

**Stakes in Uncertainty:
Australia's Future with China, India and the United States**

Speech delivered at the Observer Research Foundation, New Delhi, 19 June 2012¹

*Rory Medcalf
Director, International Security Program, Lowy Institute
Senior Research Fellow, Indian Strategic Affairs, University of New South Wales*

It is a pleasure to be back in Delhi and to be at the Observer Research Foundation, an independent institution which adds so much to the strategic debate in India. I look forward to deepening the Lowy Institute's relations with ORF in the times ahead.

Australia, China, India and the United States: this is no small subject, and your presence reassures me that it is an important one.

In recent years we have seen historic shifts of wealth and power among states, especially as China and India regain the wealth, power and status that go with the size of their billion-plus populations. This can and should add enormously to the sum of human happiness. But all change brings risks and perils. And it strikes me that we are entering a new era of strategic uncertainty.

For some time to come, the future may prove to be a sustained G-zero, a leadership world, in which all nations are focused on major problems at home, on getting their own houses in order, and yet in which nonetheless China and India still have considerable influence to wield, more power than they have been accustomed to for some time.

All nations need strategies to cope with such change, and not purely in the narrow military sense.

For the purpose of my remarks, I see strategic relations as about power broadly, about marshalling all elements of a nation's influence and wisdom to advance its interests in a changing world.

I hope today I can shed some light on how Australia perceives and is responding to the changing power balances and strategic uncertainties of Asia, of what I like to call Indo-Pacific Asia.

These remarks might also tell you a bit more about this unusual nation, Australia, which will itself be an important part of the Asia story this century.

My central argument is that Australia needs a comprehensive strategy for an Indo-Pacific era which combines strategic uncertainty with new degrees of Chinese and Indian strength. Yet the short-term fixations of much of my country's political class have been anything but strategic.

The 2010 federal election should have been about Australia's future. But it was fought in a foreign-policy vacuum. The Labor leadership feuds between Rudd and Gillard were about personality, not policy.

Commendably, the Prime Minister not long ago commissioned a policy review for an Asian century. But in my country, government reports are sometimes a substitute, not a blueprint, for action.

¹ Earlier versions of this lecture were delivered at the University of New South Wales, Sydney, under its 'So What?' series in March 2012 and as part of the Griffith University Asia Perspectives series in Brisbane in May 2012.

I would contend that Australia is in the middle of a generational chance, a 25-year window to reshape itself, its economy, society, external relations, defence force and ways of thinking about the world to prepare for the full manifestation of some form of Asian century. Most of the hard work is still ahead.

This work will be as much about taking advantage of opportunities as about preparing for trouble. And a dynamic Asia, in which China and India loom large, can be good for Australia – for our economy, our society, even our security.

As China and India rise, Australia has grand stakes invested in the region's stability. This means the stability of China and India internally, as well as their impact on the regional order.

On this front, the news is not all good. Beneath the surface, some deep security anxieties are emerging.

For the first time, this strange, long-fortunate nation Australia is confronted by the rise of not one but two Asian great powers.

Rise of the Asian giants

And the relations between them will matter deeply to us. These are two neighbouring nations with similar basic objectives: to meet the needs and hopes of the two most populous societies in history. Yet we are all aware of the challenge of getting beyond mistrust and indifference in Sino-Indian relations.

For Australia, the rise of China and India are causing new tensions among our economic and security interests, and our values.

In 2009, China overtook Japan to become Australia's top trading partner, the first time this status has been held by a state that is not also Canberra's security guarantor, or that ally's ally, and that does not broadly share Australia's democratic worldview.

And in recent years, a series of diplomatic and military incidents have raised questions about how a powerful China will behave in the international system. Especially troubling have been maritime confrontations in the South China and East China Seas, and China's tolerance of violent attacks by North Korea on the South.

The potential for a *contested* Asia poses new challenges to Australia's security, long-reliant on an open and stable regional order underwritten by America's strategic presence.

In all this, we cannot talk of Australia's future between China and India without bringing in the United States. President Obama's visit to Australia last November, America's strategic pivot back to Asia, and the planned presence of US Marines in the Northern Territory have all reminded us of Canberra's continued dependence on the alliance.

Australia needs a broad national debate on the nation's strategic challenges and its choices – even if they prove to be more imagined than real – between China and the United States.

