

CHINA-AUSTRALIA RELATIONS



from the perspectives of complex interdependence

◆ YU LEI

Current Affairs Press

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Preface

The rise of China in the era of Pax Americana is one of the most pertinent questions in contemporary world politics that is preoccupying the minds of many scholars of International Relations. China's peaceful rise is relevant not only to global peace and stability but also to geo-political and economic interests of states in the Asia-Pacific region, Australia included. Conversely, the prosperity and stability of this region in general and of Australia in particular are also inextricably linked to China's.

This book authored by Dr. Lei Yu critically assesses the evolvement of Sino-Australian relations over the recent past and endeavours to chart a possible trajectory of their future development from a Chinese perspective. He reinforces his belief in reshaping the balance of power in the Asia-Pacific region through a multifunctional framework should major players look beyond the doctrinal lenses of Cold War geopolitical rivalry.

The perceptions articulated in this book like those in his articles published (e. g. Cambridge Review of International Affairs and International Affairs) are both interesting and thought-provoking. I am pleased with his insights and encourage him to further his exploration.



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Abbreviations

ANZUS	Australia, New Zealand, United States Security Treaty
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CAFTA	China-ASEAN Free Trade Area
CCP	Chinese Communist Party
CPPCC	Chinese People's Political Consultative Conference
DIFF	Development Import Finance Facility
DPP	Democratic Progress Party
EAC	East Asia Community
ECFA	Economic Cooperation Framework Agreement
FMPRC	Foreign Ministry of the People's Republic of China
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Products
IR	International Relations
NMD	National Missile Defence
NGO	Non-governmental Organization
NPC	National People's Congress
OAU	Organization of African Unity
PRC	People's Republic of China
PLA	People's Liberation Army
PECC	Pacific Economic Cooperation Council
PPC	Paris Peace Conference
RCEP	Regional Comprehensive Economic Partnership
R&D	Research and Development

ROC	Republic of China
ROK	Republic of Korea
SEATO	Southeast Asia Treaty Organization
SCO	Shanghai Cooperation Organization
TPP	Trans-Pacific Partnership
UN	United Nations
WTO	World Trade Organization

List of News and Newspaper Sources

ABC (Australian Broadcasting Corporation)

Asia Times

BBC (British Broadcasting Corporation)

Canberra Times

China Daily

China Youth Daily

Financial Review

Financial Times

Global Times

Guangzhou Daily

Lianhezaobao

People's Daily

PLA Daily

South China Morning Post

Taibei Times

Takunpao

The Advertiser

The Age

The Guardian

The New York Times

The New Zealand Herald

The Sydney Morning Herald

The Daily Telegraph

The Wall Street Journal

The Washington Times

Xinhua (Xinhua News Agency)

Contents

Introduction	(1)
CHAPTER 1	Complex Interdependence: Conceptualising the China-Australia Relationship	(35)
CHAPTER 2	Factoring in the Geopolitical and Economic Implications	(60)
CHAPTER 3	Seeking Common Ground While Shelving Differences: From Confrontation to Rapprochement under Mao Zedong	(95)
CHAPTER 4	Extending Common Grounds: Moving from “Special” to “Commercial” Relations During Deng Xiaoping’s Era	(130)
CHAPTER 5	Stabilizing Common Grounds: From Strategic Conflicts to Pragmatic Cooperation During Jiang Zemin’s Rule	(163)
CHAPTER 6	Managing differences in Hu Jintao’s Time: Australia’s Dual Strategy towards China and the U. S.	(195)
CHAPTER 7	China’s Future Scenarios and Australia	(227)
CHAPTER 8	Conclusion	(249)
References	(264)

List of Figures

Figure 1	Growth in Trade between Australia and China	(46)
Figure 2	Australia's Top 10 Two-way Trading Partners 2011	(46)
Figure 3	Australian Household Trade with China across the States and Territories	(51)
Figure 4	Some Important Economic, Social and Military Data of China and the U. S.	(77)
Figure 5	Military Hardware of China, Russia and the U. S.	(78)
Figure 6	China's Imports & Exports of Commodities(1978 – 2010)	(159)
Figure 7	China's Imports & Exports of Services(1982 – 2010)	(159)
Figure 8	Jiang Zemin's Notion of the New World Order	(168)
Figure 9	Hu Jintao's Notion of the New World Order	(200)
Figure 10	Australia's Policies towards China	(224)
Figure 11	China's GDP Growth	(231)
Figure 12	China's Dependence on International Trade	(232)
Figure 13	Number of Graduates with Undergraduate and Specialized Degrees	(233)
Figure 14	China's Share of Selected Global Commodity Markets ...	(236)
Figure 15	China's Major Trading Partners	(237)

