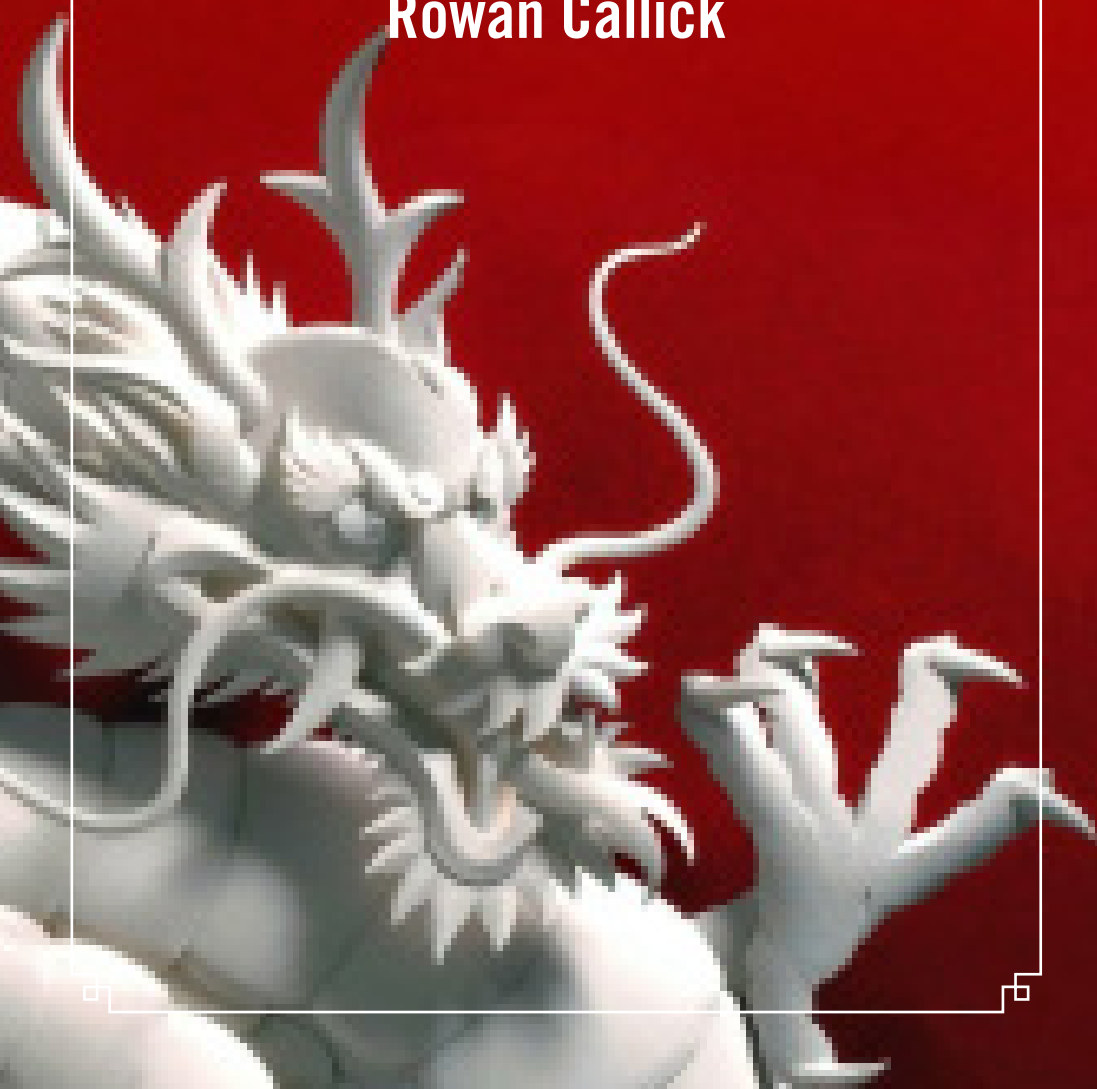


# THE CHINA CHALLENGE

**Rowan Callick**





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# Introduction:

## The change

**T**he rise of the People's Republic of China (PRC) is helping make Australia rich, but it is also posing an almost existential challenge to its values, alliances and interests — and thus its identity.

In the past half dozen years, Australia's great new Asian friend — which has become its comprehensive strategic partner, free trade agreement co-signatory, and economic saviour — has morphed into something else; a puzzle, if not a rival or even a threat.

It has certainly become more palpably communist. Suddenly the continued presence of Mao Zedong — dominating in his giant portrait and his mausoleum the physical epicentre of the state, Tiananmen Square, as well as featuring on every bank note — has started to be seen as aiding an understanding of contemporary China rather than as mere nostalgic tourist-fodder. The new richly-researched book of communist party expert Jude Blanchette is titled *China's New Red Guards: The Return of Radicalism and the Rebirth of Mao Zedong*.<sup>1</sup>

China's party general secretary Xi Jinping has changed out of his original Clark Kent-ish guise of the predictable consensus-building, capitalist-friendly cadre, transforming himself instead into a demanding socialist Superman. He is no mere pragmatic politician; he is an utterly sincere true believer, whose 'red genes' and intense willpower are driving him to remake his party and nation, and through them the wider world.

The blueprint for China's resurgence at home and abroad is not a guarded state secret. It is evident in a multitude of speeches and other public statements, best encapsulated in Xi's three-and-a-half hour speech at the 19<sup>th</sup> national party congress in November 2017. To reinforce a verity sometimes wilfully misread or downplayed, China's state media recently reissued with a fanfare a speech that Xi had made in 2013 shortly after being named general secretary, which began: "Socialism with Chinese characteristics is socialism and not

some other -ism.”<sup>2</sup> Xi’s core philosophical contribution, his Thought on Socialism with Chinese Characteristics for a New Era, has been adopted into both party and state constitutions. Xi tends to mean what he says; it pays to pay attention.

Xi’s New Era of overwhelming self-confidence is decisively different from the old Deng Xiaoping era when China’s core international relations policy was to ‘hide and bide’ — hide its true strength and bide its time.

Xi’s core focus during his first five-year period of office, from 2012 to 2017, was to purge and purify the party itself, seeking to banish corruption. The centre of Beijing was stripped back to showcase Xi’s priority on purity, on becoming a hallowed party haven. Small stores, noodle restaurants and bars were demolished, hundreds of thousands of *di-duan* or lower-class people were expelled and their homes razed, government officials — often viewed by the party elite as the equivalent of hired hands — were relocated to a new satellite city to the east, and work began on a new supercity, Xiong’an, 100km to the south-west, to which state corporations, research institutions, and the semi-private tech giants will start to shift. Governance became personalised and centralised.

In this present succeeding term, the PRC is transitioning towards becoming a pervasive global player, with Xi’s signature Belt and Road Initiative — wrapping itself now not merely around the Silk Road from Asia to Europe but around the globe — at the core. China also wishes, as Xi said during that party congress speech, to “lead the reform of the global governance system.” The notion that Beijing coveted becoming a ‘responsible stakeholder’ within global bodies was always unrealistic. This formulation appears to China’s leadership as condescending and diminishing. So it is increasingly doing the steering itself; shifting the United Nations its way on human rights, for instance.<sup>3</sup> To the extent that its efforts on this front are frustrated, it seeks instead to create new responsive institutions and movements.

