**Ideas and Society**

**Monday 21 September 2015**

**Fear and Greed? Australia-China Relations**

**Professor Jane Long**

Good evening, my name’s Jane Long and I’m Senior Deputy Vice-Chancellor at La Trobe University. I’d like to begin by acknowledging the Wurundjeri people as the traditional custodians of the land on which we’re gathered this evening, and to pay my respects to their elders, past and present.

It gives me great pleasure to welcome you to this evening’s event, entitled, provocatively, Fear and Greed? Australia-China Relations, and it’s a collaboration between La Trobe Asia and Ideas and Society, and I’m also very pleased to welcome our audience who are joining us via live webcast this evening, in Mildura and elsewhere.

Tonight’s panel brings together an array of very prominent speakers, and we’re indeed fortunate and privileged to have them in the same place at the same time. Tonight’s proceedings will be chaired by Professor Nick Bisley, the Executive Director of La Trobe Asia. My only happy task this evening therefore, is to encourage you to enjoy, react, respond, probe and question the panel during the Q & A. So I would like now to hand over to my colleague, Nick, who will introduce the panel members, explain the format, and who will chair tonight’s proceedings.

**Professor Nick Bisley**

Thank you Jane. Let me also welcome you and express my great pleasure in welcoming you to our Fear and Greed panel, discussing the state and the future direction of the Australia-China relationship.

My name is Nick Bisley, and I’m the Executive Director of La Trobe Asia. As Jane said, tonight’s program has been a joint effort of my team and Professor Robert Manne’s Ideas and Society program.

As Jane said, La Trobe is a regional university, with four campuses based outside metropolitan Melbourne and tonight Dr Deb Neal is hosting members of the university community in Mildura to watch the live web stream of the discussion at our campus in north-western Victoria. I shall channel my inner Eurovision and say Good Evening Mildura. And of course through the miracle of mobile technology, they’ll have the opportunity to engage in the Q & A as you do here in Melbourne.

One of the few areas in which Tony Abbott was thought to have played a good hand as Prime Minister was in international affairs. The mismanagement, gaffes and captain’s picks were principally confined to the domestic sphere, biting into onions, knighthoods for Greco-British aristocrats and at times, unvarnished sexism, were something that rarely interfered with foreign affairs. Even the odd statement that he would shirtfront Russia’s authoritarian president, Vladimir Putin, at the G20, was pitched to local media and was of little policy consequence.

But the former Prime Minister did have one slip of the tongue on the international stage, that had the potential to do considerable damage to the country’s interests. During a visit to Sydney linked to the G20 summit, German Chancellor Angela Merkel asked him what drove Australia's relations with China and Abbott showed his journalist instincts, swiftly replying that it was fear and greed. No bromides about friendship, shared futures and never having to choose between Beijing and Washington. At the highest level, Australia's approach to the world’s most populous country was driven by base emotion.

Now diplomacy is normally couched in antiseptic and often oblique terms because of concerns about the consequences of sharp and honest language on the atmospherics of a relationship. Abbott showed with remarkable directness how Australians were torn between the opportunities and risks which China presents, as well as the visceral nature of our reaction to this country’s remarkable return to power.

The purpose of today’s panel is to bring together four of Australia's pre-eminent experts on China to explore what animates the Australia-China relationship, to ask whether the Prime Minister was right in his characterisation, and to think through alternative ways of thinking about and approaching this complex, fraught, but hugely important relationship for Australia.

We are extremely pleased to have such an outstanding panel to lead our discussion, and I will briefly introduce them and they will then speak for about seven to eight minutes each in the order I introduce them, and then we’ll have a moderate Q & A session. I will police their time in the same way that Xi Jinping has pursued his tigers and flies to ensure that we have plenty of time for discussion.

Starting on my far right, although that says nothing about her politics, Linda Jakobson is the founding Director of China Matters, a not-for-profit policy organisation focussed on the Australia-China relationship. It is entirely about policy. She is also a Visiting Professor at the United States Study Centre at the University of Sydney and a member of the La Trobe Asia Advisory Board.

On my immediate right, John Lee is a non-resident Senior Fellow at the Hudson Institute at Washington DC and an Adjunct Associate Professor at the Strategic and Defence Study Centre at the Australian National University.

To my left, Geoff Raby was Australia's Ambassador to China between 2011 and he is now the CEO of Geoff Raby & Associates, a Beijing-based business advisory firm. He is also a member of the La Trobe Asia Advisory Board, as you can see we like to sweat the assets at La Trobe, and perhaps most importantly, is an alumnus of La Trobe University, with not one, but three Economics degrees at the undergraduate, masters and doctoral level.

Finally, but by no means least, Bob Carr is the Director of the Australia-China Relations Institute at the University of Technology, Sydney. He was Australia's Foreign Minister between March 2012 and September 2013, and was the longest continuously serving Premier of New South Wales.

That’s our panel. I’ll now turn straight to Linda and they will all speak in order. Thank you Linda.

**Linda Jakobson**

Thank you Nick. And thank you to Nick, his team, to La Trobe Asia, for inviting me, for organising this panel. I think it’s a terrific idea.

Nick has asked me to lead off with a few thoughts about security in the realm of this fear and greed. I had better say from the start that when I saw the title, I didn’t like it. I was pretty astonished when the then Prime Minister Abbott said it, or it came out in public that he had said it. I don’t think fear and greed is any basis for thinking about Australia and China relations, but I’m going to be true to the task that has been given to me and come up with three factors when we think of alternative ways to think about fear. Obviously when I’m talking about security, I’m not going to talk so much about greed. I’m going to be talking about fear.

The obvious has to be said. China is so big it should be feared for that reason. I was reminded of this yesterday, not yesterday, sorry on Friday. I was in Canberra in a Department which very rarely deals with China and all the rather senior level officials said to me, oh, China’s so big, when they come here we don’t really know what to do with them. That astounded me.

Of course, China is so different, one’s always a bit unsure, fearful of what one doesn’t know and that brings me to my first point about fear, the uncertainty of China. The uncertainty of how China is going to use its power. I think that is one factor that all of us in the region, not only Australia, has to take into account when thinking of how to deal with China, this very rapidly rising power.

I’d like to add to that the Chinese themselves don’t know how China twenty years from now is going to use its power. And of course that complicates matters. What makes it even more complex is the uncertainty of the top leadership of the Chinese Communist Party when they think of their own legitimacy. I presume we’re going to talk more about that. In today’s panel I talk about the existential anxiety of the top leadership of the Chinese Communist Party despite the fact that Xi Jinping is known as a strongman.

So that’s the first fear – the fear of uncertainty, how will China use its power? The second factor is of course, a fear understandably, all over the region, that relations between the United States and China will somehow derail. Obviously this would have a profound impact, or I should say probably, a profoundly detrimental impact on the region, Australia included.

