

The Senate

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Foreign Affairs, Defence and  
Trade References Committee

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China's emergence:  
implications for Australia

March 2006

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## **Members of the Committee**

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Mr Andrew Bomm, Senior Research Officer (from July 2005)  
Ms Lyn Beverley, Principal Research Officer (to December 2005)  
Ms Pamela Corrigan, Research Officer  
Ms Angela Lancsar, Executive Assistant

Suite S1.57  
Parliament House  
Canberra ACT 2600

Telephone: +61 2 6277 3535  
Facsimile: +61 2 6277 5818  
Email: [fadt.sen@aph.gov.au](mailto:fadt.sen@aph.gov.au)  
Internet: [www.aph.gov.au/senate/committee/fadt\\_ctte/index.htm](http://www.aph.gov.au/senate/committee/fadt_ctte/index.htm)

## Terms of reference

On 8 December 2004, the following matter was referred to the Senate Foreign Affairs, Defence and Trade References Committee for inquiry and report to the Senate:

- (a) Australia's economic relationship with China with particular reference to:
  - i. economic developments in China over the last decade and their implications for Australia and the East Asian region;
  - ii. recent trends in trade between Australia and China;
  - iii. the Australia-China Trade and Economic Framework and possibility of a free trade agreement with China;
  - iv. ongoing barriers and impediments to trade with China for Australian businesses;
  - v. existing strengths of Australian business in China and the scope for improvement through assistance via Commonwealth agencies and Australian Government programs;
  - vi. opportunities for strengthening and deepening commercial links with China in key export sectors;
  
- (b) Australia's political relationship with China with particular reference to:
  - i. China's emerging influence across East Asia and the South Pacific;
  - ii. opportunities for strengthening the deepening political, social and cultural links between Australia and China;
  - iii. political, social and cultural considerations that could impede the development of strong and mutually beneficial relationships between Australia and China; and
  
- (c) Australian responses to China's emergence as a regional power with particular reference to:
  - i. China's relationships in East Asia, including in particular the Korean Peninsula and Japan;
  - ii. the strategic consequences of a China-ASEAN free trade agreement;
  - iii. China's expanded activities across the South West Pacific.



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# Executive summary and recommendations

This report, the second in the committee's inquiry into Australia's relationship with China, examines the factors shaping China's foreign policy and the way in which other countries are adjusting to China's emergence and the implications for Australia.

## China's foreign policy: influences, style and responses

China openly acknowledges that its diplomacy must serve its economic development. Chinese leaders espouse a foreign policy that places high importance on global stability, friendly and cooperative relations and good neighbourliness. It is deliberately cultivating special relations with countries rich in the natural resources it needs to continue economic development and is presenting itself to its citizens and the outside world as an advocate for global peace. It wants to reassure the world that its 'peaceful rise' does not pose a threat.

Although China's foreign policy is designed to show China's friendly face to the rest of the world, fears about its future intentions persist. Some, especially those with important economic links with China, such as Australia, are keen to strengthen their diplomatic relations but are aware that the relationship is not risk free. The report examines how China's 'good neighbour' policy manifests itself in China's relationships with other countries and how this in turn affects Australia.

## ASEAN countries

China's emergence as a major economic and political force is having a profound influence on its neighbours in East Asia. The strength of the Chinese economy and its potential economic power in the future has contributed to China's capacity to exert a greater political influence in the region.

Although China is at pains to stress its opposition to hegemony, power politics, and terrorism in all its manifestations, it has a major challenge in allaying fears that more ambitious and selfish motives underpin its 'peaceful development'.<sup>1</sup> It accepts that some harbour suspicions about its intentions. China, however, is attempting to dispel fears about its growing influence in the region through both bilateral and multilateral means.

China now participates—often taking the lead—in a number of multilateral fora on economic and security issues. Most notably these include China as an ASEAN dialogue partner, the ASEAN+3 grouping (ASEAN plus China, Japan and South

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1 Part VII, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the 10<sup>th</sup> National People's Congress, 15 March 2005.

Korea),<sup>2</sup> the ASEAN Regional Forum (ARF), the Asia-Pacific Economic Cooperation (APEC) forum and, most recently, the East Asia Summit (EAS).

The committee recognises the significant role that APEC has in the region not only in facilitating trade but in promoting regional cooperation, good will and security. That said, the committee also recognises the work being done in other regional fora such as ASEAN, the ARF and the EAS. It believes that they also have an important place in developing a sense of regional community and warrant the strongest support from Australia.

## **Recommendation 1**

**3.90 The committee recommends that the Australian government demonstrate to East Asian countries a genuine interest in and support for ASEAN and the ARF, redouble its efforts to reinvigorate APEC and remain fully engaged with the East Asia Summit. The committee believes that the Australian government should look upon these fora as complementary.**

## **The United States**

At the bilateral level, Sino-U.S. political relations have been tested over specific issues such as the political status of Taiwan, democratisation and human rights abuses, as well as broader strategic questions. In particular China's trade regulations, especially intellectual property violations, and international energy trade are major sources of frustration for the U.S. China's preparedness to strike energy deals with countries deemed to be 'rogue states' by the U.S. is a serious difference between the two countries.

If Australia is to develop constructive ties with the U.S. and China concurrently, cordial and constructive relations between them are clearly important. Fundamentally, this depends on the U.S.' strategy towards its emerging Asian competitor and China's own behaviour.<sup>3</sup> There has been some suggestion that Australia can play an important role as a mediator between China and the U.S.<sup>4</sup> However, the committee argues that this would place Australia in a potentially awkward diplomatic position. It believes that Australia, as a friend to both countries, should encourage them, in pursuing their own interests, to place the highest priority on contributing to the stability and prosperity of the region as a whole.

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2 The ten member countries of ASEAN are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), Philippines, Singapore, Thailand and Vietnam.

3 Alan Gyngell, 'Living with the giants', *Time Asia*, 25 April 2005.

4 William Tow, 'Stand by your mate', *The Diplomat*, Oct/Nov 2004, p. 25. See transcript of joint press conference between Prime Minister Howard and President Bush, Washington DC, 19 July 2005. See also text of speech by Chinese President Hu Jintao to Australian Parliament 24 October 2003.

For many decades the United States has taken an active interest in maintaining a secure environment in East Asia.<sup>5</sup> The committee found, however, that the U.S.' commitment to the region—as distinct from its own narrower strategic pursuits—appears to fall short in comparison to China's. A number of analysts have compared China's growing sophistication and skill in its foreign diplomacy in the region with the apparent lack of attention by the U.S.

Indeed, a number of witnesses to the inquiry raised concerns about the United States' lack of engagement in the region, particularly in light of its exclusion from the East Asia Summit.

The committee believes that Australia must do its utmost to encourage the United States to remain constructively engaged in the region. While the committee stresses the important role that the United States has in APEC, it believes that Australia should also encourage the United States to demonstrate its support for the broader objectives of ASEAN—including the ARF—and to build a more visible and credible presence in the region.

## **Recommendation 2**

**5.26 The Australia government, through its good relations with the United States, encourage the United States to use its influence more effectively in the region, and in so doing, to improve its relationship with ASEAN and its member countries.**

## **China's modern militarisation**

The committee recognises that as China's economy grows, the Chinese authorities will seek to update the capabilities of the People's Liberation Army. China's growing investment in military capability, however, has attracted a great deal of attention from its neighbours and those concerned about regional security. Some view the modernisation of China's military as a threat to regional stability, while others note that the improvements in China's overall military capability needs to be set against the very low-technology starting point of China's armed forces.<sup>6</sup>

Transparency from the Chinese government, or a perceived lack thereof, with regard to the scope and intent of China's ongoing military modernisation was a major issue raised during the course of this inquiry. The uncertainty about China's military budget and the capability of its forces creates an atmosphere of mistrust and conjecture. Any

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5 See for example statement by Acting Assistant Secretary of State for East Asian and Pacific Affairs, Rust Deming, Washington File, EPF307 03/08/00, Text: State Official Deming, 8 March on Asia–Pacific Security Issues. He stated: 'Our interest in maintaining a secure environment to allow economies to develop, trade to grow, and democracy to spread has not diminished...in fact the American strategic, political, and economic stake in East Asia has only increased'.

6 Frank W Moore, Institute for Defense and Disarmament Studies, 'China's Military Capabilities', June 2000, <http://www.comw.org/cmp/fulltext/addschina.html> (accessed on 27 October 2005).

steps taken by China to make its reports on military spending and capability more informative, accurate and comprehensive will at least remove the tendency for other countries to indulge in speculation.

As a political force, Australia has little if any influence over China's overall defence policy or over how the U.S. will respond to what it believes are military developments in China. That is not to say that Australia cannot take a constructive role in helping China to further open up its military activities to greater scrutiny, to encourage China and the United States to improve the level of trust between them and to assist to create a climate in the region where countries work together toward a safe and secure environment.

The committee believes that Australia has an important role in encouraging both countries to work together to create an atmosphere that supports open discussions about military and strategic planning in the region.

### **Recommendation 3**

**6.80 The committee recommends that the Australia government work with countries, which have a common interest in regional stability and security, in the ARF, APEC and EAS to promote confidence building measures, such as increased transparency in reporting on military spending and capability, that will contribute to greater regional stability.**

The committee notes China's increasing importance as a dialogue partner on strategic and defence issues and the growth in the defence relationship with Australia in recent years.

### **Recommendation 4**

**6.88 The committee recommends that the Australian government use its good relationship with China, and its defence links in particular, to encourage China to be more open and transparent on matters related to its military modernisation such as its objectives, capability, and defence budget.**

### **Recommendation 5**

**6.95 The committee notes the suggestions by Professor Tow and Mr Jennings for a regional arms control agreement and recommends that the Australian government work with like minded countries in the region to promote such an agreement.**

## **Taiwan**

China's diplomatic relations with Taiwan are of major significance to the region. From China's perspective, Taiwan's reunification with the mainland represents a key foreign policy goal. Taiwan, however, is resisting reunification.

Both the U.S. and Australia support a continuance of what is regularly referred to as the cross-strait 'status quo' until a peaceful resolution to reunification can be found.