But the picture is incomplete without, at least, adding India – and some would argue other poles of Asian power, notably Japan and Indonesia.

Fundamentally this is about economics. The new place of China and India in the top rank of Australia's diplomatic priorities is driven to a considerable degree by the scale and pace of their economic growth.

You do not have to put faith in linear economic projections to know that the China-India growth story is far from running its course, even if present economic problems and uncertainty persists.

Since they opened the gates of economic liberalisation, China since late 1970s and India since the early 1990s have grown at rates in the range of 6-10 per cent a year. Of course, there may be challenges in the sustainability of this growth becoming evident now, but much has already been achieved.

This has lifted hundreds of millions of people out of poverty, and to levels of opportunity, well-being and dignity their parents would have had difficulty imagining.

These figures do not tell you about the inequities and disruptive forces that come with such rapid change, or the question marks these place over the sustainability of long-term growth.

But, beyond near-term hurdles, there remains every chance that China and India will join the United States as the three big economies this century.

All this wealth translates into power – the ability of one state to exert influence on another – and there are some basic defence implications of Chinese and Indian GDP growth.

Big economies, huge energy demand, reliance on energy imports, and wider global interests – these are all reasons why countries tend to want or need stronger militaries.

And increasingly Beijing and New Delhi have been able to afford them. Already, China is the world's 2nd largest military spender by an order of magnitude. Just 25 years ago Australia's defence budget was bigger than China's.

For a sense of what this means for the power hierarchy in Asia, consider some simple projections which combine defence spending as a percentage of GDP with the relative growth rates of key powers. We find Japanese military spending flat-lining as Chinese and Indian power grows.

Much could change, but our defence planners have to begin from the assumption that China and India will be two of the world's three best-resourced militaries this century. And other nations will respond nervously to the might of the giants – perhaps not an Asian arms race, but something close to it.

Australia's interests

Before we look at how Australia is affected by these vast changes, we need to understand this country: its qualities, its capabilities, and what constitutes its national interest.

I am the first to say that Australia is a peculiar country, one easily misunderstood, and surprisingly complex for a nation of 23 million people.

Australia has singular geopolitical circumstances, some very enviable. It is the only nation in the world to possess an island continent, which bestows strategic depth, vast maritime jurisdiction, and globally important natural resource deposits: iron ore, coal, uranium, gold, natural gas. We also export more than half the food we produce.

This is combined with high per capita wealth, a stable democratic system, and a resilient and multicultural society. Plus we have a small but advanced defence force and a diplomatic record of active global and regional engagement – even if our current diplomatic network is badly overstretched, though not as badly as India's.

Australia has the world's 13th largest economy and defence budget, and some impressive soft power, including a growing program of development partnerships.

Australia's geography bestows economically advantageous proximity to Asia yet a maritime barrier against any adversary. And to top it all, we have a military and intelligence alliance with the United States, still the world's most powerful nation.

But how much leverage can these qualities give Australia in its relations with China, India and other powers in Asia? It is worth returning to that question.

For now, let's translate Australia's circumstances into a definition of national interests. These would include:

- Maintaining the nation's independence and freedom from outside coercion
- Preserving the nation's democratic system and values
- Protecting Australia's people, territory, and resources
- Preserving a stable, peaceful, rules-based regional order, including on security and economic issues; for example, freedom of navigation in international sea lanes
- And sustainable prosperity, including through exports and a competitive economy.

All this means adapting the nation and society to a changing world, for all these interests are touched by the rise of China and India.

Australia's Indo-Pacific geography

To further set the scene, we need to understand Australia's strategic geography, because even the way we define our region may be changing.

Two decades ago we debated whether Australia was Asian. These days there's a fresh debate about what defines Asia itself.

Is it essentially East Asia, and is that East Asia returning to a China-centric order? Or is it the Asia-Pacific, with the United States very much a resident power and now 'pivoting' back in earnest, after the tragic detours of Iraq and Afghanistan.

Or are Australians now part of a third Asia, an Indo-Pacific region? This would add India and its maritime neighbourhood to our crucial zone of interest.

The logic of the Indo-Pacific as one strategic system derives from the deep economic interests of China and other East Asian powers in their resource and energy supply lines, stretching eastward from Africa and West Asia, especially across the Indian Ocean.

It also rests on India's growing engagement as a Pacific power. To India, China is after all both a source of strategic uncertainty, if not threat, and these days its top trading partner.

