

## Associate Paper

31 May 2012

### The Sino-Australian Relationship: Towards A Brighter Future

**Fujian (Frank) Li**  
*FDI Visiting Fellow*

#### Key Points

- Although 40 years have passed since Australia and the People's Republic of China established diplomatic relations, the relationship continues to present challenges and opportunities for both countries.
- In dealing with the more difficult aspects of the relationship, we can learn from history.
- Australia's strategic dilemma is largely self-imagined, rather than a concrete reality.
- An upgraded strategic and economic dialogue between China and Australia is urgently needed. Academic exchanges and cultural and educational co-operation are also important for a brighter future in the relationship.

#### Summary

This year marks the fortieth anniversary of the establishment of diplomatic relations between the People's Republic of China and Australia. Forty years ago, against the backdrop of the Cold War, leaders from the two countries with strategic vision, broke through ideological shackles to open a new chapter in the relationship. To be 40 years old in Chinese culture is to be the "age without doubts", meaning that one's life has entered a mature stage. Sino-Australian relations, however, seem far from being "without doubts". Since 2009, Chinese commentators have been puzzled by a series of episodes played out in Australia and perceived as being unfriendly to China. Observers in Australia have also asked questions about the implications of China's rise for the region.

## Analysis

### ***The Present***

In 2007, when a Mandarin-speaking Australian prime minister, knowledgeable about Chinese culture, appeared in China's mass media, he quickly gained popularity with the Chinese public – they even felt a kind of pride. To their mind, the changes in Western leaders' knowledge of them confirmed China's new international standing. Chinese policy élites had great hope that the Sino-Australian relationship could become a model for the relationship between China and the West.<sup>1</sup>

The honeymoon period was short, however. Australia's image in China reversed after a series of incidents; including the publication of the 2009 Defence White Paper, the failure of the Chinalco bid for Rio Tinto and the invitation to Melbourne of the leader of the Uyghur independence movement. Owing to Chinese media propaganda, the Chinese public were further angered by a perception that Australian miners had deliberately increased the price of iron ore, harming China's interests in the process.<sup>2</sup> This sentiment reached a peak in late 2011, when Australia decided to allow the rotation of American troops through Darwin. This decision was viewed by China as a very unfriendly move. The question from Chinese intellectual élites about Australian foreign policy is why the high level of bilateral economic interdependence has not led to a closer political relationship. Incidents such as those mentioned above, illustrated that China and Australia disagree on strategy, economy and politics. They certainly disappointed many Chinese.

From the perspective of many Chinese observers, such as Mei Xinyu from the Chinese Academy of International Trade and Economic Co-operation, there is no reason for Australia to hold such a policy towards China, because China has not harmed Australian interests.<sup>3</sup> The trade relationship between China and Australia functions well and Australia benefits greatly from it. Even in relation to hotspot issues in the region, such as the South China Sea, there is no competition with Australia.

Chinese scholars have begun seeking an explanation for problems in the Sino-Australian relationship. Li Shuangwu, from the International Department of the Communist Party of China, among many others, sees contradictory ideology and a bias among Westerners as a major cause.<sup>4</sup> They complain that Australia always sees itself as occupying the moral high ground on human rights; therefore, Australia cannot become China's "true friend". What puzzles Chinese commentators is that ideological differences are not a new thing. They have

---

<sup>1</sup> This view was very popular among Chinese scholars and diplomats, even in the John Howard period. See Shen, S. 'Hezuo de Dianfan' [A Model of Co-operation], 2005. <<http://www.bjreview.cn/Cn/05-Cn/No19-05/w-1.htm>>.

<sup>2</sup> Xinhuanet, 'The price of China's imports of iron ore will increase', [Zhongguo jinkou tiekuangshi jiage shangzhang], 2005. <[http://news.xinhuanet.com/fortune/2005-04/02/content\\_2776159.htm](http://news.xinhuanet.com/fortune/2005-04/02/content_2776159.htm)>.

<sup>3</sup> Mei, X., 'A Chinese wants to tell Australian people that...' [Yige zhongguoren xiang dui aodaliya ren shuo...] in *Shanghai Zhengquan Bao* [Shanghai Securities News], 22 March 2010.

<sup>4</sup> Li, S., 'What is Wrong with the Sino-Australian Relations' [Zhong Ao Guanxi Zenmele], *Shishi Baogao*, No 9, 2009, pp. 56-7.

been present for several decades. Even in the first few years of the new century, it seemed that the relationship was more stable than it is today.

