**LIVING WITH THE NEW CHINA – AND THAT OTHER SUPERPOWER**

Presentation by Professor the Hon Gareth Evans, Chancellor of The Australian National University and Former Australian Foreign Minister, to Global Affairs Canada Roundtable, Ottawa, 19 September 2016

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The extraordinary rise of China – and its implications in both economic and geostrategic terms – is these days on everyone’s minds.

It is certainly on Australian minds. The challenge of navigating our way painlessly between China and the United States, the two global superpowers of the 21st century (the “G2”), presents itself very starkly to us, perhaps even more than it does to you in Canada. Our geographical location – squarely within the East Asian hemisphere, as compared with yours alongside the United States, and with our gaze always focused north whereas yours has been primarily across the Atlantic – perhaps means that we feel a little closer to the frontline. And certainly Australia’s economy is very much more economically dependent on China than Canada’s – with our trade with China accounting for around 27 per cent of our total, as compared with just around 6 per cent in your case.

In this context, it has become commonplace to the point of cliché to say that Australia’sbiggest foreign policy challenge in the decades ahead will be avoiding a zero-sum game developing in relations with, respectively, overwhelmingly our most important economic partner and overwhelmingly our most important strategic partner. Commonplace maybe, but most clichés get to be that way because they neatly encapsulate obvious truths.

But China – and the challenge of steering a course between the G2 – has to be very much now on your minds as well. Like us a very close ally of the US, you can’t help but be affected by the way in which the intensifying rivalry between the two superpowers works itself out in the years ahead. For both of us – and indeed for a number of other countries in East Asia who are deeply economically engaged with China, but significantly dependent on the United States for our defence – it is a matter of maximising the huge economic opportunity that China represents, while doing everything we possibly can to help keep the peace. And keeping the peace is becoming an ever bigger challenge in an environment where the tectonic plates continue to shift from the Euro-Atlantic to the Asia-Pacific, and China is becoming ever less willing to accept a situation where the US remains – both globally and regionally, and economically and militarily – the unchallenged rule maker and enforcer.

In coming to terms with these issues, it is perhaps fair to observe that Canada has some ground to make up, as is obviously now being acknowledged by the new Trudeau Government, as evidenced by the Prime Minister’s eight day visit to China this month It seems to be generally accepted here, by all but the staunchest loyalists of the Harper Government, that Canada has been less focused over the last decade than it should have been on China’s huge potential as an economic partner (leaving you, inter alia, having to now play catch-up in joining the China-initiated Asian Infrastructure Investment Bank(AIIB)). And it also seems clear that over the last decade you have been much less engaged than you used to be in regional security-related issues. For example, having been one of the key voices in establishing the ASEAN Regional Forum in the early 1990s, and having played key roles like co-funding with Indonesia the working group on the South China Sea until the mid-2000s, you are now struggling to win acceptance as a member of important new forums like the East Asian Summit (EAS) and ASEAN Defence Ministers Meeting Plus (ADMM+), where not so long ago your participation would have been taken as a given.

But given the active liberal internationalist approach the Trudeau Government is now taking to re-engaging with the world in general and Asia in particular – with the happy result for the rest of us, if I may say so, that Canadians now seem to be behaving like Canadians again – I think it is reasonable to assume that there will be more commonalities than differences in the way in which both of our countries at least see the nature of the China challenge in the future.

That doesn’t necessarily mean there will be easy agreement on how to meet that challenge. Where one stands on these policy issues depends not just on where one sits nationally, but also politically. The conservative government in Australia, while not wanting to burn economic bridges with China, is certainly – as was the Harper Government here with whom it had close ties – instinctively more one-sidedly pro-US, and less strongly liberal internationalist in its general approach, than I am. Hopefully that means what I have to say will have a little resonance in present-day Ottawa, but that’s for you to judge.

My own prescriptions, for what they are worth, can be relatively simply stated, at least in bald outline. In dealing with both Beijing and Washington, we should work hard at building and reinforcing the positives in each of these relationships, but stay clear-headed about the potential negatives and never become either side’s patsy. And we should always recognize the larger context within which we need to be positioning ourselves, with a clear-sighted understanding of our own national interests, and our real strengths as well as our weaknesses.

**Middle Power Diplomacy**. The conceptual starting point for thinking about how we should handle ourselves in these relationships is that both Australia and Canada are classic middle powers – manifestly not with the economic or military might to match the world’s great, or really major, powers. To ensure our core national interests – our security and our prosperity – we are highly dependent on a rules-based, not might-based, international order. Like every other state we are hugely affected by a whole range of particular transnational problems – like climate change, terrorism, health pandemics, unregulated population flows, people and drug trafficking, and the spread of weapons of mass destruction – which are beyond the capacity of any of us to solve individually, and can only be successfully addressed by a cooperative rather than unilateral or coercive approach to international problem solving.

