

# *The 2020 Sir Hermann Black Lecture*

## *A year of crisis: climate, coronavirus and China*



A paper based on a presentation to the Institute on 22 December 2020 by

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*The three challenges with the greatest bearing on Australia's security and prosperity each came to a head in 2020, viz. climate change; a novel coronavirus pandemic; and China. The world has become poorer, more dangerous and more disorderly. As we emerge from this crisis year, Australia's ability to project itself globally will start with its strength and vitality at home. Its favourable geography gives it the potential to become a leader in renewables. Given our geopolitical challenges, this is a strategic imperative. Yet, for now, the gap between reality and expectations has never been greater.*

**Key words:** 2020; Australia; Australia's potential; China; climate change; COVID-19 pandemic; renewables.

The Royal United Services Institute for Defence and Security Studies has long been committed to promoting Australia's national security, so it is a pleasure and a privilege to be with you again, this time to deliver the annual Sir Hermann Black Lecture<sup>2</sup> in which the year just concluding is reviewed.

There is a quote often attributed to Vladimir Lenin which goes: "there are decades when nothing happens, and then there are weeks when decades happen". That phrase is resonant when looking back at 2020. A year that has been memorable for all the wrong reasons. Suffice to say, it is a bewildering time to have to try to make sense of the world. In the broadest possible terms, governments and societies, almost without exception, faced a perfect storm of public health, economic and strategic challenges in ways few could have imagined a year prior.

I do not wish to provide an exhaustive account of events in 2020 but rather to interpret three key challenges that came to a head this year with the greatest bearing on Australia's long-term security and prosperity. Australia's crisis year was dominated by three Cs: Climate change; COVID-19; and China, of whose ire we bore the brunt.

All three challenges present non-traditional security threats for Australia. Nevertheless, disparate as the nature and root causes of these issues are, the way in which we respond to them will set the terms of our future security and prosperity. We now navigate a world that, in the words of the Prime Minister, has become "poorer, more dangerous and more disorderly".

In January, Australia was devastated by bushfires – a grim reminder of the challenges presented by climate change. At the same time, a new and deadly virus, COVID-19<sup>3</sup>, was spreading from Wuhan to the world. And, amid the global pandemic, our relations with our most important economic partner deteriorated to their lowest point since Australia's establishment of diplomatic relations with the People's Republic of China in 1972.

### **1. Confronting Climate Change**

Let me begin by jogging your memory with the bushfire crisis that tore through the country in early 2020. As we marked Australia Day in the smog, few could dispute that the Lucky Country was looking decidedly less lucky. We had a good claim to being the advanced economy most ravaged by climate change this year.

Our global image also took a big hit. Pictures were broadcast across the world of blue skies turned blood red, of world-class beaches converted into evacuation zones, and of eucalyptus forests transformed into killing fields for millions of native animals. The outpouring of sympathy and international solidarity reflected the fact that, in the eyes of the world, this disaster struck at the heart of the Australian way of life.

The American Dream is fuelled by the innovation of Silicon Valley, the Chinese Dream is about lifting millions out of poverty. But Australians can boast of a unique relationship between their quality of life and the nature that surrounds us. That is the Australian Dream.

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<sup>2</sup>The Sir Hermann Black Lecture is named in honour of Sir Hermann David Black AC, Chancellor of the University of Sydney from 1970 – 1990, an economist and current affairs commentator, who delivered the final lecture of the year entitled "The Year in Review" to the Institute in the 1970s and 1980s.

<sup>3</sup>Coronavirus Disease 19 is caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). Of zoonotic (animal) origin, it causes upper-respiratory tract infections in humans and is one of three novel zoonotic coronaviruses to jump from animals to humans this century. It emerged in humans in late 2019 apparently in Wuhan, central China, and by early 2020 had reached pandemic proportions globally.

This soft power helps fuel the success of our tourism industry, our agricultural exports, our foreign policy and even our demographic destiny – as we seek to attract the world’s best and brightest to immigrate to our shores. The environment, the natural beauty of this island continent, goes to the heart of our global identity and appeal.

The damage done, however, was not simply to our environment. It was also to our reputation as a middle power with global sensibilities. The international media was quick to make the link between the bushfires and our domestic rancour on climate policy. Whether we liked it or not, the cat was out of the bag. Global coverage of the crisis brought home the point that our visibility as a nation is far larger than our 1.3 per cent contribution to global emissions. In fact, the greatest self-deception has come in allowing ourselves to think of Australia as a bystander when we have become a central player in the world’s most pressing long-term crisis.

