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Australia draws line under anti-China hysteria. Will it be enough to unfreeze relations?

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Australian Prime Minister Malcolm Turnbull was always going to do it. It was a matter of language and timing.

This week he reset the Australia-China relationship, ditching 12 months in which Australia had become the most rhetorically adversarial towards China of all of the United States' allies and partners.

It coincided with a "China panic" in the Australian media, which vastly exaggerated the modest – even meagre – evidence of China elevating its soft power Down Under. Anti-China zealots had portrayed Australia's 120,000 Chinese students as promoters of Chinese Communist Party ideology. The prime minister's speech-writer John Garnaut even wrote that "racial chauvinism is only one of the challenges that Beijing is exporting" to universities. The incendiary rhetoric was unsupported by any evidence.

Two examples of Chinese property developers making big donations to political parties were portrayed as a Beijing attempt to buy Australian democracy, overlooking the fact that 300 Chinese companies operating in Australia never gave politicians a cent. To beat up his political opposition last December, Turnbull defended new anti-espionage with a parody of Mao. "The Australian people have stood up", he told the parliament, reading a speech assumed to be written by Garnaut. It set a new standard in diplomatic clumsiness.

The shift in government rhetoric had begun in early 2017 when the prime minister called for a US military build-up in the Pacific. This could only be interpreted as Australia embracing containment of China. Reading a speech written by another anti-China enthusiast in the government, Foreign Minister Julie Bishop lectured China on the need to become a democracy, the first time since 1972 that Australia had hammered China over its system of government.

What was this designed to achieve?

Early this year, it became clear that the government's rhetoric and its failure to separate itself from the anti-China zealotry in the media was entirely unrelated to any national interest. The free trade agreement between Australia and China signed in 2015 was ready to be expanded. Australian wine and beef exports looked vulnerable. Even businesses with no stake in China worried that the anti-China tilt was ideological self-indulgence. Donald Trump, not China, was tearing up the rules on trade.

Meanwhile, Japan celebrated a rapprochement with China in a summit between Premier Li Keqiang and Shinzo Abe. India's Prime Minister Narendra Modi recommitted to a healthy bilateral relationship with China during a summit with President Xi Jinping in Wuhan.

Australia looked a lonely cold warrior.

Curiously, "China panic" headlines about the menace of Chinese students and developer donations failed to inflame mass opinion. The authoritative Lowy Poll, published on June 20 this year, showed nearly as many Australians (58 per cent) were as concerned about American influence in Australia as those about Chinese influence (63 per cent). Even more astonishing, given the media zealotry, 82 per cent of Australians told the pollster they believed China was "more of an economic partner" than "military threat". This was three points higher than in 2017 and five points higher than 2015.

Still, no Australian politician stood up in defence of Chinese students when a handful of anti-China scholars were beating drums about their malign presence. The view may have congealed in China that Australia might be an unfriendly place to study. Australian universities are bracing themselves for a significant drop in enrolments beginning in 2020, although no official figures are yet available and the Chinese authorities themselves have not appeared to stoke their media.

Turnbull was now running the risk that the man he replaced as conservative leader, Tony Abbott, might be seen as having run a more pragmatic China policy than Turnbull was capable of.

As Liberal Party prime minister from 2013-2015, Abbott had scored the free trade agreement with China and led Australia into the Asian Infrastructure Investment Bank against the wishes of then US president Barack Obama. He had also deftly declined heavy hints from US admirals that Australia should run patrols to challenge China in the South China Sea. Under Abbott, the bilateral relationship was upgraded to a comprehensive strategic partnership.

Australian business were reportedly worried that Turnbull's tilt towards an ideological policy on China would hurt them. Universities as well.

Then there were the Chinese Australians. Australia has 1.2 million residents of Chinese heritage. They have virtually no record of taking up foreign policy. In elections they're influenced by jobs, schools and welfare. There is some evidence many felt bruised by the failure of the Turnbull government to rein in "China panic" stories casting doubt on their allegiance.

Part of the prime minister's reset in the relationship is directed at them. This week, he was conspicuously praising the "talented and dynamic contribution of Australians of Chinese descent". He described the community as "a vital thread in the fabric of Australian society". He also underlined the importance of international students "who, even after they return home, are working on projects that will help deliver benefits to Australia as well", citing as an example Dr Jing Guan, who completed her PhD at the University of New South Wales in 1999 and spent the next decade as a researcher with the university's Centre for Water Technology. Guan returned to China to take up a role as chief scientist at Beijing Origin Water, which has emerged as a strong research partner for the university.

Bishop had pre-echoed the prime minister's shift by emphatically ruling out any Australian naval patrols aimed at China in the South China Sea. Even as she prepared to enter the annual dialogue with her American counterpart on July 24, she was declaring, almost eloquently, that the US carries out freedom of navigation patrols but Australia is not joining in.

Both she and her prime minister are hoping that the new language will result in approval for a prime ministerial visit before the end of the year. But the government has a major decision to make on whether Huawei will be permitted to supply Australia's 5G network. The decision by Canberra will be made at the end of the month and is expected to be a firm "no". It reflects Defence Department and security service resistance to the Chinese company.

Australia rejecting Huawei will be taken up by anti-China hawks in Washington and waved in front of European allies, Canada and New Zealand as the model they should adopt. The Canberra decision will, one way or the other, reverberate, with the potential to damage Huawei if, as expected, it's negative.

Beijing might wait till that decision is announced before it unfreezes the relationship. One alternative for the Ministry of Foreign Affairs in Beijing would be to have the freeze run to the next federal election expected in early 2019. This would allow a re-elected Turnbull to complete the process of returning to a pragmatic China policy or, in the event of a change of government, gift the opportunity to a new Labor government eager for a trademark diplomatic win.

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