I think the media has had a heyday describing the possibility of an incident, especially at sea or in the air, in the near waters of China in the East China Sea and the South China Sea. I too fear an incident, but I don’t fear that an incident would spiral out of control in the way that we are made to believe, simply because I see the United States and China having a very mature relationship. I think we forget that when we think of all the tensions, the inherent distrust between the two countries, they have over ninety official dialogues and consultations, nearly every single day of the year except maybe Christmas Day and Chinese New Year Day. American and Chinese officials sit across the table from each other and learn how to live with each other. I think it’s a mature relationship. I think we’ve seen that in a number of incidents in recent years, how well these two governments do know how to deal with each other in a crisis.

Then the third issue, the third factor when we try and think of fear, what should we be afraid of as China rises and what should we be afraid of in the Australia-China relationship, and that’s the fear of what will happen to the China-Japan relationship. You’d think that this is a mature relationship, two of the world’s most ancient civilisations who have dealt with each other over the centuries, whose culture actually draws from each other’s cultures. You’d think that this was a mature relationship. But it isn’t. It’s fraught with raw emotion, I call it a relationship of denial. They deny each other’s histories, they deny each other’s political systems, they deny each other’s greatness, and I could go on and on. A clash between China and Japan could indeed spiral out of control in a way that the leaders of the two countries wouldn’t be able to manage it. This is one reason when we talk about Australia-China relations, I always say that Australia shouldn’t put itself in a position where anyone would think that it is choosing China over Japan or Japan over China, because that is the most fraught relationship in the region at the end of the day.

I think I’m approximately at the end of my time. I don’t know – I have two more minutes.

I’ll repeat my concern when we talk about fear of China and Japan, not knowing how to accommodate each other. As China rises, Japan will remain in a very important power in the region and how will this region learn to live with the two of them. I don’t see the United States-China relationship as the one to fear. I’ll end there.

**Dr John Lee**

Thank you Nick. It’s a pleasure to be on this panel and thank you all for taking the time to be here.

Now I guess, when you ask a question about greed or fear, in my view and the way I’ve understood what I’m being asked to talk about, you’re really asking whether what we’re seeking to gain from China is somehow reckless or irresponsible, and when you talk about fear I think you’re really asking the question, whether the anxieties we have about China’s rise is based on ignorance or some sort of irrationality.

My argument in short is that it is none of these things. There are some prominent Australians I think that over-reach on the greed or fear levels in the public discussion, but I think characterising the Australian relationship as driven by greed or fear is unhelpful, but worse than that, it’s just not very accurate.

Let me first begin with the charge that we’re driven by greed, or avarice, or whatever word you want to use, when we deal with China. Now I’m going to start with something known as Sutton’s Law, which some of you might know, and Sutton’s Law basically says that if you want to understand the reason for something, or you want to diagnose something and medical students use Sutton’s Law, you begin with the most obvious thing. Now for you philosophers out there, Ockham’s Razor is a similar philosophy.

Now Sutton’s Law is derived from the famous, or infamous American bank robber, Willie Sutton. He over forty years robbed a series of banks from about the 1920s to the 1950s. It’s alleged that when he was jailed, someone asked him, a journalist asked him, why did you rob banks? Sutton simply replied, because that’s where the money is. Now, it doesn’t actually matter that this interview is almost certainly apocryphal. It didn’t really take place. But the point is that when you talk about China, we focus on China simply because that is where the money is, that is where you make money when you conduct the trading relations.

So, those seeking to make a buck are going to focus on China. I mean, that’s just what Sutton’s Law will tell you. And unless you happen to think that making a profit or open trade is a particularly heinous or morally dubious activity, then in our case, selling what we have, things in the ground, education, tourism, what we’re going to do is sell as much as we can, a bee sting to the Chinese, and that’s certainly what has been done and we’re certainly not alone in the world in doing that.

But if you still have your doubts about whether this is a justifiable activity, then consider why we should place less emphasis or economic emphasis on a country that occupies one quarter of the landmass of the Asian continent, and upon which lives about one-fifth of the world’s population. And if you still think that we should somehow not trade as much as we do with China, then ask yourself what purpose and why that’s the case.

And even if you don’t like some of the aspects of how China is ruled, and I certainly do not like some of the aspects of how the Chinese Communist Party rules in China, think, what is a better alternative beyond the Chinese Communist Party and the way that the country is constituted at the moment, and would a decreased Australian economic emphasis on China really make for a better outcome in that country?

Now, let me transition to a discussion of fear. Now are we too afraid of China? After all, China had been a permanent presence in Asia for the last five thousand years, unlike for example, say, America, who has only really been a great power in Asia since after World War II.

Now those who say … and of course there are those who say that China emerged out of isolation after the Mao Tse-tung years, it emerged in a reasonable global environment, it had very little role in actually defining, in shaping, so why should China for example be content to exist under the rules that it found itself in when it began to open its doors to the outside world. But I think this is the problem that China’s always going to face. You may point to the justifications of why China may be a discontented power and you may say therefore, why fear the Chinese? But I think the problem is that China will always face the problem of its size and its geography and let me tell you what I mean by that. Now because of China’s size, everything that China does; good, bad in the world, is going to have a deep and disproportionate consequence on countries round it and on countries in the world. Now this is the reason why great powers are watched more closely than smaller powers and middle powers, because they have a disproportionate effect on the countries around them. And because of China’s geography – I mean, China is literally, physically, the middle kingdom in the Asian continent. Its action is always going to have a disproportionate strategic effect on its neighbours. So you take the disputes in the South China Sea as an illustration. I think many will correctly point out that the Philippines and Vietnam were building and reclaiming land features way before what the Chinese were doing and have been doing in the last ten years.

But China’s recent activities are on a scale that is far beyond what the smaller South-East Asian countries are able to do, and the point is that what China does just has more strategic consequences than what any other Asian country does. Hence the fear of China which in that sense is an understandable emotion. It’s not an irrational emotion if you like.

Now add to this the prospect that China, which has been for centuries, or thousands of years in fact, a continental power except for a few years in the Ming Dynasty and is now becoming not just a continental power but a naval power, there is justifiable and understandable apprehension in the region, including from Australia.

And when you talk about strategic relations, international relations, it’s kind of like physics. Every action will have an opposite reaction and I think this is why you’re seeing Australian and maritime powers effectively doing anything they can to ensure that America remains a permanent presence in the region.

Now, finally, let me in the last minute just throw out a few principles that I think should guide future Australian policy with China and in discussion I’m happy to say why I think this is the case. Now one, in my view, the outside world has a pretty limited capacity to shape how Chinese leaders think and how they see their place in the world. Now I think great powers in concert with other countries like Australia can offer collective carrots and sticks to try to manage or in some ways try to regulate Chinese behaviour, but China will basically determine its own destiny, the shape of its political economy, the shape of its politics, the shape of its economy, there is not so much that we can actually do about it.

This leads to my second principle that you’ve heard in Australia at times, that I think Australia should resist what I see as the vanity or the conceit of seeing ourselves as being in a role to play of a bridge, particularly between America and China. I think if we do that we’ll end up failing, we’ll just end up annoying a pretty important ally and a pretty important economic power.