Essentially, the status quo refers to a bundle of commitments between China, Taiwan and the U.S. to ensure peaceful relations across the Taiwan Strait. Central to this status quo is China's undertaking to pursue reunification peacefully and Taiwan's acceptance of its present, uncertain political status.<sup>7</sup>

Although an immediate threat of military conflict across the strait appears unlikely, Taiwan's demonstration of its political autonomy, as well as China's continued assertions that anything other than reunification remains unacceptable has strained the status quo.

The committee believes that the cross-strait status quo can be maintained and that military conflict is unlikely. The sheer cost—economic and humanitarian—of a military confrontation is the strongest case for all parties to chart a cautious, peaceful path. A confrontation between China and the U.S. would polarise the Asia–Pacific and threaten military escalation.<sup>8</sup> The committee agrees with the Australian government that it is not useful to speculate on hypothetical situations involving Australia's response to conflict between China and Taiwan especially where the U.S. may intervene and the ANZUS Treaty may be invoked.

## **Japan**

The committee recognises that China and Japan are two countries naturally positioned to exert great influence in East Asia. Therefore, a cooperative and peaceful Sino-Japanese relationship is vital for the stability of the region. Their relationship also has a direct bearing on Australia's interests in the region. China is fast becoming one of Australia's major trading allies with political and cultural ties also strengthening. Japan is one of Australia's most important and long-standing partners in the region with not only close economic links, but shared strategic interests in the region. Australia would therefore like to see both countries maintain friendly relations.

There are, however, some deep seated disagreements between them which flare up from time to time, giving rise to acrimonious outbursts and a failure to support each other. The committee supports Australia's current stand that the arguments are between China and Japan and that it should not interfere. Even so, the committee believes that Australia has a role in encouraging both countries to engage actively in regional fora where they can meet and discuss matters in an environment conducive to the resolution of problems.

The committee further notes that Australia is committed to participate in a ministerial-level trilateral security dialogue with Japan and the U.S. Talks were held in March 2006. It believes that the trilateral discussions should maintain their original broad focus on regional and global security issues and definitely not adopt a stance that

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7 Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06, p. 4.

8 Peter Jennings, 'Australia's Chinese challenge', *Australian Financial Review*, 7 October 2005, p. 11.

could be interpreted by other East Asian countries, especially China, as a move to contain China's influence. It suggests that the three countries in the dialogue should be careful to ensure that their discussions are aimed at involving China as an important partner in securing regional stability.

### **The North Korean nuclear issue**

The North Korean nuclear issue has demonstrated China's skill and persistence in bringing the U.S. and North Korea to the negotiating table and finding common ground. Between August 2003 and November 2005, China's decisive involvement in hosting five successive rounds of Six-Party talks 'significantly departed from its traditionally low-profile diplomacy in Korean peninsula affairs'.<sup>9</sup> The U.S. had urged China to play a mediating role in its neighbour's disarmament, although China differed from the U.S. over the nature and character of the problems that North Korea poses. Indeed, while the committee acknowledges China's important role in the talks to date, it emphasises that Beijing's principal concern is not to rival the U.S. but to ensure its own internal stability. It is for this reason that China has remained opposed to the use of sanctions against North Korea and encourages two-way trade and bilateral economic cooperation.<sup>10</sup>

It was not until the fourth round of talks, in July 2005, that real progress was made through China's drafting of principles for ending North Korea's nuclear weapons program. The chief U.S. envoy to the talks, Mr Christopher Hill, noted: 'we give a lot of credit to the Chinese for putting this all together'.<sup>11</sup> It led to the September 2005 Joint Statement that established six principles, including a commitment from North Korea to abandon all nuclear weapons. In return, the other parties would discuss, 'at an appropriate time', the provision of a light-water reactor to Pyongyang. However, the sequence of concessions was the stumbling block with North Korea maintaining that its commitment to disarmament depended on initial receipt of a light-water reactor. A further round of Six-Party talks in November 2005 established Pyongyang's preferred five-stage strategy for disarmament, although the sequence of concessions is again likely to see this plan fail. The committee expresses particular concern at North Korea's December 2005 decision to end the World Food Programme's (WFP) emergency distribution programs and restrict the number of WFP staff and monitoring visits.

### **Recommendation 6**

**9.56 The committee recommends that the Australian government continue its efforts to encourage North Korea to abandon its nuclear weapons program and**

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9 Anne Wu, 'What China whispers to North Korea', *The Washington Quarterly*, vol. 28, no. 2, p. 36.

10 Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, *China's Foreign Affairs 2005*, World Affairs Press, 2005, p. 137.

11 Christopher Hill, Transcript, 'Hill reports "encouraging signs" at the Six Party talks', *Washington File*, 29 July 2005.



**resume full receipt of international aid. It notes the success of China's efforts to date in the Six-Party process and urges the Australian government to continue supporting China in its efforts to broker and implement a strategy for disarmament.**

## **The Southwest Pacific**

China has formed diplomatic relations with a number of island states in the Southwest Pacific. Likewise Taiwan has established formal political ties with countries in the region. Among some Pacific Island nations, competition between China and Taiwan for diplomatic recognition has, on occasion, appeared to take on the characteristics of a bidding war, conducted mainly through bilateral 'aid' payments.

The committee remains concerned at the effects that this rivalry is having on the countries in the Southwest Pacific. It notes that being relatively poor and tending to lack the appropriate institutional mechanisms to ensure political and bureaucratic accountability, many Pacific islands are vulnerable to financial influence and corruption.

The committee accepts that each country in the Southwest Pacific has the primary responsibility for its economic and social development but that countries providing development assistance should ensure that their aid contributes to sustainable development. The OECD Development Assistance Committee has formulated guidelines to assist donor countries and the recipients of development assistance. Adherence to these guidelines would ensure the correct, proper and most efficient use of such assistance.

The committee acknowledges the positive and active role that China is taking in the Post Forum Dialogue. Its level of interest and engagement underscores the need for Australia to ensure that it remains focused on the activities of the Pacific Islands Forum and attentive to its goals and aspirations.

### **Recommendation 7**

**10.63 The committee recommends that the Prime Minister of Australia place the highest priority on attending all Pacific Forum Meetings.**

**10.64 The committee recommends that the Australian government, through the Pacific Islands Forum, encourage members to endorse the OECD principles on official development assistance.**

**10.65 The committee recommends that the Australian government, through the Post Pacific Islands Forum, encourage China to adopt, and adhere to, the OECD principles on official development assistance for the islands of the Southwest Pacific.**

**10.66 The committee recommends that Taiwan should also be encouraged to adhere to the OECD principles on official development assistance for the islands of the Southwest Pacific.**

**10.67 The committee recommends further that Australia work closely with China to encourage both countries to enter joint ventures designed to assist the development of the island states of the Southwest Pacific.**

## **Australia**

Despite diplomatic efforts to remain on friendly terms with China, there are circumstances where Australia may be placed in a situation requiring choices involving competing interests. Indeed, many analysts have noted that Australia has a difficult task in plotting a careful diplomatic course that would avoid any confrontation with China while remaining on good terms with a major regional partner who may be in dispute with China.

The committee believes that Australia must maintain its current position of presenting itself as an independent country whose abiding interest is in ensuring that the region as a whole remains politically stable and secure. It recognises that a cooperative Sino–U.S. relationship is crucial to Australia's own interests in the region, particularly with respect to the U.S.' regional security presence and China's economic opportunities. It believes that Australia, as a friend to both countries, should encourage them, in pursuing their own interests, to place the highest priority on contributing to the stability and prosperity of the region as a whole. The committee again underlines the important role that multilateral fora have in creating an environment conducive to cooperative and friendly relations that take account of the interests of the region as well as of individual countries.

The committee believes that Australia must continue to participate actively in regional fora and encourage other countries, especially the U.S., to demonstrate its support for the broader objectives of ASEAN, including the ARF.

The committee welcomes initiatives such as that taken by the ANU in arranging a workshop on reconciliation between China and Japan that includes both Chinese and Japanese academics. It believes that the government should lend strong support to Australian institutions using their resources to bring together colleagues from the region to discuss problems such as disagreements between regional neighbours.

## **Recommendation 8**

**11.38 The committee recommends that the Australian government support Australian institutions that are using their initiative and resources to bring together colleagues from the region to discuss means to reconcile differences that exist between countries such as those currently between China and Japan.**

The committee also believes that Australia needs skilled and well trained analysts, with a thorough understanding of China's security priorities and the complexities of relationships in the region, to advise government on foreign policy. In light of the importance of East Asia to Australia and the rapid and complex changes taking place in the region, the committee makes the following recommendation.

## **Recommendation 9**

**11.55 The committee recommends that the Australian Government:**

- **place a high priority on building-up a pool of highly trained, skilled and experienced analysts specialised in East Asian affairs, and**
- **review the incentives it now has in place to attract and train highly skilled strategic analysts to ensure that Australia's current and future needs for such trained people will be met.**



# Chapter 1

## Introduction and conduct of the inquiry

### Referral of the inquiry

1.1 On 8 December 2004, the Senate referred the matter of Australia's relations with China to the committee for inquiry and report by 15 September 2005. On 13 September 2005, the Senate granted an extension to the committee's reporting date to 10 November 2005. The first report, tabled on 10 November 2005, concentrated on the trading, commercial, social and cultural links with China. This subsequent report, which forms the second part of the committee's report on Australia's relations with China, builds on Part 1 but is primarily concerned with the political and strategic aspects of Australia's relationship with China.

### Timing of the inquiry

1.2 This is the third inquiry conducted by a Senate committee into Australia's relationship with China. In 1984, the former Senate Standing Committee on Industry and Trade inquired into prospects for Australia–China trade. In 1996, the Senate Foreign Affairs, Defence and Trade References Committee examined the wider bilateral relationship including the political relationship, trade and investment links and social and cultural ties. Since then Australia's relationship with China has continued to develop and grow.

1.3 As noted in the report tabled last year, the committee believes that at a time of such rapid economic and political development in China and the broader region, it was timely to review Australia's relationship with China. The following terms of reference recognise that economic, political and strategic factors are intertwined.

