

## Morrison warns of widespread pain if US-China trade tensions are not contained

Written by Michelle Grattan, Professorial Fellow, University of Canberra

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Scott Morrison will warn of the danger of any further escalation in US-China tensions and declare Australia won't let its relations with China be dominated by inevitable differences, in a major speech ahead of this week's G20 meeting.

Walking a line between Australia's major ally and its largest trading partner in a Wednesday address on the economic dynamics of the Indo-Pacific region, Morrison will stress the need for these two great powers "to resist a narrow view of their interests", noting that with great power comes great responsibility.

He will also emphasise the range of Australia's regional involvement and promote its willingness to play its role as a middle power in a moveable scene. "We won't be fazed, intimidated or fatalistic".

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**Read more:** [\*Partner or customer? Why China is Scott Morrison's biggest foreign policy test\*](#)

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Morrison's speech to Asia Link, issued ahead of delivery, follows his outlining of the re-elected government's immediate domestic economic priorities on Monday.

"The world's most important bilateral relationship – the US-China relationship – is strained," Morrison says, pointing to the spreading collateral damage of the rising trade tensions. "The global trading system is under real pressure. Global growth projections are being wound back. The impact of any further deterioration of the relationship will not be limited to these two major powers," he says.

"The balance between strategic engagement and strategic competition in the US-China relationship has shifted."

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Australia has and would continue to welcome China's growth and development, Morrison says.

"However, the ground has now shifted. It is now evident that the US believes that the rule-based trading system - in its current form - is not capable of dealing with China's economic structure and policy practices."

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Morrison acknowledges the legitimacy of many of the concerns about China, such as its intellectual property theft and industrial subsidies.

"The rules-based system is in need of urgent repair if it is to adequately respond to these new challenges, including the rise of large emerging economies, changing patterns of trade and new technologies," he says.

"Our prosperity, and that of our Indo-Pacific partners, depends strongly on the maintenance of an open global economy and a rules-based trading system in which the rights of all states are respected.

"It will also depend on a positive, productive and cooperative bilateral relationship between China and the US," Morrison says.

"As a rising global power, China also now has additional responsibilities.

"It is therefore important that US-China trade tensions are resolved in the broader context of

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their special power responsibilities, in a way that is WTO-consistent and does not undermine the interests of other parties, including Australia.

"It is in no-one's interest in the Indo-Pacific to see an inevitably more competitive US-China relationship become adversarial in character," he says.

"There are risks of further deterioration in key relationships and consequent collateral impacts on the global economy and regional stability.

"There is also the challenge of adjusting to the potential for decoupling of the Chinese and American economic systems, whether this be in technology, payments systems, financial services or other areas.

"But these are not insurmountable obstacles," Morrison says.

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Australia would not be a passive bystander but would play its part, based on principles including a commitment to open markets with trade relationships based on rules.

While continuing to work with other partners in the region, Australia would also "deal directly with our great and powerful friends".

Its relationship with the US "has never been stronger," Morrison says.

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“Our alliance with the US is the bedrock of Australia’s security, providing us with irreplaceable hard power capabilities and intelligence. Australia is a stronger regional power because of the US alliance.

"We are committed to working with the US internationally because we agree it has borne too many burdens on its own. Australia will continue to pull its weight.

"And we will work with the US to reform international institutions, including the WTO, to ensure they're fit for purpose and serve their members' interests."

The government is also “committed to further enhancing our relationship with China” - a relationship with “many strengths”.

“While we will be clear-eyed that our political differences will affect aspects of our engagement, we are determined that our relationship not be dominated by areas of disagreement.

"The decisions we make in relation to China are based solely on our national interests, just as theirs are towards Australia, and these are sometimes hard calls to make.

"But they are designed always to leave large scope for cooperation on common interests and recognise the importance of China’s economic success. This success is good for China, it is good for Australia.”

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

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