We sometimes hear the argument that actions from individual countries such as ours, on their own, will make little difference to global warming. But if all countries that individually produced less than 2 per cent of global emissions said they were too small to do anything, a third of the world’s greenhouse emissions would go unchecked. That is why we have global agreements.

This is also where the United States election result may well have the greatest ramifications for Australia’s foreign policy. The incoming Biden administration has pledged to re-join the Paris Agreement and almost certainly has Australia in mind when calling on other countries to make more ambitious national pledges.

The debate on climate change moved fast in the last few months of 2020 and is about to get faster. It is not an exaggeration to say that the next conference of the United Nations Framework Convention on Climate Change (COP26) in Glasgow in November 2021 will be one of the most consequential international summits in history. All our major trading and strategic partners – such as the United States, United Kingdom, European Union, Japan, South Korea, and even China – have now committed to net zero carbon targets. Net zero emissions by 2050, not so long ago considered to be a radical proposition, has become the entrenched middle ground or centrist stance in global climate discussions.

Where is Australia in this debate? Notably absent. But there are signs Canberra is recognising it can no longer be such an outlier. Short-termism on climate policy, apart from anything else, has the potential to

drive a wedge between ourselves and our most important diplomatic allies at a time when we have never had greater need of them.

## 2. Managing a Global Pandemic

Which brings me onto the second global challenge, one that will surely come to define the year 2020 in the history books. The irony is that it took an international public health emergency to recover our global standing following the bushfire crisis. The performance of the superpowers during the novel coronavirus pandemic was unimpressive. Both the United States and China have emerged diplomatically diminished from the global crisis. By contrast, smaller, more agile nations like our own have generally fared much better (Figure 1).

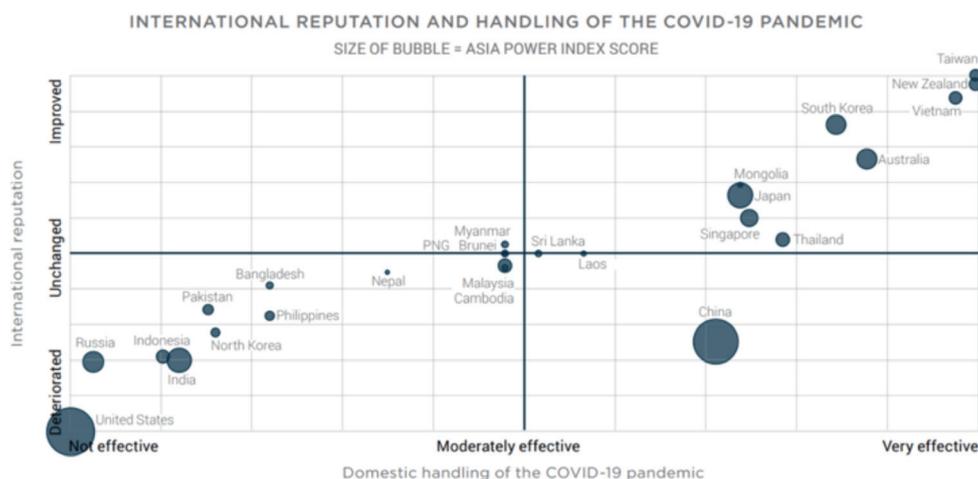


Figure 1: International reputation compared with domestic handling of the COVID-19 pandemic in 2020 (size of bubble = Asia Power Index score) [Source: Lemahieu with Leng 2020]

Countries such as Taiwan and New Zealand (top right quadrant of Figure 1) that handled the pandemic most effectively also registered the greatest gains in their international reputation. The opposite can be said of countries who have struggled to contain the spread of the pandemic, including the United States, Russia, Indonesia and India (bottom left quadrant).

China (bottom right quadrant) presents a notable exception to this overall trend. Beijing was judged by regional policymakers to have effectively contained the spread of the virus at home but also registered a marked deterioration in its reputation abroad. The same authoritarian instincts that enabled the government to ruthlessly suppress the pandemic also created alarm globally. This is apparent in allegations that China may not have been forthcoming with information at critical early stages of the crisis, and in the subsequent rise of a more strident diplomatic tone – China’s so-called wolf-warrior diplomacy – directed at multiple countries including Australia.