### Terms of reference

1.4 The terms of reference for the committee's inquiry into Australia's relationship with China are set out below:

- (a) Australia's economic relationship with China with particular reference to:
  - (i) economic developments in China over the last decade and their implications for Australia and the East Asian region;
  - (ii) recent trends in trade between Australia and China;
  - (iii) the Australia–China Trade and Economic Framework and possibility of a free trade agreement with China;
  - (iv) ongoing barriers and impediments to trade with China for Australian businesses;

- (v) existing strengths of Australian business in China and the scope for improvement through assistance via Commonwealth agencies and Australian Government programs;
- (vi) opportunities for strengthening and deepening commercial links with China in key export sectors;
- (b) Australia's political relationship with China with particular reference to:
  - (i) China's emerging influence across East Asia and the South Pacific;
  - (ii) opportunities for strengthening the deepening political, social and cultural links between Australia and China;
  - (iii) political, social and cultural considerations that could impede the development of strong and mutually beneficial relationships between Australia and China; and
- (c) Australian responses to China's emergence as a regional power with particular reference to:
  - (i) China's relationships in East Asia, including in particular the Korean Peninsula and Japan;
  - (ii) the strategic consequences of a China-ASEAN free trade agreement;
  - (iii) China's expanded activities across the South West Pacific.

### **Conduct of the inquiry**

1.5 The committee sought views from a range of people and organisations including: sectors of the business community who have or would like to establish commercial links with China; Chinese companies who have business ties with Australia; mutual friendship associations both here and in China; organisations and associations interested in fostering links between the two countries; academics with expertise in East Asia and the South Pacific; and people who are concerned about Australia's future relations with China.

### **Advertisement**

1.6 The committee advertised the terms of reference and called for submissions in *The Australian* on a number of occasions leading up to the close of submissions on 24 March 2005.

### **Submissions**

1.7 The committee received 81 public submissions which are listed at Appendix 1. A late submission numbered *P82* was received by the committee after it had presented the first part of the report and is recorded at Appendix 1.

## **Public hearings**

1.8 The committee held nine public hearings in Canberra, Melbourne, Sydney and Perth. A list of the committee's public hearings, together with the names of witnesses who appeared, is at Appendix 2.

1.9 The last hearing held, on 13 September 2005, took the form of a roundtable where Australia's leading experts discussed China's emerging influence in the region. A copy of the agenda paper is at Appendix 4.

*Members of the roundtable giving evidence in Parliament House on 13 September 2005.*





## Background to the report

1.10 The first report detailed China's emergence as an economic and political force on the world stage. It noted that Australia has been drawn very strongly into China's orbit of influence, that strong economic links now bind Australia to China and that many people-to-people links further buttress the relationship. China has also indicated that it would like Australia to be a partner as it continues to take a leading role in world affairs.

## Structure of the report

1.11 Concerns were raised in the first report about the extent of influence that China may exert over Australia. Some argued that 'China matters more to Australia in terms of trade than the other way around'.<sup>1</sup> They fear that intent on maintaining good trading links with China, Australia may compromise on matters of principle so as not to upset the relationship.<sup>2</sup>

1.12 This second report is also concerned with China's growing influence but takes a much broader perspective. It looks at China's foreign policy and its military modernisation program and examines its effect on other countries in the Asia-Pacific region and the implications for Australia. It has 11 chapters:

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1 See for example, C. Mackerras, *Submission P54*, p. 9.

2 See paragraph 14.2 of the first part of the committee's report, Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, p. 245.



Chapter 2 provides an overview of China's foreign policy. It highlights the factors underpinning these policies, the Chinese government's ambition of a 'peaceful rise', and other nations' response to China's actions and rhetoric.

Chapter 3 looks at China's rapidly expanding influence in East Asian bilateral and multilateral fora. It reviews China's key bilateral relationships in East Asia and the implications of its recent participation in fora such as the East Asia Summit.

Chapter 4 examines China's key bilateral relationship with the United States. It considers the growing anxiety among U.S. strategists about what they perceive as China's unfair trade advantages, undiscerning capture of foreign energy supplies and new-found enthusiasm for regional multilateralism.

Chapter 5 considers the China–U.S. relations in the broader regional context and seeks to understand the complex web of relations in East Asia and how smaller countries, such as Australia, are adjusting to changing circumstances as China and the U.S. work out their relationship.

Chapter 6 discusses China's new defence policy which aims to increase the competency of its armed forces. It explores China's need for improved defence capabilities, the policies underpinning its military program, and the way it informs the rest of the world about its defence spending and strategic intentions. The committee is particularly interested in the transparency of this information.

Chapter 7 focuses on the tensions across the Taiwan Strait. It reviews the history of Taiwan's present political status, the primacy of reunification in China's foreign policy, the changing political environment in Taiwan and China's response to these developments. The chapter then considers some of the difficulties facing both Australia and the US in their support for maintaining the cross-strait status quo.

Chapter 8 is concerned with China–Japan relations, another area of growing tension in China's foreign relations. It looks at several recent incidents including the dispute over oil and gas resources, the Japanese Prime Minister's visits to the Yasukuni Shrine and Chinese anger over a Japanese history textbook's downplaying of Japan's wartime atrocities.

Chapter 9 explores China's important role in multilateral efforts to resolve the North Korean nuclear issue. It presents a chronology of the five rounds of 'Six-Party talks' from August 2003 to September 2005 involving North Korea, the U.S., China, South Korea, Japan and Russia. The focus is on how China has balanced its support for the Pyongyang regime with the fears it shares with the U.S. that North Korean nuclear weapons may lead to arms race in East Asia.

Chapter 10 concentrates on the diplomatic activities of Taiwan and China in the Southwest Pacific, especially in light of the one-China policy. It considers the underlying motives for their presence in the region and the effect that it is having on the islands' development. It looks in particular at the operation of China and Taiwan's aid programs and their involvement in the Pacific Islands Forum.

Chapter 11 concludes the report with an Australian perspective on these issues. It asks: what are the strengths and opportunities for the Australian government in its strategic and political relationship with China? What are the potential problem areas for the Australia government, particularly as its relations with third parties affect Chinese perceptions and interests?

### **Acknowledgments**

1.13 The committee thanks all those who contributed to the inquiry by making submissions, providing additional information or appearing before it to give evidence.

1.14 The committee takes particular note of, and commends, the work of three interns who were placed with the committee secretariat or with the committee's chairman and who produced well researched and high quality papers on matters dealing with China and the region. The committee wishes Ms Thuy Thu Le, Mr Daniel Macpherson and Mr Cameron Reid well in their chosen careers.

# Chapter 2

## China's foreign policy

China pursues an independent foreign policy of peace, follows the road of peaceful development, works hard to integrate the efforts to safeguard its own national interests and promote common interests of all countries, and strives for a constructive role in international affairs.<sup>1</sup>

### Introduction

2.1 China's approach to foreign policy has become considerably more open and outward-looking over the past decade, matching its increasing engagement with global trading markets.<sup>2</sup> In this context, this chapter has two parts. The first considers the factors shaping China's foreign policy, particularly China's need to secure reliable supplies of raw materials and to assert a confident national identity through its foreign policy. The second part looks at the type of diplomacy that China has adopted in international affairs, and other countries' perceptions of the intent underpinning this approach. It also examines the challenges confronting China's nearest neighbours, its key trading partners and its major strategic allies as it emerges as a political and economic force in the region and a powerful influence in world affairs.

### Factors shaping China's foreign policy

#### *The importance of economic growth and social stability*

2.2 The Chinese people face an unprecedented rate of social and economic change as their country opens up to the forces of the global marketplace. China's economy is expanding rapidly, its social structures are undergoing reform and its people are being exposed to new ideas and changing expectations.<sup>3</sup> China is a country of great size and diversity; maintaining stability in such a large country emerging from a tightly controlled and planned political, social and economic system is a major challenge for its leaders. Premier Wen Jiabao described the task pointedly:

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- 1 Office of the State Council of the People's Republic of China, 1 September 2005, reprinted in *China Daily* as Full Text of White Paper on Arms Control, 1 September 2005, [http://www.chinadaily.com.cn/English/document/2005-09/01/content\\_474248.htm](http://www.chinadaily.com.cn/English/document/2005-09/01/content_474248.htm) (accessed 17 November 2005).
  - 2 Chapter 2 of the committee's report tabled in November 2005 traced the opening up of China to the world and its transition from an inward-looking and closed economy to a market-oriented one engaged with the outside world. Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, pp. 7–8.
  - 3 Chapter 2 of the committee's report tabled in November 2005 discussed the range of problems facing China as the country's economy continues to expand and open to the outside world. Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, pp. 10–29.

In China with 1.3 billion people, any small problem multiplied by 1.3 billion will become a huge issue. Any big amount of wealth divided by 1.3 billion will be reduced to a small amount of per capita figure.<sup>4</sup>

2.3 Professor Ross Garnaut has expressed the view that the biggest test for China to sustain economic growth would arise as pressures grow within the country for democratisation of the political process.<sup>5</sup>

2.4 Witnesses appearing before the committee shared this view. Professor David Goodman noted the potential for conflict caused by a political structure out of step with the expectations of people living in a country undergoing significant economic and social change.<sup>6</sup> Mr Garry Woodard, former Australian Ambassador to China, also commented on the magnitude of the problems confronting the leadership in China. He observed that:

...holding China together is a fantastically difficult thing for a government to do...the range of problems that China faces every day is so vast compared with ours that it was really impossible for us to understand how the leadership there grappled with them.<sup>7</sup>

2.5 Professor James Cotton was of the view that public opinion in China is focused on the many and serious internal problems that the country faces—ecological, economic and social.<sup>8</sup> The Australian Department of Foreign Affairs and Trade (DFAT) outlined for the committee some of the specific difficulties the Chinese government faces:

There are challenges such as unemployment and disparities between the wealthy parts of China along the eastern coast and the central and western parts of China. There are disparities between urban dwellers and rural dwellers. They face challenges in terms of financial sector reform and problems with nonperforming loans. They also face huge challenges because of unemployment problems involved with state owned enterprise reform...They face challenges in terms of reforming agriculture. At the

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4 See Ambassador Fu Ying, Address to the National Press Club, 28 July 2004, p. 15 and '1.3 Billion? Big Deal', *China Daily*, 11 January 2006.

