



Australia,
the United States
and China in a
— POST-COVID WORLD —

Richard Alston



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Introduction

Since the Suez crisis of 1956, Australia has not deviated significantly from the American position on any major political and security issue. Both Labor and Coalition governments have usually acted out of conviction, and an awareness of the advantages of the US alliance – from access to technology and intelligence to trade and foreign investment to the all-important security insurance policy, which has helped shaped those convictions.

But the world is changing rapidly, as America's hitherto unchallenged superiority is directly under threat from an increasingly aggressive and highly ambitious China. It is abundantly clear the two major players have incompatible values systems. Neither is likely to want, let alone achieve, a mutually acceptable *modus vivendi*.

The Chinese Communist Party's ability to impose its political will on its citizens and corporations, particularly its state-owned enterprises, may have helped ensure the nation's four decades of economic expansion. But its long-term prosperity will depend on it gradually unleashing the 'animal spirits' that underpin even the Chinese capitalist model.

The US still has formidable economic and financial advantages over its rival, which serve Australia's national interest, because they provide us with reliable and, at least to Western eyes, non-politicised regulatory structures and reliable supply lines. As Australia's leading international scholar Alan Dupont points out: "The US controls or hosts over half the world's cross-border bandwidth, venture capital, phone operating systems, top universities and fund management assets". These are all vital components of the American innovation/re-invention machine, fuelled by its continued adherence to the famed 'creative destruction' business model, to which China is unlikely to adhere.

Donald Trump, with broad bipartisan support in Washington, has made it clear that Beijing can no longer take advantage of America in manufacturing, technology, cyber and intellectual property. We are now looking at a battle between an irresistible force (China) and an immovable object (America) and for the foreseeable future there will be no turning back from either side. What makes this no ordinary contest for supremacy is the technological tsunami that lies ahead, threatening to change every aspect of daily life. China's sense of urgency is evident from its ambitious *Made in China 2025 Report*, which identified 10 strategic manufacturing sectors it hopes to dominate in the near future.

The legendary Dutch soccer player Johan Cruyff invented the concept of total football. Now China seems intent on pursuing the concept of total politics, by whatever means. Suddenly trade, technology and geopolitics have become inseparable. To China, no battlefield is sacred — it has already opened 65 Confucius Institutes on American university campuses; ostensibly to promote Chinese culture, but in reality to wage its constant propaganda war. In Australia, the Chinese embassy and consulates are regularly co-opted to recruit the diaspora and fight the China corner in demonstrations and disruptions.

It is often argued that Australia has to choose between China and the US. But this is not a binary choice, as trade and security are different issues. There should be no doubt that our values, friendships and shared history, not to mention America's still overwhelming power structure and military capability make it a natural ally on the security front. Moreover, the US has a very stable democracy, irrevocably committed to the rule of law, the sanctity of contracts and a competitive international trading regime.

In part, thanks to Donald Trump, America is in the process of reinventing and reinvigorating itself, thereby providing confidence about its long-term future. Trump's massive 2017 corporate tax cuts and his irresistible inducement to big tech companies to bring billions of dollars back on shore have galvanised America's domestic manufacturing sector. As a result, Trump has created many new job opportunities, largely for blue-collar workers. This economic stimulus

will inevitably lead to a new phase of innovation, which is already underway as America pushes back against China's thirst for global technological supremacy.

The citizens of an authoritarian state such as China are likely to accept a one-party state ruled by a president for life and constant personal surveillance and the ruthless suppression of dissent while the economy continues to grow. But history is not on their side. People will always yearn for freedom, even if they make a short-term Faustian bargain to forego their democratic rights until universal prosperity arrives.

China's capacity to dictate terms to Australia is severely constrained by its long-term need for Australian iron ore and coal as well as our clean green agricultural products. We are a stable long-term supplier, upon whom they can rely. Supplying those commodities does not pose a threat to America, which has never said that we should stop trading with China.

However, any attempt to exchange military intelligence with Beijing would be a hostile act and we could expect serious consequences from Washington. It is inconceivable that we would go down this path so it is highly unlikely that China would suggest that we did.