Australia’s success in managing the pandemic has certainly improved our international reputation, but it has also come at a steep price: we effectively have had to cut ourselves off from the world. The long-term consequences of this will be pronounced.

Australia is one of the few advanced economies to benefit from both high productivity and a growing working-age population. This places us in a veritable 'demographic Goldilocks zone'. Yet, our net migration intake – which has historically accounted for the lion's share of our population growth and been an impetus for economic growth – has declined to negative levels for the first time since World War II due to border closures. This will have adverse implications for our fundamentals as a young and growing middle power. By some estimates, Australia's population is projected to be more than half a million people smaller in 2022 than would otherwise have been forecast in the absence of the pandemic. The failure to reverse this trend in the next few years would result in a smaller, poorer and ultimately less secure nation – a potential pitfall of which we will have to be incredibly mindful.

As we take stock of the direct and indirect consequences of COVID-19, it is worth reminding ourselves how this colossal global failure arose in the first place. It was the international politics of the pandemic, as much as the virus itself, that proved our collective undoing. The pandemic was no 'black swan'<sup>4</sup>. In September 2019, an expert panel convened jointly by the World Health Organisation and the World Bank warned of the 'very real threat' of a global pandemic. This was not the first such warning. Presciently in that case, the experts noted that 'a lack of continued political will at all levels' to prepare for a global health emergency would cost the world economy up to 4.8 per cent of global GDP (GPMB 2019). That estimate looks to be on target when looking at the economic fallout of COVID-19. The World Bank now estimates a 5.2 per cent contraction in global GDP in 2020 as a direct consequence of the pandemic (World Bank 2020).

It begs the question, what went so catastrophically wrong? Such a failure in human behaviour is literally the stuff of novels. Few have written so vividly about the human condition in fevered times as did Albert Camus. The existential philosopher's 1947 novel, *La Peste*, tells the story of how townspeople in a French-Algerian city face up to a plague, both literal and allegorical (Camus 1947). Camus's explorations of human behaviour are no less apt today. As in the novel, only now on a world scale, a disease burst forth from nature to mock our human pretences. COVID-19 unleashed a man-made pandemic of disinformation, blame and confrontation that tested social cohesion and globalisation to its core.

The coronavirus held up a mirror to our societies, exposing their competing structures, vulnerabilities and political priorities. The West clearly struggled to come to terms with the challenge at the outset. But if leaders in Europe and the United States were unprepared for what hit them, it is in part because they watched the

epidemic grow with extraordinary indifference. As Italy's death toll to the coronavirus overtook China's in March, the pendulum swung quickly from complacency to pandemonium.

To use another analogy, if this pandemic is given the logic of war, then it also cascaded into civil war. It was no longer a question of borders between countries, but within them and between individuals. There was an unsettling symmetry, for example, between the United States and China using the coronavirus as a geo-political football and shoppers engaged in toilet paper brawls in shopping centres across the world. Countries and people alike betrayed a zero-sum understanding of the crisis.

In Australia, the general tone of politics changed under the weight of this emergency. We saw a gear shift in the response to the virus at an earlier point on the curve than in many other countries. We were able to leverage both the good fortune of geography and good policy to produce results.

It is critical now that we seek to salvage the situation not just domestically but at the global level. This is a moment to re-imagine our foreign policy, foreign aid and, above all, how we invest in and engage global institutions. Co-operation on shared challenges must co-exist with competition and strategic rivalry in a divided world. Otherwise, like a contemporary Tower of Babel, globalisation, from which we have gained so much, stands to collapse under the weight of its complication.

### 3. Dealing with China

Now, enter the elephant in the room, and the third of Australia's three-pronged challenges of 2020: managing our China relationship in the face of Beijing's growing assertiveness.

The principal effect of the pandemic has been not so much to bend or to reshape history as it has to accelerate history. The things that were happening before, the trends that were gathering storm, only became more intense. The standout example from Australia's perspective is the near complete breakdown in our diplomatic ties with China. The deterioration in our bilateral relationship was put on fast forward in 2020, culminating in Beijing imposing unprecedented sanctions and tariffs on key Australian exports.

Here again there is far too much ground to cover in one lecture. So I will reflect on one of the principal lighting rods, which was the call in April by Australia's Foreign Minister, Marise Payne, for an independent inquiry into the origins and handling of COVID-19. It is a useful case in point because the aftermath neatly encapsulates the fault lines in interpretation for how to deal with an abrasive China.