5 Ross Garnaut, Professor of Economics, 'India, China and Australia: Lessons from Different Paths in Economic Reform', *The 2004 Sir John Crawford Lecture*, National Council of Applied Economic Research, New Delhi, 28 September 2004, p. 17.

6 David Goodman, *Committee Hansard*, 29 June 2005, p. 54. He stated: 'The Chinese people, Chinese society, have no problem in dealing with the pluralism that is quite clearly on the way. The problem we are facing from the outside now, particularly in government-to-government relations, is that there is an increasing tension between social and economic change in China and the unwillingness of the people who control the Communist Party at the moment to change along with those trends'.

7 Garry Woodard, *Committee Hansard*, 27 June 2005, p. 27. Mr Woodward was Australia's Ambassador to China 1976–1980.

8 James Cotton, *Committee Hansard*, 13 September 2005, p. 7. Professor Cotton is a professor of politics at the Australian Defence Force Academy.

moment around 700 million citizens are still underemployed in the agriculture area. They also face huge infrastructure problems, which can pose a threat to growth.<sup>9</sup>

2.6 Managing evolving social and political forces as the economy expands and the Chinese people are exposed to new ideas will be very difficult. The Chinese leadership is acutely aware of the possible dangers stemming from the rapid social and economic changes occurring in their country, acknowledging that social conflicts are emerging 'in great numbers and in more varied forms'.<sup>10</sup> In June 2005, President Hu Jintao stated that over the coming decades China faces problems and contradictions 'more complicated and thorny than others' as its moves from a planned economy to a market economy, with its social structure and ideological setup also in a state of transition.<sup>11</sup>

2.7 China's Ambassador to Australia, Her Excellency Madam Fu Ying, has also referred to the potential for domestic social instability:

China's development is not all rosy and is not without challenges. The gap is widening between the east and west, between the rural and urban areas and between the haves and have-less. It gives rise to social issues that threaten stability.<sup>12</sup>

2.8 Internal unity and accord in China is of paramount concern to the Chinese leadership which places a heavy emphasis on building a 'harmonious society'. On many occasions, the Chinese government has stated its commitment to paying close attention to social stability.<sup>13</sup> It appreciates that a continuation of China's economic development is vital to managing changes in Chinese society—that economic prosperity promotes social stability and vice versa. Indeed, Chinese leaders consider sound economic growth as the 'material foundations for a harmonious society'.<sup>14</sup>

2.9 The increasing integration of China's economy with the outside world means that China's economic prosperity is closely connected to the economic wellbeing of the global economy. The United States' Deputy Secretary of State, Mr Robert

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9 DFAT, *Committee Hansard*, 13 September 2005, p. 47.

10 'Building harmonious society crucial for China's progress: Hu', *People's Daily Online*, 27 June 2005, [http://english.people.com.cn/200506/27/eng20050627\\_192495.html](http://english.people.com.cn/200506/27/eng20050627_192495.html), (accessed 20 February 2006).

11 'Building harmonious society crucial for China's progress: Hu', *People's Daily Online*, 27 June 2005, [http://english.people.com.cn/200506/27/eng20050627\\_192495.html](http://english.people.com.cn/200506/27/eng20050627_192495.html), (accessed 20 February 2006).

12 Her Excellency Madam Fu Ying, *Transcript of speech at the National Press Club*, 28 July 2004.

13 Premier Wen Jiabao, *Report on the Work of the Government*, 5 March 2005.

14 Premier Wen Jiabao, *Report on the Work of the Government*, 5 March 2005. See also Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, p. 16.

Zoellick, stated succinctly that 'China clearly needs a benign international environment for its work at home'.<sup>15</sup> Chinese leaders also make a clear connection between the international situation, internal social stability and economic growth.

2.10 They openly acknowledge that China's diplomacy must serve the country's economic development.<sup>16</sup> They espouse a foreign policy that clearly recognises the importance of global stability to their country's economic prosperity and their own political legitimacy. In February 2005, Madam Fu Ying, stated that China's imperative is to maintain security through stability and growth:

Traditionally, the term 'security' is related to military posture and defence forces. But for China...the greatest security concern is to ensure an environment for continued economic development.<sup>17</sup>

2.11 Premier Wen reinforced this view:

The international situation is undergoing complex and profound changes. Peace and development remain the themes of our times. The road of China's socialist modernization drive is a road of peaceful development. China's intentions in taking this road are to take advantage of favourable conditions presented by world peace to develop itself and better safeguard and promote world peace through its development.<sup>18</sup>

2.12 Having friendly relations with its trading partners is vital to China's economic development and forms a central plank in its foreign policy.

### ***The importance of securing reliable supplies of essential resources***

2.13 In order to drive its continuing economic development, China is becoming increasingly dependent on a steady, secure and substantial supply of energy resources.<sup>19</sup> A number of analysts contend that China's growing appetite for energy presents a serious challenge to its economic growth rate.<sup>20</sup> Domestic supplies cannot meet China's demand for raw materials and China relies heavily on overseas

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15 Robert B. Zoellick, 'Whither China: From Membership to Responsibility?', Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005.

16 Zhang Qiyue, Foreign Ministry Spokesperson, *Press Conference*, 21 October 2004.

17 Her Excellency Madam Fu Ying, Speech at Australian Strategic Policy Institute, Canberra, 17 February 2005, [http://www.aspi.org.au/pdf/Madame\\_Fu.pdf](http://www.aspi.org.au/pdf/Madame_Fu.pdf) (accessed 9 August 2005).

18 Premier Wen Jiabao, *Report on the Work of the Government*, Part VII, 5 March 2005.

19 See the first part of the committee's report. Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, pp. 23–6.

20 Wayne W. Morrison, 'China's Economic Conditions', *CRS Issue Brief for Congress*, 26 May 2005. See also, Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, pp. 23–5.

producers for these essential resources. This reliance places China in a vulnerable position.<sup>21</sup>

2.14 The Chinese leadership is keenly aware of the difficulties facing China in satisfying its energy needs. At the beginning of 2005, China noted that supplies of energy, raw and processed materials and transportation had increased significantly over the previous two years but that supply lagged well behind demand for coal, electricity, petroleum and transportation.<sup>22</sup> Madam Fu has stated:

The rising demand for energy and mineral resources is posing another serious challenge, as our own supply is not adequate to meet the demand. It is estimated that, by 2010, China will have to import one third of its mineral needs. By 2020, half of China's consumption of oil and gas will depend on overseas sources. We clearly need wisdom and farsightedness in managing our growth.<sup>23</sup>

2.15 China is the world's second largest oil consumer, accounting for eight per cent of global consumption. From 1994 to 2005, its crude oil imports have increased at a rate of 13 per cent annually.<sup>24</sup> China's preoccupation with securing its energy supplies is reflected in its foreign policy. China has announced that it would 'carefully organise the import of energy, raw and processed materials, key technologies and major equipment that are badly needed and in short supply in China'.<sup>25</sup>

2.16 Accordingly, China is deliberately cultivating special relations with countries rich in the natural resources it needs to drive continuing economic development.<sup>26</sup> It is becoming a major energy player in the Middle East and Africa. The China National

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21 Two researchers from the Hong Kong University of Science and Technology have contended that secure energy supplies, economic growth and the political fortunes of the Chinese government are inextricably linked. They argued that China's access to foreign resources is 'necessary both for continued economic growth and, because growth is the cornerstone of China's social stability, for the Chinese Communist Party'. David Zweig and Bi Jianhai, 'Feeding the Dragon', *Australian Financial Review*, Reviewed 9 September 2005, p. 1.

22 Part II, *Report on the Implementation of the 2004 Plan for National Economic and Social Development*, submitted to the Third Session of the 10th National People's Congress, 5 March 2005.

23 Her Excellency Madam Fu Ying, *Transcript of speech at the National Press Club*, 28 July 2004.

24 Mr JianJun Tu, 'The strategic considerations of the Sino-Saudi oil deal', *China Brief*, vol. VI, issue 4, 15 February 2006, p. 3.

25 Part III, section 7, *Report on the Implementation of the 2004 Plan for National Economic and Social Development*, submitted to the Third Session of the 10th National People's Congress, 5 March 2005 and *Report on the Work of the Government*, delivered by Premier Wen Jiabao at the Third Session of the 10th National People's Congress, 5 March 2005.

26 Kerry Dumbaugh, 'China-U.S. Relations: Current Issues and Implications for U.S. Policy', *CRS Report for Congress*, updated 8 July 2005, p. 13. See also Annual Report to Congress, *The Military Power of the People's Republic of China, 2005*, Office of the Secretary of Defense, p. 1.

Offshore Oil Corporation (CNOOC) holds significant investments in oilfields in Iran, Sudan and Nigeria. In January 2006, China and Saudi Arabia signed an agreement on oil, natural gas and minerals cooperation in which Saudi Arabia promised to increase annual oil and gas exports to China by 39 per cent.<sup>27</sup> The same month, China and India signed a series of energy cooperation agreements designed to promote strategic cooperation for resources.<sup>28</sup> As well as developing broader government-to-government diplomatic, trade, investment, aid and military links to secure its supply of energy from overseas sources, China is also placing a high priority on protecting its supply lines.<sup>29</sup>

### ***The role of national identity in shaping China's foreign policy***

2.17 A third significant factor shaping China's foreign policy is its desire to promote the nation as a world leader worthy of the highest respect. The U.S.–China Economic and Security Review Commission noted that China as a polity and a society enjoys international recognition for its own sake. It stated that China and many of its citizens are 'extremely proud' that Beijing will host the 2008 Olympics. It also claimed that the Chinese press routinely overplay 'mundane meetings between Chinese officials and other countries, even when the country or meeting is strategically unimportant'.<sup>30</sup> The Commission suggested that the Chinese government also uses the appearance or reality of international respect to buttress the legitimacy of its domestic actions and circumstances.<sup>31</sup>

2.18 China, indeed, takes pride in its new image as a responsible world power and 'a member faithfully following international rules'.<sup>32</sup> Its leaders use every opportunity to promote China's international standing, not only by highlighting recent

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27 Mr JianJun Tu, 'The strategic considerations of the Sino–Saudi oil deal', *China Brief*, vol. VI, issue 4, 15 February 2006, p. 3.

