



SPECIAL ASSESSMENT

DECEMBER 2003

Asia's China Debate

Anthony L. Smith is a Senior Research Fellow in the Research Division of the Asia-Pacific Center for Security Studies who focuses on Southeast Asia. His most recent co-edited volume is *Governance in Indonesia: Challenges Facing the Megawati Presidency* (2003).

Banking on a Constructive China: Australia's China Debate

ANTHONY L. SMITH

Executive Summary

- China is probably less controversial and provokes less heated discussion in Australia now than at any time since the Chinese Revolution in 1949. This is due to the establishment of a bilateral dialogue to handle diplomatic, military and economic issues, the perception of China as both an emerging market economy and a responsible player in the Asia-Pacific, and the post-September 11 improvement in U.S.-China relations.
- U.S. policies vis-à-vis China are a major driver of Australia's debate about China. Australia has consistently made it clear that the United States remains the key to its security, and that Canberra finds U.S. hegemony in the Asia-Pacific desirable. Yet Australia has tried to carefully manage its substantial diplomatic and economic links with the People's Republic of China (PRC) even during low points in the China-U.S. relationship.
- Other drivers in Australia's debate about China include human rights, especially in Tibet, and the best way to handle human rights differences in the overall bilateral relationship, as well as rapidly expanding economic ties. Within Australia, the link between human rights and economic objectives has been a controversial aspect of the debate about China. In 1997 the Howard government agreed to withdraw from an annual UN censure of China on human rights issues and instead conduct a bilateral dialogue with China—including human rights.
- Australia's debate about China is also driven by the view that China is a critical player in helping to settle some of the instability problems in the Asia-Pacific, from the Korean Peninsula to South China Sea disputes to non-proliferation. China even supported at the UN Security Council level the Australian-led intervention in East Timor in 1999.
- Australia's debate about China does encompass concerns. In particular, China's position regarding Taiwan—another important trading partner for Australia—is a source of worry, and cross-Strait relations are mentioned in recent government documents as having the potential for mismanagement.

Report Documentation Page

*Form Approved
OMB No. 0704-0188*

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE DEC 2003	2. REPORT TYPE	3. DATES COVERED 00-00-2003 to 00-00-2003			
4. TITLE AND SUBTITLE Banking on a Constructive China: Australia's China Debate		5a. CONTRACT NUMBER			
		5b. GRANT NUMBER			
		5c. PROGRAM ELEMENT NUMBER			
6. AUTHOR(S)		5d. PROJECT NUMBER			
		5e. TASK NUMBER			
		5f. WORK UNIT NUMBER			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Asia-Pacific Center for Security Studies, 2058 Maluhia Road , Honolulu, HI, 96815		8. PERFORMING ORGANIZATION REPORT NUMBER			
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)			
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)			
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified	Same as Report (SAR)	8	

THE IMPACT OF THE PAST

The issue of China is probably less controversial and provokes less heated discussion in Australia now than at any time since the Chinese Revolution in 1949. There are three reasons for this: (1) since the establishment of the 1997 bilateral dialogue to address an array of diplomatic, military and economic issues, the relationship with China has reached its zenith; (2) the overall direction of China, as both an emerging market economy and a responsible player in the Asia-Pacific—at least in the eyes of most Australian officials and commentators—and; (3) the post-September 11 environment in which U.S.-China relations have improved.

It is also the case that since diplomatic relations were normalized in 1972, a large degree of bipartisanship concerning the approach to China has emerged between the two major political factions (Labor and Liberal-National), although how to handle China has been the subject of rhetorical debate from time to time. Nonetheless, key policy shifts in the past have achieved bipartisan accord and survived changes of government.

When Gough Whitlam's Labor government established relations with the PRC in 1972, the move enjoyed multi-partisan support across the Australian political spectrum. Many have claimed this moment as one of "independence" from U.S. foreign policy, and the left wing of the Labor Party (including Whitlam himself) had wanted to recognize Beijing for a number of years. Yet this decision was not as "independent" from wider developments in U.S. foreign policy as many Australian commentators have claimed. In fact, pro-U.S. conservatives, including the main opposition party, who were aware that the Nixon administration was attempting to enlist China's help in the containment of the Soviet Union, also supported the decision. By the early 1970s, China had ceased to be regarded as the threat that many had perceived in the 1950s, when Australia and its allies had made military preparations for a potential People's Liberation Army (PLA) incursion into Southeast Asia—a fear that occupied the South-East Asia Treaty Organization (1954) signatories for a time.