Chinese observers believe the main reason for such differences is the strategic competition between China and the United States. The Chinese understand that Canberra's strategic partnership with the US is historically based and a result of Australia's perceived fragility of its security environment. When the US deployed its strategy to "return" to the Asia-Pacific, Australia naturally set first priority on the US-Australia alliance. Chinese commentators, however, questioned whether such a clear strategic choice was really necessary, given that China's peaceful rise, they claim, is conducive to the region and brightens Australia's economic future.<sup>5</sup>

### ***The History***

A traditional Chinese proverb states that 'history is a mirror'. To solve the problems currently experienced in Sino-Australian relations, the answers may be found in history. Gough Whitlam is considered the father of the Sino-Australian relationship. His decision to visit China in 1971 was courageous and farsighted. The Coalition government was conducting a "hawk" policy towards China during that period. As a result, China decided to stop importing wheat from Australia and turned to Canada, which had formed a diplomatic relationship with China in 1970. Under pressure from the agricultural sector, the Australian Coalition government tried to improve its relationship with China, but progress was limited. This was the driving force behind Whitlam's visit. An anti-China policy did not bring any benefit to Australia and only damaged economic interests. This is the first lesson we can learn from history.

Whitlam did not know that Dr Henry Kissinger was also in China at almost the same time. His secret visit and the subsequent joint statement on the US president's proposed trip to China shocked the world. The US tried to improve its relationship with its previous enemy without prior consultation with any of its allies, while the Australian government still viewed the establishment of diplomatic relations with China as wishful thinking. This is the second lesson we can learn. Loyalty to the US alliance does not mean that Australian policy should be bound by its ally's policy, because that may itself change dramatically.

Regarding the international environment surrounding the origins of the Sino-Australian relationship, there was a significant difference in ideology between China and Australia during the Cold War period. China's leftist Cultural Revolution was still in process. Even under these circumstances, the relationship between China and Australia developed quickly. History has shown that ideology is not always difficult to overcome. Contemporary China, as compared with the China of that time, is much more liberalised. In contrast to the international situation of the Cold War era, cooperation has become the main theme of world affairs. There is no reason for ideology to affect the relationship between China and Australia.

---

<sup>5</sup> 'A moderate Sino-Australian relationship will be enough' [Zhong Ao guanxi zhiyao buwen buhuo jiuqing], Editorial, *Global Times*, 22 April 2011.

## **The Future**

A reading of history can illuminate the future. The developmental trend of the Sino-Australian relationship is positive. Economic interdependence will deepen further, with the resources trade continuing to play the major part. With China's restructuring of its economy and implementation of its "going abroad" strategy, its investment in Australia will increase, especially in resources exploration.<sup>6</sup> Over the past five years, China's accumulated foreign direct investment has reached A\$60 billion. As Chinese Ambassador Chen Yuming suggests, 'Australia and China cannot leave each other on economic development'.<sup>7</sup>

Eighteen rounds of negotiation on the Sino-Australian Free Trade Agreement have been held. Both parties have the political will to find accord; but disagreements still exist in some core areas, such as the agricultural sector. Australia should realise, however, that with the success of the 'China-ASEAN Free Trade Area' and the progress of free trade negotiations between China, Japan and South Korea, there is a danger of Australian exclusion from the regional economy. Concluding its free trade agreement with China, the largest economy in the region, is the best way for Australia to forge links with East Asia.

However, economic relationships cannot be separated from the larger strategic environment. Later this year, there will be a once-in-a-decade leadership change. How will this affect the relationship? Will China become more aggressive in the region? In fact, the new government will face increased domestic challenges. Heated debates have taken place in China recently about the imbalance of the macro-economy. Chinese leaders' priority is on how to sustain economic development. As China has entered the "middle income trap", there are many bottlenecks in economic and social development. The pressure for political reform is also increasing. More than ever, Beijing's politicians require stable foreign relations, to allow them to focus on domestic issues.

Thus far, China's foreign policy is still largely an "impact-response" model; that is, the country has no clear and definite strategy. The direction of China's rise is not only a question of its intention, but also of other countries' responses and changes in the environment. Over the next decade, with its increased economic power, China will play a more significant role in regional and world affairs and will invest more resources into protecting what it regards as its core national interests. This does not necessarily mean that China will take an aggressive strategy, or that its actions will lead to confrontation with the US. The nature of the competition between China and the US is different to the confrontation between the US and the Soviet Union in the Cold War era. The mutual interdependency between China and the US makes it too costly to have a war between the two.

In this context, Australia does not necessarily have to choose between the US and China. In other words, Australia could maintain its alliance with the US and develop its relationship with China at the same time. Such a strategy is in Australia's interest. This is not to say that

---

<sup>6</sup> Han, F., 'The potential for Sino-Australian co-operation is great: a new leap for the bilateral relationship' [Zhong Ao liangguo hezuo qianli hai henda liangguo guanxi xin kuayue], in *People's Daily Overseas Edition*, 3 April 2006.

<sup>7</sup> Chen, Y. 'Annual Leader's Lecture in the Australia-China Futures Dialogues', 2012. <<http://au.china-embassy.org/chn/sgfyrth/t919604.htm>>.

