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Australia’s Response to the China Threat: The Case for Engagement

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Abstract

The dominance of the China Threat discourse in Australia’s public affairs suggests poor prospects for any continued Australia-China relations, let alone positive interactions of mutual benefit. An exploration of alternative ways to approach Australia’s relationship with China may though prove not only more constructive but also better future-proofed. The first step is to recognize that while China certainly poses challenges to Australia the perception of threat is more relevant to the USA. The second is the recognition of differences and the development of ways to mediate those differences. And the third is to build on the complementarities for the benefit of both Australia and China, not just through economic but also through social interactions. As Europe discovered in the 1950s, the development of mutual understanding of other peoples, their cultures, and their social and economic systems is a precursor not simply to respect and the avoidance of unwarranted prejudice, but to cooperation for a wider public good.

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Australia’s Response to the China Threat: The Case for Engagement

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The economic growth of the People’s Republic of China during the last four decades and its consequent changing role in international affairs have almost necessarily been disruptive to the rest of the world. In Australia since 2017 these changes have been met by the development of an increasingly hostile attitude in public discourse, driven not just by government and politicians, but also by opinion leaders of all kinds, including Think Tanks and journalists. There is now a widespread perception of China Threat: an existential threat to Australia from the People’s Republic of China [PRC] and the Communist Party of China [CCP].

Clearly, there are paradoxes and tensions in the changes in the Australian public discourse of the last few years, as well as generally the more longer-term in Australia’s relationship with the PRC. Simply put, the PRC and Australia have complementary economies but very different and largely opposed political systems. The PRC is essentially a one-party state with great power aspirations; it has been and remains to a large extent a developing economy, which introduced a major economic reform programme in 1978. Even now, after forty years of economic growth China is still just about the world average for GDP per capita, and even in terms of Purchasing Power Parity calculations [PPP] only at a level 27.2% that of the USA (World Bank 2021). Nonetheless, since the late 1970s the PRC’s changed economic development strategy has led it to reach an overall GDP greater than 60% of that of the USA and become the second largest economy in the world with all that implies for governmental capacity domestically and internationally. Part and parcel of that process has been China’s economic integration with the rest of the world, eventually becoming the world centre of manufacturing through technology transfer, trade and investment.

In contrast, Australia is a medium-sized, developed economy, with a relatively high GDP per capita – 82.7% of the level of the USA in terms of PPP (World Bank 2021). Australia prides itself on its liberal democratic values and political system, and has come in the era of globalisation to see itself as especially open in trade and investment. As a result of economic openness, while it now has comparatively little manufacturing, it is a great supplier of primary products and services, especially to China. From the Australian standpoint it is not just that China rapidly became this country’s main trade partner, as has now become the case for the majority of the countries in the world, but that Australia is by any measure heavily dependent on its economic relationship with the PRC. By value, 27% of Australia’s imports come from China; and 32.6% of Australian exports go to China: Australia’s most substantial trade partner in both categories by a long way (ABS 2020).

Managing the ambiguities inherent in Australia’s relationship with China is never likely to be easy (Goodman 2017). Declaring a China Threat would though seem to be misguidedly foreclosing on that relationship rather than building towards a sustainable future. At the same time, there are always options way short of constant and regular appeasement. The idea of a China Threat suggests that it is primarily the result of a conflict between the USA and PRC in terms of their aspirations and own particular views of the world, and their respective roles in it. As Zhao Suisheng has recently pointed out, this is a conflict moreover that the USA cannot win if it wishes to maintain its position as the sole dominant political economy. He also highlights that neither the USA nor the PRC are going to back down from their stated (if somewhat different) positions of leadership and great power aspirations, and in the latter’s case this would be so regardless of CCP leadership and presumably by extension of whether China was a liberal democracy (Zhao 2021).
The language of existential threat is more likely to lead to war and open hostility rather than conflict resolution. This would seem not to be in Australia’s interests not simply economically but given the PRC’s continuing role in the Asia Pacific Region in which, needs must, this country operates. Better perhaps to recognize the challenge that the PRC poses to Australia, particularly the differences in social and world views, where these exist, and to develop ways to mediate those differences. It may then be possible to build on the complementarities for the benefit of both, not just economically, but also socially, difficult though that may be.

**Australia and China Threat**

The current manifestation of the China Threat in Australian politics has its origins it seems in 2017 when then Prime Minister Malcolm Turnbull introduced the new Australian Foreign Policy White Paper proposing a ‘determination to realise a secure, open and prosperous Indo-Pacific’ and accompanied by a warning against unnamed those who pose ‘threats to our way of life’ (DFAT 2017). Those two phrases represented quite a significant shift for Australia. Quite apart from the apparently sudden escalation in recognition of an external threat, the nomination of the Indo-Pacific as the descriptor of Australia’s Near North, as opposed to the previously used description of the ‘Asia Pacific Region’, represents a substantial move from a focus on economic interactions with China, and indeed the region, to one driven by politics.

