



Pragmatism rules in China relations

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Australia is not being swept up by America's anxious agitation at China's rise.

During its first three months, the Abbott government seemed to be veering towards a hard-line policy on China. The government suddenly baptised Japan as our "best friend in Asia", then called Japan an "ally". We went further than any like-minded nation in reprimanding China when it declared an Air Identification Defence Zone (ADIZ) over disputed islands in the East China Sea.

These gestures may have reflected some residual cold warrior instincts or some US-derived prejudice against China's rise. Or they may have simply been early missteps by a new team.

Either way, from early 2014 the Abbott government reconsidered. In May 2014 when tensions between China and Vietnam flared over the South China Sea it simply called for restraint all round.

Then there was a still more significant signal that pragmatism not ideology would shape China policy. In June 2014 then-defence minister David Johnston declared on *Lateline* that the ANZUS treaty probably didn't apply in the event of conflict between China and Japan in the East China Sea. This sent a strong message that Australia was cleaving to neutrality on the neuralgic territorial dispute.

Last week's decision to join the China-sponsored Asia Infrastructure Investment Bank – in the face of reports that President Obama had lobbied the Prime Minister against it – confirmed that Australia was not being swept up by America's anxious agitation at China's rise.

Australia's economic interests are clear enough. In mid-2014 the annual value of our exports to China soared above \$108 billion. That is 2.1 times that to Japan, our second trading partner. Yes, China's growth is down to 7 per cent. But this "new normal" is generating more billions each year than an 11 per cent growth rate in 2005. China will recruit 850 million more citizens to middle class status by 2030. That market is crucial to Australian living standards, especially as the Japanese population – our number two market – is locked into shrinkage.

Tony Abbott's new sinophile instincts might have bubbled too merrily when he enthused about President Xi's commitment to democracy in his speech to the Australian Parliament. But the Xi visit was a triumph for both sides. It wiped away any memories of critical editorials in the *Global Times* about the government's early hard-line, even outweighed the social media attention to our Prime Minister's praise of Japanese submariners.



The visit seems to have impressed on Chinese public opinion that Australia was a good friend, certainly one deserving an FTA and a "comprehensive strategic partnership". Zogby shows 76 per cent were aware of the FTA, 81 per cent believed we welcome closer economic ties.

The biggest challenge in entrenching these gains is the strategic one.

Australia is entitled to buy its submarines from whoever offers the best deal. But a decision to go to Japan without a rigorous evaluation of European options looks like a strategic statement – and one made at the insistence of the US which, as it happens, would fit out Japanese subs.

The US may want to edge Australia into a trilateral arrangement to support Japan in any showdown with China. Of course, this may not be a considered US strategy, or a particularly high priority. It should nonetheless be a goal of Australian diplomacy to let down gently both Japanese and Americans if this is, in fact, a serious expectation.

In the meantime, former defence minister Johnston and Foreign Minister Julie Bishop can take satisfaction in Zogby's finding that 35 per cent of Chinese business elite have formed the view that on Senkaku/Diaoyu islands it's the Chinese side we're on anyway; and the Australian community generally that among Chinese business leaders goodwill towards us runs so strongly.

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