



## **Penny Wong Speaks at AIIA 2017 National Conference**

Penny Wong

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May I begin by acknowledging the traditional owners of the lands on which we are meeting this morning, the Ngunnawal and Ngambri peoples, and by paying our respects to their elders past and present.

Last month, my friend and colleague Chris Bowen, the Shadow Treasurer, delivered a major speech to the Asia Society in Sydney.

In it he outlined Labor's approach to Asia. *FutureAsia* will be a whole-of-government framework underpinning our efforts to deepen and broaden our engagement.

As the Shadow Treasurer said, Asian economies are changing, and Australia isn't keeping up.

We need a step change in our thinking. Not tinkering, not gradualism, but a fundamental whole of government, indeed whole of nation, effort to deepen and broaden our engagement with Asia.

If we want to keep up our record of economic growth, if we still want our place in the G20 in decades to come, it's critically important that we improve our trade, investment, education, security and cultural links with Asia.

The engagement we advocate is motivated by three fundamental propositions: that economic strength is a foundation of national power; that economic engagement benefits our relationships with key nations as well as ourselves; and that engagement contributes to Australia's national security.

Maintaining and enhancing our economic strength and resilience is critical – for the Australian people and for national power. Within the next fifteen years, four out of five of the world's largest economies in terms of purchasing power parity will be in Asia.

So today, as part of setting out Labor's comprehensive, integrated and transformational approach to our engagement with Asia, I would like to set out the principles that a Labor government will apply to enable Australia to engage more effectively with China.

If we want to get it right with Asia, we need to get it right with China.

Tracing back to our early historical engagement, it is a statement of the obvious to observe that Australia doesn't always know how to deal with China.

Our early images of China coincided with the gold rushes in New South Wales and Victoria, which saw Chinese immigrants 'try their luck' in the gold fields.

It was not long before the colonial parliaments sought to deter Chinese immigrants. In 1855, the Victorian parliament imposed a ten pound poll tax on arrivals from China – a tax that persuaded the shipping companies to land their Chinese gold-seekers at Robe in South Australia instead of Melbourne.

This resulted in some 20,000 Chinese immigrants making the 400km journey from Robe to the Victorian goldfields on foot.

Our contemporary discussion of China is similarly vulnerable – if the dystopian rhetoric of One Nation is any indicator – to infection with undertones of race and alienation.

Our present day discussion of China involves two disconnected camps – the economic and security worlds – each of which is populated by disparate groups, each with their particular mindsets, that either talk past each other or simply do not connect at all.

It is absolutely right that the defence, intelligence and security community be on the lookout for threats to Australia's sovereignty and well-being. Governments of all political persuasions need to consider carefully the advice provided by intelligence and security agencies in order to make the best possible decisions in the national interest.

It's also the business of the corporate sector, and the government agencies that interact with it, to build Australia's economic strength, which is a key contributor to our national security. This means maintaining and expanding a robust trade and investment relationship with China.

So, instead of seeing the relationship as a contest between our security imperatives and economic opportunity, the challenge instead is to construct a foreign policy with a clear-eyed view to our national interests.

In our engagement with China, we need to bring the various strands of our relationship closer together.

This is of paramount importance when it comes to how we deal with the Belt and Road Initiative (BRI). In some quarters the BRI is seen in simple terms of a contest between economic benefits and strategic risks. It clearly gives rise to both.

And together, these benefits and risks make the BRI far more than a simplistic either-or choice between the two.

Our starting point must be that China sees its economic strength as integral to both how it acquires power and how it uses power, and the BRI is an integral element of growth and change in China's economy.

The BRI also seeks to address some of the global and regional infrastructure deficits that constrain economic development, particularly amongst developing nations.

So we simply cannot afford to underestimate the economic consequences of this major Chinese initiative. Equally, we cannot afford to be blind to its strategic consequences.

It is therefore essential that our strategic experts and our economic experts work together constructively.

Approaching the BRI solely in terms of its strategic implications risks Australia missing out on its potential, and a purely economic approach ignores our own strategic interests.