Australia therefore does not have to choose between the two leviathans: it can reach a strategic accommodation with both Beijing and Washington. While it is clear that our interests, values and friendships are overwhelmingly pro US, this does not mean that we cannot trade and interact with China, as we do with those others with whom we have much less in common.

During the Cold War era, the European Union's member states were content to rely on their NATO shield, originally formed to keep the Soviet Union at bay. But in doing so, they were content to let Uncle Sam do the heavy lifting. Although US presidents have complained from time to time about this free riding, it has only been Donald Trump's threats to withdraw, and other high-profile shaming, that have induced key EU members to agree to lift their NATO contributions.

Australia has always sought to pull its weight in its partnership with Washington. However, the new era, which some scholars call a

New Cold War, will inevitably require greater self-reliance on the part of allies and friends such as Japan, South Korea, India and Indonesia as well as Australia. Already, Prime Minister Scott Morrison has shown he will not lie down in the face of the China steamroller and is prepared to act independently — but no doubt with US acquiescence, and indeed with at least the tacit support of most of the leading players in the region. The key to Morrison's strategy is to make it clear that China is the primary target, but not to specifically name it. This undoubtedly mutes Beijing's response. One of its favourite tactics is to condemn stridently any other country's words and actions of which it disapproves. This is designed to stir up nationalist sentiments but also to raise the stakes and deter any repetition for fear of disproportionate retaliation.

This is ever more important as the EU sinks gently into decline and prospective political irrelevance and the Indo-Pacific becomes the new centre of political gravity and contest. India, Japan and South Korea are likely to emerge as secondary contestants, but the primary battle will be the Sino-American economic and security competition.

Politicians in Britain regularly ask why the Commonwealth cannot be expanded into a unified trading bloc. Unfortunately, this wistfulness ignores the harsh reality that the majority of its members are not developed countries and ultimately have little in common. But the British are onto something: rather than operate in a EU-designed trading straitjacket, the British now have the golden opportunity to build even stronger links with old faithfuls, such as Australia.

The Anglosphere has long been the West's preferred security forum through the Five Eyes network. Thanks to a very important initiative on the part of Australian Treasurer Josh Frydenberg, it now shows signs of morphing into a much broader economic forum as well.

The pandemic fallout

At the time of writing, coronavirus cases worldwide exceed 25 million with more than six million in the US -- the highest of any country -- while in Australia, confirmed cases are just over 26,000, two-thirds of which are in Victoria. On a global scale with less than one million deaths to date, it is not nearly as deadly as the 1918 Spanish Flu pandemic, which accounted for at least 20 million – some say up to 50 million.

The pandemic continues to pose the greatest health crisis to the world over the past 100 years. It is likely to affect the trading system profoundly and decouple many previous linkages. It will certainly result in lifestyle and workplace changes, and its impact on jobs and spending could also have a deleterious effect on property prices.

It has also been a wake-up call for nations, such as the US and Australia, which have belatedly realised they have become over reliant on the importation from China of pharmaceuticals, masks and other personal protection and medical equipment. More broadly, the pandemic has been a sober reminder of why it makes sense to do as much smart manufacturing at home as possible; hopefully requiring human (not simply machine) labour. Supply chain decoupling from China and increasing diversification of sources are likely to be constant global refrains.

The political consequences of the pandemic have varied considerably. In Australia, governments, with the singular exception of Victoria, have handled the crisis well. The US has been a different story. Some states have done a lot better than others in responding quickly and effectively, but at the federal level it has not been handled well.

No one blames Donald Trump for the emergence of the virus, but his response has left a lot to be desired. At the outset of the crisis at the beginning of 2020, he thought it would quickly blow over. But

when he did take the pandemic seriously, he seemed more interested in the politics of the issue than the health consequences. He refused to acquaint himself with the details of the virus, contenting himself with a few bromides and plenty of braggadocio. He certainly championed early opening up of the economy — to the displeasure of his principal health adviser. To the extent that he prioritised jobs over health, he might have been on the political money for his core constituents.