Many see the flare-up of trade tensions with China as proof that we paid too large and unnecessary a price for being among the first to push for an international investigation. For others, Beijing's economic retaliation vindicates the principle of standing up to a bully, alone

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<sup>4</sup>A 'black swan' is an unpredictable event beyond what is normally expected of a situation. It is characterised by extreme rarity, potentially severe impacts, and popular insistence it was obvious in hindsight.

if necessary, and of the futility of accommodating China's one-party state in any way. Despite their differences, what these warring schools of thought have in common is a somewhat reductive world view in which the sum of Australian foreign policy takes place either in a bilateral vacuum with China, or at best in a fraught triangular relationship between Canberra, Beijing and Washington.

### ***Dealing with China at the World Health Assembly***

The fact is what happened at the World Health Assembly in May had little to do with either of the superpowers. Both Washington and Beijing wrote themselves out of global crisis leadership. At the same time, Australia and the European Union successfully steered a resolution through the World Health Assembly calling for an independent review into the handling of the coronavirus pandemic. And they did so with the largest number of co-sponsors in the 70-year history of the World Health Organisation (WHO) and amid the most protracted great power stand-off since the Cold War.

Herein surely lies a foreign policy lesson. The government learned from its initial call for an inquiry that there was little to be gained in throwing rocks solo into the international arena. After flirting with the Trump administration's all-out assault on the WHO, Canberra toned down the rhetoric and reassessed its position.

In my opinion, the initial controversy has gone too far in obscuring what was subsequently achieved. The end result remains one of Australia's standout diplomatic triumphs in 2020. While a United States blame game undercut the world's reasonable case against China's handling of the pandemic, Australia sponsored a proactive resolution and built international support behind it. The review promises to examine both the origins of COVID-19 and the role of the WHO. The global health body's handling of the pandemic will be open to scrutiny, but the organisation's centrality to global health policy has not been undermined. That was a key achievement.

The Independent Panel for Pandemic Preparedness and Response will give us a first draft of the history of the COVID-19 virus, with a substantive report due in May 2021. While we await those results, we can already be sure of three things:

- First, the vote at the World Health Assembly illustrates that, when they work together, middle powers can forge global consensus even in a contested and dislocated international system.
- Second, and importantly for Australia, it shows that it is possible to influence China's behaviour when we have strength in numbers. Beijing's eventual accession to the motion was not a *fait accompli* from the outset. To the contrary, it chose, on the eve of the resolution carrying, to be among the last countries to sign on. To oppose the motion would have been a bad look and bound to fail.

- Third, in having succeeded in getting a review across the line, we prove to ourselves that the China challenge, while significant, is not one Australia need always face alone, or yet so severe that it must subsume all our global interests.

Certainly we benefitted from the support of others. The European Union has heft in the international system and was crucial to achieving what we did. But Australia is nimbler and moves more easily in its relations with Asia. We used these complementary advantages to the best possible effect and for the broader global good.

### ***Dealing with China in the Indo-Pacific Region***

The same logic has to apply in our own region. Canberra should prioritise an outward-looking and ambitious Indo-Pacific strategy rather than risk withdrawing into a pessimistic and defensive posture *vis-à-vis* China.

Our strategic circumstances, while critical, are also dynamic. Australia was one of only three countries to defy a race to the bottom and improve its regional standing in the Lowy Institute 2020 Asia Power Index (Lemahieu, with Leng 2020). The two others to do so were fellow middle powers, Vietnam and Taiwan. While they are all very different countries, the performances of these three powers illustrate, in their own ways, how the future is likely to be defined by a form of 'asymmetric multi-polarity'. All three must contend with the consequences of fading United States strategic predominance and unusually difficult relations with China. But when neither the United States nor China can establish undisputed primacy in Asia, the actions, choices and interests of middle powers become more consequential. They will make the marginal difference.

In that sense, the pandemic creates an opportunity to rethink and step-up our regional diplomacy. This can be done by committing to a post-COVID-19 recovery strategy for Southeast Asia in addition to aid efforts already underway in the South Pacific. Succeeding in our regional engagement also will require a clearer differentiation in our objectives: building a strategic and military counterweight to China through partnerships with India, Japan and the United States, on one hand, and co-operating with a more diverse set of middle powers in shoring up the rules-based regional order, on the other. By this I mean working with the Association of Southeast Asian Nations (ASEAN) grouping.

