

Australia's Pollyanna Asia Policy

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"The Lucky Country" is a nickname sometimes used to describe Australia. Its fortuitous geographic situation far from the world's problems and its natural resources have been central to its prosperity. In recent years it has successfully capitalized on China's economic rise. Meanwhile, its 60-year-old alliance with America, founded on cultural and historical ties, has been strengthened as Washington has "pivoted" strategically to Asia.

But what will Australia do if these two giants come into conflict? It is a possibility which cannot be ruled out. Yet, apparently Canberra doesn't want to contemplate this too deeply.

At least that's the conclusion one could draw from a major new white paper released on Sunday by Prime Minister Julia Gillard. Entitled "Australia in the Asian Century" and weighing in at 320 pages, it was commissioned—more than a year ago—to provide a blueprint to navigate Asia's rise. Its goals were to consider the current and likely future course of economic, political and strategic change in Asia, outline domestic economic and social opportunities for Australia, and identify ways to deepen Australia's engagement with Asia.

The paper's authors—a team of experts led by former Secretary of the Treasury Ken Henry—have focused on economic competitiveness. There is a heavy emphasis on proposals such as boosting Asian-language instruction in the schools and encouraging companies to become more knowledgeable about Asia, alongside refining the research and innovation agenda. (Although the actual source of funding, let alone a firm commitment by the government to provide it, is lacking.)

The big problem is what's missing—namely, any sense that Asia's current harmonious environment might be disrupted. The potentially destabilizing consequences of tensions escalating to military conflict between India and Pakistan, on the Korean Peninsula and in the South China Sea, East China Sea or Taiwan Strait are mentioned in passing. But the paper's underlying assumption even in the short passages dealing with Australia's foreign policy and strategic challenges is that the region will be devoid of major upheaval.

The paper makes no attempt to start grappling with what could become the most significant question to face Canberra in coming years: What will be Australia's role if the United States, Australia's major strategic ally, and China—Australia's paramount economic partner—clash? It simply states that the government is "optimistic about the ability of China and the United States to manage strategic change in the region." It does not contemplate the consequences for Australia in the event that this optimism proves to be misguided, let alone explore a pathway Australia should take in this worst-case scenario to minimize detrimental effects for Australia.

Indeed, Australia's position on this issue is likely to grow more complex, not less, as strategic competition between Washington and Beijing increases.

There is no doubt that Australia will maintain a strong alliance with the U.S. When President Obama visited Australia a year ago, the two countries announced that they had agreed to strengthen military cooperation. Though the rotation of 2,500 U.S. Marines in and out of Darwin was the focus of media reports, the agreement has broader implications. It allows the U.S. greater access to Australian bases, particularly airfields, and permits the U.S. to pre-position materiel—fuel, ammunition and spare parts—in Australia.

Yet, at the same time, Australia's economy is becoming ever more dependent on China. Twenty-five years ago exports to China constituted less than 5% of Australia's total exports. Today, exports to China make up over a quarter. Australia's trade dependency on China is the highest of any G-20 member. In 2011, Chinese tourists spent more money than visitors from any other country when they

visited Australia and Chinese students contributed more to financing Australian higher education than any other group of foreign students.

This has political consequences. While the Gillard government's decision to strengthen the U.S. alliance has bipartisan support, a handful of prominent Australian business leaders have vehemently questioned the decision to move closer to Washington when Australia's economic future appears destined to be linked with China. Several former political leaders, prominent civil servants and senior military officers have emphasized the need for Australia to be wary of being perceived as merely following Washington's lead.

Canberra would be wise to contemplate and prepare the public for some of the implications of this divide between strategic commitments and economic interests before a potential crisis erupts. For starters, Canberra should acknowledge that it has a tightrope to walk. Second, if the government succeeds in engaging with Beijing regularly at a high level, as the white paper states as a goal, Australian political leaders should candidly discuss the dilemma they face. Political ties between Canberra and Beijing are far less developed than economic ties. Building political trust with Beijing requires years of effort and commitment.

The Gillard government has repeatedly said that it is possible to have an ally in Washington and a friend in Beijing. Possible, as long as Asia remains peaceful. But impossible if Beijing and Washington come to blows. After this most recent white paper, Canberra is still waiting for a serious discussion within the government on how to manage the risk of storm clouds gathering over Asian skies.

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