Higher-income groups, mostly in secure employment, are more likely to be concerned about the health impacts, while those on lower incomes would generally be more worried about losing their jobs and income and jeopardising their family welfare. But all citizens would have high levels of anxiety about the future, especially as the long-term implications — including the availability of a cure — are still most uncertain. The consequences of his seeming indifference have not played well and could be politically fatal for him. But most presidents who seek a second term get one so it would be unwise to assume that the virus will be the determining issue.

Is Trump gone?

Although Trump is a rank outsider in nearly all opinion polls, the 2016 prediction fiasco demands a pause for reflection.

Who will ever forget the monumental groupthink four years ago? How did the pundits get it so wrong, even the hitherto infallible Nate Silver, who had successfully called the outcome in 49 of the 50 states in the 2008 US Presidential election and went one better four years later? His 2016 election forecast had Hillary Clinton with a 71.4% chance of winning, with Donald Trump languishing on 28.6%, presaging the biggest landslide in Presidential history. But he was closer than some.

The *Huffington Post* had Clinton past the post at 98.2% and the *New York Times* had her at an unbackable 85 per cent. Every other major forecaster had similar figures. It was a devastating indictment of the press but, as one of the benefits of being a club member is there is no need to acknowledge one's errors, the great bulk of the post-mortem analysis stayed well clear of holding the media accountable.

Fortunately, for those who thrive on political controversy, there is one 'expert' who distinguishes himself with a very confident prediction: in 2020 Trump has a 91% probability of winning. Helmut Norpoth is an American political scientist best known for developing the Primary Model, which has correctly predicted five of the last six Presidential elections, including Trump's victory with an 87% degree of certainty. When his formula is applied to previous elections, it correctly predicts 25 of the last 27, only failing in the two close elections of 1960 and 2000; both marked by allegations of voting inaccuracies. Norpoth has focused on early primaries, in fact only New Hampshire until 2008.

After Obama lost New Hampshire, but won the Democratic Party's nomination, South Carolina was included. He eschews the use of any polling data or opinion polls. His information is already to hand and the results are clear: Trump won New Hampshire with 85% of the vote; Biden lost New Hampshire with 8.4% of the vote.

The pivotal importance of New Hampshire is based on a number of factors: as the first on the primary calendar, it garners a disproportion of media coverage; it is easy for anyone to enter; the state is small enough to traverse; it is open to independents who generally make up half the primary delegates; and its voter turnout is on a par with a general election. Since 1952, almost every winner in November has won his party's primary in New Hampshire.

In 2016, no one publicly thought Trump could, let alone would, win. But his opponent was viscerally disliked by millions, deemed insincere and widely distrusted; whereas his current opponent is an affable moderate, whose biggest failing seems to be his bumbling incoherence in presentation. However, it could become apparent in the lead-up to November 3 that his governing style is likely to be a fatal weakness in contrast to strongman Trump. Presidential election contests often do not attract the best and the brightest. Trump may have been very successful in his business career, but he is very poor at arguing his case. Unfortunately, his opponent is little better.

Despite his distasteful persona and his extraordinary egotism, he has generally put in place the policies and positions he espoused during the 2016 election campaign. He has cut taxes and further deregulated the economy. He has imposed import tariffs on nations that have threatened US manufacturing; and tackled immigration, especially illegal migration across the Southern border. He has nominated conservatives as justices and judges. He has ended the free-riding of NATO allies on the US defence budget and pulled the US out of the Trans-Pacific Partnership, the Iranian nuclear deal and the Paris climate accords. Few past presidents can boast a record that so clearly reflected their election promises. To be sure, some of these achievements - such as the booming economy delivered by tax cuts and deregulation - have been overwhelmed by the pandemic, but not necessarily forgotten by the voters.

Whatever the outcome of the coming election, Trump will go down in history as one of the great political disrupters. He follows in the footsteps of Andrew Jackson, who was even more provocative and abrasive, yet easily won re-election in 1832.

