

Gillard treads finest of lines in China trip

Hugh White
The Age
20 April 2011
P. 19

When Julia Gillard visits China next week, she will come face to face with one of the toughest diplomatic issues that an Australian leader has faced. It is not about human rights, climate change or the free trade agreement. It is about how she positions Australia in the growing power struggle between the world's two strongest states.

One is our major ally, the other our biggest export market and the locomotive of our economy. And they are fast becoming bitter strategic rivals. Gillard's misfortune is to find herself in the Lodge just when China's rise and America's response meet head to head. She tells us she isn't interested in foreign policy, but she has no choice. She is the one who has to navigate Australia through the power shift that is transforming Asia.

No doubt she would prefer to dodge the whole issue. She probably looks back with grudging but growing admiration at the way John Howard managed these things. He steered Australia's trade with China to dizzying new levels of growth, and at the same time took the US alliance to dizzying new heights of backslapping camaraderie.

But Howard's approach to the US-China problem was more subtle than it seemed. It had two parts. First, he reassured everyone by denying there was a problem. His mantra was that escalating strategic competition between the US and China was not inevitable, so Australia did not have to choose between our relationship with China and our alliance with the US.

Second, without saying much, he shifted Australia decisively China's way. For most of his time as PM, Howard pointedly refused to join the US in criticising China on strategic issues. In fact, far from lining up on America's side against China, he tried to position Australia as a kind of honest broker between them.

So all the time Howard was talking up Australia's support for America in the Middle East, closer to home in Asia he was quietly edging away from Washington. Historians may well say that Howard used his unconditional support for America in the war on terror to shield his shift towards China.

Not that Howard started out that way. When he won office in 1996, he was deeply and instinctively pro-American, and in his first month he backed America to the hilt in a crisis over Taiwan. The Chinese responded by putting the relationship in the deep freeze, banning any ministerial contact for months. The message was clear: building trade with China would require careful recalibration of our alliance with America.

If that was true in 1996, how much more true is it today? China now takes 25 per cent of our exports and rising. It has become the world's second-biggest economy, and seems set to become the biggest. It is openly contesting American leadership in Asia, and America is starting to push back. Not even Howard could pretend any longer that Australia does not have difficult choices to make between the US and China.

Getting these choices right is even harder for Gillard because, like Rudd before her, she carries domestic political baggage that Howard didn't. Rudd worried that his fluency in Chinese would make him seem too pro-Chinese. Gillard has to live down her past as Victorian Labor left-winger — historically the most anti-American section of mainstream Australian politics. Both have felt they need to prove to the voters that they are loyal to the alliance

That is why Gillard's visit to Washington in February featured such overblown rhetoric. "America can do anything," she said, clearly urging America to confront China's challenge.

So what will she say in Beijing? Gillard's hosts will know exactly what she said in Washington, and they will be listening very carefully. If she says what they want to hear — that China's leadership role in Asia should grow as its power grows — her stocks in Washington will plummet, and the Chinese will dismiss her as weak.

If she repeats what she said in Washington, her hosts will be very displeased. They may well decide to teach her the same kind of lesson they taught Howard in '96, and this time the lesson could be even harsher. Gillard can hardly afford to weather Beijing's displeasure when our whole economic future depends on them.

So she is in a tight spot. The way out of it is to stop doing foreign policy on the fly and start thinking more deeply. Our interests would best be served by a new Asian order in which America plays a central role — alongside a more influential China, a revived Japan and an emerging India.

Gillard should say exactly this. It will not be an especially popular message in either Washington or Beijing. But at times like this it is no good trying to curry favour in either capital, let alone in both. What Gillard needs instead is the imagination to see how fast Asia is changing, the vision to decide what future would work best for Australia, and the courage to sell that vision in both Beijing and Washington.

Hugh White is professor of strategic studies at the Australian National University and a visiting fellow at the Lowy Institute.