For this reason, Labor has indicated an open mind on collaboration on the BRI. We would examine proposals on a case-by-case basis, through the lens of our national interests.

Trade Minister Ciobo's participation in the Belt and Road Forum in Beijing earlier this year shows that the Government is moving towards Labor's pragmatic approach to the BRI.

After all, even the conservative Cato Institute has recently written of the potential benefit to US business, workers and consumers of the BRI.

Labor's China policy begins where Chris Bowen started in his speech to the Asia Society – with our national interests and values as the key drivers of our foreign policy.

As Allan Gyngell observed in his recent book *Fear of Abandonment*, "In a world whose largest components are propelling themselves erratically in uncertain directions, the slipstream will be a dangerous place for Australia to linger".

We must chart our own course on our own terms. That is, by reference to our national interests and to our values.

I've identified six main principles that I think will help us to engage better with China. There is no overarching simple answer to how we engage with China: we constantly need to steer through the intersecting dimensions of issues and opportunities.

- First, we must have a clear idea of what our national interests are; and recognise where they may and may not align with those of China.
- Second, we need to accept that we live in a disrupted world – we deal with the world as it is in order to better shape it as we want it to be

- Third, we engage with China as it is, not as others might perceive it or as China might represent itself.
- Fourth, we accord to our relationship with China the priority it merits.
- Fifth, we pursue a more integrated and coordinated approach to the various strands of the relationship.
- And sixth, we work with China in a regional framework, recognising that this is the region in which we both live, and the importance of the rules based order that has underpinned stability and prosperity to the benefit of both our nations, and the region.

The starting point for Labor's China policy is a clear understanding of our national interests and the values they reflect. All foreign relationships must ultimately work both to express and to promote our national interests, and interests between nations sometimes collide. But we won't know if our interests are contested if we don't know what they are.

It's for that reason that I set out Labor's view of our national interests in a speech to the Lowy Institute in early July. I said that the core interests that will continue to underpin the framing and delivery of a Labor foreign policy are:

- The security of the nation and its people.
- The economic prosperity of the nation and its people, enabled by frameworks that will allow Australia to take advantage of international economic opportunities.
- A stable, co-operative strategic system in our region anchored in the rule of law.
- Constructive internationalism supporting the continued development of an international rules-based order.

The realisation and advancement of these four core interests depend on our ability to harness the national power that gives substance to the national interest.

And national power, along with a strong sense of national identity, is what gives substance to the bilateral relationship between Australia and China for both parties.

The second policy principle is to accept that we live in a disrupted world. The comfortable assumption that the world we have grown used to will continue on as usual has already failed to deal with the disruption that distinguishes the contemporary world.

Unpredictable political events, re-emergent nationalism, the increasing challenge to democracy as the most effective form of political participation, worsening economic inequality and the growing challenge to what we have considered to be the international rules-based order – these constitute a fundamental sea change.

Disruption is surprising and unsettling. And as a direct consequence of its massive and rapid economic growth in recent decades, China is itself part of the disruption we are currently experiencing.

Through economic growth, China has managed to achieve a standing as a world power that would once have only been possible through military power.

This is a change in approach with which the global community has yet to come to terms.

In facing such disruption, Australia must seek to benefit where we can, and that begins by acknowledging that disruption creates opportunities and generates innovation.

In this sense, Labor's *FutureAsia* policies intend to capitalise on disruption.

The third policy principle is to engage with China as it is. China is not just another regional power.

It is a civilisation that has influenced the cultural development of all its near neighbours. It is the dominant trading partner for most of South East Asia, as well as Australia's number one trading partner.

As China grapples with domestic challenges, on a scale we struggle to fathom, and as its place in the world changes, it's increasingly imperative that we better understand what drives China, its people and its leadership.

China's relationship with the world has undergone a massive transformation since the end of the Cultural Revolution. But there's much about that transformation that we're still seeking to understand.