28 See 'China, India and the oil market', *Economist*, 19 January 2006, [http://www.economist.com/research/articlesBySubject/displayStory.cfm?story\\_id=5420659&subjectid=381586](http://www.economist.com/research/articlesBySubject/displayStory.cfm?story_id=5420659&subjectid=381586) (accessed 16 February 2006).

29 See for example, David M. Lampton, 'Paradigm Lost: the Demise of "Weak China"', *The National Interest*, Fall 2005, p. 78.

30 U.S.–China Economic and Security Review Commission, One Hundred and Ninth Congress, First Session, November 2005, p. 146.

31 U.S.–China Economic and Security Review Commission, One Hundred and Ninth Congress, First Session, November 2005, p. 146.

32 China's participation in the 'Six-Party' talks provides an example of where China is clearly proud of its work. Thomas J. Christensen wrote: 'the six-party process is particularly important as it relates to China. Government officials and commentators alike in China understandably took special pride in the agreement that was reached. Chinese news articles discussed how the PRC's role in the process was praised around the world. Beijing had played a major leadership role in bringing the joint statement to fruition, and the news media hailed Beijing's newfound diplomatic confidence and influence'. *China Leadership Monitor*, No. 16, p. 5. See also Foreign Ministry of the People's Republic of China, Foreign Minister Li Zhaoxing Gives Year-end Interview to People's Daily, 20 December 2005 and paragraph 9.36 in chapter 9.



achievements and contributions, but by reflecting on China's long and rich history—one that few countries can match. For example, in a speech at the National Defence Academy of Japan, Ambassador Wang Yi stated:

China's peaceful development is rooted in its 5000 years of history which in fact extends spiritual support for its development road.

This year marks the 600<sup>th</sup> anniversary of Chinese Ming navigator Zheng He's voyages to the west. At his time Zheng He's fleet was the strongest in the world, visited South East Asia for six times and once reached as far as North Africa. However, as former Malaysian Prime Minister Mahathir said, Zheng He's fleet brought trade of cargo and spread culture and friendship without war or invasion, which is totally different from the later European and US colonists. Such a tradition of regarding moralities as neighbour and emphasizing great virtue, as a major component of the Chinese culture, has extended today.<sup>33</sup>

2.19 The above quotation shows that in cultivating its sense of nationhood, China has chosen to plant its identity in a perceived long tradition of friendship and cooperation with other countries; of 'valuing peace and good neighbourliness'.<sup>34</sup> Indeed, China's national story is now one of a people who have overcome obstacles and are achieving success by keeping to their chosen path of peaceful development. The story is a compelling one and is clearly woven into Chinese foreign policy.

2.20 In public pronouncements, Chinese leaders link domestic harmony with broader aspirations for world stability and cooperation between nations. They hold that only a united and stable China can achieve higher international status. Both the national and international narrative is infused with notions of peace, cooperation and development:

The Chinese nation loves peace and advocates that nothing is more valuable than peace and all nations should live in peace and harmony. Subjected to untold external aggression and suppression in its modern history, China fully understands how precious peace is. At present, the Chinese people are concentrating on development and nation-building along a road of peaceful development. China needs a long-lasting and stable international environment of peace for her development, which, in turn, will promote world peace and progress. China, holding high the banner of peace, development and cooperation, will remain committed to pushing forward

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33 Ambassador Wang Yi, 'To keep your Words is Really Good Faith and to Stop the Use of Weapons and Avoid War is Truly Military', Speech delivered at the National Defense Academy of Japan, 2 November 2005.

34 Ambassador Li Zhaoxing, 'The U.S. Should Not Feel Threatened by China's Emerging Role in International Political and Military Arena', November 2000, <http://us.chineseembassy.org/eng/shxx/sggyth/t34779.htm> (accessed 25 November 2005).

the process of international arms control, disarmament and non-proliferation.<sup>35</sup>

2.21 In recent times, the Chinese government has often made public reference to the 'Five Principles of Peaceful Coexistence'. The principles are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. They were the product of Sino-Indian negotiations in 1953-54 and have since been adopted in various international documents.<sup>36</sup>

2.22 Notably, these values have recently been repackaged as 'not just principles for peace, but also principles for development'.<sup>37</sup> Premier Wen has argued that in applying the principles to the economic realm, all nations should respect the right of countries to make independent economic decisions, their equal right to participate in competition on a level playing field, and their access to mutual benefit and economic success.

### **Summary**

2.23 China's national identity shapes its foreign policy and influences its implementation. In strained relations where national identity is a significant factor, for example in China's relations with Japan and Taiwan, a sound appreciation of China's history and its sense of self as an advocate for peace and stability is integral for countries managing any dispute with China.<sup>38</sup>

2.24 The three major forces shaping China's relations with the outside world—the need for regional stability, the drive to secure energy supplies and its national identity as a good neighbour and responsible world citizen—have given rise to a foreign policy whose first principle is 'peaceful development'. The following section looks in greater detail at China's public diplomacy and how other countries respond to it.

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35 Full Text of White Paper on Arms Control, 1 September 2005, <http://fmprc.gov.cn/eng/zxxx/t209613.htm> (accessed 12 February 2006) and also reproduced in *China Daily*.

36 'The Five Principles of Peaceful Co-existence', *People's Online Daily*, [http://english.people.com.cn/200406/28/eng20040628\\_147763.html](http://english.people.com.cn/200406/28/eng20040628_147763.html) (accessed 15 February 2006).

37 'Five principles of peaceful coexistence also principles for development: Chinese premier', *People's Daily Online*, [http://english.people.com.cn/200406/28/eng20040628\\_147790.html](http://english.people.com.cn/200406/28/eng20040628_147790.html) (accessed 16 February 2006).

38 Dr Denny Roy, a Senior Research Fellow at the Asia-Pacific Centre for Security Studies, has attributed China's insistence on reunification in part to political reasoning which holds that 'unity is associated with national strength, and division with weakness. The Chinese nation will not be healthy or happy without unification because this aspiration is deeply ingrained in the hearts of all Chinese, according to PRC commentators'. 'Cross-Strait Economic Relations: Opportunities Outweigh Risks', *Asia—Occasional Paper*, Pacific Center for Security Studies, April 2004, p. 1.

## Peaceful development and smile diplomacy

2.25 In formulating China's foreign policy, the current Chinese leadership have been guided by the country's needs as a major economic force. The focus is on contributing to a politically stable world to ensure continuing economic development for China and its trading partners. China's message to its people and the international community clearly articulates a desire to cultivate friendly relations with other nations:

China pursues an independent foreign policy of peace, follows the road of peaceful development, works hard to integrate the efforts to safeguard its own national interests and promote common interests of all countries, and strives for a constructive role in international affairs.<sup>39</sup>

2.26 As noted earlier, China needs stable and amicable relations with the outside world to ensure its future economic growth and prosperity. This reliance explains the centrality of 'peaceful development' in its stated foreign policy:

China's intentions in taking this road are to take advantage of favourable conditions presented by world peace to develop itself and better safeguard and promote world peace through its development...China will continue the process of opening up and promote cooperation with all other countries on the basis of equality and mutual benefit, concentrate on development and work to preserve a long-term peaceful international environment and an excellent neighbouring environment. China will never seek hegemony and will always remain a staunch force safeguarding world peace and promoting common development.<sup>40</sup>

2.27 One China analyst termed this approach of co-opting the interests of neighbours through open trade, joint ventures and investment as a 'smile strategy', another as 'the charm offensive'.<sup>41</sup> The exercise of influence in this manner is often referred to as 'soft power', which one U.S. analyst has described in the following terms:

Soft power is the ability to get what you want through attraction rather than coercion or payments. When you can get others to want what you want, you do not have to spend as much on sticks and carrots to move them in your direction. Hard power, the ability to coerce, grows out of a country's

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39 Section II: China's Basic Policy and Position, Text of the White Paper on Arms Control, *China's Endeavours for Arms Control, Disarmament and Non-Proliferation*, 1 September 2005.

40 Section VII: Following the Road of Peaceful Development and Independent Foreign Policy of Peace, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the Tenth National Peoples' Congress, 5 March 2005.

41 Dick K. Nanto and Emma Chanlett-Avery, 'The Rise of China and its Effect on Taiwan, Japan and South Korea: U.S. Policy Choices', *CRS Report for Congress*, 12 April 2005, p. 1; David Shambaugh, 'China Engages Asia', *International Security*, vol. 29, no. 3, Winter 2004–05, p. 67.

military and economic might. Soft power arises from the attractiveness of a country's culture, political ideals, and policies.<sup>42</sup>

2.28 In contrast to influencing other nations through military or economic might, cultivating soft power involves using a more indirect form of influence—legitimacy. In the Chinese context, this aura of legitimacy is being pursued by China portraying itself as the 'good neighbour' in the region and the responsible global citizen. Specifically, their exertion of soft power constitutes an effort to alleviate prevailing concerns among East Asian countries of zero-sum consequences from China's rise.

2.29 When analysing soft power diplomacy, the importance of legitimacy can not be understated. If China is seen to be acting in the interests of regional peace, stability and prosperity then a valuable store of public trust within other nations in the region is accumulated.

2.30 China's growing economic influence has already captured the attention of its neighbours, who are increasingly looking toward China for regional leadership. Indeed, China's public diplomacy strategies build on its economic success, enabling it to pursue a greater role in the region and more broadly in world affairs.

2.31 To gain the trust and respect of other countries and to garner support for its foreign policies, China, in pursuit of its peaceful rise image, has shown a preparedness to listen to, and co-operate with, them. It should be noted, however, that at times China appears to depart from its smile diplomacy. For example its recent attitude toward Japan has not been conciliatory and seems to contradict China's 'peaceful development' approach. On the issue of Taiwan, China has consistently argued it is 'an internal Chinese matter that brooks no outside interference'.<sup>43</sup> (see paragraph 2.38 and chapters 7 and 8).