And finally, I don’t think we can try to predict or pre-empt the future when it comes to forming policies based in China. I mean China is not going to continue growing for ever at the pace that it has been. What happens after that we’re not quite sure. China is probably going to end up as in some senses a strong and powerful state, but in some senses still a weak country and certainly a poor people. Now, what that means, whether it’s a more or less benign China, we don’t know. That doesn’t mean we don’t do anything, it means we try to manage a risk, but that’s a very different thing from trying to predict the future when it comes to China.

I think I’m on to my last two seconds, so I’ll stop. Thank you Nick.

**Geoff Raby**

Okay, thanks very much Nick and thanks to La Trobe for organising this event. Delighted to be here this evening and I think my comments … I’ll try and shape them more from the perspective of a practitioner in managing the Australia-China relationship although that’s a few years now behind me, and in many ways the first two presentations were very good for providing the context and setting for what I wanted to say.

From what was then a Canberra perspective in any case, managing the Australia-China bilateral relationship is very difficult. Whether it needs to be difficult or not I’m not so sure, but there are two fundamental propositions that should guide the management of the relationship, but don’t really come together.

One is, we need to be clear and recognise that China, which is obvious, is of overwhelming economic importance to Australia, but it goes beyond that because it’s unlikely that any other country will replace China in that pre-eminent dominant economic relationship that it has with us, and that’s really just the result of the profound complementarities that exist between the two economies. I saw Kim Beazley over the weekend was running a line which I think Julie Bishop had picked up on a recent visit to Washington, saying, well, America was actually more important because of investment. But there they’re only talking about the stock of foreign investment, the growth, the flow, which is the appropriate measure, is very much … the trajectory is very much with China, and it’s obvious that that will continue. So, that’s proposition number one. Overwhelming and enduring economic importance for Australia beyond anything we’ve experienced in a single relationship in the post-war period at least and it’s not going to change. If anything, the dependence will get greater.

John raised the question of, is that a good thing in the context of fear. There’s not much we can do about it. We’re not going to tell universities to stop taking Chinese students or farmers selling farms to Chinese, or exporting resources to China – that’s just a result of the complementarity between the economies.

The other element, and John I think very much highlighted that in his remarks, is that we have never had to deal with a country more different than Australia, that is of great economic importance to us, and therein is the problem policy makers in Canberra constantly struggle with. They would like to maybe substitute India for China, because, well, the Indians speak English in a fashion, they have a sort of legal system, but the most important thing is the Indians play cricket, so really, they’re like us. But unfortunately the world’s not configured in that way.

And that is in a global sense, the big challenge of China. We haven’t seen in modern times, perhaps ever, a major global power that has stood so far apart from the global norms of political and social organisation. There are many smaller countries, you could think, name them, but they don’t matter. But there is one country, and one economy, that has profound economic implications for the world, but even more so, disproportionately for Australia, that could not be more unlike us in values, and in politics, and social organisation. So, it’s very difficult to square those two propositions and my time as ambassador was very much spent trying to say to Canberra, if you accept those two things are true, which I think unquestionably they are, then you have to devote disproportionate resources to the Australia-China relationship, you have to put so much more effort into it, you have to have so many more points of engagement, and I was delighted at Linda’s comment about the United States, because people in Australia wring their hands and anguish about China-US relations. If there’s one people that get China well, it’s the United States. And the multi layers and the depths of engagement and the ballast in that relationship makes me quite sanguine about the outlook for that relationship, and it’s partly because they’re both great powers, and great powers understand each other and Australia is not a great power. And great powers think about the world in very different ways than middle level or small powers.

China has also been a major disrupter. It came from nowhere as it were. Thirty years is a very small, short period of time in terms of major changes in global geopolitical and economic organisation and weight, and we are still digesting that massive disruption and again, I come back to the point, because of those things, it behoves us to put that much more effort and resources into the relationship.

The sorts of things that we should be doing. We need to be very careful but we don’t just engage on a transactional basis. The greed if you like. This has to be a very, very broadly based engagement and it needs to put a big effort, which we don’t really do much at all, and we do much less than say the Europeans, in the cultural, education, scientific and research spaces. We are transactional, largely, in our approach. There are very good people, very good institutions, who try and plug some of the gaps but there really isn’t a well-defined and committed national effort in this regard.

The second part of my comments, are to reflect on how the new Prime Minister might approach the relationship because as Paul Keating often said and he often doesn’t tire of saying the same things over and over again, when you change the leader, you change the country. So we’ve changed the leader and we really have a very different approach will emerge I think in managing the relationship with China. Turnbull clearly understands contemporary China and partly for that reason, he has no fear of the China relationship. In fact I noted his comment in his acceptance speech when he referred to technology as the great disrupter and that should be seen as an opportunity, not something to be feared. And I think that the same will apply to the way he thinks about China. In terms of opportunity, aren’t we lucky in Australia to be so deeply engaged, aren’t we lucky to have the opportunity to position ourselves with this country, no matter how different and at odds it stands to our own values. And he of course will be very true to his liberal values.

I think we’ll see with Turnbull, as I said, a very pragmatic approach to managing the relationship. The challenge for him though will be, if he seeks to nuance how we position ourselves between the United States and China, and therein I think there are some very big risks for him, in particular we have had a long period now where officials and ministers have tried to reassure the United States there isn’t a crack of light between us, that what is exactly the US interests is exactly Australia's interests. So he’ll need to be extremely careful in managing it, and I think in fact his biggest challenge will be the United States, if he wishes to reposition us even to the smallest extent, rather than China.

And just finally, what will we want to achieve with this? And it is to do our bit to shape … sorry, my time’s up. Do our bit to shape how China engages with the region. One concrete example, we made a complete mess of China’s attempt to build a regional institution, the Asia Infrastructure Investment Bank. We could have joined at the outset, we could have had real influence and shape that. Instead, we joined somewhere after Finland, somewhere after Norway, sorry, after Luxembourg and before Norway, hardly world recognised shapers of the Asia Pacific region.

I’ll stop at that point and look forward to coming back to the discussion, but I think you won’t get that sort of muddle under a Turnbull Prime Ministership. Thank you.

**Bob Carr**

Nick, thank you. One of the difficulties is that we’ve got people in Canberra, in both the diplomatic service and around the Prime Minister’s office, who insist on seeing China through the eyes of Washingtonians. Through American eyes. And their view is very often that of the neo-conservatives or the ultra-nationalists in America. We’ve got to adopt this as our starting point. A pragmatic policy with China, based on Australian national interest. What are Australia's interests here? Australia's got interests.

