

## Chinese-Australia relations may not be 'toxic', but they do need to keep warming up

Written by Tony Walker, Adjunct Professor, School of Communications, La Trobe University

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When former Trade Minister Andrew Robb took to the ABC's [AM program](#) to sound off about a “toxic” relationship between Australia and China, he exposed a rippling debate about how to manage an increasingly complex foreign and security policy challenge.

Long gone are the days of the John Howard formula that [Australia did not have to choose](#) between its history, meaning America, and its geography, meaning China. Choices are no longer binary.

While the Robb word “toxic” may be an exaggeration, stresses in Australia-China relations are such it is clear we have entered a new and more challenging phase.

For a start, China is undergoing what is, arguably, the most testing moment of an economic transformation that began in 1978 at the third plenary of the 11th Central Committee of the Chinese Communist Party. This is when [Deng Xiaoping re-emerged](#) to initiate one of the more remarkable economic shifts of the modern era.

Apart from a hiatus caused by the Tiananmen uprising in 1989, and an economic soft-landing in the mid-1990s, China has bounded ahead economically, and has seemed unstoppable – until now.

China's economy and political system has encountered the sort of difficulties that were inevitable. Put simply, an investment driven – as opposed to consumer-led – model is running its course, [piling up massive government and bank debt in the process](#) .

China risks becoming caught in a [‘middle income trap’](#); in which a developing country, having enacted the easier reforms, gets stuck in second gear in its effort to push ahead with its economic transformation.

You can only build so many roads, bridges, fast trains, airports, ports and housing developments. Many of the latter have become “ghost cities”.

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At this month's National People's Congress, the annual session of China's "parliament", Premier Li Keqiang gave what was, by Chinese standards for these sort of cheerleading events, an [unusually downbeat assessment of challenges ahead](#)

China, Li said, faces difficulties "of a kind rarely seen in many years".

What is undeniable is that China's economy is faltering, its ability to create millions of new jobs annually to employ a restless population is being stretched, and its management of a continuing economic transformation has come under unusual stress. [US-China trade tensions](#) are not helping.

In counterpoint to the need for a more dynamic economic environment, its leadership, under President Xi Jinping, is asserting even tighter political controls when it should be giving freer rein to its entrepreneurial class.

This is the central contradiction of a model that has delivered what is the most extraordinary event in world economic history since the industrial revolution. But that model clearly has its limitations compared with those, say, of neighbouring Japan, South Korea and Taiwan.

From an Australian perspective, a slowing and, perhaps more to the point, anxious China is not good news. While economists might argue that a slowdown and thus the need for Beijing to stimulate its economy by ramping up infrastructure projects will benefit iron ore and coal exporters, [economic pressures more generally should be concerning](#).

A Chinese regime that feels itself under stress from within and without may prove to be more cantankerous, and unpredictable. Australian policymakers should be mindful of the consequences of China getting through this difficult stage without mishap.

Of course, forecasts have been felled predicting China would be unable to maintain its remarkable transformation since early glimmers of an opening to the outside world appeared in 1978, two years after Mao Zedong's death.

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This brings us back to Andrew Robb's observation about a "toxic" relationship between Beijing and Canberra. Referring to the shelving of a plan to develop a health precinct in China to match that of the Texas Medical Centre – the world's largest medical facility – Robb said central government officials had kyboshed the arrangement due to ongoing tensions with Australia.

Australian medical professionals would have helped establish the facility. Robb said Landbridge (the company for which Robb was consulting) was

told in no uncertain terms by the seniors officials that unfortunately the relationship between Australia and China had become so toxic that this would be put in the bin.

Leaving aside Robb's own chagrin at losing a lucrative consultancy, what is the fair judgement about the state of Australia-China relations?

And, what of Robb's criticism of sections of the Australian security establishment, notably the Australian Strategic Policy Institute? He accused ASPI, a hothouse of China negativity, of being "a mouthpiece of the US security agencies and its defence industry".

Given ASPI's hawkish views on China more generally, Robb has a point.

His assessment is correct that China-Australia relations were off-track when the decision was made to scupper the Landbridge-proposed medical facility. But it is also the true that by the end of last year the relationship had been "reset".

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Foreign Minister [Marise Payne went to China in November](#) for what was described as a cordial exchange. This followed a two-year freeze in relations during which no senior Australian official was welcomed in Beijing.

China had made no secret of its displeasure over speeches delivered over time by both then [Prime Minister Malcolm Turnbull](#) and then [Foreign Minister Julie Bishop](#) in which they had criticised Beijing's expansionist activities in the South China Sea, and, in Bishop's case, China's political model.

Turnbull compounded the situation when he misappropriated an expression attributed to Mao in proclaiming the People's Republic on October 1, 1949. Australia had "stood up", Turnbull said, when unveiling laws designed to curb foreign interference in Australian domestic affairs.

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Next day, Turnbull made things worse by [repeating Mao's words in Mandarin](#) in his description of legislation that was clearly aimed at Chinese influence.

So what of Robb's comments? Whatever toxicity existed between Canberra and Beijing seems to have dissipated somewhat. However, real risks remain in management of what is Australia's most challenging relationship.

It is no good pretending otherwise. China is not a benign power. It will seek to get away with what it can. It resists abiding by a roadmap for a rules-based international order, as we understand it. It will use cyber technology ruthlessly to advance its interests by dubious means, on occasions. It will "disappear" foreign nationals of those countries which incur its displeasure. It will invest in agents of influence in the Australian system. This includes universities.

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All this requires a level of vigilance on the part of the security agencies, and, possibly, a new White Paper aimed specifically at just how Australia might manage a complex relationship that is likely to become, more, not less, complicated.

Bear in mind [one in three export dollars](#) depends on a functioning relationship with China.

This is an unsatisfactory situation, but it is the reality.

On the other hand, no purpose is served by yielding to a Canberra security establishment whose machinations risk chilling a relationship that needs to be warmed up, not cooled down.

Former ambassador to China, Stephen Fitzgerald, proffered some good advice this week when he said in a [newspaper interview](#) that Australia needed to deepen its engagement with China rather than draw back, since, unlike the US, we are “living in a Chinese world”.

That, whether we like it or not, is the case.

*Tony Walker does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.*

Authors: Tony Walker, Adjunct Professor, School of Communications, La Trobe University

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