2.32 Even so, China would prefer to be seen as an advocate for global harmony: to have its style of diplomacy based on attraction rather than coercion. In its submission to this inquiry, the Embassy of the People's Republic of China (PRC) outlined China's new security concept:

Since the mid 1990s, China has been vigorously promoting a new security concept with mutual trust, mutual benefit, equality and coordination at its core, advocating the settlement of dispute through dialogues and cooperation.

- Mutual trust means that all countries should transcend differences in ideology and social system, discard the mentality of Cold war and power politics and refrain from mutual suspicion and hostility. They

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42 Joseph Nye, 'Soft power and American foreign policy', *Political Science Quarterly*, Summer 2004, p. 256.

43 Willy Lam, 'Beijing Launches Multi-pronged Offensive Against Chen Shui-bian', *China Brief*, vol. 6, Issue 6, 15 March 2006, p. 3.

should maintain frequent dialogue and mutual briefings on each other's security and defence policies and major operations.

- Mutual benefit means that all countries should meet the objective needs of social development in the era of globalisation, respect each other's security interests and create conditions for others' security while ensuring their own security interests with a view to achieving common security.
- Equality means that all countries, big or small, are equal members of the international community and should respect each other, treat each other as equals, refrain from interfering in other countries' internal affairs and promote the democratisation of international affairs.
- Coordination means that all countries should seek peaceful settlement of their disputes through negotiation and carry out wide-ranging and deep-going cooperation on security issues of mutual concern so as to remove any potential dangers and prevent the outbreak of wars and conflicts.<sup>44</sup>

2.33 Consistent with this policy, the Chinese government is using a mix of trade incentives, confidence building measures and development aid to convey to its neighbours the image of a country whose policy is 'peaceful development'.<sup>45</sup> It has:

- entered into cooperative trading arrangements;
- begun to resolve border disputes through peaceful negotiations;<sup>46</sup>
- taken a more serious approach to observing its nonproliferation obligations;
- assumed an active and constructive role in the 'Six-Party' talks;
- embarked on an enthusiastic diplomatic regime of meetings and exchanges among Chinese officials and their counterparts in other countries with the focus on building bridges and cementing friendly relations;
- become an active participant in multilateral cooperation and signed agreements such as the Declaration on the Conduct of Parties in the South China Sea and the Treaty of Amity and Cooperation; and
- offered assistance to countries in need, for example following the Asian financial crisis and to those affected by the tsunami in December 2004.

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44 Embassy of the PRC, *Submission P66*, pp. 13–14.

45 There are numerous references and examples taken from speeches and addresses by Chinese representatives that clearly demonstrate the image that these leaders are portraying. See for example, Speech by H.E. Ambassador Yang Jiechi, Asia Society and Council on Foreign Relations, New York, 3 December 2002.

46 Speech by H.E. Ambassador Yang Jiechi, Asia Society and Council on Foreign Relations, New York, 3 December 2002.

## Behind smile diplomacy

2.34 Although China's foreign policy is designed to show China's friendly face to the rest of the world, fears about its future intentions linger. While most countries in the region publicly praise and welcome China's friendliness, some remain unsure of China's long-term ambitions and continue to engage cautiously with China.<sup>47</sup> For example, the Singaporean Minister for Foreign Affairs, Mr George Yeo, has observed:

The Chinese declare that it will never be a hegemonic power and insist that China's emergence will be peaceful. However, China will be judged more by its actions than by its words. China plays a major role in maintaining peace on the Korean Peninsular. China has to win over the hearts and minds of the Taiwanese people so that reunification is not only a matter of legal right but also an act of reconciliation. China can help to make the UN and the WTO work better. How China manages its growing presence on the world stage will be carefully watched by countries big and small.<sup>48</sup>

2.35 A number of political leaders and analysts in Japan and the U.S. are particularly wary of China's rise.<sup>49</sup> They remain unconvinced that China's motives are benevolent, suspecting that there are more sinister reasons behind China's 'peaceful rise' rhetoric. From an American perspective, U.S. Deputy Secretary of State, Robert Zoellick, has stated that many Americans 'worry that the Chinese dragon will prove to be a fire-breather'; noting that there is 'a cauldron of anxiety about China'.<sup>50</sup>

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47 Numerous commentators refer to the uncertainty that surrounds China's long-term strategic intentions. See for example, statement of the Hon. James A. Kelly, Assistant Secretary, U.S. Department of State, Hearing before the Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, Second Session, 2 June 2004, p. 7; Shannon Tow, 'Southeast Asia in the Sino–U.S. Strategic Balance', *Contemporary Southeast Asia*, Singapore, December 2004, vol. 26, Issue 3. Elizabeth Economy, *China's Rise in Southeast Asia: Implications for Japan and the United States*, an updated version prepared for *Japan Focus* of an article that appeared in *Journal of Contemporary China*, August 2005, *Japan Focus*, 6 October 2005; Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia-Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 5; David Shambaugh, 'China engages Asia: Reshaping the Regional Order', *International Security*, vol. 29, no. 3, Winter 2004–5, p. 67; Chung Min Lee, 'China's Rise, Asia's Dilemma', *The National Interest*, Fall 2005, p. 89.

48 Singapore, Ministry of Foreign Affairs, Speech by Minister George Yeo at the Annual Conference of the Council of Americas in Washington DC, 3 May 2005.

49 See for example, Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia-Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 4.

50 U.S. Department of State, 'Whither China: From Membership to Responsibility?', Robert B. Zoellick, Deputy Secretary of State, Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005.

2.36 He also observed that other countries have doubts about China's long-term designs, prompting them to exercise caution, or 'hedge', when formulating their foreign policies:

Uncertainties about how China will use its power will lead the United States—and others as well—to hedge relations with China. Many countries hope China will pursue a 'Peaceful Rise,' but none will bet their future on it.<sup>51</sup>

2.37 Various commentators cite China's heavy investment in military capability despite the absence of an identifiable threat as inconsistent with its stated foreign policy.<sup>52</sup> They also suggest that China's active engagement in multilateral fora and its advocacy of economic integration mask more ambitious goals—that it may be simply a 'tactic to leverage its longer-term strategic objective of regional domination: a sphere of influence at minimum or, as some scholars have fretted, a revitalized tribute system'.<sup>53</sup> One Japanese analyst has stated that China has embarked on a course leading to regional hegemony:

China sees the rest of the world as something to control or, failing that, to use adeptly; it basically has no idea that it should coexist with the international community. In order to advance China's national interests and their own political objectives, the rulers in Beijing have no compunctions about playing games on the international stage, mobilizing the people through various manoeuvres and appealing to international opinion with consummate skill.<sup>54</sup>

2.38 During 2005, a number of unresolved tensions flared up in the region raising questions about China's long-term objectives. They included:

- the passing of an anti-secession law aimed at Taiwan by the National People's Congress following the stirrings of pro-independence sentiments in Taiwan that heightened tensions between China and Taiwan; and

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51 Robert B. Zoellick, 'Whither China: From Membership to Responsibility?', Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005. See also Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia-Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 5.

52 See chapter 6, paragraphs 6.31–6.34.

53 See for example, Hugh De Santis, 'The Dragon and the Tigers: China and Asian Regionalism', *World Policy Journal*, vol. 22, issue 2, Summer 2005, New York; Elizabeth Economy, *China's Rise in Southeast Asia: Implications for Japan and the United States*, an updated version prepared for *Japan Focus* of an article that appeared in *Journal of Contemporary China*, August 2005, *Japan Focus*, 6 October 2005; Bruce Vaughn, 'China–Southeast Asia Relations: Trends, Issues, and Implications for the United States', *CRS Report for Congress*, 8 February 2005, p. 3.

54 Nakanishi Terumasa, 'China Plays its History Cards', *Japan Echo*, vol. 32, issue 4, Tokyo, August 2005.

- violent anti-Japanese protests in Beijing, Shanghai and elsewhere in China about Japan's interpretation of its war history and the subsequent cooling of relations between the two countries.

2.39 Moreover, the growth in Chinese military power and capabilities at a time when China's strategic roadmap is unclear fuels concerns about the direction of China's military development and also adds to the uncertainty about China's future designs. In particular, some in the U.S. distrust China's motives behind the development of its power capability and see a fundamental contradiction in its behaviour. Richard Fisher, Jr, told the House Armed Services Committee that:

China faces no identifiable threat, yet it is building a powerful military which threatens Asian power balances, and provides incentives for China to employ force to settle a range of issues and challenges, ranging from the territorial and energy-related to the militarily strategic.<sup>55</sup>

2.40 China's quest to secure its energy supplies could also strain relations, or even generate hostility, between China and a number of other countries. Concerns over both China's procurement of energy resources and future military intentions are discussed in greater detail in the context of Sino–U.S. relations in Chapter 4 and Chinese military modernisation in Chapter 6.

2.41 Some witnesses before the committee were also qualified in their view of China's peaceful rise. Professor Paul Dibb, Director of the Strategic and Defence Studies Centre at the Australian National University, remarked that:

It all depends upon what sort of China we see emerging. There are at least two schools of thought...one is about a China which is more economically intertwined, more interdependent, modernising and, some would say, hopefully then becoming more politically democratic. I think that remains to be seen, frankly. It may be that China has invented a new model in which authoritarian Communist Party control and high standards of living have delivered what the Soviet Union could never do.

...history will tell us that the chances of competition—and you notice that I do not use the word 'conflict'—between an emerging power and the status quo hegemony has happened before, particularly with two different cultures and value systems.<sup>56</sup>

2.42 Dr Brendan Taylor, a post-doctoral fellow at the Strategic and Defence Studies Centre, acknowledged that China's use of soft power in the region had become 'significantly more adept' over recent years and its new diplomacy 'more adroit'. Even so, he argued:

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55 Testimony of Richard Fisher Jr 'China's Military Power: An Assessment from Open Sources', before the House Armed Services Committee, 27 July 2005, [http://www.strategycenter.net/printVersion/print\\_pub.asp?pubID=76](http://www.strategycenter.net/printVersion/print_pub.asp?pubID=76) (accessed 18 November 2005).

56 *Committee Hansard*, 13 September 2005, p. 9.