Some analysts forecast that in his third term, from 2022, Xi — no longer limited by the old limit of two terms, with the National People’s Congress abolishing them in March 2018 by 2,958 votes to two, with three abstentions — may take his boldest step towards cementing his name in historical legend, by acting to bring Taiwan into the PRC.

## The end of illusions

Australian public intellectual and former head of China analysis for the Defence Intelligence Organisation, Paul Monk, has listed seven common myths about China's apparent ascendancy.<sup>4</sup> American author James Mann wrote in his landmark 2007 book *The China Fantasy* how American and European business and government leaders had fostered "an elaborate set of illusions about China, centred on the belief that commerce would lead inevitably to political change and democracy."<sup>5</sup>

Now, some in the West seek to blame China for somehow 'misleading' them as to the true nature of the party-state instead of blaming themselves for failing to pay attention. US Vice President Mike Pence's 'wake-up call' speech on China last October<sup>6</sup> attracted broad bipartisan support in Washington. But China had already seized the initiative in many geographic, economic, research and security areas while the West has been indecisive, in transition or simply in retreat.

This has been a worldwide, not merely American, malaise. Bravely leaping a chasm of understanding towards wishful thinking, then Australian prime minister Tony Abbott proudly told a state dinner in Canberra in honour of Xi's visit in 2014, following a fairly routine parliamentary address by the Chinese president: "I have never heard a Chinese leader declare that his country would be fully democratic by 2050. I thank you, Mr President, for this historic, historic statement which I hope will echo right around the world."<sup>7</sup>

But the clearly bemused Xi had merely used a stock phrase of intent "to turn China into a modern socialist country that is prosperous, democratic, culturally advanced and harmonious by the middle of the century." Leading sinologist Geremie Barmé explained: "When China talks about democracy, it talks about socialist democracy." This might be defined, he said, as "a people's democratic dictatorship, i.e. there's one-party rule that leads all other political parties and organisations in China."<sup>8</sup>

Xi's energetic ideological and organisational surge within China and beyond — dubbed by Canadian sinologist Timothy Cheek his Leninist 'counter-reformation'<sup>9</sup> — is finally starting to invite levels of

scrutiny that Deng had wished to avoid through his ‘hide and bide’ stratagem. But the size and ubiquity of China make it impossible for any country to hold the relationship in abeyance while it reassesses its options.

Australia’s business, academic, political and security worlds have been hurled into the front line of debate about this relationship, which has triggered bitterness, division, accusations both of racism and of betrayal, and has stranded many of the country’s surprisingly few experts on China — who have lived and worked there — in a no-man’s-land. The latter have been urged to take a baldly binary position on the China relationship: are they a friend of China? Or of the US? Or of Australia?

Australian National University professor Michael Wesley pointed out back in 2013 that “China’s rise is profoundly disconcerting for Australia” because, along with New Zealand, Australia is the “only country in this region that has never before lived with a powerful China.” The implications include “Beijing’s increasing sensitivity about our choices”.<sup>10</sup>

China lines up tests of Australia’s friendship. We passed one test by breaking Western ranks to accept China as a ‘market economy’ and were thus able to start negotiating the most sophisticated of all Beijing’s free trade agreements. But we failed further tests by declining to legislate an extradition treaty, or to sign China’s memorandum of understanding to participate fully in its Belt and Road Initiative. At the same time PRC officials trawl public comments by Australian leaders for those perceived as adverse and thus usable as evidence of being ‘anti-Chinese’.

## **The dilemmas**

What can or should a country like Australia do to respond as it awakens to find itself closely enmeshed at many levels with a power whose goals now seem at such variance to its own? Should such a liberal democracy reduce or make conditional its openness, its liberalism, and thereby risk self-harm to its very ethos? Should it quietly avert its eyes from the radicalised PRC — the intense degree of intrusive surveillance and



control of thought, speech, writings and action, the lack of a rule of law, the incarceration of great numbers of people for failing to defer sufficiently to party primacy, from Uighurs and Tibetans to human rights lawyers, religious believers and Hong Kong academics? Should it press for reciprocity in the relationship, including in economic access, even while aware this appears impossible?

Many other societies around the world are confronting similar challenges concerning these issues. But the internal debates about whether to make big adjustments in order to accommodate China's own rapid changes — and if so, how — about reconsidering national priorities, about reviewing the way leaders at all levels talk about China, are not being matched by self-questioning within the PRC. It knows where it is going and feels no need to be accountable externally, or even domestically — the Chinese population is accountable to the leadership rather than the reverse. It is up to smaller powers like Australia to work out how to follow.

In pre-Xi days, it might have been rational for Australia to maintain an intrigued distance from Chinese governance: there's nothing we can do about it; so let's remain informed but detached, and seek economic and strategic advantage where it is to be found. But as China changes, becoming more purposeful internationally and seeking to ensure that its templates and standards, its ambitious internet giants' platforms, and its approach to international law, are accepted globally, it is no longer clear that 'interests' can be readily detached from their context. The PRC's inclination and capacity to project its interests — including through weaponising economic interdependence — have increased rapidly, just as Australia's own sense of identity and purpose has been fragmenting.

While Australian understanding of contemporary China remains modest, however, that should not be misread as lack of concern. The views that the broad community hold about the PRC have turned rapidly negative over the last year or so. The 2019 Lowy Institute Poll found that only 32 per cent trust China to "act responsibly in the world", a 20 percentage points fall since the 2018 survey. Just 30 per cent, down from 43 per cent in 2018, have "some" or "a lot" of confidence in President Xi doing the right thing in world affairs

(although this is above Trump and Putin). Some 49 per cent see foreign interference in Australian politics as a critical threat, while only 27 per cent think Australia is doing enough to pressure China to improve human rights. The survey also found that 74 per cent believe Australia is “too economically dependent on China”, with 77 per cent wanting Australia to “do more to resist China’s military activities in our region, even if this affects our economic relationship.” A further 79 per cent believe “China’s infrastructure investment projects across Asia are part of China’s plans for regional domination.”<sup>11</sup>

These results underline the crucial importance of developing the right strategies to address fast-growing community concern. While Australians — like others — will need to learn how to live with tensions with the PRC at the institutional level, it is also important that key sectors especially exposed to China, including business and universities, are frequently briefed about this complex relationship.