I caught this when I was in a forum at the ANU and Michael Thawley, the head of the Prime Minister’s Department, was speaking and he said, China won’t help you produce a solution, China will get in the way or get out of the way, it’s not willing or able to play a serious global leadership role. Quote, unquote. What’s the point of that language? What’s the point of that language? We’ve got diplomacy to enable you to express messages, and send them to China. And here’s the language I would have given him. I would have had him say, in this forum, as head of the Prime Minister’s Department, China doesn’t aspire to being a global power, because we were talking about American power in the world. China doesn’t aspire to be the prime global power. Nobody looks to China as a substitute for the US. America sees itself as the indispensable nation and that’s the Australian perspective too. But we are heartened, we are heartened, always praise, praise is the language of diplomacy. We are heartened by signs of China enmeshing itself with the world order. Like them sponsoring an Asian Infrastructure Investment Bank. That’s what we’ve told them to do. We’ve told them, be part of the world order. We sponsored them to the World Trade Organisation and we admitted them to APEC and we saw China decide not to be a revolutionary force, but to be part of the world order. Not to challenge institutions like APEC or the WTO, but to join them. That’s what we wanted. That’s what they’re doing. And here they come along … they could have set up their own bank and said it’s playing by Beijing rules, and you can join it or not join it. But no, they said we’re going to sponsor a bank for Asia, that’s going to meet Asian needs and we’ll allow the nations that join it to draw up the rules. Exactly what we’d been urging China to do, a responsible player, playing by international rules.

Now the good thing is that the Abbott government, a big step for Tony Abbott, despite blandishments from the American President, he led Australia into it too late, it should have been instinctive, it would have been under Turnbull, but at least, at least he had the wit to say, our interests on this, something to do with China, may not be identical with America’s perspective. That was a big step. But it was the right one. What is the Australian interest? And when you have the Secretary of the Prime Minister’s Department addressing this issue, where is America going? America and the world leadership, it was possible for him to use a form of words that encouraged China, spoke up the Chinese achievement, which has been extraordinary, in the years since 1979, but also send a message to the Chinese, because as a final paragraph, this is what I would have had Thawley say, President Xi knows that we are allies of the US, but taking seriously our partnership with his country, something that is easier for us when China adheres to the rules, and avoids unilateral or abrupt behaviour, especially in the South China Sea.

So not for once am I advocating that we be craven, or we cease to send diplomatic messages to the Chinese about adhering to the rules, but there’s a way of doing it. And talking about fear and greed like shirtfronting Putin, or talking about rat expletive deleted the Chinese, the Chinese rat expletive deleted, this is really not the language of a mature country. Other countries make statements they later regret - China not excepted. A statement by a Chinese Foreign Minister in 2010, you’re a small country, we’re a big country, would fit that same category.

But, my key message. We should see China through the eyes of Australian interests. And by the way, we’re not the only American ally in this position. Let me list them. South Korea, President Park was at the military parade celebration in Beijing. America wasn’t there, in a significant way. But President Park went, as head of state. Germany has worked very hard on the China relationship. Chancellor Merkel goes there I believe, once a year. Canada, well as one small example, Canada didn’t rush out in front of like-minded countries and haul in the Chinese Ambassador when the Chinese made an abrupt move in declaring a no-fly zone over the Senkaku Diaoyu Islands. We did, but Canada, an ally of the US thought, we’ll send our message through diplomatic means, not through a trumpet. Not through an amplifier.

New Zealand, my think tank has commissioned a study of New Zealand’s China policy. Key message – New Zealand formulated a China policy based on New Zealand’s interest, without reference to allies, Washington, or Canberra, or any desire to stay in the zone of like-minded nations. They simply asked themselves, what is in New Zealand’s interest?

Singapore, I’ve explored Singapore’s China policy. They have concerns about the expression of Chinese assertiveness in the South China Sea. But they manage it very diplomatically, keeping their options open.

Look, I think we’ve got more influence in urging Chinese restraint in the South China Sea than we’ve ever had. The Americans have floated the idea of patrols in this region, quite possibly to test Chinese twelve-mile claims around artificial islands on sometime submerged coral reefs. We quite wisely, Canberra that is, under Abbott, to give him credit, have not said we would join such American patrols. As a result, I think we’ve got quite a bit of influence, saying to Beijing, well, you know our position. We’ve got concerns, no unilateral behaviour in the South China Sea, but there’s always that prospect of us joining America and also some other nation, in patrolling and testing. We’re not doing that, but restraint by China would confirm us in that decision. That would count. That would count.

I want us to keep our options open here. I don’t want us to close the options. We don’t know … I think Linda said this in her opening remarks, we don’t know what the character of China’s international personnel. We don’t know what China’s international personnel is going to be like in the years ahead. Sometimes the Chinese are unilateralist, and edgy and anxious and abrupt. Other times, I’ve instanced a few examples, they’re playing by the rules. Bear in mind that China’s not a revolutionary power. It’s a status quo power. It plays by the rules of the Westphalian system. There’s one revolutionary power in the world, if you exempt North Korea and I suppose a few others, Venezuela perhaps, there’s our great friend the United States, which as a result of the Wilsonian impulses in its foreign policy, can send an army halfway around the world to rebuild a state, Afghanistan. Or to remove a government, Iraq. Or to give effect to a humanitarian intervention, miles from its shores. China doesn’t preach that and China hasn’t got the power to deliver that. America has. China has not got the power to send its forces halfway around the world to change a government or the impulse anywhere in its foreign policy to do that.

I conclude with this thought. If you look at our website you’ll find something that I think is very useful, I wrote it. I stand by every word in it. You’d find it in the website, australiachinarelations.org. It’s an account of China policy under the Abbott government. In the first three months of that government there were a few hard line remarks and they may have been missteps. Japan is our best friend in Asia. You don’t rank friends. It’s not diplomacy to do so. Japan is our best friend in Asia. There’s no need to say that. What you do when you go to Tokyo is you say, Australia has no closer friend in Asia than Japan. You say the same thing when you go to Beijing, or Jakarta, or Singapore. Australia has no closer friend. You don’t rank friends. Tony Abbott declared apropos of nothing, and with complete inaccuracy, that we’re an ally of Japan. And then called in the Chinese Ambassador and announced we were doing so publicly to make a point, over the abrupt Chinese move in the East China Sea. We didn’t have to do it that way. But from 2014, the Abbott government re-modulated, and it ran what I think is a pretty pragmatic policy on China.

Also on our website you’ll see an account of everything Malcolm Turnbull has said about China in the last few years, in summary form, and that confirms me in the view that his pragmatism would be somewhat more sure footed and authentic. He wouldn’t have delayed in the announcement we were joining the Asia Infrastructure Investment Bank and implicit in that is a good thing, the recognition that we can run a pragmatic China policy, based on Australian interests and our perspective on this won’t always be the same as that of our great and powerful friend, the United States.

**Nick Bisley**

Thank you Bob.

With that product placement, for our students studying Australian foreign policy and China in the world, will be very grateful.

Before we take questions from the audience, I’ll just pass … Linda wanted to quickly respond to something that Geoff said, and I’ll just add one little footnote about scale. Bob mentioned that there are many countries that face Australia's dilemma of enormous economic opportunity and these question marks. There are 193 members of the United Nations. 123 of them have China as their number one two-way trade partner.

So, Linda. A quick response to Bob.