The etymology of the ‘Indo-Pacific’ is fascinating, both long-term and in the last few years. Originally a term in marine biology it was popularised in the Weimar Republic as a concept to unite India, China and Japan against British Imperialism. More recently in 2013 the US Department of Defense started talking about the Indo-Asia Pacific while the Australian Department of Defence in its 2013 White Paper talked about the Indo-Pacific Region (Li Hansong 2021). In the middle of 2017 a commitment to peace and prosperity in the Indo-Pacific Region was announced in the Washington meeting between President Trump and Indian Prime Minister Narendra Modi; and by the end of the year the Indo-Pacific Region had become the main focus of the USA’s National Security Strategy, as it was in the Australian Foreign Policy White Paper. Subsequently the link between a vision of the Indo-Pacific as a Region and the Quadrilateral Security Dialogue that brings the USA, Australia, India and Japan together to counter the influence of the PRC has become considerably clearer (Medcalf 2020).

Since 2017 there has been an increasingly high profile to the idea that China presents a threat to Australia. The notion of external threats (unspecified by country) to Australia was legislated for through Foreign Interference legislation (Legislation 2018 and after; Home Affairs 2021), a Foreign Influence Transparency Scheme under the Attorney-General’s Department (Attorney-General 2018), and the establishment of a Federal Counter Interference Taskforce (Prime Minister 2019). In most cases Federal Departments have emphasised that these activities are not just directed at China (Munro 2018; Brew 2019).

Such restraint has not been shared by a number of Liberal Party members of Federal Parliament – Andrew Hastie, and Dave Sharma for example – who have been exceptionally critical of both events in China and Australia’s relationship with the PRC. They have criticised the PRC over human rights generally, and Xinjiang in particular; the Chinese and CCP influence and interference in Australia in politics and economics; the PRC’s governance of Hong Kong; the PRC’s developments in the South China Seas; and China’s ‘bullying’ in both trade relations and international relations more generally (Hastie 2019; Sharma 2020a; Sharma 2020b).

Andrew Hastie was chair of the parliamentary Joint Committee for Intelligence and Security (2017–20) and in 2021 was appointed Assistant Minister of Defence. In 2019 he clearly articulated his three major concerns about the China Threat. Firstly, he explicitly following then US Secretary of State Mike Pompeo’s comments that ‘the world has been asleep’ over China, explaining that Australia’s relationship with China had to be reset to preserve its ‘sovereignty, security and democratic convictions.’ Secondly, he expressed concern that the PRC was working to supplant the USA as ‘the dominant power in the region’; and thirdly, he highlighted
the threat that Communism poses to Australia. According to Hastie ‘The West once believed that economic liberalisation would naturally lead to democratisation in China’ but he argued that this was not just a false but a dangerous belief. As had been the case with the Soviet Union under Stalin, so too with Xi Jinping, Communist ideology (Marxism-Leninism-Mao Zedong Thought in its Chinese manifestation) would remain in place and direct the system of rule.

Any hostility to China was surely escalated in April 2020 when Prime Minister Scott Morrison used megaphone diplomacy – without first attempting a discussion with PRC officials as might otherwise have proved more productive, or indeed ensuring an international coalition of like-minded states which might have proved more prudential – called for investigations into the origins of the Covid-19 pandemic focussing on China. Inevitably this was seen both inside and outside China as drawing lines in the sand (Karp and Davidson 2020). Unsurprisingly, the PRC responded inter alia by introducing a range of trade restrictions on Australia. A year later, in April 2021 the escalation went even higher when Mike Pezzullo, the Secretary of the Australian Department of Home Affairs and a senior national security official declared on Anzac Day in a message to his staff later published in The Australian warned that ‘the drums of war are growing louder.’ Echoing the idea of an existential threat, Pezzullo referred to President Eisenhower’s view in 1953 that ‘as long as there persisted tyranny’s threat to freedom they (the free nations) must remain armed, strong and ready for war, even as they lamented the curse of war’ (Pezzullo 2021). Peter Dutton, the Minister of Defence, on the same day in a television interview opined that ‘war with China over Taiwan could not be discounted’ and then a week later in a newspaper interview commented that ‘the Australian Defence Force was prepared for action, saying the country needed to be in a position to defend its waters in the north and west as a clear priority’ (Galloway 2021).

Alongside the activities of politicians, the Australian Strategic Policy Institute [ASPI] has been at the forefront of the identification of the China Threat. The APSI website identifies China as a subject of interest:

‘The rise of China is commanding much thought across the Asia-Pacific region. While we shouldn’t rush to assume Beijing will be ‘inevitably hostile to Australia’, a more assertive China with rapidly growing military strength means a direct threat to Australian interests could develop with little notice.

The key problem is that most of Canberra wants to avoid a difficult conversation about China, presumably in the hope that Australia will keep getting rich if we just pretend that nothing has changed.

The endlessly repeated talking point is that Beijing must cleave to the ‘international rule of law’, but as China’s building of air bases in the South China Sea shows, this hope is a dead parrot if ever there was one. The rules based global order is hanging on the rather fragile assumption that the US will still foot the bill for global security.

Does anyone see a flaw in this strategy?’ (APSI website)

A series of APSI reports and podcasts or recordings have detailed the challenges China poses over a wide range of issues, including human rights (Xinjiang, Hong Kong), influence and interference in politics, involvement in the Australian economy, and security matters in the region. APSI describes itself as ‘an independent, non-partisan think tank’ funded by the Australian Department of Defence, the USA State Department, and a number of companies in the arms, defence and security industries.

