

Australia-China: the year ahead



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Civil emergencies have marked the start of the New Year for both Canberra and Beijing. Each in its own way is likely to have some implications for foreign policy and how the bilateral relationship is managed.

The challenge for both sides in 2020 is whether some concrete progress will be made back towards a more normal relationship. At the start of the year, the prospects are not encouraging.

The terrible fire situation in Australia has already had a foreign policy dimension, with the Prime Minister properly cancelling his Tokyo and New Delhi official trips in January and staying at home.

From a foreign policy perspective, the Tokyo-New Delhi trip may have been too clever by half. While intended primarily to send a message to China that Australia has other strategic options in the region, and progress discussions on the Quad arrangement intended to balance, if not contain, China it would also have highlighted the fact that these days Australia has a very big hole at the centre of its foreign policy.

It would be unprecedented since diplomatic relations with China began for an Australian Prime Minister to fly over China without making an official visit to Beijing.

Had the visit gone ahead, the Prime Minister would have acknowledged that he could visit lesser partners in the region, but could not visit Australia's largest market, the biggest economy by far in the region, and the dominate regional power.

Without being able to engage directly with China, it would have demonstrated, if further evidence were needed, that Australia is now playing at second division diplomacy. No doubt the Prime Minister would have been all ears hearing second-hand from Prime Minister Abe about his recent visit to Beijing, and about the Chinese leadership's thinking on key regional and global issues.

As Australia enters its fourth year of official estrangement from China, without a senior bilateral visit in either direction, the prospects of one occurring this year remain dim. From a purely transactional perspective it may not matter much as Australia's goods and services exports continue to go from strength to strength and, in normal circumstances, could be expected to do so again this year.

As long as China continues to make an oversize contribution to a healthy balance of payments for Australia, Canberra evinces no interest in working towards restoring the high-level relationship. As the junior partner in the relationship, Canberra still quixotically seeks to reset the terms of our engagement (whatever that may mean) with China. Beijing also seems to feel little need to do anything to improve matters, presumably having judged that, trade aside, Australia is of little relevance these days to regional and global issues that bear on its interests.

The Trade Minister will most likely visit Shanghai in May for the AFL game. This has become an annual event attended by the Trade Minister. This will be spun on the Australian side as a return to more normal bilateral relations. It is unlikely he will be invited to visit Beijing, despite feverish behind-the-scenes work by the Embassy to secure an invitation.

However, it is increasingly likely that the visit may not occur at all because of the coronavirus outbreak. The virus may well develop into a pandemic, if it hasn't already done so. SARS ran on for some eight months in 2003 before gradually coming under control, harming economic activity in China and Hong Kong.

Coronavirus may well be the single biggest challenge for the Chinese leadership to manage this year. It has both economic and political dimensions.

It could cause China's economic growth to slow markedly, especially if internal movement of people and goods is restricted for an extended period. This is looking increasingly likely. It would of course impact directly on the Australian economy at a time when Australia is itself dealing with the effects of the fires. Travel from China to Australia (and definitely the other way) will also be reduced.

It is also a potential political problem for the Chinese leadership, and Xi Jinping in particular. If the Government is felt to have been covering up, tardy to respond, careful with the truth, or incompetent in responding, it carries the risk of attracting widespread public ire.

Already the population has little trust in the Government when it comes to food and safety standards, public health, looking after people to have suffered ill health because of regulatory failures. Coronavirus is likely to be seen as more of the same and as such could quickly feed public cynicism and anger at the Government. China's middle classes are also much more numerous and aware of their rights than they were in 2003.

Although China achieved something of a temporary victory in the trade war, if it implements the terms of the settlement faithfully, President Trump is unlikely to continue targeting China in the run up to the election in November. Nonetheless, as has become usual practice, China will remain a hot subject for both the Republican and Democrats' campaigns. Believing, perhaps correctly, that they have his measure, China may also favour a Trump victory.

Xi Jinping finished 2019 on a high note, having secured a truce in the trade war, the protest movement in Hong Kong becoming depleted, and the domestic economy still growing strongly. These are all substantial achievements which will carry the leadership forward, but an external shock like coronavirus could see both Xi's economic and thus political fortunes change quickly.

These major civil emergencies in both Australia and China will deflect high-level attention away from the nuanced and careful diplomacy required to move towards re-engagement in 2020. In any event, Canberra is unlikely to feel it needs to do more to move out of the current impasse.

Author

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