**Linda Jakobson**

Yes, when Geoff was talking about how immensely important China is economically to Australia while at the same time the values are so different, one could put it bluntly that it really is a government that we don’t like, and for that reason we need this across the board comprehensive engagement, you said. I’d just like to bring one other dimension and now I’m going to do what Bob did and talk about China Matters for one second. The reason I founded China Matters was to bring together these disparate groups within Australia who deal with China. Those who are completely sceptics, who can only see the negative in China and those who again don’t want to see any of the real challenges that dealing with China entails. So, not only does … and I agree with what Bob was saying, Australia need to think about its own national interests when it carves out its policy towards China, but Australia also needs to bring together these many different kinds of diverse voices, and perhaps I’d just add, not let the concerns be the overriding factor when we define our engagement, and look at the real perhaps risks of a deepening engagement, but also not just let what you were saying, the transactional … what money Australia gets from it. So there’s work to be done also within the various elites of Australia when we think of our engagement with China. And that’s why I founded China Matters.

**Nick Bisley**

We have until 7.30. We have to finish promptly because a number of our panellists have to hightail it to the airport. There is a roving mike. If I could ask you to ask a question or say something provocative but please keep it short, there’s liable to be lots of … or we hope there’ll be lots of interventions. The light’s a little tricky. I think Zara just here at the front …

**Question:**

Zara Kimpton from the Australian Institute of International Affairs. Geoff, you said that the US really gets China, and Linda, you said that there was a very mature relationship, over ninety official consultations during the year and therefore I’m getting sort of mixed messages about the American relationship and how it’s a level above us and we have to sort of increase … improve our engagement, but why would it be that the American government opposed the Asian Development Bank and also tried to encourage some of its allies not to join it.

**Geoff Raby**

I’ll have the first crack at that if I may.

A very good question, I’ll link that. I was participating in the Australia Canada Leadership Dialogue a couple of months ago in Vancouver. Don’t ask me why I got a guernsey for it? I found myself there. I happened to find myself at the concluding dinner with Julie Bishop, the Australian Foreign Minister and the Canadian Foreign Minister, and as you know, eventually Australia joined the Asian Infrastructure Investment Bank but Canada never has. So, as the questions were flagging and the evening was going on, I chucked a dead cat on the table and asked the following question to the two Foreign Ministers: Australia joined the AIIB, Canada didn’t. Who’s right? Which led to a lot of words but no enlightenment.

Look, there’s a lot of things going on in the US and my point is really about … and I think Linda’s the same, the depth of engagement across the bilateral relationship. I think the Asian Infrastructure Investment Bank came from … the US should have seen it coming, they didn’t. But it seemed to be that this was the beginning of a re-casting, which it is, of the post-war global international architecture, financial architecture, economic architecture, all of which the Americans created in Bretton Woods and they did it to destroy the British Empire and British imperial preferences. And so America has great understanding of how these institutions can start to change the global balance of power.

So I think for them it became a very big strategic issue, not something in the bilateral relationship.

**Linda Jakobson**

I suppose I agree with everything you said in the beginning but I don’t know if they sat down and thought deeply about that it’s a strategic decision. I saw it as a knee jerk reaction which just got out of hand. I happened to be in DC at the time when this was all bubbling and both Democrats and Republicans on the Hill were completely united in discussions. I was there with Julie Bishop. That this was a complete blunder from the White House. It was the White House which was driving it. You’re probably right that it was unconsciously … you know, this fear of the strategic consequences, but I did see it as a knee jerk reaction of where this might be. In that sense I do agree with Geoff.

**Robert Manne**

From my point of view one of the most important things that’s happened with regard to China recently is the signature, not the signature but the agreement with President Obama over climate change and the Chinese decision to enter the game and pledge some way to cap its emissions by 2030. I’ve seen different explanations of why that was done but I don’t know whether anyone on the panel follows it, but I’d like to know what the Chinese motives were for that agreement.

**Nick Bisley**

Why don’t we start with John and then if others …

**John Lee**

China, in particular to many countries that make these agreements … the Chinese own modelling told them that they would reach peak urbanisation and also peak emissions by around 2030. It was a very good way of making a commitment without really making a commitment. And since that announcement, I mean, things have been going on in China that are experimental and genuine in terms of lowering carbon emissions and various carbon lowering emission schemes, but since that announcement I don’t detect any genuine environmental carbon reduction policy changes anyway that are linked to that 2030 commitment. Why 2030? Because they were told by their own modelling that is when it’s going to peak, just by the slowing pace of urbanisation etc. That’s not in itself a terrible thing but I don’t think that was the commitment beyond what you would expect countries to make.

**Geoff Raby**

Two points. I share John’s scepticism but it is the first time … it’s a change of principle. In the past they had a principled position that they would not agree to a cap in reduction and they said we’re a developing country and there’s a lot about developing country leadership. So in that sense it’s a change, but I agree with your scepticism, the date and everything is within their comfort zone. There is a huge amount going on now and you see it affecting the Australian coal industry and others, to try and clean up the place and I think it’s the government responding to middle class aspirations.

I just wanted to say, what’s fascinating is the timing of that announcement. That they made it during the APEC leaders’ meeting, but it was made when Putin was in town. I think I wrote somewhere that there was only one person more unhappy than Tony Abbott with that announcement, and that was Putin. And I think there is very much there a message to Putin because all that year China and Russia had been moving closer and closer together, just a reminder that China will behave … can and will behave, quite independently.

**Question:**

Thank you panel. It was a very insightful comments from all panellists. This is more of an open question. Just like the ambassador said, Australia and China has not much in common, we don’t play cricket. I was very fortunate to travel to the NBL which was last month to try to bridge a gap between NBL and the Chinese Basketball Association, the CBA. What is your opinion on sports, and do you see that as a good vehicle for not just social and economic relationships but also as a new form of mining or wine industry – sports and entertainment.

**Bob Carr**

I think it’s rubbish. The argument against sport contributing to understanding is the Berlin Olympics in 1936. And I think Australia has got to be very careful of confirming the reputation that we’re a sort of slow-thinking bunch of provincial idiots who can only get excited and motivated over games with balls and leaping into swimming pools and beating others, setting a record that will last for twelve months before it’s beaten by someone else who’s more pumped up with the chemically-targeted …

**Nick Bisley**

The Olympic spirit is the word you’re looking for Bob.

**Bob Carr**

I think we should … I suppose you go through a phase in keeping with Malcolm Turnbull’s comments the other day, where we talk innovation and science and scholarship and learning, and arts, and leave sport off the list.

**Nick Bisley**

A provocative statement to a Melbourne audience, no less.

**Question:**

A great panel. I was wondering if you could just comment on China’s manoeuvring in the South China Sea. Why do the reclamation now? Why be so overt, why so obvious? Inside China, is this creating … are they using it as a test for example, of the response to this? In other words, is this going to encourage them to do other things? Is it a Plan B if the economy doesn’t go well for a nationalistic focus? Try and put it in some sort of context as to why now in particular and why so overtly.

**Nick Bisley**

Let’s hear from Linda who’s written extensively about China’s maritime policy and then see what others add to that.