ASPI’s views have been echoed by some previously more independent voices, such as the Sydney Morning Herald journalist Peter Hartcher, and even the ABC through Matt Bevan’s China Are You Listening Podcast. Peter Hartcher’s latest book is Red Zone in which he states and asks:
‘Australia has now woken up to China’s challenge, from passing foreign interference laws to banning Huawei from our 5G network. But at what cost? Will we see a further slump in relations? How best to protect our security, economy and identity?’ (Hartcher 2021)

As David Brophy has detailed in his most recent China Panic, in the last few years ‘Australians have become afraid of China again’ (Brophy 2021). Little wonder then that in this environment almost everything related to China becomes seen as part of a threat to the ‘Australian way of life’. An amazing example of this was The Weekend Australian’s headlining of a book – What really happened in Wuhan – by one of its investigators, Sharri Markson, based at least in part on the reading of a 2015 book published in the PRC that discussed the possibility of ‘new-era genetic weapons’. Markson reported that the origins of Covid-19 lay in a laboratory in Wuhan as part of China’s development of its virus warfare capacity (Markson 2021; Matthews 2021). The Director of APSI commented that the book was ‘as close to a “smoking gun” as we’ve got … significant because it clearly shows that Chinese scientists were thinking about military application for different strains of the coronavirus and thinking about how it could be deployed. It begins to firm up the possibility that what we have here is the accidental release of a pathogen for military use.’ On the other hand, neither she nor her supporters in Australia went as far as some in the USA who claimed that the PRC deliberately ensured the spread of the virus to the USA and other countries to serve its own domestic goals (Bosco 2021). The 2015 book has subsequently been discredited in this context (Galloway and Bagshaw 2021).

Change in Australia

These immediate events in the contemporary development of the discourse of the China Threat in Australia during the past few years pose two obvious questions. The first is where precisely the PRC poses an ‘existential threat’ to Australia; and the second, is why (and how) circumstances have changed so dramatically in such a relatively short period. Clearly the two are related but more through Australia’s relationship to the USA than to the PRC.

The suggestion that the PRC poses an ‘existential threat’ to Australia clearly plays well to some audiences but it does seem something of an exaggeration to claim that Australia’s existence is likely to be dramatically and adversely impacted by China’s rise, let alone subsumed by a CCP juggernaut, and the risks in taking such a stand are great (Suich 2021a).

Economically Australia has worked well with China and the two economies are to some extent co-dependent, even if Australia is more dependent on China than vice versa. To 2019 Australia unusually had a substantial trade surplus with the PRC (NBS 2020). Australia was able to ride out the impact of the 2008 Global Financial Crisis through its economic relationship with the PRC; and even now when that country is (for political reasons) limiting Australian imports its purchase of Australia’s iron ore remains and remains essential to its development (Tan 2021).

Ideologically, the PRC has long since abandoned notions of proletarian world revolution, preferring instead to appeal to ‘a community of global harmony’ through newly-established institutions, such as the Asia Infrastructure Investment Bank (AIIB) and various projects within the Belt and Road Initiative (BRI) linking China with Europe and all the countries in-between (Mardell 2017). The goal is certainly to ensure China’s greater leading role in international affairs at the expense of the USA. At the same time this would appear to by creating a degree of pluralism at the global level, albeit under its leadership, and the PRC has certainly shied away to date from assuming the USA’s mantle as world policeman (Varghese 2021).

Politically too the threat of China’s influence in Australian public life (Hamilton 2018; Joske 2020; Joske et al 2020) seems somewhat out of perspective. Many if not all countries engage to varying extents in this kind of activity outside their borders. Lobbying and building networks of influence are ubiquitous social and political activities.
The change in 2017 in Australian Government attitudes to its relationship with the PRC seems dramatic because on the surface so little had changed in the immediately preceding or then current China-Australia relationship, and certainly nothing in the economic interactions. The PRC remained a Communist-party state, and while Xi Jinping had taken over as General Secretary of the CCP and President of the PRC in 2012, China’s policies and practices domestically and internationally had not changed substantially. It has been argued that the PRC had become more aggressive in international matters only under Xi Jinping, in particular by abandoning Deng Xiaoping’s injunction to act with restraint (Blanchette 2021), but this would be to ignore the emergence of a more forward global strategy already under the leadership of Xi’s predecessor, Hu Jintao (Mardell 2017; Mitter 2021). Even the PRC’s development of the South China Seas bases, often seen as proof positive of changed policy under Xi, had its origins in plans before his elevation to the leading position in the CCP, and in any case had occurred some five years before 2017. At that time there had been remarkably little opposition from many countries, including Australia. While the then Minister of Foreign Affairs (Julie Bishop) advocated a peaceful solution to problems between the PRC and the Philippines after the decision of the Tribunal on the Law of the Sea in 2016, Australia only announced opposition to PRC actions in the middle of 2020 (Thayer 2020).