A Biden presidency will undoubtedly be rhetorically different in terms of both the language and tone of his predecessor. But it is also likely to leave in place a number of the key building blocks of the Trump administration. While the choice of Kamala Harris as his running mate may help energise the Democratic base, her enthusiastic endorsement of the Left's expensive New Green Deal could turn off many moderate, college-educated suburban Republicans who are otherwise tired of the Trump-era chaos.

Will the times suit Biden? Ordinary working-class people are not usually impressed by economic profligacy, but this time could be different, desensitised by massive corona-inspired largesse. Governments all over the world have used the pandemic as a licence to increase the size and scope of the state. Perhaps Trump's best chance is to portray Biden as weak and ineffectual, likely to be captured by the hard left of the party. This is especially evident when it comes to the Democratic Party's comprehensive failure to condemn the rioters and violence across many American cities since the death of George Floyd.

What is the significance of all this for Australia? Trump says he highly values Australia and Joe Biden probably has a similar empathy. The real difference will come on foreign and trade policy. We probably don't have much to fear on trade from Biden, who would presumably seek to resume negotiations on re-entry to the Trans-Pacific Partnership.

When the legislation was before Congress in 2015, Biden was often equivocal; a few months ago, he said he would not rejoin the TPP as it was initially put forward, but would negotiate with the Pacific nations so that China could be held accountable. His approach to the WTO would be less blunt than Trump and would work to repair the issues of concern. Overall, Biden would almost certainly adopt a less strident tone on most trade issues. His most significant departure from Trump's trade policy would probably be to negotiate a multilateral deal with China in exchange for the removal of punitive tariffs.

Although Trump is determined to sound more hawkish than Biden on China, his approach to trade issues is bilateral and framed against his America First test. Although he is not an isolationist, he clearly is a dedicated transactionist, whose currency is usually more reliable than that of visionaries, such as Obama. He is an inveterate deal-maker, who revels in creating his own opportunities.

Foreign Policy

Following Nixon's overtures to Communist China nearly half a century ago, the West assumed that the People's Republic would be content to play a long game, which suited everybody. But with the ascension of Xi Jinping, China has sought to dramatically extend its reach and influence across the region. Notwithstanding Obama's so-called 'pivot to Asia', ostensibly to counter China's growing ambitions, it was not until Trump came to office that the US started to push back hard against Beijing – a politically popular initiative for which is now bipartisan support in Congress. As Alan Dupont puts it: "Americans increasingly believe China is threatening US security interests, undermining its prosperity, interfering in its democracy and challenging its values. Anti-China sentiment unites an otherwise divided and partisan Washington and will endure long after Donald Trump has departed the White House".

In multi-lateral forums, such as the WTO and WHO, China has already corrupted or manipulated the structures. Here Australia is unlikely to lead the charge but can be a force for reason and pragmatism behind the scenes.

China needs to be careful not to overplay its hand. Its allies are confined to Laos, Cambodia and perhaps North Korea. Its willingness to break all the norms, let alone rules, of international interaction, creates ever more suspicion, hostility and resentment. Developing nations may be happy to be bought off in the short term, but when their citizens realise it often comes at the expense of national sovereignty, the backlash can be very powerful.

To understand how far China has come, and how much it has changed its world outlook since Xi took power in 2012 and quickly transformed himself essentially into a dictator, it is instructive to reflect on the words of Deng Xiaoping, the genius behind China's embrace of the key elements of a market-based economy.

In addressing the United Nations General Assembly in 1974, he declared: “A superpower is an imperialist country which everywhere subjects other countries to its aggression, interference, control, subversion or plunder and strives for world hegemony”. In a clear reference to the US and the USSR, the two dominant powers of the time, he said:

“Acting in the way of the big bullying the small, the strong domineering over the weak and the rich oppressing the poor, they have aroused strong resistance among the third world and the people of the whole world. China is not a superpower, nor will she ever seek to be one... if one day China should change her colours and turn into a superpower, if she too should play the tyrant in the world, and everywhere subject others to her bullying, aggression and exploitation, the people of the world should identify her as a social-imperialist, expose it and work together with the Chinese people to overthrow it.”