In that context it is very much a matter of national interest for Australia and Canada to be and be seen to be good international citizens, cooperative players on the regional and global stage – not just for moral boy-scout reasons, but because there are hard-headed reputational and reciprocity returns in doing so. This is true for every country, but its significance for present purposes is this. Giving primacy to cooperative and collaborative strategies – including, in a peace and security context, primarily trying to find our security *with* others rather than against them – may mean from time to time taking positions with which our greatest friends are not wholly pleased.

In doing so, we are each by no means without strengths of our own. We both have large economies by world standards, Canada ranking tenth and Australia thirteenth in nominal GDP terms; we both occupy very large landmasses, Canada the second and Australia the sixth largest in the world; we are both among the most multicultural countries in the globe (albeit in Australia’s case after a slow start), each of us with around 7 – 8 per cent of our population born in Asia; we have made strong commitments to our Indigenous peoples (albeit too recently in Australia’s case, and not without delivery flaws from both of us); Australians and Canadians working in international organizations, both official and non-governmental,  and as peacekeepers, have won almost universally outstanding reputations; and we both have long –  if periodically interrupted! –  records of acting as creative middle powers, engaged in active and effective diplomacy on global and regional as well as bilateral issues. Australia also brings to the table a unique geopolitical perspective, bridging our European history and our Asia-Pacific geography.

So in dealing with even the biggest dogs on the block, neither of us should be too apologetic or timorous. Let me talk about what this means in practice in our dealings with both China and the US: neither side of the equation can be looked at in isolation.

**Living with China.** China is manifestly becoming much more assertive internationally. Under Xi Jinping, with political authoritarianism resurgent domestically, Deng Xiao Ping’s injunction for it to “hide its strength, bide its time and never take the lead” internationally has been abandoned. Economically there has been a clear determination to no longer accept China’s second-rank status in international financial institutions, with the creation against intense US opposition of the AIIB being exhibit one in this respect. Geopolitically, manifestly expansionist territorial claims have been pursued, most notably in the South China Sea, and there has been a very significant modernization and expansion of military capability, not excluding nuclear weapons, where until now China’s position has been moderate and minimalist. There has been a clear determination to resist the indefinite continuation of U.S. dominance in the region, with the U.S. constantly being described as intent on isolating, containing and undermining it.

Our starting point in responding to this should be to recognise that much of this is no more than can and should be expected of a rapidly economically rising, hugely trade-dependent regional superpower, wanting to flap its wings and reassert some of its historical greatness after two centuries or more of wounded pride. To a large extent we should be prepared to go with the flow. We should have been actively working to embrace China in the Trans-Pacific Partnership trade pact (not that this seems now to have much of a future) rather than exclude it from the negotiation process as the US has insisted. In Australia’s case, I think Australia we were right to join the AIIB against US wishes, and to support the*renminbi* joining the IMF’s reserve currency basket.

When it comes to Chinese investment in so-called security sensitive sectors I think we can afford to be a little less neurotic than some of our governments have been, and are increasingly becoming. I think Australia was right earlier this year not to succumb to US pressure to block the leasing of the Port of Darwin to a Chinese firm: as the head of our Defence Department very sensibly said at the time, spying on ship movements there could be more easily done “sitting on a stool at the fish and chip shop on the wharf”. More recently our government has reacted more jumpily by refusing, on undefined national security grounds, a huge proposed Chinese investment in the New South Wales state electricity-distribution grid. My view about these potentially sensitive investments in key transport, communications and energy infrastructure is that we have ample powers to react defensively should – God help us – it ever come to a wartime situation, and that we would have to be living on another planet to believe you can avoid cyber-attack or espionage by having only angels on your share register.

But none of this means that we should accommodate China to the extent of not protecting our own genuine security interests, not raising issues like human rights which we think might make Chinese interlocutors uncomfortable, or not pushing back hard when China takes a position which is manifestly unacceptable. There should be no hint of obsequiousness in Australia’s, or I would suggest Canada’s, response on any of these fronts.

It is clearly in both Australia’s and Canada’s national security interests to maintain a strong security alliance with Washington. And we don’t need in this context to be at all deferential to Beijing. China is hard-headedly realistic about the alliance: while in no doubt at all on which side we would be on if the nightmare scenario of a military confrontation were to arise, it is not inclined to let defence issues inhibit the other dimensions of its relationship with us. That doesn’t mean we should not have some messages of our own for our US allies as to how they can best contribute themselves to keeping the security situation manageably calm – and I’ll come back to this later -- but it does mean we should not be too jumpily nervous about causing offence to Beijing.