The explanation for change and its timing would seem to have everything to do with politics in the USA and the politics of the relationship between Australia and the USA. There has been a dramatic sea-change in policy settings towards the PRC in the USA, started by the Trump Administration in 2017 when he came into office but clearly set to continue even under President Biden. Certainly not every politician or person of public profile in the USA sees China as an existential threat (Bade 2021; Swaine 2021a) or one that has to be resisted through hostile actions (Freeman 2021) but at the moment it is clear that there is a perception of a fundamental China Threat. Moreover, as Congress demonstrated in April and May 2021 through the United States Innovation and Competition Act and various other pieces of related legislation which essentially provided for a new Cold War against China (Swaine 2021b) this is bipartisan. Mitt Romney, one-time Republican Presidential candidate summed up a large part of public opinion:

‘We (the USA) can’t look away from China’s existential threat … China will replace America. China is on track to surpass us economically, militarily, and geopolitically. These measures are not independent: A dominant China economy provides the wherewithal to mount a dominant military. Combined these will win for China the hearts and minds of many nations attuned to their own survival and prosperity’ (Romney 2021).

As the idea of the China Threat has developed in the USA, it has developed more specific themes. These include an ideological conflict between democracy and authoritarianism; Beijing’s perceived challenge to the USA-centred international rules-based order; and the PRC’s overseas influence operations (Goodman 2021). All of these present familiar territory to those who have experienced the development of the China Threat discourse in Australia. While the existential threat to the USA may well be overstated, there can be no doubt that the key concern is less political values than the USA’s position as the world’s leading state and determinant of international interactions. A secondary key concern, necessarily related, is the USA’s military control of the Pacific Region, and particularly its role in East Asia. As Rush Doshi writes by way of warning about the possible future order:

‘At the regional level, China already accounts for more than half of Asian GDP and half of all Asian military spending, which is pushing the region out of balance and toward a Chinese sphere of influence. A fully realized Chinese order might eventually involve the withdrawal of US forces from Japan and Korea, the end of American regional alliances, the effective removal of the US Navy from the Western Pacific, deference from China’s regional neighbors, unification with Taiwan, and the resolution of territorial disputes in the East and South China Seas. Chinese order would likely be more coercive than the present order, consensual in ways that primarily benefit
connected elites even at the expense of voting publics, and considered legitimate
mostly to those few who it directly rewards. China would deploy this order in ways
that damage liberal values, with authoritarian winds blowing stronger across the
region. Order abroad is often a reflection of order at home, and China’s order-
building would be distinctly illiberal relative to US order-building’ (Doshi 2021:18).

The role of military interests in developing the notion of a China Threat surely cannot be
underestimated. USA military spending in 2020 was 39% of the world’s total, where the PRC’s
was 13%. The USA’s military expenditure increased 4.4% in 2020, where that of the PRC
increased by 1.9%. The USA’s military expenditure is 3.1% of GDP, and the PRC’s is 1.9%
(SIPRI 2021). These differences reflect substantial differences in military capacity; the PRC is
much more like a middle-ranked power at the global level. The main issue for the USA military
though is that the PRC has its focus on East Asia, where the USA has a global remit. Despite the
obvious paradox in this observation within the context of identifying a China Threat to the
USA, the military in that country has played a central role in attempting to increase the
pressure on the PRC by focussing on the PRC’s activities in the South China Sea and particularly
over Taiwan. The PRC is indeed committed to achieving (re)unification with Taiwan, but its
approach has always been to achieve this through politics not conquest. Military invasion is
fraught with difficulties including the lack of effective capacity to take and hold Taiwan;
negative international reactions; the possibility of a widening and escalating conflict; and the
end of economic and technological cooperation across the Taiwan Straits (Parton 2021). The
PRC regards the threat of military action as a more potent weapon than armed conflict.
 Nonetheless, military interests in the USA have argued that the PRC is preparing to launch an
immediate or fairly immediate attack on Taiwan and reported that way to the US Senate
Committee on Armed Services in early 2021 (US Senate Armed Services 2021). This discussion
seems likely to have been the origin of concerns both in the USA and in Australia, where they
were echoed in particular by ASPI well before the comments mentioned earlier by Pezzullo
and Dutton in April (Jennings 2021; Herscovitch 2021).

None of this explains why Australia should want not only to join the USA in espousing a
contemporary China Threat, but actually go it alone as was the case when Prime Minister Scott
Morrison requested an investigation of the PRC origins of the Covid-19 virus. David Brophy
argues that the Australian Government’s actions of that kind flow from the need to replace its
absent military capacity with eagerness to please its ally the USA (Brophy 2021: 11ff). Given
that if Australia were to contemplate war with the PRC it would certainly need powerful
partners, there is a logic to that approach, and indeed the almost certainty of partnering with
the USA (Shoebridge 2021). Max Suich has provided an even more pointed critique of the
Federal Government’s political opportunism in after 2017 under Prime Ministers Malcolm
Turnbull (2015-18) and Scott Morrison (since 2018):

‘Quite early, the domestic political advantages of a China threat narrative were
grasped by coalition ministers and advisers. It would play to the Coalition’s polling
strength as a defender of national security. The ALP could be wedged as a friend of
Beijing. Washington would approve. For Malcolm Turnbull, re-elected with a bare
majority of one, the hawks of the Abbott rump of the Coalition backbench would be
mollified. In 2021, domestic political advantage is now a key driver of China policy’
(Suich 2021a).