One special feature of the Indo-Pacific is that here at last is a definition of Asia that automatically includes Australia. Our two-ocean geography makes Australia naturally an Indo-Pacific power.

We are rediscovering our Indian Ocean identity. Australia's resource export industries are heavily present in the northwest. And the government's present defence posture review, and America's own Asian 'pivot', are looking at this continent's north and west coasts with fresh eyes.

Getting beyond indifference

One reason the impact of China and India on Australia is so marked is because these interactions are coming up from so far down.

Australia had little to do with China and India for much of its history. Early European settlers here had a sense of isolation and vulnerability, including vague fears of much larger Asian powers and populations.

To be sure, there was some early and fruitful contact with China and India, albeit British India. Some adventurous individual Australians played notable roles within China and India, such as George Morrison in China and Sydney-born lawyer and journalist John Lang in India.

Australia's first coal exports went to Calcutta in 1799. Tens of thousands of Chinese miners arrived in Australia's 19th-century goldfields.

Despite the prejudices of the time, some Chinese built successful lives here and built trade links, although, after 1901, the White Australia policy greatly harmed these connections and communities, and Australia's reputation.

China and India began to matter much more to Australia with the end of the British Empire. Even so, between the late 1940s – Indian independence and the establishment of the People's Republic of China – and the early 1970s, there was not a lot to show for Australia's relations with these powers.

The Cold War, closed economies, lingering political-cultural mistrust, and clashing personalities – Menzies and Nehru – all played a part.

In the end, Australia was faster to come to terms with China than with India.

But both relationships now have large economic, security and societal dimensions. Let's see where these are headed.

Initial impacts

Let's turn to some current and future characteristics of Australia's relations with China and India, and what this means for government strategy ahead.

Some initial impacts are already plain. Chinese and Indian resource and energy needs have become vital to Australian exports, contributing to the resources boom that has so far insulated us from the economic woes of much of the developed world.

China has become our top export market and two-way trade partner. India is our 3rd or 4th largest export market, varying from year to year, vying with South Korea.

With strong militaries, China and India could be partners for Australia against transnational security threats we face in common. But the rapid growth of Chinese military power is creating a tension among Australian economic interests, security interests and democratic values.

There is a third, societal dimension, to China and India's impact on Australia. China and India are becoming primary sources of the human capital that make our society and economy hum. But this brings its own challenges.

Trade

Let's look at those elements in more detail.

China has become Australia's largest export market and trading partner: \$100 billion plus a year, growing up to 27 per cent a year.

China buys almost a quarter of Australian exports. Iron ore dominates, driven by China's building and infrastructure revolution. Australia is the world's largest iron ore exporter and China imports a staggering 70 per cent of that.

Australian consumers also have come to rely heavily on affordable Chinese imports and the role of China in global supply chains.

The Australia-India trade story is less spectacular, but still impressive, with enormous potential.

With India, total trade including services (especially education) is \$21 plus billion a year. In some years recently, our exports to India have grown at 20 per cent. This growth stalled last year but is set to resume, especially with new Indian export-focused coal investments here.

India buys about 8 per cent of Australian exports, including half our gold and 15 per cent of our coal, with plenty of scope for growth.

It is a matter of time before India's energy and resource demands make this country eclipse South Korea as our 3rd largest export market. And eventually it is likely that India will overtake Japan for 2nd place. But this will require India to get over current hurdles to put strong economic growth back on track.

In any case, the good news about Australian resource exports to China and India comes with some warnings: what will Australia do if either or both of those powers dramatically lose their economic momentum? And for how long can we rely so heavily on what we dig out of the ground in a knowledge age?

Investment

The big new story of Australia-India economic relations is in investment.

Indian investment levels in Australia are rising dramatically, with current bids worth billions of dollars in coal mining and infrastructure – rail, ports and more – notably in Queensland.

China, of course, has already gained a profile as one of the fastest-growing foreign investors here. Australian mining interests have appeared to be a top priority for China's international investment efforts.

This has brought controversy, not least because of perceptions about the motives of China's state-owned enterprises in seeking large stakes in Australia, and the more demanding approvals process required of such bids under Australian law.

Tensions on this front reached a peak in 2009 with the failed bid by Chinalco to increase its stake in Rio Tinto. This became part of a phase of wider trouble in bilateral relations, from the over-blunt diplomacy of the Australian defence white paper to the arrest in China of Rio executive Stern Hu.