One crucial question, often overlooked, must be addressed at the start of any such strategic discussion: what is ‘China’? The People’s Republic of China is 70 years old on October 1, and the party that runs it is 100 years old in 2021. But neither are complete proxies for China the country or for the Chinese people — as the party itself believes, or wants everyone to believe. As the highly China-literate writer Linda Jaivin wrote recently in *Australian Foreign Affairs*:

The official rhetoric of the PRC makes even contemporary China seem weirdly exotic in its insistence that all Chinese think as one: ‘we Chinese people believe’ this; ‘the Chinese dream’ that; yet another thing ‘offends the feelings of the Chinese people’. Communist Party language around ‘the People’ and ‘the masses’ imposes a fantastical vision of unity on the heterogeneous reality of 1.4 billion people . . . Yet non-Chinese Australians have no reason to think of those of Chinese heritage as either exotic or unknowable.<sup>12</sup>

That great nation, and those diverse and brilliant people who live in and derive from there, do have an existence — a past, present and future — beyond the party-state. Indeed, some are now primarily Australians, as Jaivin indicates, to our considerable benefit.

# The fissures

Acclaimed sinologist David Shambaugh — who famously wrote a 2008 profile of the pre-Xi communist party that predicted it would adapt rather than atrophy — said during a visit to Australia in April that “there is a narrative today that we’d better get on board the China train because it’s just about to leave the station.” He disagrees, noting that while the PRC’s power has increased relatively and absolutely, it is not predominant. Converting its capabilities and influence remains a challenge, he said. For instance, China now has a global footprint but it still lacks both long-range military power-projection capacity and friends and platforms — the 38 allies and more than 400 bases the Americans can hinge off.<sup>13</sup>

Just 12 of the 101 countries that have, like China, reached World Bank-credentialled middle income status since 1990 have sprung the ‘middle-income trap’ to vault into prosperity. Most are neighbours of China.<sup>14</sup> The prospect — or impossibility — of failure weighs heavily on Xi and his colleagues, who are well aware of every Chinese family’s ambition ‘to get rich before we grow old’.

Success is perceived as inevitable by more outside China than within. At present, China’s Gross Domestic Product per person — not a perfect measure but respectable — ranks just under 70<sup>th</sup> in the world.<sup>15</sup> The country is on course for success in its Xi-assigned task of doubling its economy in the decade to the end of 2020, but that would still only set it up for what its own English translators dub ‘moderate prosperity’.

China changed rapidly during the ‘reform and opening’ era. But it needed to. It had a lot of catching up to do after 30 mostly grim Mao years. The people of China responded mightily to being given an opportunity to regain some responsibility for their own development. The ruling party naturally seeks all the credit, and then some. In this role it is aided, in terms of global presentation, by a corps of foreigners described by top Australian sinologist John Fitzgerald as ‘message

washers'.<sup>16</sup> They follow in the tradition of the American journalist Lincoln Steffens who after visiting the Soviet Union in its embryonic, and exceedingly violent, early days, decreed in 1919: "I have seen the future, and it works."

Yet in China, despite its considerable achievements, fewer than 10 per cent of the reforms announced as important for the country's future by the central committee's third plenum in 2013 have been implemented, according to Shambaugh. Leading China-focused economist Arthur Kroeber says that China's economy has now entered a "post-reform era" in which economic considerations are "entirely subordinate to politics."<sup>17</sup>

## **A great leap backwards**

Business must march in step if it is to receive room to move. Thus all private firms, whether Chinese or foreign-owned, are expected to contain party branches that may guide policy and appointments. The majority already do. If they do act cooperatively, Xi wrote recently, businesses may "make a greater contribution to the great rejuvenation of the Chinese nation."

When I visited Huawei's headquarters in Shenzhen a decade ago, I asked employees who were shareholders whether they could nominate those standing as directors. That, they explained to me, is principally down to the company's party committee. This pattern is fairly uniform. But when I wrote this in newspaper stories, I was informed by some in Australia, who insisted that private companies in China could indeed be detached from the party-state, that I must have misunderstood or been misguided or maybe mischievous. In an interview with *The Australian Financial Review* a director of Huawei, Chen Lifang, said that "there is an expression in China 'within the system and outside the system' . . . The relationship between Huawei and the Chinese government, it's just the same as the relationship between any Western private company with their governments. Huawei is outside the system."<sup>18</sup>

In contrast, Wang Jianlin, then China's richest man as the founder and chief of the vast Wanda conglomerate, pointed out during a

World Economic Forum meeting: “If someone says they don’t rely on the Chinese government at all, and has no sort of relationship with the government to do business, then that person is a hypocrite.”<sup>19</sup> He was himself later humbled by the party-state, which forced him to unravel his ambitious international investments including in Australia. In going some way to saving his very freedom he stated, his head metaphorically bowed, that his company “will respond to the state’s call, and has decided to keep its main investment within China. Companies have to follow the trend of national economic development.”<sup>20</sup> Alibaba founder Jack Ma, who succeeded Wang as richest man, is a member of the communist party — and perhaps astutely observing the warning signs painted by his popularity, recently opted to retire from formal control of his great corporation.

Academia is also expected to play for the party’s team in this New Era. Xi has vowed that university campuses will become “strongholds of the Party’s leadership,” with the Education Ministry announcing that “ideological and political performance” would now become the single most heavily weighted criterion in the evaluation of university teachers. Meanwhile Xi stressed on a visit to media headquarters that Chinese journalists’ “family name is Party.”

The abolition in March 2018 of term limits for the presidency and vice presidency of the state — introduced under Deng to help transform the PRC into more of a meritocracy — has been widely but discreetly criticised as appearing a potential harbinger of a return to a Mao-era approach. This concern was reinforced by the announcement in late March 2019 of a blueprint for ‘rural rejuvenation’, championed by Xi, that will send 10 million urban youth to the countryside over the next three years. This conjures immediate reflections of Mao despatching millions of ‘sent-down’ youth to the impoverished countryside during the Cultural Revolution — Xi himself was among them — to “learn from the peasants.”

Surveillance and control have reached new heights in Xi’s China, which has coined the extraordinary term ‘cyber sovereignty’. The Australian Centre on China in the World has described “the ravenous advance of the surveillance state, and the increasing securitisation of Chinese society.”<sup>21</sup> Yet as Shambaugh pointed out during his Australian

visit: “Regimes that have to repress are insecure. Those who consider getting on the China train need to think about this.” He added that China has oscillated between *fang* (opening) and *shou* (closing), and is now in a *shou* phase despite the Belt and Road Initiative. “We are thus facing the biggest diplomatic challenge in our lifetimes.”<sup>22</sup>

This challenge is true for liberal democracies that continue to champion universal values, but for the PRC — which brooks no ‘intrusion into domestic affairs’ — it carries no validity. Xi insists, like most previous rulers of China through the centuries, on the country’s indivisibility as an almost religious principle despite the shift of its borders through history. However, the ‘pacification’ of Tibet and the consignment of more than a million Uighurs to re-education camps in Xinjiang come at a price — the erosion of China’s soft power internationally and the immense cost of domestic security operations, which have surpassed that of its regular military.