Brophy and Suich are by no means alone in warning of the potentially adverse consequences
of adopting a China Threat perspective as the basis of Australia’s relations with the PRC.
Geoff Miller, a former senior diplomat, and former Director of the Office of National
Assessments; and Hugh White, the principal author of Australia’s 2000 Defence White paper
and the first Director of ASPI are amongst those who have warned of the dangers. To quote
White:
‘Some people may think that it doesn’t matter much to exaggerate China’s threat if that helps mobilise support against it. But that’s wrong, because it makes it harder to manage the contest by seeking a new modus vivendi, and easier to mismanage it by sliding into war’ (White 2021).

Moreover, both Miller and Max Suich have warned that too close a future alliance with the USA may really not be in Australia’s interests, even beyond the questions of Australia’s relations with China. Despite the rhetorical commitment, the USA has not been a particularly reliable ally (Suich 2021b), and not simply because the call for a united front against the PRC has not extended to trade relations where China’s restrictions on imports from Australia has resulted in increased exports from the USA to the PRC (Shannon 2021). The actions of the USA in both Iraq and Afghanistan – a sequence of invading, destabilising, withdrawing – give cause for concern over its commitment to regional security beyond its own narrower interests, particularly those of its domestic politics (Miller 2021). Certainly, while the latest poll of public opinion by the Lowy Institute shows that the PRC has lost attractiveness to the population at large over the last few years, it reports that 57% of Australians ‘would prefer to stay neutral in conflict between the superpowers.’ Lowy Institute polls have in fact regularly and increasingly shown that Australians are wary of ‘military engagement in hypothetical scenarios involving China’ (Kassam 2021).

Understanding the PRC

The idea of a China Threat has the potential to be a self-fulfilling prophecy and highly destructive. Armed conflict and economic disruption are only the most obvious consequences. Polarised approaches to social and political problems may sell well in the political marketplace and on social media. At the same time, they require individuals to adopt extreme positions, as indeed was often the case during the Cold War, where anti-establishment figures in Europe and the UK had far more comfortable views of the then Union of Soviet Socialist Republics [USSR] than was realistic. When as in the case of Australia, the object of enmity (China) may be equated with a substantial portion of the country’s population (Chinese-Australians) regardless of the attitudes the latter may hold such polarisation not only has the potential to be socially divisive (and worse) but actually to push the latter towards the former. The Australian opposition spokesperson on foreign affairs, Penny Wong, has forcefully emphasised that domestic fear-mongering is not just socially and economically irresponsible, it is also politically counter-productive, internationally always and domestically in the long-term (Wong 2021).

Polarisation also results in even more increased misunderstandings about China in Australia, particularly as evidenced in the recent discussion of the contemporary China Threat (Goodman 2021). Only if Australia starts to put some of those misunderstandings aside can a more sustainable framework for interaction with China develop. In particular, there have been three major misunderstandings: about the role of Communism in the contemporary PRC; about the social and political consequences of economic development; and about the totalitarian nature of the state.

Given that the PRC is a Communist Party-state it would be convenient for those who wish to pursue the theme of China representing an existential threat if the major difference between China and Australia (or for that matter the liberal democracies elsewhere in the world) could be expressed in terms of the contrasting ideologies of international communism and liberal democracy, and their battle for world supremacy. This was what provided the Cold War with its cutting edge (in both directions) and justified hostility beyond a ‘you can’t tell me what to do attitude to international politics.’ There were then different visions (however flawed) of present and future societies. Liberal democracy and capitalism versus the Communist Party-states, world revolution, and socialism. There clearly are differences in the approach to politics of Australia and China not least since Australia remains a Liberal Democracy with competing political parties and independent social and legal institutions, while the PRC still has an institutionalised ruling party. The CCP though has come a long way since its embrace of proletarian world revolution, both before and for the decades immediately after 1949. This
shows not only in its international stance, but also in its domestic approach. These days, the membership of the CCP is very different to its Mao-era days. Half of the members are now college-educated, and a greater percentage are officials, professionals, technicians and managers than are workers and peasants (Xinhua 2019; Phoebe Zhang 2021). Xi Jinping, General Secretary of the CCP spoke at length on the 100th Anniversary of the Foundation of the Party. In his celebratory speech there was no mention at all of the proletariat, workers were only mentioned twice, and peasants once. Not surprisingly, members of the CCP were mentioned eleven times, and there were many and frequent references to ‘the people’ and ‘the nation’ (Xi 2021). The CCP certainly has an international strategy, but this is to remove the USA as the hegemon and replace it with a greater plurality of states in which it plays a leading role. These views were clearly expressed at a conference of world political parties shortly after the 100th Anniversary (Liu Zhen 2021).