China has made an unquestionable contribution to global economic growth, and the economic reforms it has undertaken have lifted upwards of 700 million of its own people out of poverty in a generation, a great achievement not just for China but for humanity.

Domestically, it has about 225 million households that might loosely be defined as 'middle class' – that is, people who hold post-secondary qualifications, own their own residence, and have a disposable income that permits them to join the consumer economy – to travel, for instance. But there's still some way to go, with 150 million people living in extreme poverty (under USD 1.90 per day) and another 360 million on less than USD 3.20 per day.

As he approaches China's 19<sup>th</sup> Party Congress, which opens this week in Beijing, President Xi Jinping faces formidable challenges including economic uncertainty, overcapacity, and an ageing population.

He must continue to meet the demands of China's middle class, while continuing to steer China's economic reforms.

China's transition from a capital-intensive export-driven growth model to one driven by domestic consumption is immensely ambitious.

And it is accompanied by political and social uncertainties. As President Xi oversees these challenging and complex transitions, it is in our interests to remember that these are transitions in which we all have a stake. We have a deep interest in China's success.

And while we know that China's view of itself and its place in the world is changing rapidly, we don't yet know how its pursuit of a more ambitious agenda will play out globally.

China's already an economic powerhouse, but we do not fully know how China intends to condition its use of power. How we might respond to China's power increasingly depends on our ability to understand China, its motives, and its mindsets.

China is also a one-Party state, and that Party – the Chinese Communist Party – regards its continued rule as essential for maintaining the country's unity and strength. President Xi put this front and centre in his speech celebrating the twentieth anniversary of Hong Kong's reunification on 1 July 2017.

*[Early in] modern times, with a weak China under corrupt and incompetent feudal rule, the Chinese nation was plunged into deep suffering. . . . That page of Chinese history was one of humiliation and sorrow. It was not until the Communist Party of China led the Chinese people to victory . . . that the Chinese people truly stood up and blazed a bright path of socialism with distinctive Chinese features. Thanks to close to four decades of dedicated efforts since the launch of the reform and opening-up policy in the late 1970s, we have entered a new era in the development of the Chinese nation.*

As Bates Gill and Linda Jakobson have said in *China Matters*, 'the era of submissiveness is over'.

China is becoming more assertive, and more inclined not only to demand a place at the table, but also a say in which table and what design.

That China sees itself as a global player was underlined by President Xi's address at the World Economic Forum earlier this year.

In this regard, let me put Labor's position as clearly as I can: in accepting China as a global player, we will always safeguard Australia's sovereignty. This is above the more narrow confines of party politics: it goes to the heart of our responsibility to protect and promote our national interests.

Likewise we need to work with China to encourage it to play the positive role it is capable of in supporting and furthering regional stability and security.

The fourth of Labor's policy principles is to give our relationship with China the priority it merits. At the G20 meeting in Brisbane in 2014, former Prime Minister Tony Abbott, in a moment of candour, told Chancellor Angela Merkel that Australia's China policy was based on "greed and fear".

Labor's approach is the complete antithesis.

If Abbott's values are fear and greed, Labor's values are mutual advantage and confidence, based on a clear understanding of our own national interests.

And we have every reason for confidence. As China's economy has grown, so too has Australia's, and during the Rudd-Gillard governments, our political relationship grew in both density and confidence alongside the economic relationship.

And if we are to give China the priority it merits, we must stop being so defiantly monolingual.

We need to ramp up the study of Mandarin in Australian schools so that the ability to speak and read Chinese is no longer a curiosity but a key tool for doing business.

Political engagement at the highest level also needs to be supported by a fully integrated, society wide effort of smarter engagement with China.

The fifth principle underpinning Labor's policy approach is to take a much more integrated and connected approach to the various strands that make up the bilateral relationship. This requires better synthesis of our security imperatives and economic opportunities.

The counterpart to that analytical integration is a better institutional integration, particularly across government. We need to ensure that our economic, education, trade and diplomatic engagement with China is consistent, disciplined and co-ordinated. That demands both clear objectives and fit-for-purpose institutional arrangements.

