



Australia’s Relations with China

Discussion within in the Institute’s Special Interest Group on Strategy (Strategy SIG) over recent months has focused, *inter alia*, on Australia’s increasingly strained relations with China. Strategy SIG member, Lieutenant Colonel Ian Wolfe CSM recently spent three weeks in Canberra interacting with government and non-government subject-matter experts discussing relations with China. He reported that the consensus among the experts was that Australia should look at how, over the last decade, South Korea and Japan have managed their relationships with China (with whom they have many major historical concerns) and apply a similarly tailored/nuanced approach.

It is interesting that recent Lowy Institute debates on the same matters have focused on the China-United States rivalry. That is, of course, not unimportant, but there are around 190 other countries in the world, all of whom have, or shortly will have, a relationship with China. Some, particularly in South and Southeast Asia and Africa, have become client states where the terms of the relationship are imposed by Beijing, but Colonel Wolfe’s references to those countries that live cheek-by-jowl with the People’s Republic of China are central to how *rapprochement*, even with Xi Jinping’s Communist Party of China, might develop.

Those Australian commercial operations that rely for their financial survival on China are naturally very concerned at what has happened in our bilateral relationship over the past 12 months, particularly in relation to the barley, beef, wine, copper, coal, timber and lobster trades. Australia, though, is not blameless and some of the issues have been brewing for several years, *e.g.* barley. In May, China imposed an 80 per cent tariff on all barley grain imported from Australia, alleging dumping and unfair government subsidisation of Australian farmers (drought support; diesel fuel rebate) to the disadvantage of local producers. Fortunately, Australian barley farmers have now found other international markets and the damage to other companies that currently rely heavily on selling into China may depend on how successful they are at finding alternative international markets.

It is not clear why China has moved to impose these tariffs now. While several policy tensions may well be playing a key role, at the time of writing, neither government had stated this openly. Indeed, trade observers suggest that China may be playing a long game, the real grievance being Australian ‘anti-dumping’ duties charged on Chinese paper, aluminium and steel imports (to protect Australian manufacturing industries and jobs).

So, before blaming China for trade difficulties, our own exporters had better be sure we have assiduously kept our side of the bargain. Also, our trade difficulties may be eased somewhat now that the Regional Comprehensive Economic Partnership, a trade pact among 15 Asian countries including Australia and China, has been signed.

Further, the experts are *naïve* if they believe that being ‘nice’ to China is the way forward. Diplomatic bluster aside, confronting China is the only sane response when its policies or activities impinge on how we genuinely believe things should operate bilaterally and internationally. If we do not do this, then the Communist Party of China would be entitled to rearrange things to its own liking and then to advise us that the rules have changed. In the 1930s, not confronting the aggressor was called ‘appeasement’, and we know to what that led.

We have a collaborative relationship with China already; it is not in good shape currently, but it struggles on – to our mutual benefit. I think we have steadily but firmly drawn **our** line in the sand and that has just been reinforced by the Australia-Japan Reciprocal Access Agreement, a military pact which will deepen our defence collaboration with Japan.

The Communist Party of China knows what rules we will be abiding by, and that is no bad thing. The Chinese are not mindless ideologues. Their whole history is a roiling mass of rivalry, leading to calamity, followed by reaching an accommodation with the other side – for a while at least. Hopefully, we can come to an accommodation with China ere long.

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