There are those who have argued that the CCP has embraced capitalism through its program of economic reform (Nee and Opper 2012), and even those who have suggested that the PRC has become more capitalist than the USA (Halper 2010.) Certainly the introduction of the market into a state socialist economic system has had a profound impact on both economic development and social change. There may now be business-people and industrialists who operate within the PRC in many ways that seem similar to capitalist practices, and they may be very rich indeed by world standards, let alone by comparison to their compatriots (Goodman 2018). Nonetheless, the PRC is not a capitalist system in the sense that politics and economics overall operate for the benefit of the capitalist class. On the contrary, the capitalists are subservient to the ruling CCP under almost all circumstances, which has led some sociologists to identify capitalists as part of the middle class (Li Chunling 2013). In addition, though there is much talk about the emergence of a private sector in the PRC in reform China, this is not like for the most part the development of private enterprises in a liberal democracy (Krug 2004). Enterprises and entrepreneurs have often emerged from within the Party-state, and where they have not, they have been subsequently incorporated, especially with success and growth (Dickson 2007). The development of the former state sector of the economy and its state-owned enterprises alongside new kinds of enterprises, has resulted in an economy where almost every enterprise is a hybrid state-private establishment. Private entrepreneurs can own shares in state-owned enterprises (some though not all) and state-owned enterprises own enterprises in the private sector. Ownership is less important for the dynamics of the economy than management and control (Naughton 2010; Naughton 2016).

One of the greatest expectations outside the PRC in the last few decades appears to have been that with economic growth and the development of a middle class the PRC would liberalise politically. These ideas were clearly born out of the triumphalism attendant on the collapse of Communist-party states in Russia and Eastern Europe at the end of the 1980s and beginnings of the 1990s, and reflected in Francis Fukuyama’s well-known essay on ‘The End of History?’ (Fukuyama 1989). In the case of China, the theory seems to have been that since the emergence of a middle class in Northwest Europe in the 19th Century led to the establishment of liberal democracy, the same would happen in the PRC (Glassman 1991). Indeed, it also seems to be likely that the failure of economic growth to lead to liberal politics in the PRC by the second decade of the 21st Century may be at least one reason for disappointment then crystallising in the expression of a China Threat, especially in the USA (Medeiros and Blanchette 2021). If decision-makers in the liberal democracies really believed that economic growth and the emergence of a middle class in China would lead to political change, they were not listening to or reading a substantial body of academic research since the early 1990s. That research has argued that while the middle class has grown with economic reform to include more professionals, technicians, business-people and managers it remains considerably more limited than some of the hype from marketing companies (Chinese and others) might suggest, at probably around 12% of the population (Goodman 2014). More importantly, it has long been clear that the middle class has emerged from within the structures of the Party-state (Rocca 2016) and not independently of the state as is often assumed to be the case in the European model. Under such conditions it would be reasonable to assume that the interests of the middle classes remain in maintaining the Party-state’s status quo, and indeed surveys of their views and ideas bear that out (Chen Jie 2013).
These comments about the consequences and drivers of economic growth in the PRC highlight how crucial it is to understand the dynamics of the Party-state. Often in describing the Party-state, even non-hostile commentators will see the PRC as totalitarian. Certainly, the CCP prefers the management of certainty to political pluralism. At the same time, the equation of the PRC and its Party-state with the model of totalitarianism as applied to describe the USSR under Stalin builds on the commonality of ruling Communist Parties but otherwise pushes analysis out of perspective. The CCP does not attempt to manage certainty as it once did, before the start of the Reform Era, through wholesale direct intervention. Obviously not in economic matters, but also in politics and society. The instruments of rule are authoritarian: education (political as well as more general); supervision; and where judged necessary intervention after the event, sometimes including punitive action. These are justified by the CCP’s claim to be the best authority to interpret the interests of the Chinese people. This approach to political rule and the management of society may be anathema to those who believe that in a democracy the interests of people are immanent in the people themselves, but at the same time they are not necessary indicators of the total subservience of society to the state which is the starting point for the identification of totalitarianism (Schapiro 1972).

In the PRC today society is subject to the state but is not subsumed by it and there is space for individual and collective expression. Necessarily that is more limited than in a liberal democracy. To regard PRC citizens as completely controlled totalitarian subjects in all their thoughts and deeds is extremely misleading. One instructive example occurred around the Tokyo Olympics in early August 2021 when two PRC cyclists won gold and chose to wear pin badges of Mao Zedong, as might have been seen during the decade of the Cultural Revolution and remain popular (Al Jazeera 2021). Their reasons for the actions are not recorded, and it most probably was not as much a political as an assumed patriotic or cultural act. The international media picked up on the fact though and the International Olympic Committee censored the PRC Olympic Committee which it and other PRC agencies accepted. There was then quite a furious outpouring of criticism, largely from a nationalist viewpoint, through Chinese social media (Song 2021). The use of social media is a normal feature of life in the PRC. Some is Party-state controlled, some is not. Some is within politically acceptable boundaries, and some is on the edge or beyond, towards more extreme positions of nationalism, of conservative pro-Mao positions, or towards recognizably more liberal views. Party-state agencies may and do intervene with censorship, but by no means always. The Tencent-operated Wechat is often characterised as providing a framework for CCP influence (Joske, Li, Pascoe, Attrill 2020) but it is also in larger measure a channel for social expressions of all kinds and the circulation of information and views outside of the Party-state.

