

China makes overtures amid strategic uncertainty in Australia

By James Cogan
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Chinese Premier Li Keqiang, along with a large number of officials and business figures, concluded a five-day state visit to Australia on Sunday and continued on to New Zealand. Li and Prime Minister Malcolm Turnbull held talks and attended a football game, while numerous other discussions took place. Publicly, emphasis was given to talks on expanding the already massive trade ties and growing investment between the two countries. Behind the scenes, however, there is little doubt that frank exchanges took place on Canberra's stance toward the growing tensions between China, Australia's largest trading partner, and the United States, its strategic ally.

Li's visit pre-empted any trip to Australia by a senior representative of the newly formed Trump administration in Washington. Vice President Mike Pence has announced a visit next month, but Trump has given no indication as to when, or if, he will come to Canberra. On the Australian side, Malcolm Turnbull has indicated he will not travel to the US until at least May. Top level diplomacy has been left to Foreign Minister Julie Bishop, who visited the US in February to meet with Pence and Secretary of State Rex Tillerson.

The Chinese regime is acutely aware of the ever-more public debate in the Australian political establishment on how closely the country should align with the US. Barely a day passes without some criticism in the media or by foreign policy think tanks of the Trump administration's destabilisation of world economic and political relations by its "America First" militarism and threats of protectionism and trade war. Former politicians and diplomats have even called for Canberra to extricate itself from its intimate involvement in the US "pivot to Asia" and military build-up in the region since 2011, which has included the expansion of US bases in Australia (see: "Former Australian ambassador calls for foreign policy turn toward China").

Prior to Li's arrival, Julie Bishop signalled in a major foreign policy speech that the Turnbull government would not distance Australia from the US, calling instead for Washington to play an "even greater role" in Asia. China,

she declared, was a "strategic competitor" of the US, challenging the "liberal rules-based order" that served Australian interests. She proceeded, however, to issue a veiled warning that damage to those interests by US protectionist measures, or any retreat by the US from its alliance guarantees, could result in a shift by not only Australia, but a number of US-aligned countries in the region (see: "Foreign minister warns US to guarantee Australian interests").

Feng Zhang, an academic contributor to the Australian Strategic and Policy Institute, commented on March 28: "Chinese elites can't help but wonder whether Australia is now a strategic prize up for grabs in the age of Trump."

The Chinese regime framed Li's diplomatic approach accordingly. Rather than taking a confrontational stance, he came instead bearing political and economic overtures.

Standing alongside Turnbull, Li declared China was committed to "global peace, regional stability and free trade." For countries such as Australia, he continued, there was "no such issue as taking sides" between the US and China. As evidence, Beijing brought forward a review of Australian corporate access to key service sector markets in China such as finance, health care and aged care, under the terms of the China-Australia Free Trade Agreement.

Li also announced that Australia had been granted the right to export chilled beef. Australia is the only country to have been given this trade concession, which is worth over \$400 million to beef producers. Further concessions were extended to Australian-based online sellers of powdered-milk products, baby formula and vitamin supplements, also worth tens of millions of dollars in additional exports.

Crowning the Chinese economic overtures was an offer to integrate plans to develop road, rail and other infrastructure in northern Australia with the massive Chinese "One Belt One Road" scheme to construct land and maritime trading links across the Eurasian land mass. Such a linkage would conceivably enable projects in Australia to apply for funding from institutions such as the Export-Import Bank of China

and the newly formed Asia Infrastructure Investment Bank (AIIB).

Turnbull matched Li's sugary language, declaring that China was Australia's "very good friend" and that "the idea that Australia has to choose between China and the United States is not correct."

His government, however, turned down Chinese involvement in the development of northern Australia—the region closest geographically to Asia, particularly the key sea lanes between the Pacific and Indian Oceans, and the focus of American military interest in the Australian continent. In US strategic documents, northern Australia has been openly described as an American "sanctuary" in the event of a major war with China.

In 2011, an agreement to base several thousand US marines in the northern city of Darwin for six months of the year was signed between the Obama administration and the Gillard Labor Party government. At the same time, the so-called "Enhanced Air Cooperation" agreement was entered into, under which the US Air Force is now operating some of its most sophisticated combat aircraft from northern Australia. At present, an entire squadron of 12 F-22 Stealth fighters is based at Tindal air base to the south of Darwin. Large tracts of northern Australia are designated military training ranges and used by American bombers and jet fighters for live fire exercises.

The commander of US forces in the Pacific, Admiral Harry Harris, announced at the beginning of the year that he intends long-range B1 bombers to operate on a rotational basis from Australia, rather than Guam where they are currently based. US naval visits to Australian ports have increased exponentially over the past six years, and discussions are still underway on the feasibility of basing nuclear submarines or even an aircraft carrier battle group at the Indian Ocean port of Stirling, near Perth, Western Australia.

Chinese activity in northern Australia is viewed with intense suspicion and hostility both in Washington and by the vocal pro-US constituency in the Australian establishment. In 2015, the Turnbull government was fiercely condemned for not intervening to prevent the Northern Territory government granting a commercial contract to a Chinese company to operate docks at the port of Darwin. Subsequently, a bid by a Chinese company for a large farm in the north was rejected on national security grounds because it borders a military range, while two Chinese bids for Australian power companies have also been rejected.

An analyst recently warned that any attempt by an Australian government to try to lessen military cooperation with the US, or ignore its opposition to sensitive Chinese

investment, would risk potentially devastating economic retaliation. The US is Australia's largest source of foreign investment and second largest trading partner (see: "Report documents extent of US-Australia economic ties").

Yesterday, in the wake of Li's visit, Julie Bishop began meeting with some 113 Australian ambassadors who were recalled to Australia for top-level discussions on the country's foreign policy orientation. The framework of the talks was indicated in Bishop's opening statement.

The US, she declared, "has a new president driving an economic nationalist agenda." The world, as a result of Trump, was "less predictable, more unstable." China's growth posed both "challenges and opportunities."

Bishop concluded: "It's how we balance our relationships that will determine our success."

The balancing act, however, is growing increasingly fraught and the claim of "not having to choose" increasingly hollow. In another snub to Beijing, the Labor Party and right-wing populists combined in the parliament yesterday to force the Turnbull government to renege on an agreement to enact an extradition treaty with China, with hypocritical rhetoric flowing from the Australian establishment over the regime's human rights abuses.

At the same time, the Trump administration is continuing to aggravate tensions with Beijing, issuing threats of pre-emptive strikes on China's ally, North Korea, to destroy its nuclear and long range missile programs. Any military action on the Korean Peninsula would immediately involve American bases and assets in Australia and almost certainly see US requests for the involvement of the Australian armed forces.

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