Bringing Hong Kong into line — a goal Xi highlighted in making a PLA parade inspection the central feature of his Hong Kong visit for the 20<sup>th</sup> anniversary of the 1997 handover from Britain — and steadily eroding the ‘one country, two systems’ formula devised by Deng Xiaoping in the Old Era, are also helping frame today’s take on the PRC formed by many foreigners, including Australians. The level of concern outside China about the stiffening of internal controls has been raised further by the huge protests in Hong Kong — and by a fresh development: the support of student unions and other ‘progressive’ groups there for the passage of the Hong Kong Human Rights Democracy Act through the US Congress.<sup>23</sup> This points to a growing desire to foster global engagement in such causes, and to a loss of anxiety about Beijing’s consistent blaming of ‘foreign black hands’ for instigating protests inside the country.

## **Influence and interference**

A further challenge for liberal democracies concerns the intensification of Chinese government ‘influence activities’ overseas. Shambaugh watched the official Australian response to this complex issue, and said he was “most impressed, you have handled it openly and reasonably”,

a testament to Australian democracy. The PRC's use of public diplomacy and lobbying is not necessarily illegitimate, he stressed, and that comprises about 70 per cent of its efforts overseas. Beijing "wants to control and shape the global narrative about China." But "it is necessary to distinguish between influence and interference." It is the latter, he said, when it affects the laws and institutions of democratic societies.<sup>24</sup>

John Garnaut, who as senior advisor to then prime minister Malcolm Turnbull headed a classified inquiry with a focus on Chinese government interference, described it as "covert, coercive or corrupting, and goes together with espionage." The answers are "sunlight, enforcement, deterrence and capability." The key response is to "follow the money," he said. It is also important to map the activities of China's United Front Work Department, to re-purpose Australia's intelligence and finance-tracking agencies, to enforce the Foreign Influence Transparency Scheme, to equip and train law enforcement agencies, and to "align economic policy with the need to counter covert, coercive and corrupt behaviour."<sup>25</sup>

Yet the new public register of foreign agents subsequent to new legislation, which was agreed to on a bipartisan basis and commenced in December 2018, appears at this early stage at risk of being widely ignored. The 13 Confucius Institutes at Australian universities, for instance, have not registered because they are operated to a degree as joint ventures with those universities, even if they are primarily funded by China's Education Ministry.

The PRC's internationalising narrative comprises three elements, according to Garnaut: That China is a peaceful, magnanimous civilisation (more than a mere nation); that it is an inexorably rising power, against which resistance or mere disrespect are futile; and that China is dangerous if provoked. "Opposition is suicidal," he said.<sup>26</sup>

It is also depicted as racist. Former Labor foreign minister Bob Carr says that "the energetic propaganda" directed at Chinese-Australians who appear to back Beijing "is feeding the prejudice of a small minority of Australians who still have old-fashioned White Australia prejudices." He cites his predecessor Gareth Evans describing "a new form of Sinophobia" where "the message is, if you are of Chinese background your loyalty to Australia may be suspect." Carr brands

concerns raised in Australian media about Beijing's aims and methods as "China Panic."<sup>27</sup>

During the recent federal election campaign, former prime minister and China Development Bank advisor Paul Keating delivered a personal attack on Garnaut and accused Australia's security agencies of undermining the relationship with China, saying they had "lost their strategic bearings" and gone "berko". "When the security agencies are running foreign policy, the nutters are in charge. You'd clean them out," he said.<sup>28</sup> This extraordinary invective was rejected by the Labor leadership, with Shadow Treasurer Chris Bowen urging instead dialogue between Australia's business and security sectors.

These two sectors, crucial contributors to Australian integrity and prosperity, have been prised apart both by Beijing weaponising its economic heft and by the country's own widespread failure to understand better the balance of opportunities and risks in engaging with China. The West once sought to change China. Now China is seeking to change the West.



# We are not alone

Most other countries in the world are also re-evaluating their relationships with Beijing, even as their broader China relationships expand, often, to clear mutual advantage.

The EU Commission now calls China a “systemic rival” and on economic issues “a strategic competitor”.<sup>29</sup> In May the EU introduced a new foreign investment screening regime intended “to limit China’s ability to acquire European technological assets.” A recent British Foreign Affairs parliamentary committee report says “the consolidation of power in the hands of the Chinese Communist Party under President Xi . . . makes China a viable partner for the UK on some issues, but an active challenger on others.”<sup>30</sup> Internal debate over then prime minister Theresa May’s decision to invite Huawei to play a role in the development of Britain’s 5G network was so fierce the defence minister was sacked for alleged leaking — just one of many examples of Western governments riven by angst and disagreement about how to respond to Beijing’s advances.

American academic Joseph Nye created the concept of ‘soft power’ in 1990 when he wrote: “When one country gets other countries to want what it wants, this might be called co-optive or soft power in contrast with the hard or command power of ordering others to do what it wants.”<sup>31</sup> Whether the PRC has the capacity to attract without buying or bossing its way is a point that can be argued. But it clearly seeks to co-opt. The former head of Singapore’s Foreign Ministry, Bilahari Kausikan, said last year: “China doesn’t just want you to comply with its wishes, it wants you to do what it wants, without being told.”<sup>32</sup> It spends up to an estimated \$US10 billion a year<sup>33</sup> externally to deliver its messages, complementing its greatly increased diplomatic budget, which more than doubled in the last five years.

The party’s international division has hosted many meetings that have enticed foreign dignitaries, often retired leaders, to come to China. In recent years, it has attracted to its annual ‘dialogues with

the world'<sup>34</sup> large groups of representatives of global political parties, including the American Republicans and the British Tories and Labour Party, who merely by attending — all expenses paid — are deemed to support the usually lengthy pre-drafted communiques that commend Xi's New Era. They thus become useful 'message washers'.

Whatever the PRC's attraction among overseas elites, however, among broader populations it is more mixed, as Pew and BBC global polling has indicated in the last five years.<sup>35</sup> And it is declining, according to Shambaugh. "You can earn soft power," he said, "but you can't buy it" — the option often taken. But China "has a lot of untapped soft power," he added. "If only the CCP [Chinese Communist Party] would get out of the way" of the cultural magic of the China beyond the party."<sup>36</sup>

Instead, the PRC weaponises its own victim-laden sense of self. Chinese officials forensically scan foreigners' speeches and writings for phrases that might be parsed as part of the narrative of 'foreign humiliation' that comprises the core of the party's version of Chinese history. An often-used example is Malcolm Turnbull's statement during a speech on the new foreign interference laws that "the Australian people have stood up" — a mildly misguided reference to Mao's proclamation at the PRC's founding that China had stood up. But despite Australia being criticised for its 'anti-China' rhetoric, this claim emerges from a tiny number of remarks out of thousands made by Australian politicians and is revisited by Beijing to maintain a sense of grievance.

Similarly, then Defence Minister Christopher Pyne was criticised in China and by some Australians for a speech at a strategic conference in Singapore in January, in which he said: "There is no gain in stifling China's growth and prosperity . . . we are not interested in containing China." But he then called on China "to act with great responsibility in the South China Sea."<sup>37</sup> Beijing does not like being "called on", especially by those it perceives as junior powers. It is both the wronged victim and the prime actor, who re-assumes the initiative through its response to such rhetoric, often relayed most usefully by foreigners.