...in reality there still does exist a significant degree of fear and apprehension throughout South-East Asia, or a number of countries in South-East Asia, as to what shape China's rise will ultimately manifest itself in.<sup>57</sup>

2.43 According to Professor Bruce Jacobs:

I think the difficulty in dealing with China, and this is a problem for most countries including Australia, is that historically—and we have to be careful about drawing a lot of things historically—China was the centre of its world and foreign relations between China and other countries were hierarchical...Most countries are stuck in this unequal relationship, and I think to some extent we have got ourselves in that situation.<sup>58</sup>

2.44 He also stated:

If you look at the relationship with India, there is competition and I think some of the South-East Asian countries feel that China is a huge country next door to them and they have to be careful not to upset them. To some extent I think that has become our approach.<sup>59</sup>

2.45 While China acknowledges that its intentions are sometimes questioned, it remains resolute in conveying to the rest of the world its determination to build stable and long-term cooperative relationships. China insists that its people 'are ready to work together with everyone in the world to achieve peace, development and cooperation among all nations'. In an address to the Asia Society, His Excellency, Mr Zhou Wenzhong, China's Ambassador to the United States emphasised China's stated position that it would never seek hegemony and would always remain 'a staunch force safeguarding world peace and promoting common development'.<sup>60</sup> He stated:

Take a look at the trail China left behind over the past decades and you will see that China is sticking to a road of peaceful development, namely, taking advantage of the relative peace in the world to develop itself and working for greater peace in the world as it becomes more developed. China never seeks hegemony. China never dreams a 'Soviet Union dream'.<sup>61</sup>

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57 *Committee Hansard*, 13 September 2005, p. 15.

58 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 42. Professor Jacobs is Professor of Asian Languages and Studies at Monash University and Director of the Taiwan Research Unit. He appeared in a private capacity.

59 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 43.

60 Full Text of White Paper on Arms Control, 1 September 2005, <http://fmprc.gov.cn/eng/zxxx/t209613.htm> (accessed 12 February 2006) and also reproduced in *China Daily* and Section VII: Following the Road of Peaceful Development and Independent Foreign Policy of Peace, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the Tenth National Peoples' Congress, 5 March 2005.

61 Mr Zhou Wenzhong, 'The Future of China–U.S. Relations', *Feature address to the Asia Society*, 22 September 2005.

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## Conclusion

2.46 China openly acknowledges that its diplomacy must serve its economic development. Chinese leaders espouse a foreign policy that places high importance on global stability, friendly and cooperative relations and good neighbourliness. It is deliberately cultivating special relations with countries rich in the natural resources it needs to fire continuing economic development and is presenting itself to its citizens and the outside world as an advocate for global peace. It wants to reassure the world that its 'peaceful rise' does not pose a threat.

2.47 Although unsure of China's long-term intentions, most countries publicly praise and welcome China's friendly foreign policy. Some, especially those with important economic links with China, such as Australia, are keen to strengthen their diplomatic relations but are aware that the relationship is not risk free.

2.48 The following chapters consider China's present foreign affairs stance, including its stated intention to pursue an independent foreign policy of peace and to promote the common interests of all countries. They examine how this 'good neighbour' policy manifests itself in China's relationship with other countries, and how this in turn affects Australia. The report also examines the apparent contradictions between China's stated intentions and its actions, especially where there are irritants in the relationships with the potential to cause serious rifts. The following chapter examines China's relations with its nearest neighbours in East Asia.

# Chapter 3

## China and East Asia—good neighbours

Holding high the banner of peace, development and cooperation, China will adhere to the principle of building good-neighbourly relations and partnerships with neighbouring countries and promote the policy of building an amicable, peaceful and prosperous neighbourhood. China will actively participate in and promote Asia's regional cooperation, closely combine its development with the rejuvenation of Asia and integrate the maintenance of its own interests with the promotion of the common interests of all countries in Asia.<sup>1</sup>

### Introduction

3.1 China's emergence as a major economic and political force is having a profound influence on its neighbours in East Asia. The strength of the Chinese economy and its potential economic power in the future has contributed to China's capacity to exert a greater political influence in the region. With China's emergence as a manufacturing powerhouse and untapped consumer market, countries across the Asia-Pacific region, including Australia, view China's booming economy as a source of significant economic opportunities. The willingness of these countries to become politically closer to China in order to secure the benefits of their economic strength is providing China with considerable political leverage in the Asia-Pacific region and beyond. The Secretary General of ASEAN, Mr H.E. Ong Keng Yong has noted:

While it is easy and tempting to see China's rise as an economic threat, it would also be a mistake to do so. A rapidly growing China is the engine which powers regional economies and the global economic train. ASEAN member countries will benefit greatly, provided they adapt fast enough to ride on the train. Indeed, increased trade with China was one reason why many of the crisis-hit economies in ASEAN recovered as quickly as they did [from the Asian financial crisis].<sup>2</sup>

3.2 Although highlighting the opportunities China will offer to its neighbours, he also touched on both the challenges and risks created by China's rapidly expanding economy. Against this backdrop, the committee considers China's foreign policy and its interaction with countries in East Asia. This chapter looks at China's bilateral relations and its involvement in regional fora before taking account of the influence that China's foreign policy in the region has on Australia's interests. This chapter does not examine China's relations with Japan or North Korea, which are considered later in separate chapters.

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1 Premier Wen Jiabao, 'Strengthening Cooperation for Mutual Benefit and a Win-Win Result', Speech given at the 8<sup>th</sup> ASEAN+3 Summit in Vientiane, 29 November 2004.

2 H.E. Ong Keng Yong, Secretary-General of ASEAN, Keynote address at the Chinese Business Leaders Summit, Global Entrepolis@Singapore 2004, 11 October 2004.

## Regional stability a priority

3.3 China needs regional stability to maintain the overall health of its economy and to achieve the status of a first world nation.<sup>3</sup> Disruptions or political upheavals in the region would not only threaten the supply of China's essential energy sources, but would jeopardise trade within the region and deter vital foreign investment into China. This situation would be hazardous not only to the Chinese economy, but to social stability and ultimately the country's leadership. As noted in the previous chapter, Chinese leaders constantly emphasise the importance of a stable and cooperative regional environment to their country's economic wellbeing and their own political legitimacy:

If there is one statement that has been reiterated without variation from Deng to Jiang to Hu it is that China needs a peaceful regional and international environment in order that it can concentrate on domestic development, including shoring up growth patterns and employment levels. The legitimacy of Chinese Communist Party (CCP) rule rests on the ability to maintain high levels of economic growth, perhaps linked now to a better quality of life.<sup>4</sup>

## *Chinese soft power in East Asia—peace, progress and cooperation*

3.4 The Chinese leadership is therefore actively using the political and diplomatic tools at its disposal to ensure regional stability continues. In recent years, China has presented itself as the 'good neighbour' in a concerted effort to ensure its intentions, policies and acts are interpreted elsewhere as well-meaning. China is hoping to convince its neighbours that they should take a common path toward realising mutually beneficial goals. Chinese leaders want other countries in the region to aspire to increased prosperity through cooperation and partnership with China. It wants its neighbours to celebrate its achievements and to appreciate that China's national interests dovetail with those of the region. In his most recent declaration of friendliness toward the region, Premier Wen stated:

China will never seek domination in East Asia. China will not develop at the expense of others, and its development will not threaten any other country...

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3 Many experts have made this observation. See for example, Tommy Koh, Chairman of Institute of Policy Studies, Singapore, and Ambassador to the United States, 1984–1990, 'Three Messages for America from an Asian Who Loves America', Inaugural Utstarcom Asian Leadership Lecture Series & Distinguished Southeast Asian Lecture Services, 29 September 2005, p. 8. Statement by Ruan Zongze, Deputy Director of China Institute of International Studies, 'China adopts more pragmatic attitude in regional, international affairs', *People's Daily Online*, 5 November 2005.

4 Rosemary Foot, 'China's Regional Activism: Leadership, Leverage, and Protection', *Global Change, Peace and Security*, vol 17, no. 2, June 2005, p. 149.

No matter what may happen in the international arena, China will remain a trustworthy and reliable partner of the people of the region.<sup>5</sup>

3.5 Mr Kuik Cheng-Chwee has noted that China stands to derive significant benefit from positioning itself as a 'good neighbour':

For China, this newly emerged image is not just an end in itself. Rather, it is an effective means for Beijing to materialize its foreign policy goals. Cultivating a responsible image is a sine qua non for China's efforts to alleviate the China threat theory, to expand its influence, as well as to construct a favourable regional order.<sup>6</sup>

3.6 Indeed, Professor Yu Xintian, President of the Shanghai Institute of International Studies, expressed at a public seminar in Jakarta that China would like to co-exist with other countries, and other countries would hopefully welcome China's peaceful rise. She explained further:

China can only rise together with other Asian nations, not alone. Thus China should not be seen as a scary face in the development of Asia.<sup>7</sup>

3.7 China's foreign policy is attempting to win the confidence of its neighbours. One analyst described China's diplomatic skill and grace as 'a thing of beauty'.<sup>8</sup> Most commentators and witnesses before the committee agreed with the view that China has assumed a more active role within East Asia, and furthermore, that its contribution has been constructive.<sup>9</sup> The Department of Foreign Affairs and Trade (DFAT) summarised this viewpoint:

China, like other countries, employs a mix of bilateral, regional and multilateral strategies to further its national interests, and it does so increasingly effectively. I think it is true to say that it is only in relatively recent times that China has developed the broad based expertise that it has now to deal effectively in all of those different institutions—regional, multilateral and bilateral— that it is now a part of.<sup>10</sup>

3.8 Although China is at pains to stress its opposition to hegemony, power politics, and terrorism in all its manifestations, it has a major challenge in allaying

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5 'East Asia should embrace others', Quoted in *China Daily*, 15 December 2005, [http://www.chinadaily.com.cn/english/doc/2005-12/15/content\\_503449.htm](http://www.chinadaily.com.cn/english/doc/2005-12/15/content_503449.htm) (accessed 24 February 2006).

6 Kuik Cheng-Chwee, 'Multilateralism in China's ASEAN Policy: its Evolution, Characteristics, and Aspiration', *Contemporary Southeast Asia*, vol. 27, no. 1, p. 114.