We need to be careful not to exaggerate the strategic dimensions here.

Australia can greatly benefit from Chinese and Indian investment: agriculture and food security could be a new focus here.

And the United States remains our largest foreign investor by far. The cumulative sums involved still dwarf Chinese and Indian investment.

Security relations: Australia and China

On the security front, I've touched on the insecurity China's military power is generating for Australia, the United States, India and others.

But there is another side. Australia and China have been unusually active in building constructive defence relations with each other. This has involved many levels of dialogue and has moved towards tangible cooperation – at least in exercises – against transnational security challenges.

Last November, for example, shortly after President Obama's reaffirmation of the alliance, Australian and Chinese soldiers trained together in disaster relief.

No government believes this limited cooperation and dialogue will, on its own, eliminate deeper strategic mistrust.

But Canberra's defence links with China are valuable precisely because they offer another line of communication to the People's Liberation Army, at times of tension or misperception in other countries' relations with China, including America's.

And Australia is trying to use its defence ties with China to encourage what the whole region wants – transparency about Beijing's strategic intentions.

Security relations: Australia and India

A rising India's strategic impact seems less troubling for Australia, and Canberra is focused on India's potential as a security partner.

After all, there are many convergent interests, including against terrorism. In many ways, countries like the United States and Australia did not so much commence a so-called global war on terror in 2001, as join India's already long-existing struggle.

The deaths of Australians in Mumbai in 2008 were an awful reminder of this common concern.

Australia and India have contiguous zones of maritime interest, some of which we share with Indonesia.

And it is no secret that Australia and India have a common interest in understanding and managing the impact of a rising China on the Indo-Pacific strategic order.

Yet strategic partnership has been slow to arrive. In 2009, the two leaders signed a security declaration, and with this has come frank, high-level dialogue on sensitive issues.

But mostly my sense is that India has failed to recognise Australia's full value as a security partner.

As I see it, New Delhi fairly much put advancing the strategic relationship on hold until Australia signalled an end to an outdated, mistrust-based policy on uranium exports.

Now there is a real chance to move forward with practical cooperation, including in such areas as counter-terrorism and maritime exercises.

It would be very strange, and a real lost opportunity, if in years to come Australia's defence relationship with India did not leap ahead of our defence relations with Pakistan in every regard.

Still, even as this progress occurs, Canberra should quietly keep in mind that it is too early to conclude that India's impact on the Asian strategic order will always be a stabilising one. Does anybody know for sure how a powerful India will behave?

Societal links and perceptions

Of course, diplomacy is nothing without people, and Australia's societal links with China and India are now growing rapidly.

People of Chinese and Indian origin are among the fastest-growing communities in Australia, now the largest migrant communities after British and New Zealanders.

This is vital for the economy but also the cultural diversity so essential to the success of this nation of immigrants, where one in four was born overseas.

China is Australia's largest source of foreign students, with India next, even though numbers have dropped for now from the high point of 2009.

China is becoming the country's largest source of tourists, and India's middle class is also putting it in the top league.

Put simply, a successful Australia in the Indo-Pacific Asian century will increasingly have both a Chinese and an Indian face.

Managing societal frictions

The political and diplomatic impact of growing Chinese and Indian communities in Australia is yet to play out, but there will be foreign policy complications.

The very fact of growing social contact across national boundaries means there will be consular cases of individuals from one nation – or indeed dual nationals – finding themselves in trouble in the other country. Inevitably, this will sometimes bring political friction.

Political mobilisation within Australia will also become a reality. We do not yet have highly organised Chinese or Indian lobbies in federal politics, like the pro-Israel or pro-India lobbies in the United States.

Two recent episodes may hold clues for the future.

The first was the 2008 Beijing Olympics torch relay. A very large protest of Chinese Australians and Chinese students, perhaps as many as 20,000, descended on Canberra, not only to support the relay but to drown out much smaller human-rights and Tibetan protests.

The chief minister of the Australian Capital Territory went so far as to publicly accuse Chinese officials of organising the rally. After all, thousands of flag-waving protesters were systematically brought in on buses from Sydney and Melbourne.

The images of this protest were a shock to wider Australian public opinion. This was the year the Lowy Institute opinion poll for the first time detected a trend of anxiety about the impact of a rising China.