## Flexing its economic muscle

In this New Era, China is nonetheless making most satisfactory headway towards its desired international leadership by weaponising its economic rise. The prime example is Xi's keynote Belt and Road Initiative (BRI), which was celebrated at the second BRI forum he chaired in Beijing in April. About 37 government heads attended, up from 29 at the first forum two years ago.

Xi launched BRI in 2013, the very year that China surpassed the US to become the world's top trading nation. The initiative aims to ensure that especially in the broad belt between Asia and Europe, all compliance systems, regulations, templates and networks lead to Beijing, as all roads once led to Rome. It will be China's 5G that will be rolled out in most of the BRI recipients. And this will set the pattern of the ensuing Artificial Intelligence tools.

While offering much, this is not a reciprocal arrangement; belt and road are driven on and by China. The BRI memorandum of understanding (MOU) that China invites others to sign is a set text, but few partners appear to have sought seriously to negotiate a more mutually worded agreement. Malaysia's sprightly newish prime minister Mahathir has described it, in a phrase he wickedly lifted from China's own anguish about the Opium War outcome, as an "unequal treaty". The PRC does not perceive itself as treating with equals. The appeal of Chinese largesse remains strong, however, as *The Economist* recently pointed out, since "for a start, no one else is offering so much of it."<sup>38</sup>

Elsewhere, China's most successful weaponising of its trade and investment power is over its South China Sea claims. This ensured that it could reject successfully, before the international court in The Hague even declared its judgment, the court's 2016 ruling on the Sea. Despite some ASEAN members' grave concerns, the Sea has become successfully assumed. At least two ASEAN regimes depend overwhelmingly on Chinese support, and ASEAN convention demands consensus in policymaking. President Rodrigo Duterte of

the Philippines, which lodged that Hague case, later said that smaller nations should be “meek and humble” in exchange for “China’s mercy.”<sup>39</sup>

Leveraging of China’s economic engagement has also proven successful in obtaining the silence of the Muslim world over Beijing’s extraordinary campaign of ‘re-educating’ its Muslim population, especially in Xinjiang, as part of its goal of sinicising all religions. The UN Human Rights Council, dominated by nations whose leaders benefit from generous Chinese investments, in March praised China for its “positive role in advancing the human rights cause.”<sup>40</sup>

But even though Xi is chalking up economic weaponisation successes, there have been pushbacks. Malaysian prime minister Mahathir eventually succeeded in slashing a third off the cost of an ambitious BRI rail project. South Korea, which has been subjected to the strongest sanctions and critical rhetoric from China in recent years over its instalment of the Terminal High Altitude Area Defence (THAAD) anti-missile platform — that China complains can be used to probe its own military structures as well as North Korea’s — has resumed its tourism, cosmetics, K-pop and other popular exports with THAAD remaining in place, albeit with a deal suspending further deployments.

In the Pacific, Canberra is trying to catch up with the rapid new pace of Chinese involvement through a stream of aid. University of Papua New Guinea political scientist Patrick Kaiku has warned Canberra — while stressing how much Australia has to offer — against “condescending rhetoric” and against casting islanders as “insignificant pawns in the great power politics of the day” which will only alienate.<sup>41</sup> Many ordinary islanders have become resentful at the manner of Chinese enmeshment at the grassroots level, while their leaders are suspected of being suborned. Security talk doesn’t tend to appeal in the Pacific, however, unless it’s got a climate change angle.

## **The blame game**

In the face of China’s readiness to use its economic muscle, some Australian businesspeople warn that any speech or action that might be deemed critical of China or ‘anti-China’ may damage the

economic relationship. Mining magnate Andrew Forrest last year urged Australian politicians to stop appealing to “paranoid” voters with anti-China rhetoric, adding that “China has choices” and they “don’t have to procure from us.”<sup>42</sup> He reiterated these concerns after his annual visit to the Boao Forum in March 2019.<sup>43</sup>

Such concerns, while sometimes framed as reflecting a newfound slump in the China-Australia relationship due to recent comments or actions, are recurrent. The billionaire Kerry Stokes, whose fortune hinged substantially from his masterful operation of the Caterpillar franchise during northern China’s construction boom, told a 2012 conference that the bilateral relationship had “gone off track” under the then Labor government and that there was a growing anti-Australia mood in China’s blogosphere. He urged Canberra to distance itself from the US so that the country could become the Switzerland of Asia with no foreign troops on its soil. He added that Australia had been the most sought after destination in China about 12 years ago, but that was no longer the case.<sup>44</sup>

Australian business leaders, unlike their counterparts from countries including the US, Japan, Germany and South Korea, have invested comparatively little in China directly — two thirds of that in New Zealand, under half that in Britain, and just over double that in Papua New Guinea — and have thus not spent significant time there or developed intimate knowledge of working within China. This limits their comprehension of the Chinese scene. In comparison, major US corporations frequently require their rising executives to spend three years at least in their Shanghai or Beijing offices to gain eligibility for promotion to the ‘C-suite’. The same applies for political and public service leaders, and for academic and media managers. Australia’s China connections thus tend towards the transactional. Australian leaders rarely consider seeking greater reciprocity in the relationship with China — a major issue for other countries — since Australian investment in China, and a sense of the possibilities in greater involvement there, remains thin.

On the domestic front, when Chinese investment in Australia has appeared to have fallen — by 36 per cent in 2018<sup>45</sup> — voices in the business and academic worlds have blamed this at least in part on Canberra. The government has been criticised frequently in recent

years from such ranks for sending anti-China signals; for instance by failing to sign Beijing's BRI pledge of support in the form of a MOU (unlike the state of Victoria), and by deciding not to invite Huawei to participate in the construction of Australia's 5G network. Yet in 2017 China's Outward Direct Investment (ODI) globally slumped 30 per cent, and fell again in 2018 by 73 per cent to North America and Europe.<sup>46</sup> BRI investment is just 13 per cent of total ODI.<sup>47</sup> But we were informed that Australia is losing Chinese investment substantially and disproportionately because of our political intransigence.