Australia might betray its ally for the sake of self-interest; rather that Australia might conduct a more flexible strategy. Australia can play a role as a mediator between the two giants.

Some people may see such a strategy as appeasement to China. If we re-examine Australia's policy in the past unemotionally, we can clearly see whether Australian pressure on China has any effect on China's behaviour. China's diplomacy is always sensitive to external intervention. Culturally, it is unacceptable for outsiders to intervene in domestic affairs, such as human rights issues. The Chinese government certainly takes account of international opinion. Australia needs to consider its approach carefully, however, to have a positive influence on China. This follows Deng Xiaoping's strategy for Chinese foreign policy: 'Do not be the head and do not carry the flag'. Part of the reason Kevin Rudd, viewed as an expert on China, took the Sino-Australian relationship to stalemate in 2009, was because he chose to 'be the head' or 'hold the flag' to criticise China—in his words, to be a 'critical friend'. Therefore, this has limited Australia's room for manoeuvre.

Within China, there is positive expectation about the change of foreign minister. Chinese scholars hope that there may be positive progress in Sino-Australian relations.<sup>8</sup> The fortieth anniversary of the establishment of the diplomatic relationship is an opportunity to advance that relationship. A regular high-level communication mechanism should be built. The current annual strategic dialogue should be expanded to incorporate economic dialogue. Communication on economic issues, such as investment and the mining trade, should be effective. Military staff should also participate, to strengthen mutual confidence on security issues. An unimpeded communications channel will decrease the possibility of misunderstandings. Such dialogues would not necessarily target specific problems. Cultivating a productive atmosphere and building effective communication channels are equally important.

One argument made by China's leading Australia experts, is that Australia has tried to prove its importance to both the West and China by creating friction.<sup>9</sup> If that is so, Australia has been successful; in China today, there is an increased desire to know about Australia. Previously, Australia was not a significant feature on China's foreign policy horizon. Inadequate intellectual resources are allocated to Australian affairs. Australian studies in Chinese universities focus mainly on cultural and language studies. This is quite different from the situation in Australia, where active research on Chinese politics and economy is undertaken. A lack of knowledge can increase opportunities for misunderstanding. The Australian government could increase investment in this area. For example, Australia might finance centres for the study of Australian politics and its economy in key universities in China and invite more Chinese scholars to visit Australia.

---

<sup>8</sup> For example, before the Labor leadership challenge, Jiang Yuechun from the China Institute of International Studies argued that, if Kevin Rudd came to power, Sino-Australian relations could worsen. See Ifeng, 'Jiang Yuechun: If Kevin Rudd comes to power, the frictions with China in the region will increase' [Jiang Yuechun: Lu Kewen shangtai huo zengjia yu Zhongguo diqu moca], 2012. <<http://v.ifeng.com/news/opinion/201202/08e76548-bbaa-4d79-853b-3f4d82c90f42.shtml>>.

<sup>9</sup> Wang, J. and Han, F., 'Australia 2020 and the Sino-Australian Strategic Dialogue' [*Aodaliya 2020 Guihua yu Zhong Ao Zhanlue Duihua*], Tianda Institute: Hong Kong, 2008.

It is equally important to increase the understanding of China among the Australian public, especially the younger generation. Among Australians, China's image is often negative. This is largely because there are not enough channels for people to get to know the 'real China'. The best method is through cultural exchanges. The year of Chinese culture from 2011 to 2012 was a successful event of this kind. States and major cities should be encouraged to hold cultural events with their Chinese sister provinces and cities in the future. In addition, the government might consider establishing a special foundation for sending the best students from each state to study in Chinese universities. The seeds for friendship should be planted early.

A great politician should lead the development of public opinion, but not be restrained by it. When Rudd tried to build a closer relationship with China, the opposition denigrated him as a 'roving ambassador' for Beijing. Then, when the relationship with China deteriorated, the prime minister was blamed. This tells us that in the Sino-Australian relationship, greater wisdom and far-sightedness are needed, not short-term political calculation.

\*\*\*\*\*

**About the Author:** Fujian (Frank) Li is a Visiting Fellow at Future Directions International. His research is focussed on China's evolving regional policies in the Asia-Pacific. He is currently working on a book which examines China's foreign policy towards regionalism in Asia.

\*\*\*\*\*

*Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.*

Published by Future Directions International Pty Ltd.  
Desborough House, Suite 2, 1161 Hay Street, West Perth WA 6005 Australia.  
Tel: +61 8 9486 1046 Fax: +61 8 9486 4000  
E-mail: [lluke@futuredirections.org.au](mailto:lluke@futuredirections.org.au) Web: [www.futuredirections.org.au](http://www.futuredirections.org.au)