**Linda Jakobson**

China’s policy in the East China Sea under Xi Jinping have been quite different to the South China Sea. Number one, we seem to have several sources telling us that Xi Jinping has said he does not want bodies in the East China Sea. He recognises Japan’s military might in the zone, plus of course the US alliance factor. It’s also a rather small sea in that it’s easier to control what happens there and manage what the coast guard of China is doing there and so on.

The South China Sea – it’s a huge sea. There are several claimants. It’s a very messy situation. He has not given as strict orders there. He’s in fact given quite ambiguous orders. We must defend sovereignty but we must maintain stability so we can trade and invest with our neighbours. I think he’s sending messages. First, he’s definitely sending messages to the region that this is an issue that China’s not going to back down on. He wants to look tough. He’s certainly sending a message also internally. He is standing up for something that Hu Jintao didn’t, his predecessor. One has to remember that the word ‘contradiction’ in Chinese is not an overtly negative word, it doesn’t have that negative connotation that it often does in Western languages. It’s made up of the character sword and shield – what happens when the world’s sharpest sword meets the world’s most strong shield? It’s a contradiction. So while he’s wooing the neighbours for all the economic, political benefit that he can, he is going to I think remain very tough on this question of what China perceives as its maritime rights and maritime interests.

The reclamation work that’s been going on. I mean, I think it was planned already in the late Hu Jintao era but Xi Jinping’s obviously given the nod that it can happen.

**John Lee**

First of all, it goes back to factors, size and scale. As I mentioned, Vietnam and the Philippines last century were in there before China. The difference that China has just in its capacity to do it in such a scale that it’s alarming whereas what Vietnam and the Philippines did isn’t alarming. So first of all, there’s a scale issue, which the Chinese can do largely because they’re a much more powerful and bigger country. But what is their strategy and interestingly the current President was head of the small in-group of foreign affairs under the Hu Jintao era that came up with the idea of the so-called salami slice, or you kind of push, but you don’t push so far that you provoke a military response. And look, to be honest with you, if I was in the position of the Chinese and I thought I had pressures on me to make good my claim for sovereignty that I think in some senses, not out of control, but they’re difficult to manage domestically, I would be doing the same. I mean, really, what’s the cost to you if you hold the islands, or the reclaimed islands, it’s much harder to get you off. Down the line you have a much better legal claim once you’ve held it for a couple of decades. So if you sit in their shoes – I am very personally alarmed by it, but if I sit in their shoes, I’d be doing exactly the same.

**Nick Bisley**

If I could editorialise, I think the other issue is something that Linda opened with, is this uncertainty. China’s never officially made clear what it is claiming in the South China Sea. There’s this map with dashes on it which is literally that, there is a whole range of actions from which one can infer what they’re doing, and it’s quite a deliberate strategy of ambiguity about what they’re doing, but it’s got all these layers, administrative, policing, pouring sand and concrete just happens to be one of them. And it has all these other consequences. It is symptomatic I think of the larger themes that the panel’s been exploring.

**Geoff Raby**

But there is an element to this. It’s not costless for China. China have for a long time cultivated its relations with ASEAN and in many ways people, five or six years ago, analysts five or six years ago, maybe a bit longer, and I remember that the Lowy wrote on this, gee, maybe ten years’ ago, Milton Osborne wrote something that basically China was stitching up South-East Asia and there was a real concern that it was becoming the main sort of influence on the region, through very good relations that were built painstakingly over many, many years. Suddenly you get to 2009 and there’s this assertive diplomacy and Vietnam, the Philippines in particular completely pushed away from China, embraced the United States, wanted greater US … In terms of China’s strategic settings, this is counter-productive and it’s been very costly. I’m inclined, and I’d like maybe at another time to tease out with John what seems to be a sense that the endgame here is some sort of negotiation, and that this period is a period in which China is positioning itself, increasing its legitimacy, giving it weight, so at some point it will have, it will tilt the negotiating table more in its direction, and that’s why it’s prepared in the short to medium term to pay the price in terms of its relations with ASEAN.

**Linda Jakobson**

Two finger – it’s exactly what a very senior official said to me, Xi Jinping’s goal is to leave office so that he can say that I have cleared the table for a good negotiation for my predecessor. It’s not a question that he thinks that China is going to take any islands that it doesn’t now occupy, or do anything too dramatical. He wants to put China into a position that is a good negotiating starting point. That’s what has been said to me.

**Question:**

Hi, my name’s Rebecca. I’m a La Trobe student, studying social work, so my question is, I guess about young people, future responsibility and the Free Trade Agreement that’s going to happen. Sorry, I’ll try to make my point as succinctly as I can. So I know our economic system is tied up very much with exporting to China. As they slow down, that is obviously affecting our economy. As we have rising unemployment, would the Free Trade Agreement help that or hinder that? If that’s clear?

**Nick Bisley**

I’m surprised it took that long to get to the Free Trade Agreement, so John why don’t you start with that, John and Geoff, and then see if Bob …

**John Lee**

It’s hard to see why it would hinder, but my … look, I, like most people am fairly supportive of signing this Free Trade Agreement but I would also point out and once again particularly with many free trade agreements with Asian countries and that is that they tend to lower tariffs but they tend to direct a lot of regulatory and other obstacles to prevent you from really accessing the economy. So, the Free Trade Agreement is clearly a good step, but it’s really not the end of the story in terms of accessing the Chinese market. I should think Geoff may or may not disagree, but his business deals a lot with that. They may be well placed to talk about that.

**Nick Bisley**

And Geoff also was in office when the talks began.

**Geoff Raby**

Well, I actually initiated the FTA. It was my idea originally. I went to Downer and Downer went to Howard back in 2003 and we did it basically as soon as we’d done the FTA with the United States. And it was part of a bigger picture. We were then the first developed country to go to China and talk about an FTA. It took two years just to get them to agree to start and unbelievable sort of negotiations, including giving China market economy status, which caused huge controversy. Some of you may remember, but it really was just about a technical issue inside the WTO’s anti-dumping counter-railing duties agreement to deal with how you measure dumping or not, and it was purely a technical issue, but it was called market economy status so people thought we were making some declaration about China being a market economy. It was far further away from that then than it is today.

But in the end, we were very slow in negotiations for various reasons. We ourselves became very ideological about it and I remember Bo Xilai, after some lengthy negotiations with Mark Vaile, describing Mark Vaile as ‘bookish and stubborn’. The first adjective I don’t think would rush to your mind in the context of Mark Vaile, but stubborn he was, and subsequent negotiators were.

Look, I think we have a very good agreement. It’s better than I thought when I left office and it’s better because not only does it level the playing field with our competitors, we’ve suffered for many years now because others followed us in, completely disadvantaged in agriculture, particularly in sheep, meat, wool, wine, dairy, with New Zealand and Chile, who have duty-free access, so this now levels the playing fields and gives us the same competitive standing in the market.