John Brumby, national president of the Australia China Business Council and until 2019 a director of the Australian advisory board to Huawei, has warned: "There's a whole range of things coming together which just make it look like Australia doesn't like China, that Australia is opposed to China. That's a serious problem."<sup>48</sup> He also said that engaging with the Belt and Road Initiative could provide a "great prize" of more jobs and investment, adding that Australian business knew the benefits of four decades of "constructive engagement with a reforming China. Our task is to keep telling that story."<sup>49</sup> Peter Drysdale, head of the ANU's Asian Bureau of Economic Research, said that a decline in Chinese investment into Australia "shows there is a problem as the investment relationship is more affected by the political situation. It is a serious warning sign that we have to do more to get the relationship back on track."<sup>50</sup> Former Trade Minister Andrew Robb, now chair of Asialink and Asialink Business and a former consultant to China's Landbridge Group, echoed concerns about anti-China comments coming from Canberra when he said that "Australia needs to take the initiative" in toning down "often offensive rhetoric".<sup>51</sup>

In 2019, it has become routine to view Australia's China relations as uniquely poor. But not only does China also have difficult relationships with other countries, relations with Australia have experienced successions of upturns and downturns. Yet many industries and sectors have become accustomed to — and dependent upon — such extensive growth of their China trade that even continued rises, if deemed insufficiently substantial, drive their leaders to call for political help to 'de-risk' their business models. For instance, when data revealed that the number of Chinese students coming to

Australia was only 1.5 per cent more in the first semester of 2019 than the previous year, the chief executive of the International Education Association of Australia, Phil Honeywood, blamed “bilateral tensions” — but withheld any Chinese responsibility. He said that Australia was “paying a price” for not allowing Huawei to play a core role in the 5G platform,<sup>52</sup> and urged the newly-elected Morrison government to “assist our sector through early conciliatory messaging.”<sup>53</sup>

Such plaintive pleas highlight the extent of the problems of over-dependency on any one market for any one product or service, problems underlined as the Chinese economy matures, slows, and despite — or to a degree because of — the vast expectations it has aroused of its Belt and Road largesse, may sooner than many expect lose its capacity and inclination to spend substantially overseas. Similar effects and sentiments resulted when in their heydays the British, American and Japanese economies extended and then moderated their reach.

# Responses

Paul Monk listed three schools of thought in Australia about the rise of China back in 2011. First: “China’s rise is almost wholly good for Australia because of the strong complementarities between the two economies. We should not contemplate a military build-up because there is no China threat.” Second: “China is indeed rising rapidly and poses a threat to the strategic assumptions we have held dear for many decades. But there is no way to prevent this so we should come to terms with it as nimbly as we can.” Third: “China’s rise threatens our strategic interests, and we should arm up and strengthen our traditional alliances to make clear to China that it can expect serious resistance should it attempt to alter the existing strategic balance in its favour.”<sup>54</sup> These remain, broadly speaking, how Australian respondents line up.

It is normal for nations to seek to project their image and their interests internationally. However, transparency and adherence to the rule of law are important ingredients for countries like Australia in such projection. What makes China’s approach different from say Canada’s or Indonesia’s is the singularity of the PRC itself.

Xi’s view of government is clear: “East, west, south, north, and the middle, the party leads everything.” Marking the recent 40<sup>th</sup> anniversary of the Deng Xiaoping era of reform-and-opening, he said: “The party’s leadership over all tasks must be adhered to,” and its socialist path had been “totally correct.” The People’s Liberation Army remains unchallengeably the party’s own army. Xi is not a pragmatist, nor does he concern himself with ‘legitimacy’. The party does not waste time in formally justifying — or legitimising — its rule, in part because that very word implies a high concept of legality and of the law, which the party subjugates in China. What were perceived as ‘campaigns’ — against corruption and dissent, for instance — have become institutionalised. The Australian sinologist Geremie Barmé summarises the Xi zeitgeist as “unambiguous and unapologetic” — “We’re here; we’re mean; get used to it.”<sup>55</sup>



What are we outside China expected to get used to? What pathways towards dominance? How can and should we respond? China is too large and important simply to step around, while merely letting the cards in our relationship fall however they may is a recipe for ‘tribute-state’ humiliation, given the purposefulness of Xi’s state.

It would be a good start just to get to understand China’s New Era. It’s generally a mistake to get drawn into argument or justification with Beijing over policy, just as it is even to entertain the dangerously simplistic binary proposition that Australia could or should be ‘anti’ one country or ‘pro’ another. Re-elected Prime Minister Scott Morrison told *The Australian* in June:

Many, including commentators, see everything that every country does in the light of that binary (China-US) tension. That undervalues the sovereignty of those nations and their independence. Many nations have interests that they could identify with either (China or the US). We’re like this. So are Canada, the Indonesians, the Malaysians — it’s a long list. It’s very superficial and very unhelpful to see everyone’s actions (only in that China versus the US light).<sup>56</sup>

Respect will only be won by countries that stand up for their own interests and values, rather than trimming the latter in an attempt to please others. Shifting one’s policies in order to placate a great power entails losing control and requires weaving around to suit that power’s own changing priorities.

These days it’s common for members of the Australian elite to elide Donald Trump with the US as a whole, and to conclude that to align in any way with the US is to validate the evil Trump. Few appear to comprehend concerning China that one can admire and engage widespread elements of the country and its culture while seeking to distance oneself from Xi’s PRC establishment. There is a good case for discipline and restraint in public statements or analysis about other countries including China, but not for falsehoods or flattery.

Pursuing this path is not easy for leaders in government, business or elsewhere whose understanding of Asia, including China, is thin

— illustrated by the way some struggle even to pronounce Chinese names (including that of Xi himself). There is a disjuncture between Australia's economic enmeshment with Asia and its failure to promote people who have lived, worked or studied in the region to decision-making roles at the peak of its core institutions. Kevin Rudd in the political realm and Rod Eddington in business are rare exceptions.

## **PRC perceptions of Australia**

Since Gough Whitlam's adroit 1972 diplomatic recognition of the People's Republic, its leaders have tended to perceive Australia as an economic partner of greater significance than the population disparities might indicate, as well as a Western country with which it can relate on a broader basis in a predictably agreeable manner.

The former continues to apply. Australia provides quality resources in strategically important quantities. In 2018, the country was China's sixth-biggest source of imports, and in the first five months of 2019 they rose a further 26.7 per cent to a new high, while Australian imports from China also reached a record up 17.2 per cent.<sup>57</sup> Australia has been seen as providing a business and social environment where Chinese companies can build expertise in operating in a Western context without exposing themselves to such substantial risk as deemed necessary in the bigger corporate worlds of the US and Europe. It is also viewed as a safe and pleasant tourism destination, and a reasonably good-value educator of students seeking foreign qualifications. It has become the home of more ethnic Chinese migrants per person than anywhere in the world, except possibly New Zealand. An official human rights dialogue was developed to defuse unwelcome criticism in that area, while the People's Liberation Army built an unusually extensive relationship with the Australian Defence Force.

Bringing these strands together, Xi announced during his visit to Australia in 2014 — during which the Free Trade Agreement between the countries was essentially concluded — the upgrade of the relationship to a 'comprehensive strategic partnership', the first declared since he had become party general secretary. One of the most internationally prominent Chinese academic analysts of the global strategic scene, Zhu Feng, had noted the year before that China

is a “lonely rising power” without enduring friends among its 14 immediate neighbours except its prickly ally North Korea, and argued that Australia’s respected position in “the liberal world order” placed it as “a most effective tool by which Beijing can win friendships, and retain the gains we want.”<sup>58</sup>

Since then, that prospect has retreated. Generally, Chinese people retain a positive view of Australia and Australians — hence the strong persisting figures for trade, tourism and students. But the picture of broad partnership has become pixillated. What has happened?

