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Is Down Under on top of its China policy?

Europe is rethinking its economic and political relationship with China. What it can learn from the Australian experience

Read this article in German.

With more countries now grappling with the challenges and not only the opportunities in China relations, the Australian experience is often held up as a seminal one.

Australia is regarded as a 'canary in the coalmine', a high-income, liberal democracy that was the target of Chinese government interference operations ahead of others, and accordingly, is now further along the road in trialling methods to mitigate the threat.

Located between the Indian and Pacific oceans, Australia holds further intrigue because despite being a security treaty ally of the US it is the developed economy most dependent on China for its trade success. This raises questions about just how much strategic autonomy it can retain.

The decoupling of political and trade relations

Last year, 38 per cent of Australia's goods exports went to China. For Germany, the figure is less than ten per cent. Trade extends well beyond resources like iron ore. Australia now accounts for 37 per cent of China's imported wine market, 10 percentage points ahead of France. Then there's services: last year Chinese visitor arrivals spent $A10.3bn in Australia. This compared with $A1.9bn from the US in second place.

It is a defining characteristic of the Australia-China relationship that this mutually beneficial trade relationship has continued to grow even as the political relationship has been deteriorating since the middle of 2016. It is now more than four years since an Australian Prime Minister has

visited China and the list of decisions made by Canberra that has upset Beijing is a long one.

To name a few: in 2018 Australia led the world in banning Chinese technology companies Huawei and ZTE from participating in the country's 5G telecommunications rollout. Last year Australia was consistent in calling China out for trampling human rights in Xinjiang and Hong Kong. In April this year Australia again jumped ahead of other countries in advocating for an independent, international inquiry into the origins and global spread of Covid-19, which saw China accusing it of displaying 'ideological bias' and playing 'political games' at the behest of the US.

A strain on Australia-China relations

The firewall that seemingly separated the political tensions from the economic benefits has finally begun to show signs of strain. In May, for example, China put tariffs of 80.5 per cent on Australian barley exports, allegedly as an anti-dumping and anti-subsidy measure. But the move was widely interpreted in Australia and internationally as economic punishment.

Still, the total value of Australia's goods exports to China in the first eight months of 2020 is only down by 2.3 per cent on the same period the previous year. Meanwhile, exports to all other countries are down by 11.2 per cent.

Now, there are a number of lessons, both positive and negative, that European liberal democracies like Germany can take from the recent Australian experience.

First, political disputes with China can result in economic costs but these costs should not be exaggerated, at least at more aggregate levels.

A recent report by the University of Technology Sydney's Australia-China Relations Institute examining alleged Chinese economic coercion directed at Australia found that often this does not extend much beyond bluster. Beijing appears to understand that harming economic links will hurt its own interests, as well as its reputation as a reliable partner globally.

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Second, and related to the previous point, maintaining strategic autonomy does not require the government to initiate a broad,

China containment strategy or viewing relations as 'some great ideological struggle'.

economic decoupling agenda.

Despite loud calls from some in Australia's security community to cut economic exposure to China, Australian Prime Minister, Scott Morrison, has insisted that decisions about whether to engage with China 'are not decisions that governments make for businesses'. At the same time, he has told businesses and the public that the government now sees Australia facing a more difficult international environment with troubling aspects of China's behaviour a core part of that assessment. Businesses have heard the message and are now re-pricing risk in their China engagement, while also pursuing mitigation options.

Strategic blunders

Third, strategic autonomy is enhanced when political leaders are clear and consistent in their messaging to China. And to the US.

Prime Minister Morrison has continued to welcome China's economic rise and emphasise his government's ongoing commitment to the Comprehensive Strategic Partnership that Australia struck with China in 2014. But Canberra also made plain to Beijing early on that it would not bow to coercive pressure and its actions since then have given China no reason to doubt this commitment.

Washington, too, has been told that Australia has no intention of signing up to a China containment strategy or viewing relations as 'some great ideological struggle'. At a meeting of the Quadrilateral Security Dialogue in Japan earlier this month, US Secretary of State Mike Pompeo urged other members to take aim at the Chinese Communist Party. But Australia's foreign minister Marise Payne pushed back asserting, 'The Quad has a positive agenda — it is a diplomatic network that assists us, as democracies, to align ourselves in support of shared interests'. At once she shifted the focus away from the Quad being a grouping aggressively targeting China, while also carving out freedom of action for when Australia's interests do not align with those of the US.

Fourth, and turning to mistakes that European nations can avoid by learning from the Australian experience, clumsy diplomacy can quickly lead to 'own goals' when tensions are already high.

The decision to go it alone in calling for an inquiry into Covid-19 was a case in point. If Australia had waited and worked with the European

Union on its proposal, which ended up securing unanimous support at the World Health Assembly, the same policy objective could have been achieved without further inflaming relations with China.

Plenty of countries have serious disagreements with China – some even involving border and maritime boundary disputes that have seen shots fired. Yet few are in the same situation as Australia in being unable to secure a dialogue with Beijing at leader and senior ministerial levels.

Responses to foreign interference

Fifth, alarm and moral indignation at China's domestic and international behaviour is not a substitute for devising a successful strategy in response.

On Chinese government interference, for example, Australia provides plenty of reasons to have confidence in democratic institutions: the single most valuable defence has been the light shone on it by a free press, raising awareness and accountability.

There is less evidence that intelligence and legal approaches have been effective. After new foreign interference laws were introduced more than two years ago, and amidst large increases in funding for security agencies, the government and the agencies themselves predictably came under intense pressure to deliver 'scalps'. Yet so far the first and only publicly known enforcement action has raised doubts about the motivation and efficacy of such steps.

Finally, when bilateral geopolitical spats worsen, beware of the potential for innocent and vulnerable bystanders to get hurt.

Census data show Australia is home to more than 1.2 million people of Chinese ancestry. Some Chinese Australians have been victims of Beijing's attempts to curb their freedom of speech. At the same time, others have been crudely and unfairly cast by some local commentators as actors peddling China's interests. Both groups deserve support, with political leadership the key to maintaining social cohesion.



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