



China's rise: a view from Australia

by Anthony Bubalo

In the last decade China has emerged as the central preoccupation for Australians thinking about their country's prosperity and security.

China is reflexively referred to as Australia's most important economic partner. Even if the truth of this is increasingly debated, there is no question that China's demand for Australia's resources played a key role in helping the country achieve its remarkable record of just over 25 consecutive years of economic expansion. Indeed, Australia's economic future is closely tied to China's. Even as Beijing's demand for Australian resources slackens, its potential as a market for Australian services and a source of investment and tourism is seen to be growing.

All of this has raised a major question for Australian policymakers. For the first time in its history, Australia's most important (or at least key) economic partner is neither an ally, nor even part of the same broad alliance network. In the past, Australia's major allies – the UK before the Second World War and the US after it – were central to both Australia's prosperity and security. Today, however, Australia's economic future is vested in China, while its security remains rooted in its alliance with the US.

A binary choice?

The result has been a tendency by commentators to frame Australian foreign policy as a choice

between Beijing and Washington. Of course, it is only a choice if China and the US come into conflict, an outcome that Australian policymakers are both keen to avoid but largely powerless to influence.

In fact, the choice confronting Australia is both more simple and more complex than this crude framing suggests. It is simple because if Australia were really forced to make a choice between China and the US it would almost certainly choose the latter, with whom Australia shares values as well interests.

It is also complex, however, because the likelihood that Australian policymakers will be confronted with such a clear-cut choice is low. Despite rising tensions between China and the US, it is unlikely that both will square off in some form of direct confrontation, at least not in the short to medium term. There is, however, already increasing competition for influence between the two major players. And it is precisely within this grey area between outright cooperation and outright conflict that Australia will be forced from time to time to make difficult and complicated choices.

This has already been evident, for example, in the Australian decision to join the China-backed Asian Infrastructure Investment Bank (AIIB). Initially Australia resisted joining, largely for strategic reasons at the urging of the US. This was despite the strong interest in the bank in Australia's

economic ministries. But it did not take long for the economic arguments to outweigh the strategic ones, particularly after other US allies like the UK also joined the AIIB.

Which China?

The AIIB debate in Australia (and indeed in other countries) points to the real choice confronting Australian foreign policy: not between China and the US, but between two different views of China.

On the one hand, there is the China that Australia hopes for: a country whose economic transformation will continue to drive global economic growth and prosperity, and which will play a reasonable and responsible role in Asian and world affairs. Such a benign view of China is an attractive one for obvious reasons, not least of which is that it makes the policy response the relatively simpler task of finding new ways to deepen economic and other links to China. But a benign view does entail risks, especially if China eventually emerges to be a more aggressive regional actor than was hoped for.

On the other hand, there is the China that Australia fears: a country whose economic transformation is turning it into an assertive power, willing to use its military and economic muscle to coerce neighbours and challenge the existing order in Asia and beyond. Here the policy response is more complicated. There is a need to make long-term and expensive investments in defence capabilities. In the meantime, there is a need to find ways to respond to Chinese assertiveness that actually work (which is not easy), but that do not turn fears of malign Chinese intent into a self-fulfilling prophecy.

The truth is that China is probably going to end up being a bit of the China that Australia hopes for, and a bit of the one that it fears: a driver of global prosperity, respectful of global rules when necessary, but less willing over time to tolerate affronts to its honour, and more aggressive in pursuit of its interests.

This means that Australia will need to prepare for both Chinas. It is also true, however, that the balance between benign interpretations of China and malign ones has shifted in favour of the later, mainly as a result of President Xi Jinping's more robust projection of Chinese interests in recent years, particularly in the East and South China Seas.

The need to prepare for the China that Australia fears is evident in the latest Defence White Paper, released in February this year – although it was also there, to different degrees, in previous White

Papers in 2009 and 2013. (And the fact that Australia has had three White Papers in less than 10 years underlines the strategic flux that it finds itself in).

It is reflected in the 2016 White Paper's sharp, if still diplomatic, language around the challenge that China poses:

'While it is natural for newly powerful countries to seek greater influence, they also have a responsibility to act in a way that constructively contributes to global stability, security and prosperity. However, some countries and non-state actors have sought to challenge the rules that govern actions in the global commons of the high seas, cyberspace and space in unhelpful ways, leading to uncertainty and tension.'

Moreover, the White Paper outlines a massive investment in the development of Australia's maritime capabilities, including 50 billion Australian dollars (at least) to double the size of Australia's submarine force from 6 to 12 vessels. This maritime focus reflects fears that China is, over time, trying to create a new maritime order in East Asia, including through the rapid development of its own maritime capabilities.

Incidentally, the decision to award the submarine contract to the French company DCNS illustrates one way that European countries are also likely to be drawn into the regional strategic equation, even if the decision to buy French submarines was made for entirely technical reasons.

None of this means, however, that Australia has given up on engaging with the China that it hopes for. To that end it will continue pursuing the full range of economic opportunities that China offers, as well as building diplomatic, political and people-to-people links.

One positive element in all this is that China itself probably has not yet decided what combination of the two Chinas it will be. But this underlines how important it is for Australia (but also for other countries, most notably the US) to strike the right balance between engaging with the China it hopes for while hedging against the one it fears.

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