The PRC has itself changed rapidly — in response, its party strategists would say, to a pressing need to restore discipline, purity and thus legitimacy at home, and to regain its rightful place in the world commensurate with its economic might. Xi’s ascension thus ratcheted up the party’s domestic control and surveillance capacity in his first term, followed by driving forward its global ambitions in his second term since the end of 2017. This latter focus is being realised by the hugely ambitious Belt and Road Initiative, the restructuring and modernisation of the People’s Liberation Army to enable it to project its capacity globally, and Xi’s personal push for the Chinese tech giants led by Tencent, Alibaba and Huawei to develop the new platforms, including 5G, on which much of the world will rely. The core driver for this program is the weaponisation of China’s economic impetus — building on the international consensus that the country will continue to grow strongly, and expecting ethnic Chinese populations around the world to play their loyal part.

## **A testing time**

As China’s international confidence has grown, it has — in the absence of alliances requiring mutual commitment — developed its own forms of tests of loyalty from other countries: Will they host visits from the Dalai Lama, say, or from Uighur leaders? Will they ‘interfere in China’s domestic affairs’ by publicly questioning the human rights situation, or China’s sovereignty over most of the South China Sea? Will they apply conditions to Chinese investments — or worse, rule out such investment in particular sectors including new mobile network technologies such as 5G? The implication is commonly

drawn in the business worlds of countries that are thus tested that failure in such tests will lead to the withdrawal of economic benefits.

Australia passed one test when then prime minister John Howard broke Western ranks to accept China as a 'market economy' for which we were rewarded by being permitted to start negotiating the most sophisticated of all Beijing's free trade agreements, although the deal took ten years to conclude. But the country failed further tests by declining to legislate an extradition treaty, or to sign China's memorandum of understanding (MOU) to participate fully in its Belt and Road Initiative. It has also ruled companies like Huawei out of taking a hoped-for core role in the country's new 5G platform.<sup>59</sup> The parliament — with bipartisan support — passed laws tightening protections against foreign interference in the Australian political system, which were widely interpreted as being targeted most clearly against the PRC. Prominent Australian friends of Beijing have consequently accused Canberra of being wilfully uncooperative in its attitude towards the PRC, while being subservient to an American president<sup>60</sup> who is widely despised among progressive and globalist cohorts as he presides over a growing chasm with China.

Despite failing such policy-level tests, and despite the continuing lack of investment in China, Australia's links with the broader population nevertheless continue to thicken. The relationship is replete with the kind of 'ballast' that Gareth Evans when foreign minister lamented was lacking between Australia and Indonesia. For example, 39 Chinese universities host Australian Studies centres, more than in the rest of the world put together.

While the overall attitude to the PRC of Australia's political and security establishments and of the broader population has cooled, businesses and academic institutions selling products and services to China remain especially concerned about the threat of market loss. The former groups no longer wish to acquiesce in a relationship substantially defined by 'friendship' tests while the latter believe Australia has little choice but to remove impediments to slip-streaming Chinese economic growth. The extent of this China challenge is underlined by the growing mutual antipathies surfacing even among China-watchers, with rival public letters being published in 2018.<sup>61</sup> Australia's then race discrimination commissioner Tim

Soutphommasane warned the country was “flirting with danger” in the debate over state-sponsored political interference.<sup>62</sup>

But Paul Monk insisted during an April conference on China in Canberra: “If we feel constrained about how we speak about issues, we have lost.”<sup>63</sup> He implied not so much losing an arm-wrestle with the PRC as losing our own way in the world. Sinologist John Fitzgerald has developed this theme by stressing, in a public lecture earlier this month, the evolution of Australian foreign policy — as exemplified in the 2017 government white paper — from hinging off folkloric values such as mateship and the ‘fair go’ towards liberal universal values. “The earlier approach,” he said, “left Australia disarmed in dealing with foreign interference on Australian soil ...”, adding:

[W]e misled our friends in China by signalling in earlier foreign policy statements that Australians care less for human dignity, freedom, and rule of law than we do for jobs and growth. Leaving values at the door was always a values statement in itself — it falsely signalled that Australians don’t value values ... Australia has every reason to continue engaging closely with China, across as many fronts as possible, partly to sustain trade and investment and people to people ties, but also to keep lines of communication open and to facilitate pushback when China’s actions impinge on Australian values and interests.<sup>64</sup>

Countries throughout Asia tend to co-opt key institutions in order to bring the whole society on to the same page in pursuing strategic goals. But China Inc does this as a matter of course in the routine day-to-day of business as well as to secure top-level priority aims. Universities, state funding sources, the disciplined services, regional and local party and government agencies, the courts if required, the National People’s Congress or parliament if legislative change is needed, the diplomatic corps, all will be aligned to remove distractions and obstacles from a clear line of sight towards key targets such as developing and making operational the first 5G network, or building myriad uses for Artificial Intelligence. The controversy over

Huawei's role in 5G has resulted as much from the failure of American companies — by extension, perhaps even the American system — to compete, as from concerns over Beijing's capacity to use its 2017 National Intelligence Law to require Huawei's cooperation.

Australia is largely a post-industrial economy whose governments have sold most state companies and wound down subsidies except for defence contractors. It lacks experience and intent in creating coalitions to achieve national-level goals — the National Broadband Network appears to have stretched that capacity to its outer limits or beyond. Thus it is not in a position to meet such a challenge directly and faces a tough dilemma when confronted by decisions over new platforms like 5G in which China Inc is investing hugely to achieve global supremacy. No US company offers an alternative to Huawei's 5G platform, although Scandinavian firms Nokia and Ericsson do. In the future, it may prove necessary for liberal democracies that share concerns about Chinese involvement in tech breakthroughs to form alliances to anticipate the need for, and to develop, innovative answers. But the globalised economy would be considerably diminished, and all our opportunities restricted, if it becomes riven into two rival operating systems. As Deakin University's Professor He Baogang has said: "China's grand strategy is a function of its economy. This makes life both easier and more complex for Australia, since Washington wants to slow down China's economy while Canberra certainly doesn't."<sup>65</sup>

A further question being asked with increasing frequency raises the prospect of China — burdened by its demographic challenge and the difficulty of further reform without the party relinquishing some of its power — struggling to overtake the US economically, despite its success to date. This would have a profound impact on the global balance of influence as well as raw power — another reason why the next episode in the 'great game' between these countries, a game in which no nation can be allowed to languish as a spectator, will likely dictate the shape of values, lifestyles, governance and cultures for decades ahead.

# Conclusion:

## Towards a new approach

The core component of a new approach to the China dilemmas should be a decisive shift towards greater engagement with Chinese people — but in most cases only with considerable caution with PRC institutions, which these days bring with them awkward predispositions and political requirements. The decision to replace the Australia China Council with a far better resourced — \$44 million over five years — National Foundation for Australia-China Relations is a step in the right direction as long as it throws itself into engagements with individuals and with groups who clearly operate beyond or aside the party-state. The new Festival of Australia, which presented dozens of attractive commercial and cultural assets in ten Chinese cities during May, is another good step forward. It gives Australia's own soft power a chance to weave its web.