All this has become particularly important in the context of the South China Sea, the most potentially volatile of all the current tension points between China and the US. It has now been authoritatively determined by the Permanent Court of Arbitration (PCA) in The Hague in July that China’s “nine-dashed line”, identifying as its “historic waters” some 80 per cent of the whole area, is a manifestly unacceptable foundation for any kind of sovereignty claim under international law. The PCA also ruled that there was no legal basis under the UN Convention on the Law of the Sea for China to be building airstrips and other potentially militarily-relevant infrastructure on certain reefs and rocks in the Spratly Group, and asserting at least a 12 nautical mile exclusion zone them.

China has strongly objected to the whole PCA proceeding and no doubt will continue to do so. We can’t expect it to abandon occupancy of any reef, rock or island where it currently has a toehold, or to stop insisting on its sovereign ownership of most of the land features in the South China Sea. But so long as China’s objections to the PCA decision remain essentially just rhetorical, as they have been so far, there is a strong case for the rest of us giving Beijing some space to quietly adjust course.

The test for us all will be if it goes beyond the status quo, and engages in such adventures as further overt militarization of the reef installations, new reclamation work starting on the Scarborough Shoal (squarely within the Philippines’s EEZ), or declaring an Air Defense Identification Zone (ADIZ) over any of these features. Then I think that, in the interests of maintaining the rule based international order on which our two countries so much depend, some pushback cannot be avoided – in the form, for example, of so-called Freedom of Navigation Operations (FONOPS) operations close by features like Mischief Reef, which cannot on any view sustain a 12 nautical mile exclusion area around them.

True, any such naval or airborne operation runs real risks of incidents occurring, which history tells us can escalate out of control. But my own belief is that China, while certainly wanting to push the hegemonic envelope as far it can, and willing to take advantage of any perceived weakness, is not remotely interested in embarking upon or promoting violent military confrontation, and that any such escalation is extremely unlikely. The stakes are just too high, not only because of the terrible physical carnage that would be involved, but because China and the US are joined at the wallet, and by personal ties, in so many ways. Given not only the huge flows of tourists and business people, but the fact that there are more than 300,000 Chinese students studying in the US and 25,000 Americans studying in China at any one time, it is difficult to believe that, on this ground alone, cooler heads will not prevail.

We in the West can help cooler heads prevail by giving China time and space to change its behaviour in ways that will not cause it to lose face, or more face than it already has. The key to the success of the 1989-91 Cambodian peace negotiation in which I had a role was that we didn’t just demand that China stopped supporting the Khmer Rouge but rather, by identifying an unprecedentedly central role for the UN in the transition process, gave it a face-saving way of doing so. In the context of the South China Sea, for example, that means not demanding that Beijing stop talking about the “nine dash line” altogether, but accepting its use as a way of identifying the land features over which China continues to claim sovereignty; and not demanding that China withdraw from the installations that it has already built, but rather just calling on it to engage in no new construction activity.

The Chinese, in my long experience, are extremely sophisticated diplomatic players who will push their interests to the limit, and happily take advantage of any perceived weaknesses on the other side in any given situation, but have a pretty clear idea of what the limits are, and will not do anything that seriously risks violent conflict. More than that, I do not think they are willing to really seriously put at risk their reputation, which they do value, as responsible stakeholders in the international system. While they are no longer prepared to accept, as they did for a long time, the US as unchallenged global – and regional – rule maker and enforcer, both economically and militarily, that doesn’t mean they are in the business of tearing up all the rules. In my experience the best way of communicating unhappiness with various kinds of Chinese behaviour – be it external provocations or internal human rights violations – is to point out the international reputational risk they are running, and how important it is that they act, and be seen to be acting, in accordance with a rules-based international order.

**Living with the United States.** Of course, if that kind of argument is to be credible, we in the West have to be unimpeachable in our own commitment to such an order, and willing to acknowledge that China has no less a role than anyone else in creating and maintaining it. And it is in this context that Australia and Canada, and others like us, have some legitimate points to make to the US about the need for understanding and restraint.

A very useful contribution we can make  is to constantly urge our friends in Washington to avoid using what I call the “DLP” words – maintaining the *d*ominance, or *l*eadership or *p*rimacy of the US in East Asia, recognizing just how grating and confronting these words sound now to Chinese ears.  Whatever many policymakers say privately, the public discourse is that it should remain No 1 in perpetuity, both globally and in Asia.  The most confrontational recent articulation of this position is to be found in a recent (March 2015) Council on Foreign Relations paper by Robert Blackwill and Ashley Tellis, *Revising US Grand Strategy Toward China.*  They argue that the central objective should be “preserving U.S. primacy in the global system”, and advocate a series of economic, political and military measures which, although described as “balancing” China, unashamedly amount to containing it.