Introduction

Since the beginning of the new millennium, successive Chinese Presidents from Jiang Zemin (1993 – 2003) and Hu Jintao (2003 – 2013) to Xi Jinping (2013 –) have persistently emphasised the “strategic significance” of Australia for a rising China. When first visiting Australia in 1999, Jiang Zemin frankly told Australian Prime Minister John Howard that “Chinese leadership has always viewed their friendly ties with Australia from a strategic perspective” (Zhai Kun 2005, p. 1). Hu Jintao continued Jiang Zemin’s theme, urging his counterparts in both his visits in 2003 and 2007 is to “consolidate and develop an all-round cooperation” between their two states. Hu told the Australian political leadership in a candid way that his government had viewed intensified China-Australia ties as “a key component of China’s external relations” (Hu Jintao 2003, p. 1; Du Shangze & Liu Hui 2013, p. 1). It is in Hu Jintao’s time that the two states eventually elevated their relations to the level of strategic partnership. It is important to note that the intensified China-Australia relationship has gained a momentum since Xi Jinping took power as Chinese President in early 2013. 2014 witnessed the upgrade of bilateral ties to the level of “comprehensive strategic partnership” and the conclusion of China-Australia Free Trade Agreement whose negotiation started more than 10 years ago in 2005 and made no substantial progress before Xi Jinping’s presidency.

Why is Australia strategically important to China in the perspective of Chinese political leadership and international relations (IR) scholars? Some Chinese scholars (e. g. Zhang Lu & Huang Ji 2007, p. 40 and Tang Haiyan 1996, p. 52) provide plausible explanations that as well as its abundant natural resources, China needs to sustain its economic growth, and further, Australia can be viewed as a strategic partner in maintaining peace and stability in the Asia-Pacific re-

gion, or as the Chinese phrase goes, “building a harmonious Asia-Pacific”. After thirty years of rapid economic growth since late 1970s, China is now in desperate need of overseas markets and resources in order to sustain its economic growth. However, in order to ensure Chinese economic development which has been viewed by Deng Xiaoping as “overriding”, China needs, as Deng Xiaoping suggested, a stable and peaceful international environment, particularly in China’s peripheries. It is probably in this context that resource-abundant and geographically important Australia that is situated at China’s grand peripheries is broadly perceived by the Chinese political leadership and IR scholars as “strategically” important. It is also in this context that China and Australia have, as evidenced by the development of their relationship over past decades, steadfastly elevated their relations from an economic partnership shaped in the 1990s to a relationship of ‘all-round cooperation’ in the 2000s and a ‘strategic partnership’ in 2010s (Foreign Ministry of the PRC 2013).

This book thus attempts to explore two questions around the development of China-Australia relations in terms of complex interdependence. The first question refers to the future trajectory of China-Australia relationship, or more specifically, whether or not it is possible for China and Australia to create a special relationship in the context of complex interdependence in order to address growing global challenges and keep peace and stability particularly in the Asia-Pacific region. Why is complex interdependence important? This is mainly because China and Australia have, on the one hand, radical differences in a wide variety of realms, such as political values and social system. On the other hand, they share extensive interests, such as in keeping their economic prosperity and regional peace as well as addressing global climate change. To answer the first question, this book examines the China-Australia relationship over the past half-a-century and finds that it is in the context of complex interdependence that China and Australia have constantly elevated their relationship from economic to strategic levels. This book attributes the enhancement of China-Australia relations to the fact that both countries have enjoyed increasing com-

mon interests and appreciated each other's importance, particularly in maintaining their economic growth and regional peace and stability. Given the current momentum of cooperation in such wide – ranging realms such as economic development, global governance and regional peace and stability, the China-Australia relationship has enormous potential to be further raised to new levels.

If the answer to the first question about whether or not it is possible to create a special China-Australia relationship in the context of complex interdependence is yes, this book then raises a second question: how can the relationship be elevated to higher levels? In order to answer this question, this book once again examines China-Australia relations over the past half-a-century and finds that the relationship is, as former Australian Prime Minister Kevin Rudd (Wines 2009, p. A8) describes, full of 'challenges' and 'bumps'. For instance, the two states had undergone long-term ideological antagonism and even military confrontation in the Korean War in the early 1950s and the Vietnam War in the late 1960s and early 1970s. Even at the turning of this century, when bilateral trade and economic cooperation had substantially grown, China and Australia still experienced difficulties in their relationship: China viewed Australia as a 'crab's claw' of American hegemonism in the Asia-Pacific (Dwyer 1996, p. 12). Contrary to Chinese views, Australia designated China in its 2009 Defence White Paper *Defending Australia in the Asia Pacific Century: Force 2030* as a 'threat' to a dozen of states in the Asia-Pacific region, posing a seminal challenge to regional peace and stability (Guo Chunmei 2009, p. 9). In the face of these "challenges" and "bumps", particularly experienced in the new century when close economic cooperation and interdependence has been created between China and Australia, this book holds that apart from shared economic interests, other factors, such as foreign policy and diplomatic strategy, should also play an important role in promoting the relationship between the two countries from 'commercial' to 'strategic' levels. This book thus conducts much analysis on foreign policies of both states, trying to identify which of them have substantially contributed to intensified China-Australia relations.