The Indian student crisis

Another extraordinary case of political mobilisation was the protests by Indian students as part of the wider crisis over student safety, welfare and educational standards in 2009.

These protests, notably in Melbourne, were a spontaneous mass movement, and many Australians sympathised with the grievances expressed.

But it turned out to be a combustible mix with the commercial Indian media, which seized on this story to grossly misrepresent a complex problem, and generate false, harmful images of Australia as a racist society.

The student crisis was a mix of policy failure and misperception which threatened to open old wounds in Australia-India relations.

Yet it had a silver lining, compelling both governments to improve dialogue and mutual understanding, and making Australia rebuild its international education framework for a more sustainable future. China and India need to educate their next generation, and Australia remains part of the solution.

All mixed up: the uranium story

Another important case study for Australia's response to the rise of China and India is the way our policy changed on uranium exports.

In short, Australia's rigid adherence to its tradition as a crusader on nuclear non-proliferation clashed with the contemporary needs of a rising China and India for energy, security and respect.

Some will argue this has led Canberra to ingloriously sell out its non-proliferation credentials. The truth is more complex. Australia is successfully adapting those policies to the realities of the Asian century.

In 2006 the Howard government concluded a civilian uranium deal with China, and in 2007 started to do the same with India. The Rudd Labor government reversed that policy, until finally in December 2011 the Labor Party relented and pragmatically allowed in-principle uranium exports to India.

Strategy part 1: engage and enmesh

So, at last we're ready to ask: does Australia have a coherent *strategy* to protect its national interests in response to the rise of China and India?

I would argue that the rudiments of a strategy have become clear, and each of our last few prime ministers – including the present one – can take some credit.

But big questions remain over how coherent, sustained, or effective this approach will be, in a country prone to short-term thinking and – these days – quite a bit of policy paralysis. I fear that these are two of the downsides of democracy that both our nations share right now.

Australia's ideal approach is a hybrid one:

- economic, diplomatic and increasingly societal enmeshment with both China and India – and with other Asian nations
- combined with a hedging or balancing strategy against the unknown ways China might use its future power.

Diplomatic engagement and economic-societal enmeshment with both China and India could give both powers a long-term stake in Australia's own security and success.

But this raises a question: will economic reliance on China somehow compromise Australia's security, forcing us to choose between Washington and Beijing in some future showdown?

Such arguments downplay the fact that interdependence, by definition, works both ways. China and indeed India need what Australia can offer. Whatever else they will want from Canberra, stability of resource and energy supply will be a high priority.

How would we cope if China abruptly signaled an end to resource imports from Australia? I believe this would only happen in an extreme security crisis, since normally China needs stable supply, and many interests within China would want that maintained. So cutting the iron chain with Australia would hurt China too. And in an extreme security crisis, there would be much more to worry about than the economic impact.

Still, it makes sense for Australia to diversify its customer nations all the same, and in the long run, demand for steel from urbanisation and infrastructure projects in India may play a role here, even if right now that long run seems far off.

Another way of enmeshing powerful countries is through regional diplomatic institutions, like the East Asia Summit, what diplomats like to call architecture.

This is useful to build regional norms and channels of dialogue. But these meetings are also venues for strategic competition. There is no sign that powerful nations in Asia plan to let such bodies mediate their differences, let alone their core interests.

Strategy part 2: hedge and balance

Hence the second part of Australia's prospective strategy. Whatever polite things diplomats say, Australia is trying to 'hedge' and balance against the uncertainties of Chinese military power, in three ways:

- Defence modernisation: Until recently, I would have referred here to the plans for an Australian maritime force set out in the 2009 defence white paper. There are now very big question marks over this; in the short term, the government is trying to achieve a budget surplus, and will likely delay or trim some of the big projects. For the moment, the ambition for 12 advanced submarines remains. But after a burst of enthusiasm under Rudd in 2009, Australia seems again to be losing its appetite for ambitious defence plans or for the kind of self-reliant capability that might hold a major adversary at bay.
- This helps explain our renewed enthusiasm for the second kind of balancing. A tighter embrace with a 'pivoting' US alliance, demonstrated by the decision last year to allow US marines to train and position supplies in the Northern Territory. There is interest also in allowing increased US naval access to facilities in Western Australia, on our Indian Ocean coast, and possibly use of the Cocos Islands as a hub for surveillance flights. You will read criticism of the alliance in the Australian press. But public opinion has its own voice: my Institute's polling shows an extraordinary 87 per cent of Australians who support or accept the value of the alliance, and 74 per cent who support the decision to rotate Marines through Darwin.
- And then there is the third strand to the hedge, which Australia takes seriously: security links with other Asian powers, including India. Notably, Australia has signed security declarations with Japan, South Korea and India in the past five years. There is much more we can and should do together, even well short of a web of embryonic alliances, which is an unrealistic and perhaps counterproductive objective in any case.