Far more should also be made of the skills and experience of the Australians resident in China — many of them small business founders and operators — who are considerably better credentialled to analyse and to improve the construction of relations between people in the two countries, than corporate executives whose knowledge comes from brief red-carpet, fly-in-fly-out forays. The Australian chambers of commerce in Beijing, Shanghai, Guangzhou, Chengdu and Hong Kong provide largely untapped resources in this enterprise.

Canberra needs to intensify considerably its relations with Australia's neighbours — business, churches and sports groups have always remained strongly connected — but has publicly explained this push (so far, chiefly rhetorical) as being driven by threats posed by China's rapidly growing involvement in the Pacific islands, perceived as a proxy battlefield for strategic influence. The lack of infrastructure in this region — hampering the creation of job opportunities — is being adduced by both Australia and China as reasons for their engagement.

The islands could become a venue for development projects that are jointly conceived, funded and managed — a water supply pilot is already under way in the Cook Islands, for instance, between New Zealand and China. This would help defuse the build-up of Australia-China tensions and boost Australia's capacity to appear clearly at the front of delivering large-scale projects. At the same time, island nations may invite Australia to play a role in developing military facilities. Canberra needs to ensure, however, that 'keeping the PRC out' is not perceived by sceptical Pacific leaders as its sole motivation for increased involvement in the islands.

At home, Australia needs to communicate far more purposefully with Chinese tourists and students who come to the country, with resources devoted to ensure the latter meet Australians and encounter Australian cultures — a task largely eschewed by the educational institutions that have come to depend heavily on their payments. The Port Adelaide Football Club has already developed a vibrant pilot scheme that addresses some of these possibilities, and could readily be expanded.<sup>66</sup>

The 1.2 million-strong ethnic Chinese population in Australia is by no means a 'community'. It comprises people from many countries and language groups, and with vastly different aspirations. About half come from the PRC, having resumed a route first trodden 160 years ago when thousands left their homes in southern China to seek their fortunes in *Xin Jin Shan*, New Gold Mountain — the geological core that continues to link Australia with China most closely, not so much through gold today but through iron ore and coal.

Some of this cohort shifting 'Down South' in recent decades remain closely linked with their country of origin, travelling there frequently and retaining great pride in its achievements. Others have migrated to Australia signally to start a new life that is markedly different and do not wish to be co-opted into 'pro-PRC' activities or views. Many families of the 42,000 students invited by prime minister Bob Hawke to remain in Australia after the killings around Tiananmen Square in 1989 — and who have become exemplary migrants — mix misgivings about dark elements of the contemporary PRC with enthusiasm about opportunities it provides for prosperity. Members of this highly



diverse population need to be offered the strongest possible support to ensure that they are clearly free to exercise their own choices in terms of whether or how to involve themselves in Chinese community activities or to express their views on issues that may be controversial.

An example of the new perspectives emerging from this community is the critical artistry of Badiucuo (his pen-name), who is the best-known Chinese cartoonist in the world, with each new major work being downloaded millions of times. Cartoon images of Chinese leaders are banned in the People's Republic, so Badiucuo's caricatures pack an especially powerful punch for Chinese 'netizens' with access to his platforms. Now aged 33, he concealed his identity despite living for a decade in Australia out of concern for his family back in China. He chose Australia simply because "it welcomed migrants," he said. But this is a difficult moment for new Australian citizens from China, he added: "On the one hand there's the rise of xenophobic groups like One Nation, on the other, people like me who criticise the Chinese government on an entirely different basis. . . We're stuck in the middle, we can't go right and we can't go left."<sup>67</sup> He stressed in answering questions following the premiere of a new film about his work, also broadcast on ABC TV,<sup>68</sup> that Western societies such as Australia that have invited large numbers of Chinese people to become immigrants should do more to provide space and encouragement for them to play a prominent, and public, role in working out how those societies should respond to the rise of China — in part to counter the argument that criticism of the party-state is necessarily 'anti-Chinese' or racist.

The Australian government might also consider ways to support citizens such as Maree Ma, the manager of independent Chinese-language media group *Vision China Times*, who has suffered considerably from pressure deriving from official Chinese sources.<sup>69</sup> It might establish a hands-off, ABC/SBS style public service platform for independent Chinese-language journalism.

Should Australian leaders share more clearly with the public reasons for concerns they may have developed about the risks of intensifying institutional connections with the PRC — or should they retain such analysis or information within departmental files

and discreet briefings? This is a delicate task, especially given how pervasive the communist party has become in Chinese institutional life. We need to learn to live with tensions at the institutional level, and insofar as they have to develop useful working relationships with their Chinese counterparts, it is important for Australian leaders to maintain discipline in refraining from comments that might be predicted to aggravate the latter for no net gain. But they also need to ensure — through resourcing better understanding of China more broadly and through choosing to intervene publicly when national leadership and explanation of policy are decisively required, though only then — that our positions that relate to China are consistent and clearly understood by all.

Despite the continuing distance between our two political, legal and societal cultures, there are emollients for the inevitable tensions that will persist at the institutional level — if not, at this stage, solutions. They start with far better, more concerted efforts at understanding. China is not, as viewed in the grim racist past, ‘inscrutable’. It is understandable. It makes sense. We do not have to agree with the PRC’s views or its actions. But we now have many Australians of Chinese ethnicity. The country owes it to them, as well as to its larger prospects for an economically healthy and secure future, to construct a viable China policy that has integrity, resilience and rigour.

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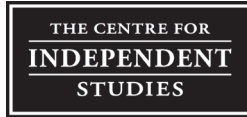
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The rise of the People's Republic of China (PRC) has helped make Australia rich, but it is also posing challenges to its values, interests, alliances and thus its identity.

Xi Jinping's ambitious New Era represents a decisive break with the Old Era under Deng Xiaoping when China's foreign policy was to 'hide' its strength and 'bide' its time. China is now transitioning towards becoming a pervasive global player. The Party has also begun to reassert its core communist values as inseparable from its interests, while its inclination and capacity to project these interests – including through weaponising its economic rise – have increased rapidly.

What can Australia do to respond as it finds itself closely enmeshed at many levels with a power whose goals now seem at variance to its own? Should it reduce or make conditional its openness and liberalism, and thereby risk self-harm? Should it avert its eyes from the radicalised PRC? China is too large and important simply to step around.

The key components of a new approach should be a resolute shift towards a much better understanding of contemporary China as well as greater engagement with Chinese individuals and groups beyond the party-state. At home Australia needs to communicate more purposefully with Chinese students and tourists. Members of its highly diverse ethnic Chinese population also need the strongest possible support to ensure they can make their own choices about Chinese community activities or expressing views on issues that may be controversial.

**Rowan Callick** is a veteran journalist and author who has worked as a China correspondent for both *The Australian Financial Review* and *The Australian*. He is the author of *Party Time: Who Runs China and How*, and has won two Walkley Awards for his coverage of China.

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