Trade with China

America and China were keen to work together 20 years ago, and by and large they did so harmoniously. The US fondly believed that one not so distant day, China would become a leading member of important multilateral institutions, such as the WTO, and for its part Beijing's leaders were keen to do so. As a result, China was admitted in 2001. But it was not until Xi's ascension that things began to change for the worse. Deng Xiaoping had advocated "hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership". But such caution did not appeal to Xi, who was determined to reclaim what he saw as China's rightful position in the world after the "century of humiliation" at the hands of outside powers, particularly Japan and the UK. Now, nearly two decades after joining the WTO, China still defiantly clings to "developing country" status, despite its seemingly unstoppable progress to world number one in terms of GDP. To his credit, Prime Minister Scott Morrison has implicitly criticised Beijing by calling on it to accept greater trade and environmental responsibilities.

Surprising though it may be to some people, China's economy is more open, and therefore more reliant on its trading relationships, than that of the US. Although China's export numbers are falling, they still constitute almost 20% of its GDP, 50% higher than the US exports percentage. China's high dependence on exports is a vulnerability, which Trump is keen to exploit. The US trade surplus in services with China is vastly outweighed by its deficit in goods, leading Trump in an election year to ramp up the pressure by imposing punitive levies of 25% on US\$34b of Chinese imports, causing China to retaliate in kind. Such tactics are quickly condemned by many commentators as self-defeating 'beggar my neighbour' measures that aggravated the Great Depression.

Ultimately, the two nations reached a trade truce of sorts; announcing in January 2020 that China would halve tariffs on \$75b of US imports and the US would halve the 15% tariffs imposed in 2019 on \$120b of Chinese imports. Unfortunately the arrival of the coronavirus pandemic shortly afterwards has slowed, if not derailed, these plans.

Australia has cause for concern about an ongoing trade war, as all nations are likely to suffer collateral damage, at least in the short term. It may well be that Trump's game is a tactical one, designed to force a deal on better terms and perhaps obtain concessions in other areas such as forced technology transfer - another egregious example of IP theft. However, China is unlikely to surrender this powerful, albeit illegal, weapon.

In any event, despite the presence of a number of forceful free-trade advocates in the Democratic Party, a Biden-Harris administration might nevertheless talk tough on China, while judging that it will gain electoral plaudits from ostentatiously repealing one of Trump's signature initiatives. Biden may choose to distinguish himself from an otherwise united Congressional anti-China front in order to placate America's farmers, retailers and the fashion industry, who have been adversely affected by Trump's punishing tariff policies.

Australia's trading interests with China are extensive, with iron ore, gas and coal making up almost a third of our exports. These items seem safe from political retaliation for the foreseeable future, due to China's inexorable demands for high quality and reliable supply sources to feed its ever-expanding economy. But our fast-growing trade in services, principally education and tourism, are more vulnerable, as an angry China could quickly turn off the tap by imposing travel bans to Australia. Newly opened-up services sectors, such as legal and financial, might also be at risk.

The Titanic Technology Battle Ahead

Despite the critical importance of international trade in goods and services, global ICT is larger by an order of magnitude and is much more likely to be the key US-China battleground, both on earth and in space. Digital technology has become all-pervasive as a must-have for businesses large and small. Indeed, a feature of the pandemic to date is that it has dramatically accelerated the transition to the digital economy, and technology companies have not only been almost entirely unscathed but many have actually prospered from the new normal.

It is now more than a quarter of a century since the invention of the internet, and the world has been changing at warp speed ever since. Much of America's trade and commerce is dominated by half a dozen US companies, each with market caps greater than the GDP of medium-sized countries. The near horizon is likely to be dominated by artificial intelligence and its offshoots: the internet of things powered by 5G, big data, quantum computing, semiconductors and machine learning. All these have transformational implications, not least dual uses in the military and commercial fields.