While the Australia-China relationship has had its ups and downs, there is little doubt that relations between the two countries have entered their most productive phase since the establishment of the 1997 bilateral dialogue. After the massacre at Tiananmen Square in June 1989, Australia suspended economic relations for two years and engaged in the annual UN debate about human rights conditions in China. Relations between Canberra and Beijing dramatically improved in 1997 when Australia opted to establish a bilateral human rights dialogue in return for Australia dropping its support for annual moves in the United Nations to censure China over its human rights record. (The United States continued with the UN process.) The Howard administration argued that moving to a bilateral dialogue would improve relations while giving Australia more influence. This decision, which Senator Bob Brown (Green Party) labeled "unacceptable" and "a farce," has paid off handsomely for Australia in diplomatic and economic terms. The Australian Labor Party—as the leading opposition party—opposed the dialogue initially, but party conferences have now endorsed the process. The current dialogue is set to continue and will survive changes in government.

There have been a number of high level visits since the bilateral dialogue was established, including the first ever visit by a Chinese head of state—Jiang Zemin

in September 1999. Military-to-military relations, including a regular security dialogue, have also taken place since 1997. There have also been regular exchanges of defense officials and the resumption of naval ship visits. The visit that *most* highlights the warmth of the Australia-China relationship was when Chinese President Hu Jintao addressed the Australian Parliament on 24 October 2003. Not only was this the first time an Asian leader had addressed the Australian House of Representatives, but it also came one day after a similar address by American President George W. Bush. In Hu's speech he referred to China wanting to be Australia's "long-term partner." The address received a standing ovation from the representatives on both sides of the House—the handful of maverick Members of Parliament (MPs) who had planned to disrupt the proceedings was barred from Parliament for disrupting Bush's speech the day before.

The overriding theme of Australia's approach to China is to remain on good terms with the PRC, while at the same time making it clear that Australia remains America's "unsinkable aircraft carrier" and major alliance partner in the region. Successive Australian governments have made no secret of the fact that they prefer an Asia-Pacific where the United States is pre-eminent, but Australia equally realizes that it has little role to play in China-U.S. relations.

How to deal with China plugs into a wider debate in Australia—a debate that is largely semantic—about the nature and extent of Australia's engagement with Asia. While former Prime Minister Paul Keating called Australia an "Asian country," his successor, John Howard, has been accused of focusing more on "traditional" allies—namely the United States. Much of this debate assumes that relations with Asia and the United States are mutually exclusive. While this cannot possibly be the case with regards to America's key allies in East Asia, Australia has had to carefully manage its foreign policy vis-à-vis China. This may be the one relationship Australia could potentially upset if it is deemed by Beijing to be drawing too close to Washington in the event of strategic competition between the United States and China in the future.

THE RECENT DEBATE OVER CHINA

Despite a subdued China "debate" among Australia's pundits, there are evident stakeholders. The Department of Foreign Affairs and Trade obviously works toward constructive relations with China, while the Department of Defence has a different focus in planning for contingencies—and fears remain of China's involvement in future regional crises. The business lobby, including the influential Australia-China Council, has argued for regarding China as an opportunity, while academic commentators overwhelmingly downplay China as any kind of threat. The human rights lobby has also entered the debate—the key players being the Green Party and the Trade Unions. Human rights concerns, not high on official considerations of the China policy, have made an impact on the debate.

In Australian national elections in 2001, the main political parties expressed nuanced differences regarding China. Incumbent Prime Minister John Howard emphasized that relations with China were at their zenith under his tenure. The Liberal Party platform spoke of supporting China's "integration into the world community." Howard maintained his promise of the previous election that human rights issues would still be raised, but on a bilateral basis. Labor, reflecting the

concerns of its membership, tends to emphasize human rights concerns more than the Liberal–National Coalition government; in office there has been little difference from the Liberal Party in how it engages China.