The PRC has become highly decentralised and deregulated in many respects since 1978. Decision-making on policy implementation is considerably more experimental than would be permitted under a central plan. Local officials and local governments have considerable room for manoeuvre in carrying out their duties and indeed for that reason the PRC has been described as ‘decentralized authoritarianism’ (Landry 2008). Some have seen this decentralisation as resulting from the CCP’s guerrilla heritage, that certainly carried over into the 1950s, where cadre and local governments were exhort to ‘do the best according to local conditions’ in implementing national policies. The national level would set out the general directions of policy, provincial and local governments would react through attempts to implement, and in the process provide a feedback loop that revised national policy settings (Heilmann 2008). Decentralised authoritarianism may in part have the same origins, but it also results from the operation of the market, introduced as an allocator of resources and particularly public goods in meeting social needs (Chen Jing 2016). In the PRC today – in contrast to past (for the most part) state-controlled provision in urban China and rural sector collective self-reliance – housing, education, and medical care are largely provided through the market. The size, scale, and diversity of China’s social and economic geography necessarily means that there will be variation in socio-economic conditions and even to some extent politics. Moreover, state regulation of market operations remains variable and often lax.
Negotiating China

There is no point in Australia adopting a Pollyanna-type approach to interactions with China, not least because intergovernmental relations are in dire straits. It will take some time and effort, and political will in Australia, to restore a working relationship with the PRC. It is though necessary to do so. Arguing that Australian Federal Ministers have not been able to communicate directly with their PRC counterparts is a very weak excuse: announcing in public that this is the case is the equivalent of saying that no closer contact is required (Hurst, Murphy, Karp 2020). It is not only in China that sensitive and sometimes not-so-sensitive matters are better or first achieved by going through ‘the back door’: using informal and often personal connections and channels. Australia is a relatively small country in world impact, albeit with a developed economy and high levels of education and invention. It sits as it has done for some decades uneasily between two global powers, who in addition to their economic and political clout, and military strengths in East Asia, also claim a moral superiority for themselves alone, in which Australia cannot share. Despite the prevalence of the China Threat discourse, there are also many who suspect that the PRC is unlikely to have the capacity to grow to a point where it can challenge the USA fully (Magnus 2021; Rosen 2021). While the PRC may not surpass the USA economically or match it militarily, it is certain that the PRC is an essential part of Australia’s economic and security environment.

The critique of the China Threat offered here is not to say that Australia may not face challenges from PRC policies and activities, nor that it should necessarily approve of actions the latter takes of which it does not approve. It is though important to distinguish between acts and activities that Australia (whether its governments or some or all of its people) do not approve of, on the one hand, and threats to the Australian way of life, on the other. In that context it is good for example that foreign influence in Australian public life and businesses be as transparent as possible, as should be the case for the influence campaigns and activities of all countries. Lobbying and building networks of influence are part and parcel of open social and political systems and Australians can and should have confidence in our institutions and liberal politics.

To move forward in suggesting how Australia should approach China, it is important to distinguish between challenges to Australia, on the one hand, and on the other, not only things some or all Australians do not like or approve of, but also that not all interactions between the two countries (especially those in science and technology) are about security, and that there is inevitably a changing world order as a consequence of the PRC’s greater economic strength and political presence. This last of course is where politicians in the USA have generally been reluctant to go. Australia though has a different and lesser standing in global politics and international relations. Its strength though lies in its international relations, for scientific and technological development no less than for the openness of its economy. Restricting science and technology cooperation with the PRC would seem short-sighted particularly given the development of both in China in some fields, especially alternative energy, electric vehicles, and the internet of things where there is substantial comparative advantage (Yergin 2020). Again, that is not to say that Australia should ignore security concerns, but should act where and when national security is actually challenged, rather than running a fear campaign based on possible uses.

When discussing interactions between two states international relations experts and commentators of all kinds beyond academia are fond of referring to ‘the three Cs’ – competition, collaboration, and conflict – recognizing that these are not mutually exclusive (Cordesman 2019). Competition between Australia and China is surely not as significant as complementarity, and not just in economic activities. There can and have been significant synergies in scientific research and technological development which have continued even under current conditions (Science in Public 2010; Laurenceson and Zhou 2020). Conflict between Australia and China may currently be metaphorical but is hardly likely to involve the use of military force, not least because of the PRC’s capability and geography, not to mention the states and their militaries based in-between (Williams 2021). So in addition to complementarity and collaboration, it may be worth proposing three further ‘Cs’ –
communication, caution, and critical engagement – to guide both Australian government interactions and the personal involvement of Australians with the PRC.

Communication is crucial to other activities. The consequences of megaphone diplomacy would be difficult enough to manage with any other state. Towards the PRC, as was demonstrated in April 2020, it merely escalated tensions. It seems unbelievable that communication channels between the Federal Government and the PRC have been closed so irretrievably. Even now it should be possible for bridges to be built, conversations to be had. Australia and China are different countries with different standard operating procedures, at the individual level as much as in terms of state interactions. Bridging the gap though requires not just the re-establishment of trust but probably of even greater importance at this stage in the poor relationship between the two the development of a simple respect. Australia does not have to approve of things that go on in, or actions that are taken by, the PRC to appreciate the position of the Party-state. Communication is even more important at the individual level. Australia needs people both in government and in society who have contacts in the PRC, and Australians need to be able to welcome contacts from the PRC. Trust is difficult to maintain without personal contacts, and respect is all too readily trashed.