For all its flaws, ASEAN's multi-lateral architecture continues to provide the only viable, broad-based, and suitably non-aligned alternative to a Sino-centric order in the Indo-Pacific. ASEAN's emerging economic architecture may well prove to be the most consequential hedge against Beijing's asymmetric economic clout. The goal, then, should be to help Southeast Asian countries maintain regional balance in the ways they do best: by slowly weaving together a set of rules among diverse actors for the region's economic governance.

One of the silver linings of 2020 has been ASEAN's successful conclusion of the Regional Comprehensive Economic Partnership (RCEP), despite the absence of both India and the United States. RCEP – now the world's largest free-trade association – is an example of the region's commitment to strengthening the economic rules-based order.

The success of homegrown multi-lateral initiatives – often in spite of the protectionist agendas of the major powers – will not only be crucial for post-COVID recovery efforts but ultimately offers the most compelling answer to Beijing's preference for *ad hoc* bilateral economic diplomacy, as seen in the Belt-and-Road Initiative.

Now you could argue that RCEP has done very little to prevent China from flexing its economic power; from using bilateral trade as a tool of economic coercion for geopolitical objectives. But breaking the spirit, if not the letter, of regional free-trade agreements does raise the stakes and reputational costs for Beijing. You only have to go as far back as 2017, when Xi Jinping proudly positioned himself as the anti-Trump at the World Economic Forum in Davos. He styled himself as the leader of a responsible great power that would uphold the rules-based trading system.

But you cannot have it both ways. Beijing also wants to create a regional economic system based not on rules that apply to everyone, but on its political preferences and interests. That is Australia's cautionary China lesson for the world.

Australia has appealed to the World Trade Organisation (WTO) over China's decision to impose huge tariffs on Australian barley earlier this year. That is the logical, responsible and only appropriate way forward. Retaliating with a US-China style trade war would be counterproductive and lead us nowhere. But going to the WTO has real significance. Australia has been an 'offensive' litigator only three times in the last 20 years, and never on such an internationally significant case. This ruling will establish whether China meets its core obligations as a WTO member.

In many ways, the WTO ruling could be the trade law equivalent of the case brought by the Philippines against China under the United Nations Convention on the Law of the Sea. That case successfully challenged Beijing's nine-dash line in the South China Sea. The ruling in 2016 has been another source of enduring reputational damage for China. It exposes Beijing's provocations for what they are – illegal under international law – making it that much harder for China to justify its actions as legitimate and exposing hypocrisy.

### ***Dealing with China in the long run***

There is no question that managing the consequences of China's rise and assertiveness is going to be the work of this generation. We are living what can best be described as a kind of new Cold War with economic characteristics. But this one is different from

the last one in key respects – it is far less rigid, takes place in a world that is far more interdependent, and creates a great deal more grey space in terms of alignments and spheres of influence. .

There is going to be hedging, deterrence, and active co-operation with China all happening at the same time. One way or the other, we will have to learn to co-exist with China. We also have to accept that China's economic centrality in our region will only become more entrenched following the pandemic.

However, we must also take stock of China's own internal problems and challenges. We can take some measure of comfort from the fact that China is not destined to dominate the world in some kind of unending process of stellar economic growth. In fact, Beijing must contend with protracted problems of debt and demography. China's workforce is projected to decline by 177 million people from current levels by mid-century. This presages social and economic challenges to come. On top of which, China's political system still spends more on projecting power inwards, on internal security challenges, than it does on projecting it outwards, on military spending. That continues to be a source of enduring weakness and detracts from China's global ambitions.

In the medium term, however, we will have to manage our expectations in two ways. First, we may not even have reached rock bottom yet in terms of our bilateral ties. We are likely to see further deterioration after a new law was passed in December giving the federal government the power to cancel international agreements by state governments, local councils and public universities. If, as expected, Canberra uses this to cancel Victoria's agreement with China on the Belt-and-Road Initiative, Beijing may well retaliate further.