The researcher believes that the two questions raised in this book are significant as they are conducive to further extending the two nations' cooperation in economic, political, security and environmental realms as well as pushing their ties to a new height. Moreover, China might have the possibility of creating similar relationships with other Western states, such as Britain, France and even the U. S. , if it is able to create a special relationship of complex interdependence with Australia[Germany and China have established a strategic partnership in 2010 that analysts dub a "special relationship", a reference to the label used to describe US-UK ties (Kundnani & Parello-Plesner 2012)]. In this context, the findings of this research can be much helpful for better understanding China's evolving relationships with other Western states within the same conceptual parameter of complex interdependence.

Background

Following thirty years of rapid economic growth since the late 1970s, China has risen to be the world's second largest economy, the largest net creditor, and the largest exporter and importer of commodities around the end of the first decade of the new century. Based on its economic ascendancy, the military build-up and modernisation of the People's Liberation Army(PLA) over the recent decade has been directed through heavy investment in education, research and development(R&D) and military hardware. China's significant increase in military spending comes at a time when most of the global military powers have to cut their military expenditures as a consequence of the global financial crisis and pressing fiscal deficits. However, it should be noted that China's military budget is still much smaller than that of the U. S. .

In the face of China's rapid rise in economic and military power, international political leaders and IR experts have been pondering on the potential impact of China's growing importance on global and regional geopolitics. States across the world have also made varied responses to China's rise according to

their status in the global power hierarchy and their position in global politics. Joseph Nye's (2013) articulation of his concern is typical among international scholars and political analysts: "[T]he rise in the economic and military power of China, the world's most populous country, will be one of the two or three most important questions for world stability in this century".

The concern is that "China cannot rise peacefully" (Mearsheimer 2006, p. 160; Brendon 2010, p. 13) and might be like past rising powers such as Germany and Japan, attempting to topple the existing world system and order, re-configure the global power hierarchy, and multiply its "survival space" through external expansion and retaliate against its foes. In view of the past imperialist wars, and especially the two world wars in the 20th century that claimed tens of millions of lives, the concern of these political leaderships and IR scholars appears plausible. In the past, rising powers have indeed generated enormous suffering to human beings with numerous wars and massacres as they struggled for interests, power and hegemony.

As a response to international concerns at China's rise, the Chinese government announced at the beginning of the new millennium that it would open up a new path for its rise featuring "enduring peace and common development of human beings", by pursuing the strategy of Peaceful Development (He Ping Fa Zhan, 和平发展) and Harmonious World (He Xie Shi Jie, 和谐世界). The strategy of Peaceful Development was officially proposed by Wen Jiabao (2005, p. 1), Chinese Premier (2003-2013), in his Government Work Report to the People's Congress in 2005 as a direct response to international concerns over the 'China threat'.

Hu Jintao stated the strategy twice, first on 31 December 2006 in his New Year Speech (Hu Jintao 2006, p. 1), and then in October 2007 in his report at the 17th Chinese Communist Party Congress (Hu Jintao 2007, p. 1). Both Hu Jintao and Wen Jiabao promised that China will "unswervingly follow the path of Peaceful Development". Tang Jiaxuan (2007), State Councilor (2003 – 2008) for external affairs, expounded on China's strategy of Peaceful Develop-

ment; China will never seek hegemony or external expansion and China's development will not be achieved at the expense of other countries. *The White Paper on Peaceful Development* published by the Information Office of Chinese State Council (the Central Government of the PRC) in 2011 provided detailed explanation of this strategy and reassured the rest of the world that "China never engages in aggression or expansion, never seeks hegemony, and remains a staunch force for upholding regional and world peace and stability" (Information Office of State Council of the PRC 2011a).

