the world’s leading chipmakers.²² The PRC celebrated this as a remarkable achievement, as Huawei has been subject to US technology sanctions since 2020, which means it cannot access advanced chips made by other countries. For some consumers, using Huawei phones has become a symbol of nationalism.

According to the US Government, advanced semiconductors can be for military and intelligence purposes. Thus, the US is taking steps to protect its military edge. However, advanced semiconductors also have much wider applications, and from the PRC’s perspective, the US is constraining its economic development.

On food security, Xi’s directive is that “Chinese people’s rice bowls must always be held firmly in our own hands with Chinese grains in them.”²³ To encourage more domestic grain production, Beijing is restricting grain farming from being converted to other types that might bring more income

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for farmers, such as fruit or aquatic products. Beijing is also encouraging the conversion of forests to farmland, a reversal of previous policies.²⁴

Displaying propaganda videos on public transport is one way the CPC communicates its priorities to the public. For example, in a video on the Beijing subway designed to promote the spirit of the 20th CPC National Congress, an egg producer describes how they overcame foreign companies attempts to “choke” them and developed their own seed stock to ensure that the PRC’s egg supply is “held firmly in our own hands.”

Through this example, the video highlights two issues: the importance of food security and the national security danger of relying on foreign companies or technologies – you never know when foreign companies may stop providing technology and cripple production, which may then lead to national shortages. With this mindset, commercial disputes between private companies can easily be elevated to become issues of national security.

Some experts in the PRC have questioned whether self-reliance can be achieved, considering the cost of doing so for PRC companies. Nevertheless, Beijing’s emphasis on self-reliance means its trade links with other countries will be comparatively de-prioritised. This does not mean the PRC will pursue autarky, but that the potential for growth in certain sectors will decline.

Anti-espionage and suspicion of the foreign

Foreign companies operating in the PRC and foreign individuals living there are facing a more challenging environment due to Beijing’s anti-espionage efforts.

The PRC recently revised its anti-espionage law to expand the definition of espionage to deal with any “documents, data, materials, or items related to national security and interests.” Provisions of the law also apply to conduct other than espionage, including “foreigners insisting on meeting with people suspected of endangering national security.”²⁵

Foreign businesses operating in the PRC are concerned by these anti-espionage measures.²⁶ Several consulting firms that do due diligence checks have become targets of espionage investigations. Their offices have been raided and their staff detained and questioned. The environment for businesses dealing with information is becoming more difficult, yet they are the businesses foreign companies often rely on for understanding the PRC. This will have negative repercussions for future investments into the country.²⁷

Along with the revision of the law, a new campaign has been launched, offering rewards for reporting suspicious individuals.²⁸ This encourages people in the PRC to be alert for espionage, making them more suspicious of those who are different. Naturally, those with links to foreign companies and individuals come under the most suspicion.

During the COVID pandemic, people who did not look Chinese and Chinese-looking people known to have recently arrived from overseas frequently became targets of xenophobia.²⁹ The anti-espionage campaign has continued this trend, making the population suspicious of threats coming from the outside. People who are not ethnic Chinese have reported feeling less welcome in the PRC in recent years. As a result, many have left and have not returned.

This threat perception is being actively promoted from Beijing down to the public through propaganda. The disinformation around the release

of wastewater from the Fukushima nuclear plant provides one stark example. Widespread censorship was used to promote the idea that Japan is irresponsible and a direct threat to the Chinese people's health.³⁰ The result has been panic, with many people hoarding salt and abstaining from seafood due to contamination fears.

Through propaganda and censorship, the PRC Government directed popular anger at a country it was unhappy with. This is especially effective against Japan, a country with which China has historical grievances. Japanese people and businesses in the PRC became the main victims of this popular anger.

People with foreign links living and working in the PRC are becoming more cautious, as they are at greater risk of being targeted by nationalists and national security vigilantes. This development is damaging people-to-people links as well as commercial ties that the PRC has built with other countries, including Australia.

The expansion of national security concerns in Australia

Unlike the PRC, the Albanese Government does not see most domestic issues through a national security lens. Instead, national security is one amongst many priorities. However, there remains a tendency for any matter with a PRC angle to assume an acute national security dimension.