Espionage has always been with us. However, until recently it was all about nations using covert means to guard and protect its own citizens in the interests of national security. But over at least the past decade, the Chinese have shamelessly pursued such activities on an industrial scale to also achieve commercial advantage. The detection of a number of brazen thefts on American soil has had not the slightest deterrence effect on its Chinese sponsors. China's sense of urgency is evident from its ambitious *Made in China 2025 Report*, which it no longer publicly boasts about, but no doubt silently pursues.

On the one hand, the Chinese use every card in the pack to acquire leading tech companies in other countries, especially the US, to siphon off the IP and fuse it with their own. But at the same time they constantly play hardball with major US tech companies who seek to enter the Chinese market, by demanding that they hand over their high tech secrets as the price of entry. Australia has already tightened its Foreign Investment Review Board regime and installed its best bureaucrats to oversee the process.

It has become abundantly clear to the West that the Chinese are engaged in a ruthless winner-take-all contest. The end game is both military and commercial superiority on the way to achieving global dominance. Theirs is a much more coherent roadmap to glory than Nazi Germany ever dreamed of. After all, Hitler merely sought pan European political dominance whereas Xi Jinping seeks nothing less than both political hegemony and commercial supremacy.

The US and its allies rightly regard such an outcome as intolerable, but it is the threats to critical infrastructure and the health and wellbeing of its citizens along the way that should worry the West even more. The price of semi-detachment from Chinese markets may be inconvenient, but one well worth paying in the long run.

Australia's Cyber Response

In FY20, the Australia Cyber Security Centre responded to 2,266 security incidents — almost six a day. More than a third were linked to attacks on governments and agencies, with another third targeting critical infrastructure operators. The Prime Minister pointed the finger at “a sophisticated state-based actor”.

Canberra is very much aware of the nature and extent of China's industrial-scale hacking around the world. The Australian government is urgently addressing concerns about the prospect of large-scale cyber-attacks. A refreshed Critical Infrastructure Resilience Strategy is already on the table.

In August 2020, the Government announced a \$1.67b cyber-security strategy package. A key feature is the development of a skilled cyber workforce, which should provide much needed job opportunities in the year ahead and go some way to addressing Australia's STEM shortage. There will also be \$62.3m for a classified (top secret) national situational awareness capability. All these initiatives are designed to put the world on notice that Australia is more than ready to fight fire with fire and that it is prepared to go it alone in protecting its citizens.

The practical outcome of this comprehensive ramp-up of activity will be greatly increased demands on both federal and state budgets, a trade-off of privacy concerns, greater physical intrusions such as bollards, barricades and barriers, and increased presence of police on the streets, as well as constant identity checking when entering buildings.

The government has also sought to co-opt the wider community with the release of the Consultation Paper “Protecting Critical Infrastructure and Systems of National Significance”.

This is a clarion call for governments, regulators and the private sector and a call to arms for them to work closely together. While threats to essential services, national security and critical infrastructure are of the utmost importance, the paper sees the potential for serious harm

to almost every sector of the economy; including banking and finance, communications, defence, education, research and innovation, energy, food and grocery, health, space, transport and water.

It stresses that we cannot adopt a silo approach; as key elements of critical infrastructure are interconnected and interdependent, providing both operating efficiencies and economic benefits to all sections of the community. Inadequate safeguards and systems protection can have cascading consequences for both the national economy and personal and collective security. It is no secret that there continue to be regular and sustained intrusions, denial of service attacks and malicious endeavours to disrupt critical elements of our society, from parliaments and universities to major corporate entities. While the government has chosen not to identify any specific state-based actor, there are no prizes for guessing the identity of the principal culprit.

An interesting side benefit of minimising human contact may well be that the airport of the future may have no check-in or security lines. We already have Dubai's 'smart tunnel' that verifies your identity by scanning your iris as you walk through it. Advanced x-ray technology, with biometric security scanning, is automating customs and border patrol screenings and enhancing check-in stations. Thermal cameras will detect feverish travellers. Automated boarding gates will scan the face and biometrically verify identity, obviating the need to hand over ticket or passport.