All the political parties recognize that the people of Tibet have a unique culture and identity and that Tibet was an independent nation prior to 1949. Labor has publicly called on China to improve human rights, as well as bring in international investigators and foreign journalists, and to cease population transfers into Tibet. The Labor Party has urged the PRC to consider the Dalai Lama's proposed solution of autonomy within China. Of the two main parties, it is the Labor party rank and file that has traditionally pushed Tibet onto its party's agenda. Many resolutions have been passed at national conferences—as well as at lower levels—of the Labor Party. Tibet has been second only to East Timor in terms of grassroots support for its plight.

Accusations of the Government of Australia's silence on human rights issues in China have emerged during the Dalai Lama's visits to Australia—including one in mid-2002 around the time when Australia was negotiating a major liquefied natural gas (LNG) deal with China. The Dalai Lama, on this particular trip, was able to meet with members of the Greens, the Democrats, backbench MPs from the Labor and Liberal parties, and the opposition spokesman for foreign affairs (from Labor), but was not met by any serving ministers from the Australian government. Australia's trade unions have also voiced their criticism of China's human rights record, supporting striking Chinese workers (many of whom have been arrested) and Hong Kong trade unions over the introduction of anti-subversion laws. Yet all evidence points to this having a marginal impact. Only fifty demonstrators protested outside President Hu's address to the Australian parliament—far less than the turnout for President Bush.

While the Howard administration is frequently chastised for not doing enough about human rights, this issue remains a subject of discussion and is openly mentioned in Australian official documents. The current Australian government claims to continue to raise the issue of Tibet and the lack of religious freedoms in China as a whole. But it is obvious that the Australian government feels the imperative to tread softly on human rights when other issues are at stake, especially economic linkages.

Australia's trade with China is growing rapidly and cannot be overlooked in discussions on the PRC. Total two-way trade with China for FY 2002 was A\$22.5 billion, making it Australia's fourth-largest trading partner (albeit imbalanced—with China chalking up a A\$5 billion surplus in 2002), coming in behind the United States, Japan and South Korea. Australian exports to China are, in order of importance, iron ore, wool, crude petroleum, coal and aluminum. While bulk commodities form the backbone of this trade, high-technology manufacturing and the service sector are growth areas in Australian exports. Australia is also increasingly a popular destination for Chinese tourists and China is now the single largest source of foreign students. Australia imports from China clothing, computers, toys, sporting goods, footwear and telecommunications equipment. As China now completely dominates the market share in clothing, this industry—and others operating in labor-intensive manufacturing industries now threatened by Chinese imports—is unlikely to be sanguine about its prospects. The Australian Council of Trade Unions (ACTU) has reacted to manufacturing trade with China, arguing

that there is not a level playing field for Australian industry. The ACTU has criticized the Australian government for not paying attention to China's ban on trade unions and the inadequate conditions of Chinese workers that unfairly discriminate against Australian industries and workers.

Investment lags behind the rapidly improving trade returns, with Chinese investments in Australia at almost A\$3 billion by 2002, and Australian investment in the PRC at A\$1.5 billion.

But none of this has dampened the spirits of Australian officials. It is not just the total volume of trade, but also the enormous economic potential of the Chinese market that has Australian diplomats and the bulk of the Australian business community in an upbeat mood about what it means for Australia's economic future. Australia's economy is largely complementary to that of China's, and since FY 2000, trade has nearly doubled in size. Australia also picked up a major windfall with the announcement of a A\$25 billion LNG contract to Guangdong Province. Critics from minor parties have alleged that Australia has sold out on human rights concerns in order to capitalize on this and other economic deals. (Hong Kong, for trade statistics purposes, is not included in the figures above but is Australia's ninth-largest trading partner with A\$5.4 billion in two-way trade in FY 2001.)