Caution is necessary because Australia and China are not just two different types of state, though that is clearly not unimportant. Politically blundering about in the PRC without thought to the consequences is clearly short-sighted. Australia and China are different countries with different backgrounds and histories. Activities and ideas that are acceptable in either Australia or China may not be acceptable in the other country, either politically or socially. As already noted, politics and government work differently in China and Australia. Moreover, the difference between the public and the private and what may be articulated in private or in public vary greatly. Both from the Australian and the China side, governments and individuals should never work from the assumption that their way of doing things or managing situations can apply with or to governments or individuals from the other. To take an obvious example, in better times (in terms of the Australia-China relationship) it was common for visiting Australians to be offered a gift by their Chinese host, and for Chinese visitors to have been offended when no gift was forthcoming in Australia. Australians active in the PRC often forget the importance of personal relationships to decisions and activities even when in their view they are offering an excellent opportunity to their Chinese counterpart.

Critical engagement is also important. For Australia and Australians, critical engagement entails being able to reflect on involvement in China and knowing when and how to talk about things that take place that are cause for concern without giving offence. There will be occasions when self-reflection leads to exit for a range of reasons, depending on ethical positions and the strength of feelings and possibly economic interests. The PRC is after all someone else’s country. Expressing concerns is necessarily a fine line to walk, not least since relations of reciprocal trust have had to be established. Nonetheless giving and taking criticism is part of a healthy and mature relationship.

Bringing these principles to bear on Australia-China relations will obviously require different kinds of activities for government(s) and individuals. In all cases though there needs to be both knowledge of and about China. At a time when higher education in Australia is generally under threat from the dual challenge of less Federal Government funding and the Covid-19 Virus Pandemic’s impact on international student numbers and their tuition fees it may seem foolhardy to argue for greater investment in China Studies and Chinese language programs. Yet these are going to be needed even more in the future than they have been in the past. This is not a suggestion for universities to graduate substantially more PhD students than at present but rather that people should generally be encouraged to learn Chinese and about China regardless of their specialisation and industry so that they can be involved in future interactions with some greater hope of both understanding and success in their careers. Remarkably, the proportion of employees in the Australian public service who are Chinese speakers (Cantonese or Modern Standard Chinese) is substantially less than the proportion in Australian society. This is not an ambit claim for greater representation but an observation highlighting dysfunctionality (Yun Jiang 2021)
Obviously language skills assist communication, but still there also need to be channels of communication. Government needs to ensure that it restores such interactions as quickly as possible, informally first of necessity given recent events. At the same time an open-minded approach will also be necessary. This is of course unlikely to occur with the current Federal Government’s defence and foreign policy settings. As Hugh White has advocated for some time, these need to change to recognize the consequences of the PRC’s role in East Asia (White 2020).

There may be more immediate successful opportunities for developing channels of communication in non-governmental interactions with China, particularly once international travel restrictions are lifted as the Covid-19 Virus Pandemic comes under greater control. Second Track Diplomacy proved very effective in Western Europe after the Second World War in re-establishing good working relations between populations in countries—particularly Germany and France, and Germany and the United Kingdom—heavily impacted by the previous conflict. In those days and with then contemporary technology and transport the interactions were much more limited than might be possible now. Nonetheless, they too focussed on the need to bring people together to interact and begin to understand each other, to respect difference, and build sustainable relationships. While this was government-inspired action it depended on the motivation and commitment of individuals outside government. Local governments twinned, and possibly of even greater importance, young people in those pairs of countries came together for state-sponsored events of familiarisation notably through educational exchanges.

Australia already has a system of states and large city—based twinning with the PRC. The excellence of the European example though was that local was at a much lower level of the politico-administrative hierarchy. Bringing local leaders together in Australia and the PRC may be constructive. The idea of student and young people exchanges is also a useful, long-term solution to hostility, but there is more that can be done more immediately. Australia can establish Australia-China Dialogues where people from each country with shared interests come together to exchange ideas and interpretations not so much of Australia-China relations, as life in general. In the immediate future such meetings could be web-based, given the world’s recent forced development of such infrastructure, and while those practices might continue regardless of pandemics for some time, there could be future opportunities for exchanges and joint meetings in person in both countries. Those participating in such dialogues could be people with shared interests not just in study or research, though one suspects universities would be an easy starting point for such a development, but also in a wide range of activities, careers, and industries.

**Australia and China**

The idea of China Threat is an example of the logical fallacy of radical dichotomisation. As Hugh White has pointed out in his Quarterly Essay over a decade ago and since, this is a necessarily false position: Australian interests are best served by not choosing sides in someone else’s fight especially when the two sides are on an apparent collision course (White 2010; White 2017; White 2021). While Australia may clearly jeopardize its political and economic interests through engaging in the discourse of China Threat, it also manifestly devalues its own liberal and humanist values. China may pose challenges to Australia in politics and economics but these are not resolved by demonising China and Chinese people, or by failing to engage with or attempt understanding of that country, even when Australia may not like its goals, methods, or practices.
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