Conclusion

After three decades of prosperity and relative peace, Australia suddenly confronts a trifecta of crises: a pandemic, a recession, and a radically changed strategic outlook. In these circumstances, Australia must adapt quickly, always put its interests first and be prepared to lead when necessary. This does not imply an isolationist strategy or economic autarky. Rather, Canberra must build coalitions in the region to lend support to its key allies, particularly the United States. Australia has always pulled its weight in the US security alliance. However, given that China seeks to impose its will and influence across the Asia-Pacific region, new, and potentially expensive, regional obligations are likely to be in order.

The US still has formidable advantages in the emerging mega-contest, but its near-term politics are hard to predict. A re-elected Donald Trump may intensify his populist America-First agenda, placing more stress on alliance partners to prioritise their own resources in favour of security. Joe Biden would probably talk tough about upholding the rules and norms of the liberal international order, but it is not clear whether idealist rhetoric would reflect the hard realities of power politics.

The coronavirus pandemic is likely to transform lifestyles and work habits across the world. But the crisis will also be a wake-up call to western nations that they have become overly reliant on China, especially for the importation of critical health items, such as pharmaceuticals, masks and other personal protection and medical equipment. Such a realisation will lead both Australia and the US to a broader-based commitment to undertake more of both smart and conventional manufacturing on home soil. The diversification of global supply chains will not be without its international implications and may well provoke Chinese retaliation. Best done gradually and without fanfare.

Any analysis of the future geopolitical environment must take account of the upcoming US presidential election and the chances of a re-elected Trump administration. Although the polls, pundits and betting markets have, until recently, pointed to a comfortable Biden victory on November 3, we should never forget the spectacular failure of the conventional wisdom four years ago.

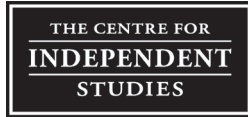
Whoever wins the presidential election, the China challenge will remain Washington's overriding strategic priority. The US Congress is united in its hostility towards the emerging superpower; the only question is the extent to which the next president will maintain Trump's equally aggressive counteraction. Trade will be a critical forum. There will always be pressures from doves fearful of provoking China beyond breaking point and resulting in a mutually devastating race to the bottom.

Australia will have a key role to play here. While maintaining strong support for our most important security ally, we must also keep strong trading links with our largest trade partner. The best way to do this is to talk with civility but to act with firmness; which so far, Prime Minister Scott Morrison has shown every sign of doing.

In the past, it was the threat of nuclear weapons that cowed and terrified everyone. Now it is the rapid development and the potential abuse of all forms of new technology that has become an existentialist concern.

How can Australia make a difference? We have always been a good test-bed for new technologies, based upon our proven appetite for and skill in the innovation space. Commercialisation has always been our weak link, due to our small market size. However, strategic partnerships and working closely with our allies should enable us to play an important role both at home and abroad.

The federal government's strong reaction to incessant cyber-threats from state-based actors provides every encouragement that we will not shirk the issue or our duty to the public. With sound government and its renowned can-do spirit, Australia is well placed to deal with the emerging challenges.



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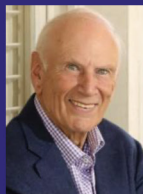
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Australia, the US and China in a post-Covid world

After three decades of prosperity and relative peace, Australia suddenly confronts a trifecta of crises: a pandemic, a recession, and a radically changed strategic outlook. In these circumstances, Australia must adapt quickly, always putting its interests first and being prepared to lead when necessary. Notwithstanding China's growing assertiveness and doubts about US pre-eminence, Canberra can still ride two horses simultaneously. While it is clear that our interests, values and friendships are overwhelmingly pro-American, this does not mean that we cannot trade and interact with China. How Australia manages technology and innovation will help us manage Sino-American relations in the next decade.



Richard Alston was a Liberal Senator for Victoria from 1986 to 2004, a senior cabinet minister in the Coalition government of former prime minister John Howard, and federal president of the Liberal Party from 2015 to 2018. He was Australia's High Commissioner to the United Kingdom from 2005 to 2008.

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