On the contrary, I think we should be saying, and believing, that the right language for the US to be using is that which I once heard from Bill Clinton after he left the White House when I shared a platform with him in a private gathering (in Hollywood, but that’s another story), but which he has never more than hinted at in any public utterance: “The real choice for America is not to use our enormous economic and military might to try to stay top dog on the global block in perpetuity, but to create a world in which we will be comfortable living when we are no longer top dog on the global block.”

The US does not always listen very hard to its friends, but it does listen, and Australia and Canada should use the access we have to make constructive suggestions as to how the US-China relationship might most sensibly be managed in a way that reflects the reality of the forces and mindsets at work in each country, but which would not, over time, push legitimate competition to the point of dangerous confrontation.

Overall, the best recent articulation I have seen as to how that might be done comes from our own former Australian Prime Minister Kevin Rudd, in his recently published (April 2015) Harvard Kennedy School paper on *The Future of U.S.-China Relations Under Xi Jinping.* Whatever scars Rudd might still wear at home, he continues to be regarded internationally as one of the most thoughtful and best informed thinkers on this subject, and for good reason. His label for the desired relationship is clunky –“constructive realism” – but his analysis and policy prescriptions are compelling, and I think they deserve active diplomatic support from Australia and Canada among others.

The “realist” dimension of Rudd’s argument recognizes that certain areas of disagreement are going to be intractable for the foreseeable future, with no easy solutions but requiring careful management: among them Taiwan, the South and East China Seas, the role of US alliances in Asia, Chinese military modernization and the legitimacy of its political system.

The “constructive” part of his thesis argues for serious collaborative tackling of a series of other difficult issues, in a way that would see the U\S accepting China as a much more equal player. Bilaterally, that might involve an investment treaty, a joint intelligence task force on terrorism, a cyber protocol, agreed measures for managing unplanned military incidents, and an agreed process for ratification of the comprehensive nuclear test ban treaty.

Regionally, collaboration could involve a joint strategy for denuclearization and ultimate reunification of the Korean Peninsula, tackling the lingering sore of Japanese war history, harmonizing regional trade agreements, and working to further develop the East Asian Summit process.

Globally, the focus could be on collaboration on climate change, re-energizing the G20, accepting the growing internationalization of the *renminbi,*giving China a greater role in the Bretton Woods institutions, and working together on the reform of other key international institutions within the UN system.

No US presidential candidate is going to be heard accepting that the United States should ever become the world’s No 2.   But it is possible to hope over the years ahead that we will hear less talk of primacy and dominance, and more focus on policies that reflect the reality that it only through cooperation and collaboration that we can ensure that the 21st century will not, like the last, become a vale of tears. Both Australia and Canada have big stakes in that outcome, and voices that can and should be heard in achieving it.

I don’t see any great difficulty in carrying public opinion with us in this respect, certainly in Australia, where we have long been used to seeing *both* the US *and* China as constructive partners – economically and militarily respectively – in securing our own future. The most recent Lowy Institute Poll, announced in June, tracked “warmth of feeling” towards both countries (on a notional thermometer with 100 very warm and zero very cold) at 68 degrees for the US and 58 degrees for China: not all that far apart. And China had a clear lead over any other country – Japan, Indonesia, Singapore, India or South Korea – when Australians were asked to identify “Australia’s best friend in Asia”. But while 79 per cent of Australian saw “China’s culture and history” as having a positive influence on their view, at the same time 86 per cent saw its “human rights record” and 79 per cent its “military activities in our region” as negatives, and fully 74 per cent of respondents were in favour of Australia “conducting maritime operations …in an effort to ensure freedom of navigation in the South China Sea”. And while support for the US alliance has slipped nine points since 2013, 71 per cent of Australians still see it as “very” or “fairly” important to our security.

It may be that Australians have grown to be – by virtue of our geography, economic experience and personal exposure right across the country (receiving as we do over 1 million Chinese tourists each year, and with an extraordinary 140,000 Chinese students in our midst at any one time) – more warmly disposed to China than Canadians: I haven’t been able to find comparable survey figures. But the important point to make is how fascinatingly balanced, and nuanced, our public opinion is, in relation to both the US and China. It is not a matter of either falling over backwards to accommodate China or being deeply suspicious of and resistant to every move it makes toward a bigger place in the global and regional sun: it’s a matter of being both warm *and* cool as circumstances demand. In the complex world of the 21st century I think that’s a pretty healthy place to be, and one that, to the extent this is not the case already, Canada might think about also occupying.

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