All three hedging strands can support each other; for instance, a close alliance with the United States might help Australia build security links with an India that also now has a close defence relations with the United States. Perhaps in time, a useful three-way dialogue might even develop.

But this Asian security web has its limits. We have no illusions that India is determined to maintain what it calls strategic autonomy and will become nobody's ally as such.

In any case, it is an exaggeration to call what is happening an Asian NATO or containment, the word many Chinese observers like to use. That was a Cold War strategy with a dimension of economic quarantine, an impossible and damaging idea when it comes to relations with China.

And even now the alliance is not all about China. Australia has a close alliance with the United States for many reasons. In fact, I think those Marines in Darwin are more likely to find themselves one day doing disaster relief with the People's Liberation Army than fighting it.

Parting words: Choices for Australia

Time for some parting thoughts. I have in mind a photograph from a few years back showing Kevin Rudd, Hi Jintao and Manmohan Singh. The Chinese and Indian leaders are focused entirely on one another, while Australia's indefatigable former Prime Minister stands beaming – and ignored – in between them. Let's hope China and India are not as immune to Australia's diplomacy as an uncharitable interpretation of that picture would suggest.

I hope I have illuminated the challenges facing Australia as it comes to terms with a rising China and India. And perhaps identified the rudiments of a strategy, in which the US alliance features prominently.

I want to leave you with some questions, on which our policymakers and opinion-shapers are going to need clear answers if the strategy can be deepened and sustained.

Is Australia serious about adapting to the Asian century?

Is Australia serious about adapting its policies to its Indo-Pacific geography?

How real is Australia's US-China dilemma, as outlined in particular by my colleague Hugh White, and how prepared is Australia to weather future friction and rounds of Chinese political displeasure?

Some claim that Kevin Rudd saw his success in doing precisely that as a triumph of Australian foreign policy and national self-respect in 2008-2009.

So far, there has not yet been an overt and highly negative Chinese response to Canberra's seeming embrace of Obama's tough talk on China last November. Perhaps, with a Chinese leadership transition underway, the response is yet to come.

Certainly, highly placed Chinese advisers have warned that Australia needs to do more to align the security and economic dimensions of its ties with China. But if the alliance is not negotiable, what might this mean?

Turning to India, how can we turn the societal dimensions of the relationship into an unalloyed positive for the wider strategic partnership?

The student crisis showed that being two democracies is not enough to make for smooth relations or accurate understanding. Nor does cricket always help.

For now, many Australians still understand China better than they understand India, and Indian popular and media understanding of this country has a long way to go.

Finally, how will our China and India strategies interact with each other?

A future choice: China or India?

After all, as I noted at the outset, the future for all of us will in large measure be shaped by how China and India relate to each other.

That is another big subject for another lecture. It will probably be a future of competitive coexistence. It could be worse, one of armed rivalry.

Some in both countries hope for cooperation, despite such different political systems.

Democratic India may never become richer than China. But to the extent it can overcome its many current constraints on development and equity, India's mere example as the world's first mature mega-democracy will pose uncomfortable questions about why China's political system needs to be the way it is.

What of Australia? Would a future strategic contest between China and India put Canberra in a dilemma as worrying as anything Washington and Beijing can assemble?

A few years ago, Australian officials were put on the spot to state Australia's position over Arunachal Pradesh. If they avoided giving either party offence, they also managed to give neither satisfaction. I suspect there will be plenty of future occasions when Australia will be asked to state its position on whatever might divide the Asian giants.

In my view, an ideal strategy for Canberra in the Indo-Pacific Asian century would be to give China, India and the United States – as well as others – each its own grand stakes in Australia's prosperity and security.

But whatever we do, we will also have to place some grand bets of our own on peaceful coexistence among the Indo-Pacific powers. And on that, there can be no certainty.