One of Australia's most important businessmen, Rupert Murdoch, chairman of News Corporation, has been accused by many Australian commentators of drawing close to the Chinese government to gain access to China's emerging market. Murdoch controversially dropped BBC coverage in 1994 from his Asian Star satellite television feed after it was critical of China's leadership and ordered his subsidiary publisher, HarperCollins, to drop plans to publish the memoirs of Chris Patten, a former British appointed Hong Kong governor. Murdoch angered human rights activists in 1999 when he dismissed the Dalai Lama as "a very political old monk shuffling around in Gucci shoes" and pre-invasion Tibet as an "authoritarian medieval society."

Murdoch's views are perhaps extreme, but they are probably the only actions—or words—by an Australian businessman to elicit strong public debate. In a sense, Murdoch's sentiments are indicative of the fact that much of the Australian business community wants stability in the relationship with China. While many, or most, would not so openly support the Chinese government or its policies, few would want Australia to jeopardize the economic relationship through concern over Tibet or excessive lecturing on the human rights problem—not that any of this is on the horizon for the current Howard administration.

THE OUTCOMES

Since the establishment of diplomatic relations with the PRC in 1972—or Australia's switch in recognition from Taipei to Beijing—there has been no debate in Australia about the One China policy; nor has the decision to recognize the PRC ever been criticized. Successive Australian governments have taken care to emphasize that the PRC is the "sole legal government of China." Trade relations with Taiwan (at a respectable A\$8 billion in FY 2002), as well as other economic linkages, are still highly prized, but contact with the Republic of China is done in a manner "consistent with a One China policy." Tibet remains a prominent issue

for some smaller Australian political parties and some backbench MPs in major parties, but the stress has been on an improvement of human rights, while advocacy of full independence for Tibet remains the domain of a handful of small non-governmental organizations (NGOs).

The Howard government's response to China's intimidation of Taiwan has, however, been in accordance with the U.S. response. In March 1996, Howard publicly condemned China's attempts to bully Taiwan ahead of its presidential elections and supported the dispatch of U.S. aircraft carriers in response to China's missile tests. China protested the passage of Australian warships through the Taiwan Strait, as China holds a different interpretation of the Law of the Sea. Australia, arguing it had the international right of passage, was, nonetheless, making a show of solidarity with Taiwan (and, by extension, with the United States)—but in no way supports independence for Taiwan. Naked threats against Taiwan in the future would elicit renewed concern by Australia.

Another source of bilateral tension has been over non-proliferation. In fact, Australia has publicly condemned China's role in the proliferation of nuclear materials. Australia's growing concern over North Korea has also led Australia to urge that China play a leading role in defusing the situation. For its part, China has been alarmed by Australia's stance on the National Missile Defense (NMD). The Howard administration has not only supported the development of Bush's NMD but also expressed interest in purchasing its own system. The interest of the Howard administration reflects growing concerns over nuclear proliferation in Asia—notably the alarming situation on the Korean Peninsula—and is not primarily aimed at China.

Dovetailing with Australia's debate about China has been a discussion about the direction of Australia's defense policy. Paul Dibb, who penned the 1987 White Paper entitled *The Defence of Australia*, advocated that Australia develop its own domestic resilience to deal with threats emanating from, or through, Indonesia, which might potentially threaten the "sea-air gap" to the north of Australia. Other analysts, such as Alan Dupont, have emphasized the importance of operational ties with allies, particularly the United States, to confront an array of threats likely to challenge Australian interests at home and abroad (especially after September 11 and the Bali blast). As Paul Monk argues, the Dibb hypothesis overlooks that currently China (or Indonesia for that matter) has neither the capacity nor the will to act aggressively toward Australia. Any threat to Australia, to paraphrase Monk, would be telegraphed well in advance, presumably with either a breakdown of China's regime or a massive military buildup, and thwarting China would require U.S. assistance in any event.

The Australian Department of Defence's recently released White Paper entitled *Australia's National Security: A Defence Update (2003)* notes the dramatically improved China-U.S. relationship, but warns that competition between the two will continue over the next decade, while the possibility of "miscalculation" persists over Taiwan. Although the report notes the problems that the economic rise of China poses for the Asia-Pacific, it also concludes that "the consequences for regional stability could be greater if growth stalled or there was social breakdown within China." Even though China's economic rise will be a mixed blessing for Australian business (largely an opportunity, but with some costs),

Australia's strategic point of view outweighs this consideration as Australia fears even more a collapse, or weakening, of China.