Beijing is concerned about food security and reliance on foreign technology in supply chains. In Australia, there is a similar concern about over-reliance on trade with the PRC, resulting in a call for trade diversification. Diversification is a term that is usually reserved for diversifying away from the PRC and not any other country. Concerns have been raised by Australian politicians about using technology manufactured in the PRC, such as security cameras and solar panels.³¹

Since Australia is smaller, instead of self-reliance, "friend-shoring" has been promoted as the solution for managing supply chain risks.³² In this instance, friends definitely do not include the PRC, although which countries are considered friends remains unclear. Just as the PRC's goal of self-reliance seeks fewer economic links with other countries, the friend-shoring approach seeks fewer economic links with the PRC.

Despite PRC efforts at self-reliance and Australian efforts to de-prioritise trade with the PRC, the deep complementarity between the two economies has meant that overall bilateral trade remains largely unaffected, even with the PRC's trade sanctions.³³ However, national security scrutiny has led to less PRC investment into Australia, dropping every year from 2016 to 2021.³⁴

In the PRC, there is deepening suspicion of people with foreign links. In Australia, such suspicion is more limited — currently it mainly applies to those with links to the PRC and a small number of other countries. Just as the PRC has expanded its definition of espionage, Australia has also expanded its national security powers. Giving open-source material to possible foreign agents is now considered a crime of foreign interference.³⁵

National security raids in Australia have affected people-to-people links between the two countries. The story of a PRC academic allegedly raided by Australia's intelligence agency and being offered cash for information has made both PRC and Australian academics more cautious about interacting with their counterparts.³⁶

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Unfortunately, it is those with close connections to both Australia and the PRC who bear the brunt of these national security trends in both countries. For example, Australians travelling to or living in the PRC are the ones being harassed or lectured about the Australian Government's foreign policy choices and vice versa. Increased suspicions make people less willing to continue to pursue cultural, business or other connections in both countries.

Conclusion

National security is becoming increasingly important to many governments relative to other priorities, such as economic growth. When people and governments feel insecure, they become more willing to see the unknown as a threat and to forgo possible benefits that might arise from new situations.

While total economic decoupling is not feasible due to the deep complementarity between the two economies, limited decoupling has become politically acceptable for both governments. Expanding decoupling creates uncertainty for future cooperation in areas such as green energy, making tackling climate change more difficult. Even the resource sector that has been a backbone of the relationship could face difficulties, for example in critical minerals.

Adding complication is the belief common in the PRC that Australia has very little capacity for independent foreign policy-making. If this belief persists, the PRC is less likely to engage proactively with Australia. Some experts in the PRC espouse the view that their country first needs to improve its relations with the US, and relations with Australia would consequently follow the same trajectory.³⁷

Recommendations

The Albanese Government has done much to stabilise the relationship, despite not greatly altering the substance of Australia's strategic policy. Beijing has also shown its willingness to normalise relations. Despite these positive signals, long-term challenges remain. However, this does not mean that stabilisation is impossible. Strategists in both countries need to avoid fatalism and determinism.

Beijing understands that Australia will follow the US in strategic matters, but the Australian Government could do more to hedge between the two powers in other areas. Canberra could consider announcing cooperation initiatives with the PRC, no matter how small or tokenistic, around the same time it announces cooperation initiatives with the US. For example, the two countries could cooperate on countering international scams that have been targeting PRC students in Australia. Canberra could also encourage minilateral and multilateral initiatives that involve both countries, for example on renewable energy and climate technology.

On some issues, the Australian Government could unilaterally encourage openness and exchanges. Just because the PRC chooses to prioritise national security above all else does not mean the Australian Government must as well. Instead, the Australian Government should promote open trade as well as academic and people-to-people exchanges with the PRC. For example, it could reverse the decline of projects involving research collaboration with partners in the PRC by providing incentives on collaboration in areas

without security concerns.³⁸ Canberra could also encourage the hosting of conferences in third countries, so that the national security agencies in both countries do not need to screen visiting academics and issue them with visas.

The Australian Government should be more alert to the importance of emotions in foreign policy. Trust and sincerity are beneficial to a stable relationship. This is why building personal relationships is important. The Australian Government and private companies should consider establishing and supporting an institutionalised high-profile private diplomatic initiative similar to the Australian American Leadership Dialogue.

In addition, there should be a government endowment for a centre to conduct independent evidence-based policy research on the PRC. This would increase understanding of the PRC and strengthen Australia's relationship with the PRC, similar to the vision for the United States Studies Centre regarding the Australia-US relationship. Compared to the grant funding approach, an endowment for an independent centre would ensure the stabilisation effort is less affected by the budget cycle and continues beyond the term of government. While the Australian Government does not and should not control the media, it can encourage greater nuance in the public debate through its support of independent evidence-based research institutions and initiatives.



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