But it also has services, and we always had services as an objective, but it looked like we would never get services and we have now. I think, you know, and it’s not massive and John’s right, there’s all sorts of behind the board, regulatory issues that mean these things in practice aren’t actually as good as they look in the headlines, but it is … we are the first and only country China has included a services chapter in an FTA. Now, I’m sure Andrew Robb and his team are fabulous negotiators but I think there’s a very interesting insight into what’s happening in China and that is, they’re using the FTA to partly push forward their domestic reform agenda and the key area now of domestic reform is services, particularly financial services, and we have elements of financial services in this agreement. It’s very much like what Li Peng, the Chinese Premier did in the early 2000s, with the WTO entry. They used their WTO agreements to force the pace of domestic economic reform to overcome domestic political obstacles to reform. And I think we’re seeing it in a small version in our FTA with China. By and large it’s a very good thing.

**Bob Carr**

The issue now in Australian politics has reduced itself to the question of whether the Australian parliament should legislate to mandate labour-market testing before any Chinese labour can arrive in the country. Now, the dangerous point about that suggestion is that we haven’t got a legislative requirement associated with the FTAs that we concluded with Thailand, Japan, South Korea, the United States, or Japan. So the Chinese would be getting the message, we’re only concerned about your labour arriving here. In fact, the chances of an Australian company going to China to recruit a trades person are negligible because under the law, one, it has to be someone whose qualifications are recognised in Australia, and two, they’re going to have to be paid Australian wages and conditions anyway. So why would anyone actually go to China to recruit the labour?

So this is an odd thing to be fixated on and it very possibly would provide the Chinese with an obligation to walk away from the FTA. They could feel obliged to walk away from that kind of treatment by the Australian parliament, and we should remember – this is my final point – we should remember that there’s opposition to the FTA in China. One Chinese diplomat put to me last week, and I don’t think she was exaggerating or gilding her argument – if you’re a Mongolian milk producer, or a cattle producer somewhere in China, you’re giving up a great deal in this. Australian products are going to get into those supermarket shelves without tariffs. And that’s a big step. From her point of view, China is giving up far more than Australia is giving up in terms of market access.

**Question:**

Hi. It’s quite a common pastime for people in Western nations to consider politics in other countries, not for our own interests but for the sake of the interests of the people in those countries and I know … I think that a lot of people in China sort of resent the political closeness with North Korea because of the way that they treat their citizens but I just wonder if people think that there’s a potential for the middle class in China to sort of develop this more outward-looking cosmopolitan sort of ethic of considering compassion for other people in other countries.

**Nick Bisley**

This has long been a debate that as countries become more middle class, as they become more globally engaged, as they send more and more of their citizens abroad to study at universities like La Trobe, do they then come back and question the values, particularly the political values, of the society they return to. Does anyone want to pitch in …

**Linda Jakobson**

I can take a stab. If we talk first about what Nick was saying, I would definitely say that the middle class in China has come to the realisation that the quality of life for them, even though now they fulfil the criteria of being a middle class citizen, in many ways owning a house, having a college education, and what’s the third one? Owning a car. They fill those criteria, but the quality of life is never going to be what they see when they go to Australia, the United States, Canada, Europe, on a holiday, and they all regularly take holidays with the whole family in these countries.

So, there is a realisation, because of a number of factors that they’re not going to breathe clean air, drink clean water, and have the space in the cities that most Westerners have.

Now when you come to political values, they’re absolutely against the corruption. They want transparency, they want accountability. But are they going to rock the boat, like that theory that with a certain level of income, middle class people start to demand democracy. I think it’s too long a discussion for this evening. I don’t believe that the Chinese middle class is going to, in the foreseeable future, demand those political values, though they are very much dissatisfied, disgruntled, about social injustices. What they’re seeking is this fairness in society. They’re seeking what we would call a rule of law much more than the political values that our countries stand for.

**John Lee**

Just very quickly. Once again, this is very anecdotal, that if you think about what makes democracy good, in our view, it’s those things – transparency, justice, access to courts etc. But you need institutions for that to happen. It’s not just property rights, you need independent courts, independent administrators, independent bureaucrats etc. China doesn’t have those institutions so if you talk to many people in China who understand these issues, they will tell you that democracy, one person one vote, may actually mean chaos. It may not necessarily mean accountability or transparency, all those things that you normally associate with a democracy.

So those sorts of institutions don’t exist and the middle classes, yes they do want to get out of China, but I think they also understand that the alternative to the political system they have right now could be a lot worse if it suddenly changed abruptly.

**Bob Carr**

It’s very interesting that China has become the first Marxist-Leninist society in the world to enable its people to travel beyond its borders. Nowhere in Eastern Europe was that ever embarked on and Cubans were not able to travel abroad, and the state went to a lot of trouble to see that they couldn’t. One stand-out fact about China is that a hundred million Chinese, each and every year, travel outside the country, as tourists, business people, students. A hundred million a year. It’s an extraordinarily high figure and I don’t know … like my other panellists here, I don’t know what this leads to. I just don’t know. They see viable democracies where political power is contested. Are they going to go on believing that’s not an option within their society? I don’t know.

The transitions that I think are of interest here are South Korea, which had dictatorial governments, authoritarian or militaristic governments, Singapore of course – we know about the transition of the Peoples’ Action Party which has been a contested election in Singapore, and one that’s not often on the list is that of Taiwan. We’ve seen a political evolution in Taiwan over the last, what is it, thirty or forty years, when Chiang Kai-shek’s son decided there would be a contestable election. It’s a big transition when a governing political party, with a monopoly of political power like the Peoples’ Action Party in Singapore, can say, well, we commit ourselves to an election. We’re going to fight hard to win it, but we’re really implicitly living with a situation where this election or the one after, or the one after that, we may lose office and as in Taiwan, or as in South Korea, do a stint in opposition, before we get back into government.

One of the reasons watching China is so fascinating I guess for each of us on this panel, is that we don’t know where this narrative is going to lead. We simply don’t know.

**Geoff Raby**

I agree very much with that last comment by Bob, but this is completely intuitive. There’s no science to it but my sense is that what you’re seeing in China is just a reversion back to very old and ancient forms of political and social organisation, and that these labels of Marxist and Leninism, let’s face it, they’re an anachronistic archaic badges from the 19th century in Europe, but don’t have any basis in China whatsoever. They’ve just been stuck on. They use those labels now, they mean nothing, that’s all, they have no content whatsoever. But this is how China has been governed for a very long time, and I suspect most people understand that and are reasonably comfortable with it.

**Bob Carr**

Do you remember Henry Kissinger’s book on China where he gives a very humorous account about the 1990s, Nancy Pelosi is the leader of the Democrats in the House of Representatives, was saying well, when it comes to fixing up relations with China, we’ve got to insist on complete freedom of speech, complete freedom of the press, and then we’ll go on from there, getting other gains, year by year. And Henry Kissinger remarked, this showed a lot of optimism about a political system that had never seen freedom of expression in its four thousand years of recorded history.

**Geoff Raby**

A quick bit of humour. Bob’s point about movement reminds me of when Jimmy Carter first went to Beijing in about 1976 or ’77, he was reading the riot act to Deng Xiaoping about how the people are in prison inside China, and can’t get out and Deng Xiaoping said, well, how many hundred million do you want? You’ll have them tomorrow.