A counterpart document from the Department of Foreign Affairs and Trade (DFAT), *Advancing the National Interest: Australia's Foreign and Trade Policy White Paper (2003)*, mirrors closely the sentiments in the *Defence Update*. It makes plain that the future of Australia rests in its alliance with the United States, and that U.S. dominance in the Asia-Pacific is both a welcome development and likely to last into the foreseeable future. The report also notes that the other great powers of the Asia-Pacific—China, Russia, India, Europe and Japan—are “all focused more on their economic and strategic relationships with the United States than on contentious issues that remain between them.” However, China's growing power and influence cannot go unnoticed: “... China's growing economic, political and strategic weight is the single most important trend in the region.” Therefore, Australia has an important objective in strengthening its partnership with China. Key areas of interest, outside mutual economic gain, are China's membership in the World Trade Organization (WTO), China's support for the war on terrorism, and China's overall (growing) influence within the Asian region. The report does make mention of human rights and proliferation concerns as areas of future discussion, but clearly these contentious issues will be dealt with under the framework of “engagement.”

The outcome of the China debate in Australia has been for the government to steer a pragmatic course between the “China as threat” and the “China as benign power” schools of thought. Australia now places great hope in binding China to formal multilateral arrangements and, perhaps more importantly, the interdependency of the international marketplace (which has historically reinforced the behavior of enlightened self-interest).

In the post-September 11 environment it seems that Australian pundits are more sanguine about China and its emergence, yet there is clearly an uncomfortable element to all of this. Fundamentally Australia is happier to reside in a Pacific Ocean presided over by American military power. China, on the other hand, grudgingly accepts this situation for the time being but has aspirations of regional and global leadership. As the official documents reveal, Australia highly values its military, diplomatic and economic linkages with China but remains reserved about some of the existing tensions that remain in Northeast Asia—tensions in which China may yet play a role that Australia finds unpalatable. Australia places great hopes in China, in terms of the region's economic and strategic stability, and hopes, in particular, that China will continue to play a constructive role in defusing the North Korean nuclear crisis—an issue that resonates more with the Australian public than do the events in the Middle East.

IMPLICATIONS FOR U.S. FOREIGN POLICY

Australia's increasingly close-knit relationship with China should in no way be construed as a threat to U.S. interests—on the contrary, it is precisely this kind of interdependency that Washington ought to applaud. In particular, the emerging Australia-China economic partnership will be an important component in linking the PRC to the world's marketplace. Equally, there can be no question that in the event of a crisis, or the re-emergence of strategic competition between

China and the United States, Australia will either be sympathetic to the United States or openly take the U.S. side. That said, Australia is clearly loath to make these types of choices, and while it values its alliance with the United States above all other relationships, a healthy relationship with China is wholly desirable from Canberra's standpoint. In some senses, this may impede the types of support Canberra is willing to offer.

Together, Australia and New Zealand have played the dominant role in maintaining stability in the South Pacific. Throughout the Cold War, Australia was instrumental in ensuring that the South Pacific remain both free of superpower competition, and a pro-Western "lake" of conservative regimes. China is now paying closer attention to the Pacific Island Countries (PICs), and this could emerge as an area of competition if there is wider strategic competition between China and the United States. Although Chinese aid, for example, is a welcome supplement to the incomes of PICs—often extracted when South Pacific states play a double game with Beijing and Taipei—Australia may have a critical role to play in ensuring that the South Pacific remains a pro-Western lake in the future. Australia's enhanced role in the South Pacific, in the aftermath of the Solomon Islands crisis, is in part motivated to avoid the possible meddling of outside powers.

The views expressed in this publication are those of the author(s) and do not necessarily reflect the official policy or position of APCSS, U.S. Pacific Command, the U.S. Department of Defense, or the U.S. Government.

Asia-Pacific Center for Security Studies

2058 Maluhia Road, Honolulu, Hawaii, 96815-1949

tel 808.971.8900 • fax 808.971.8989 • www.apcss.org

For further information regarding APCSS publications or to be placed on the distribution list, please contact research&publications@apcss.org