An interesting perspective on how China is to follow the road of Peaceful Development can be extrapolated from the speech of Hu Jintao (2005, p. 1), who expressed his aspiration of bettering the existing world order and system by building a harmonious world. Hu Jintao deemed the creation of Harmonious World highly relevant to the world's enduring peace and prosperity, as well as to its peaceful development. Hu Jintao set forth and characterised this Harmonious World vision at the United Nations (UN) 60th Anniversary Summit in 2005:

Multilateralism, mutually beneficial cooperation and the spirit of inclusiveness should be upheld to realize common security, prosperity, and to build a world where all civilizations coexist harmoniously and accommodate each other (Hu Jintao 2005, p. 1).

As a part of its efforts to build a harmonious world, and particularly a harmonious Asia-Pacific, which is viewed by the Chinese political leadership and IR scholars as more vitally important for China's sustained economic and social development because of its geographic vicinity and economic dynamics, Hu Jintao (2005, p. 1) advocated a new security concept:

The international community should abandon the Cold War mentality, cultivate a new security concept featuring trust, mutual benefit, equality and cooperation, and build a fair and effective collective security mechanism

aimed at preventing war and conflict and safeguarding world peace and security.

Some Chinese International Relations (IR) scholars and security experts (e. g. Zhao Huaipu 2004, p. 6; Qin Yaqing 2005, p. 28; Liu Jiangyong 2010, p. 13), are supportive of Hu Jintao's new security concept, believing that a collective security mechanism or a regional security arrangement is conducive to materialising China's visions of Peaceful Development and creating a Harmonious World, as it may help build trust and avoid major conflicts between the rising and status quo powers. For example, Zhao Huaipu (2004, p. 6) argues that the East Asian nations may resolve their security dilemmas by developing a regional framework of security cooperation, such as a fully fledged and consensus-based '10 + 3' framework, the ten members of the Association of Southeast Asian Nations (ASEAN) plus the Republic of Korea (ROK, also known as South Korea), Japan and China.

Liu Jiangyong (2010, p. 13) is of the view that China does not object to the U. S. 's participation in a security framework in East Asia, given its enormous geopolitical and economic interests in the Asia-Pacific region. However, this security framework should be inclusive and not against China. Qin Yaqing (2005, p. 28), sharing Liu's views, added that U. S. 's 'hub and spokes' system in the region excludes China, whereas the East Asia Community (EAC) and the Shanghai Cooperation Organization (SCO) fail to incorporate the U. S. . He therefore proposed that the Six-Party Talks with the participation of China and the U. S. might be developed into a multilateral security framework to help clarify China and the U. S. 's responsibilities in regional security.

It is worth noting that the notion of formulating a regional security framework is not merely espoused by the Chinese IR scholars. Some politicians and scholars of other major actors in the Asia-Pacific region, including the U. S. and Australia share the notion as well. President Barack Obama (2007, p. 12) made this point clear when he said that "the U. S. needs an inclusive infra-

structure with countries in East Asia that can promote stability and prosperity and help to confront transnational threats". Some Japanese scholars also argue that it is essential for Japan to actively promote the creation of an EAC for economic and security interests although the Japan-US alliance has been positioned by the Japanese government as the most important vehicle for maintaining stability in the region (National Institute of Defense Studies 2005, p. 35). Kevin Rudd, Australian Prime Minister (2007-2009 and 2013), proposed his preferred "regional architecture", which "must have ASEAN at its core, and include other key nations in the region, such as the U. S., China, Japan, India, Australia and Russia" (Shanahan 2010, p. 2). According to Gao Yanhui (2010, p. 16), Rudd's proposal of 'ASEAN-centric regional framework' is consistent with China's persistent stance that ASEAN should be at the core of any regional framework in the Asia-Pacific.

It was in the context of shaping a regional framework for promoting a 'harmonious Asia-Pacific' that China adopted a new strategy that combined economic diplomacy with a diplomatic 'charm offensive' (Khan and Yu 2013, p. 84) to promote regional cooperation and economic integration in the forms of ASEAN plus 1 (China), ASEAN plus 3 (China, Japan and the ROK) and ASEAN plus 6 (China, Japan, the ROK, Australia, New Zealand and India). It is noteworthy that before 2007 China obviously disagreed with the Japanese proposal of creating an EAC which might include such extra-regional and non-Asian states as Australia, New Zealand and India. The reasons for China's opposition could be explained in three ways. First, China seemed to believe that EAC should be composed of by states geographically situated in East and Southeast Asia. Second, some Chinese economists, such as Wang Yuzhu (2010, p. 8) worried that on the one hand, economically advanced Australia and New Zealand together with Japan and ROK might compete with the Chinese enterprises and generate such enormous pressure on Chinese domestic markets that it could lead to the fallout of China's thriving economy; on the other hand, India whose economic freedom was viewed by the Chinese economists as much