**Nick Bisley**

The thing about travel, yes, Chinese people can go abroad but they still find it extraordinarily difficult to move between cities, so there’s that freedom of movement inside the country which is a big challenge.

**Question:**

Thanks Nick. Georgina Downer from Asialink. I wanted to pick up on something that Linda mentioned about the flashpoint really being US-Japan relations and then pick up on Bob’s comment about …

**Linda Jakobson**

China-Japan.

**Question:**

Sorry, thank you. China-Japan being a flashpoint and Bob’s comment about Australia miss-stepping or Tony Abbott miss-stepping, saying that Japan was Australia's best friend in Asia. I’d be interested in John and Geoff’s comments on how should we as a country then play Australia-Japan relations, vis-à-vis China and vis-à-vis the US.

**John Lee**

My response will come back also to Bob’s initial remarks when he started, urging a more pragmatic policy when it came to China and quite correctly saying that our interests with the US don’t always align and presumably with other like-minded Asian allies, clearly always don’t align all the time. But part of our problem in Australia is that often we join wars with America not because we want to but because we’re managing the alliance, right, because one of the strategic and perhaps *the* strategic disaster for us, for Australia, would be the end of the alliance and all that entails and all that we gain from that alliance.

The second part is, and a broader picture, strategic picture in East Asia I think is that in question is the sustainability of the American-centric alliance system. And Australia, like Japan, is very desperate to ensure that the alliance system can sustain … it’s not there to overtly contain China but it’s an effective check or hedge if things go south, go bad.

So that’s a problem that often we will have … we will agree to things with countries in our region or with America, not because necessarily we actually agree in substance, but because we’re actually managing a great alliance structure or great set of strategic relationships or we’re trying to stop the perception that the alliance system is being degraded or whatever the case may be.

So back to your question with Japan. And I mean, you know, look, Abbott should not have called Japan our best friend in Asia, but in my view, what Abbott wanted to achieve, and I have no inside information on this, but it seems to me what he wanted to achieve was, to help bring Japan into a broader strategic picture and role on the basis that this would strengthen the network, the US-centric network or security alliances in the region for that purpose, of keeping a check on China.

With Japan, Japan is really the only other country outside China that has formidable military and strategic weight. If we do think, and I personally think that the alliance system needs to continue, adapt, but continue in some form as a hedge, then Japan is an essential part of that and the Australia-Japan relationship is an essential sub-part of that alliance structure. Of course, diplomatically we can manage things with China better and explain it better, than has been done by, well, the Abbott government, but I’m not fundamentally opposed to what has occurred with the Japan relationship by the Abbott government.

**Linda Jakobson**

I guess this is where John and I perhaps see the situation differently. I would agree with him that the alliance system is paramount for Australia's security interests, but I think it is not in Australia's interests to bring Japan into the fold any more than it would to do something with China at the detriment of the Australia-Japan relationship. I think on this very complex and heated and fiery issue, it’s really in Australia's interests to do neither.

**John Lee**

A very quick response. Australia should not be involved in the East China Sea – don’t get me wrong. But should Australia buy Japanese submarines? If it’s warranted, yes. For known strategic reasons that I’ve mentioned. But maybe we half agree and half disagree.

**Linda Jakobson**

Yes.

**John Lee**

Because Australia should not be involved with the East China Sea. It is not in our interests.

**Geoff Raby**

I have a bit of a hesitation about the submarines John, only because the symbolism is a little extreme. And when it comes from, after the Prime Minister saying, the former Prime Minister saying we admired the Japanese troops in the war, we have no better friend …

**Bob Carr**

The submariners in particular …

**Geoff Raby**

The submariners. We have no better friend than Japan and then we’re going to have a submarine … What I’d like to say though just in addition that hasn’t been said, is that what we mustn’t do is get into any space that China can interpret as containment. And Abe before he was elected the first time round back in 2006, wrote a book that envisaged the coalition of democracies, the five democracies in the region, and China went absolutely nuts when Abe got elected, he leant on the Bush administration. They bought in on it. India, Australia, and the Chinese just saw this as pure containment, bringing Cold War ideological division into East Asia.

Now it all fell apart when Howard was defeated and then Bush, but there’s been a flirtation with that as well. It’s developing a mature understanding of hedging and I think the alliance relationship is extremely important to that, but then not going the next step, to having some ideologically formed group called the coalition of democracies. I used to ask, I was Deputy Secretary at the time, very much opposed to this but lost the argument. If it was truly a coalition of democracies, why wasn’t South Korea included? Well, we know the answer, because of Japan.

**Bob Carr**

I think just on this very briefly, we’ve got more influence in urging restraint on Japan and on China about their behaviour in the East China Sea if we’re seen by both of them as being scrupulously neutral. We’ve just got more influence. There is a body of opinion in Canberra, you’ve probably dealt with these people when you were there, who are drawn to the idea on ideological grounds of Australia getting measurably closer to Japan in a way that sends a message to China. In fact I was told when I was Minister that somewhere in this city, somewhere in Canberra, there is a draft treaty with Japan with ANZUS-style clauses in it, in someone’s bottom drawer. And I said, we need to find the nearest incinerator and take care of that. But as someone who admires Japan and thinks we have got a commonality of interests, I think it is overwhelmingly in our interests to let it be known at every point, we are not taking sides, we are not moving measurably closer to Japan in their dispute with China. From that vantage point, we can have more influence in urging restraint on both of them, on both of them, I’m serious about that being a message for both of them.

On the subs, I’d be saying, we’re entitled as a sovereign to buy submarines from whoever … where the consortium is offering us the best deal, the best subs at the best price, but it is important that choice emerge from a serious bidding effort, because if it looks like a gesture, a strategic gesture, there’s only one interpretation the Chinese will put on that.

**Question:**

Thank you. My name is Basil Demitriou. I wonder if the panel thinks that China is aspiring in the medium term to become a global hegemon ally of the United States or is that too late because there’s just too many other powers around?

**Bob Carr**

Not remotely I would say, not remotely.

**Geoff Raby**

No.

**John Lee**

No.

**Linda Jakobson**

No.

**Nick Bisley**

There we have it. Unanimous.

On that note, please join me in thanking our panellists, particularly for the brevity of their last response.

I’d just like to extend some thanks. As you all know, events like these do not happen by themselves. I’d like to extend my thanks to the La Trobe Asia team, and in particular to our administrative maestro Diana Heatherich for her remarkable work and tireless efforts in making today such a great success.

I’d also like to thank Robert Manne and the La Trobe University’s Ideas and Society program and in particular Benita Walton, Craig Coster and Leah Humphries as well as the excellent staff here at the National Gallery of Victoria. I would particularly like to thank Jane Long, our Senior Deputy Vice-Chancellor who suggested bringing our two teams together to work on China and of course I’d especially like to thank our panel who have taken time out of their extremely packed diaries to take part in tonight’s program.

Finally, it remains for me to thank you, the audience, for being here on a particularly schizophrenic Melbourne evening. Thanks for coming and enjoy your evening.