The sixth and final principle of Labor's China policy program is to work within the context of our regional operating environment.

This includes our relationships with our neighbours, most particularly in South East Asia. It also includes our long-standing alliance and security partnership with the US. And it is underpinned by a clear understanding of our national interests and values.

From both an economic and a security perspective, the power relationship between China and the US plays out in South East Asia. We have deeply invested interests in South East Asia, where a stable, co-operative strategic system anchored in the rule of law goes to the heart of our own national security.

On this, we must be clear-eyed about China's own view of the regional order.

China's pursuit of its core strategic objectives, and its long term vision of its own place in the world, do not always accord with the priority we, the US, and others place on the regional rules-based order. For example, tensions which have arisen in the South China Sea are a manifestation of the difference between how China and others approach the regional order.

In prosecuting a China policy built around these six principles, there is a critical enabling factor that stems directly from the fact that Labor's foreign and security policies are essentially an expression of our national interests. Our national interests are realised, not through trade-offs, but through policy integration.

Our long-term relationship with China will not be delivered at the expense of our relationship with the US. It will be delivered to a very significant extent because of the strength of our relationship with the US. ANZUS not only underpins our national security, it is a key contributor to the peace, stability and security of our region.

Some contemporary Chinese commentators disparage the US regional treaty arrangements as attempts at containment.

Labor rejects this perception, just as we reject any suggestion that China should be contained.

What Australia, China and the US are looking for is a convergence, as far as is practicable, of our individual national interests in Asia, locating those interests within a rules-based order.

I would contend that it is in China's long-term interests to maintain and enhance a system which has historically enabled the stability that underpins the region's shared prosperity.

China and the US are not in a binary relationship, and for Australia, the starting point in our relationship with each of these great nations should not be their place in the world as competitors, but our own national interests.

Labor's policy will therefore not start or finish in deciding between China and the US, but instead, in continually deciding for us.

And for those who remain attracted to the linearity implied in the so-called 'inevitability' of a choice between Washington and Beijing, let me remind them that a disrupted world is non-linear, and for that reason it is not only option rich, it is choice and decision rich.

Inevitability simply does not wash.

Labor knows that the complexity of our relationship with China in a time of disruption requires a new approach to the way we do business, and to the machinery that delivers policy.

We know we need a comprehensive China policy.

Labor will continue to engage frequently and constructively at the Prime Minister to President/Premier level.

We will also continue to engage frequently and constructively at the Ministerial level.

Labor will also initiate a considerably expanded engagement with China at the senior levels of our public service, involving not only the departments of Defence and Foreign Affairs, but all of the departments that have ongoing business with China – in particular the Treasury.

Labor will also enhance the 'track 1.5' consultation mechanism to go beyond defence and foreign issues to a wider set of portfolios.



Since its establishment, our bilateral economic relationship has extended into all corners of the private sector – banking, commerce, industry and services.

So Labor will be working with the peak private sector bodies to ensure that the development and implementation of economic and trade policy is based as much on public-private participation as it is on official consultation.

In their landmark report *Partnership for Change: Australia-China Joint economic Report 2016*, Peter Drysdale and Zhang Xiaoqiang advocated the establishment of an independently governed Australia–China Commission.

In their view, such a body would facilitate efforts by the two national governments to pool their resources with those from private and other sources to establish programs of exchange and development.

Labor will be giving serious consideration to this proposal, bearing in mind that its implementation will require close consultation with the government of China.

Labor's *FutureAsia* policies will introduce a step change in our engagement with Asia.

Labor knows if we want to get it right with Asia, we need to get it right with China.

And if we want to get it right with China, we need a comprehensive China policy.

Just as Prime Minister Whitlam set Australia and China on a new and constructive path forty five years ago, so shall a Shorten Labor Government.

We will bring new energy into our relationship with China.

We will engage with China on the basis of confidence, cooperation and mutual respect; and with a clear eyed view of our own interests and values.