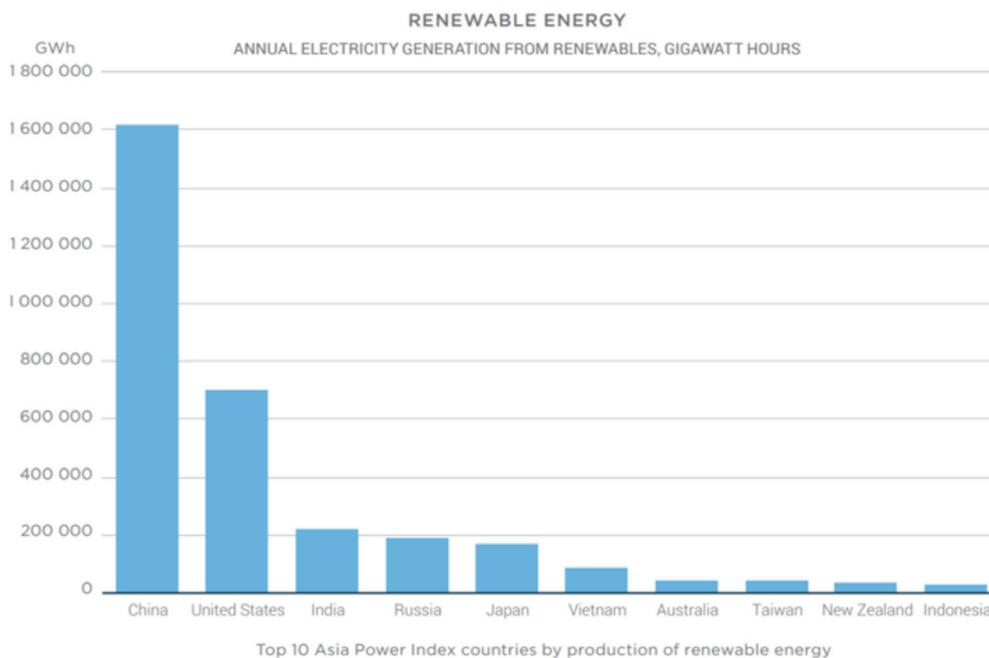
Second, Australian public opinion on China likely will continue its steep decline. That presents a far bigger problem for Beijing that it does for Canberra. However, it does present some challenges in its own right in terms of trying to keep a cool head and not engage in tit-for-tat rhetorical flourishes with China's 'wolf warrior' diplomats, which I would argue lead us nowhere. We will have to maintain a degree of composure in the way that we stand up to China.

### **Australia's Recovery**

To wrap all of this up, perhaps the single most important lesson of 2020 is that the ability to project ourselves globally and to pursue our interests abroad starts with our strength and vitality at home. Australia should be focused on the recovery, adaptation and resilience of its economy and broader society. We will have to pursue trade diversification as a way of lessening our dependence and vulnerability on our most important trading partner. But diversification is not the elixir that it is often made out to be. It will be part of the solution, but building new export markets will take years if not decades.

Which brings me full circle back to where this conversation began. The resilience, prestige and power of countries in the 21<sup>st</sup> century rests increasingly on their capacity to manage problems such as pandemics, climate change, economic security and sustainable growth. This year, we have proven to do very well at some – if not most – of that. But we have to take stock of where we fell short, how we can improve and what the linkages between these issues are.

The economist, Ross Garnaut, has compellingly laid out Australia's potential to be an economic superpower of the future post-carbon world (Garnaut 2019). This is a very promising path to greater economic and energy security, sectoral diversification and resilience. Australia's favourable geography gives the island-continent the potential to become a leader in renewables. In light of our difficulties with China, there is a strategic imperative at play here. An emerging climate race has the potential to generate the same kind of technological and soft power dividends once associated with the space race of the Cold War. The climate race is the new space race.



**Figure 2:** Electricity generated (gigawatt hours) from renewable sources by country in 2020  
 [Source: Lemahieu, with Leng 2020]

For now, the gap between reality and expectations has never been greater. Australia trails even certain developing economies – including Vietnam, with a fraction of its landmass – for renewable energy generation (Figure 2). Yet this is precisely the area where we should be developing an industrial base after COVID-19. Once again, our natural environment gifts us with enormous comparative advantages and there are signs that we are beginning to catch up, which will be paramount for our ability to compete in the twenty-first century

When historians look back on 2020, they will see

how the onset of a novel coronavirus rushed in a new global disorder, in a race to the bottom between great powers. But 2020 need not be an enduring turn of fortunes for Australia. And indeed, it has been a year of diplomatic achievement as well. We can make our own luck in this world. We can also shape this post-pandemic world multilaterally – in ways that allow for a degree of stability, a degree of openness, a degree of prosperity, and some measure of rules-based engagement.

Never let a good crisis year go to waste.

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 [Photo of Mr Lemahieu: Lowy Institute]

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