7 Centre for Strategic and International Studies, 'China and the idea of an East Asia Community', *Seminar*, Jakarta.

8 The United States–Indonesia Society, *USINDO Report*, 7 November 2003.

9 For example see, Dr Brendan Taylor, paragraph 2.42.

10 *Committee Hansard*, 13 September 2005, p. 40.

fears that more ambitious and selfish motives underpin its 'peaceful development'.<sup>11</sup> It accepts that some harbour suspicions about China's intentions. For example Madam Fu has noted that:

Others suspect that, while the US is busily engaged in its war against terror, China is expanding the sphere of influence for strategic rivalry with the US. Some even concern that China might seek hegemony in the region.<sup>12</sup>

3.9 China is working to dispel this perception in the region through both bilateral and multilateral means.

### **Active bilateral engagement with East Asia countries**

3.10 For three decades following the Second World War, China's neighbours had cause to distrust it.<sup>13</sup> During the 1950s and 1960s, a number of countries in the region, such as Indonesia, Malaysia, Singapore, Thailand and the Philippines, waged internal counter-insurgency wars against communist groups that were supported politically and financially by China. One analyst has written that:

China's military predominance, its support for communist insurgent groups in the region, and its fallout with Vietnam, therefore resulted in the general perception of China as a powerful destabilising and disruptive actor in the region, which posed both an ideological and security threat.<sup>14</sup>

3.11 Two other commentators have made similar observations:

The virulence of the riots against ethnic Chinese in Malaysia in 1969 was due in part to revelations that Malaysian communists were supported by the PRC. Thailand and Burma both struggled with communist insurgency movements backed by Beijing.<sup>15</sup>

3.12 Indonesia, in particular, experienced a year of internal upheaval in the mid-1960s after an attempted coup by the Chinese-supported Indonesian communist party.

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11 Part VII, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the 10<sup>th</sup> National People's Congress, 15 March 2005.

12 Madame Fu Ying, Ambassador of P.R. China, 'China's Role in Regional and Global Security', Speech at ASPI, Canberra, 17 February 2005, p. 1.

13 See comments by H.E. Ong Keng Yong, Secretary General of ASEAN, 'Developing ASEAN-China Relations: Realities and Prospects', Keynote address at the ASEAN-China Forum 2004, Singapore, 23 June 2004.

14 Koong Pai Ching, 'Southeast Asian Countries' Perceptions of China's Military Modernisation', *SIGUR Center Asia Papers*, No. 5, 1999, <http://www.gwu.edu/~sigur/pubs/SCAP5-Ching.pdf> (accessed 20 February 2006).

15 Catharin Dalpino and Juo-yu Lin, 'China and Southeast Asia: The Difference of a Decade', *Brookings Northeast Asia Survey*, 2002-03, p. 78.

Discrimination against Indonesian ethnic Chinese, including a ban on all publications containing Chinese characters, was in place for decades.<sup>16</sup>

3.13 China's relations with these countries began to improve during the 1980s as China opened up to the outside world and adopted a friendly stance toward its neighbours. Underlying tensions, however, continue to surface over territorial disputes. These quarrels are mainly centred in the South China Sea where China contests claims with Brunei, Malaysia, the Philippines and Vietnam over the Spratly Islands and with Indonesia over the territorial waters of the Natuna Islands. Japan and China are in dispute over the Senkaku Islands and East China Sea energy exploration.<sup>17</sup> China also has disagreements with some neighbours over border questions.<sup>18</sup>

3.14 Generally, trade links have paved the way for greater political understanding between China and its neighbours by helping China to win trust and eliminate past suspicions. In particular, the Asian financial crisis provided China with an opportunity to demonstrate leadership in the region and a commitment to building a secure and prosperous region. Its assistance has been openly recognised by ASEAN leaders who, in a joint statement, expressed their appreciation of China's contribution to the financing packages in the region. They reaffirmed 'the importance of enhanced cooperation on economic and financial issues between the Finance Ministers of ASEAN and the People's Republic of China'.<sup>19</sup>

3.15 Similarly, Hunt and Hunt Lawyers submitted to the committee that China's role during the Asian economic crisis was constructive. They stated:

During the Asian financial crisis China's decision not to devalue the Chinese currency played a considerable part in limiting economic impact of the financial crisis in Asia. It should be recognised that this decision by the Chinese Government was courageous as it created some risks in terms of

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16 Catharin Dalpino and Juo-yu Lin, 'China and Southeast Asia: The Difference of a Decade', *Brookings Northeast Asia Survey, 2002–03*, p. 78. See also Hadi Soesastro, *The United States–Indonesia Society, USINDO Report*, 7 November 2003.

17 See paragraphs 8.31–8.33.

18 See for example, Koong Pai Ching, Associate Research Fellow, Institute of Defence and Strategic Studies, Singapore, 'Southeast Asian Countries' Perceptions of China's Military Modernization', Conference Paper, The SIGUR Center, <http://www.gwu.edu/~sigur/publications/koong.htm> (accessed 19 December 2005). See also Statement of Catherin E. Dalpino, Adjunct Professor, Southeast Asian Studies, Georgetown University and the George Washington University,, before the United States Senate Foreign Relations Committee, 7 June 2005 and Statement by Christopher R. Hill, Assistant Secretary for East Asian and Pacific Affairs, 7 June 2005.

19 Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.

the Chinese domestic economy but reflected consideration of the broader impact of such a decision rather than self-interest.<sup>20</sup>

3.16 Mr Raymond Lim, then Singaporean Minister of State for Foreign Affairs and Trade and Industry, remarked in February 2004 that China's "prosper thy neighbour" thinking is not only forward-looking but also contributes to regional integration, stability and prosperity'.<sup>21</sup>

3.17 China is energetically and deliberately cultivating better relations that go beyond trade links with the countries of East Asia. For example, Chinese President Hu, accompanied by Foreign Minister Li Zhaoxing, visited Brunei, Indonesia and the Philippines in April 2005. According to Mr Li:

During this visit...nearly 30 cooperative agreements have been signed covering such fields as politics, economy, trade, security, science, technology, culture, health, disaster relief, personnel exchange and the exchanges between civilians. In the field of economic and trade cooperation, President Hu particularly pointed out that trade volume between China and Brunei is expected to reach US\$1 billion by 2010, the bilateral trade volume between China and Indonesia will reach US\$20 billion within 2 or 3 years and the trade volume between China and the Philippines will reach US\$30 billion by 2010.<sup>22</sup>

3.18 He observed that friendly and mutually beneficial cooperation is certain to inject new vitalities into China's relations with the three countries and benefit the people and development of these nations.<sup>23</sup>

3.19 The President of Indonesia, Dr Susilo Bambang Yudhoyono, reciprocated with a visit to China in July 2005. He thanked the Chinese government and people for their assistance in the wake of the tsunami and earthquake disaster in Aceh and North Sumatra and for China's participation in assisting Indonesia's infrastructure development through the provision of grants and concessional loans. The leaders of both countries highlighted the importance of strengthening cooperation, particularly in capacity building and technical assistance in combating terrorism and transnational organised crimes. They gave commitments to intensify bilateral cooperation in the defence and military fields and signed five documents covering a range of activities

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20 *Submission P24*, p. 5.

21 Ministry of Foreign Affairs, Singapore, Speech by Minister of State Raymond Lim at the Fourth Singapore International Foundation Overseas Conference, 28 February 2004, Shanghai.

22 Embassy of the PRC, 'Li Zhaoxing says that President Hu Jintao's Tour to three Southeast Asian Countries Made Fruitful Achievements', <http://ee.chineseembassy.org/eng/dtxw/t194137.htm> (accessed 25 November 2005).

23 Embassy of the PRC, 'Li Zhaoxing says that President Hu Jintao's Tour to three Southeast Asian Countries Made Fruitful Achievements', <http://ee.chineseembassy.org/eng/dtxw/t194137.htm> (accessed 25 November 2005).



that would 'give substance to the implementation of the Joint Declaration on Strategic Partnership between the Republic of Indonesia and the People's Republic of China'.<sup>24</sup>

3.20 These two high level visits and the agreements reached during the meetings are indicative of the high priority China places on developing and strengthening bilateral ties with its neighbours. Although it is beyond the scope of this inquiry to consider in detail the extensive nature and effect of this public diplomacy on all countries in East Asia, it is clear that China has enthusiastically and successfully fostered sound relations with its neighbours. It is equally clear that the countries of East Asia welcome the opportunity to engage with China in high-level exchanges and wide-ranging talks to improve cooperation in politics, trade, cultural activities and military and security matters.

### **China's new multilateralism/multilateral framework**

3.21 Alongside its bilateral endeavours to forge friendly relations, China is also supporting regional political and economic structures. China has now adopted a pragmatic approach to the prevalence of multilateral fora operating within the region and is using the same 'peaceful development' stance in its relationship with such groups. As part of its new security concept, China has abandoned the notion that participation in multilateral fora will impinge on or curb its independence. It embraces involvement in multilateral arrangements, actively espousing the potential for mutual benefit through cooperation and frequent dialogue. This approach has led China to participate—often taking the lead—in a number of multilateral fora on economic and security issues.

3.22 Most notably these include China as an ASEAN dialogue partner, the ASEAN+3 grouping (ASEAN plus China, Japan and South Korea),<sup>25</sup> the ASEAN Regional Forum (ARF), the Asia-Pacific Economic Cooperation (APEC) forum and, most recently, the East Asia Summit (EAS). By participating in, and helping to, guide their direction, China is able to use these fora as a diplomatic platform to advance its own interests. From China's perspective, these bodies are:

...the best means of ensuring [a] peaceful regional environment: they help to promote economic exchanges that assist with China's economic development, and they help to reassure Beijing's neighbours about the strategic consequences of China's rising power, thus encouraging political and economic cooperation.<sup>26</sup>

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24 Joint Statement between the Republic of Indonesia and the People's Republic of China, 30 July 2005, *People's Daily Online*, [http://english.people.com.cn/200507/30/eng20050730\\_199170.html](http://english.people.com.cn/200507/30/eng20050730_199170.html), (accessed 20 February 2006).

25 The ten member countries of ASEAN are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), Philippines, Singapore, Thailand and Vietnam.

26 Rosemary Foot, 'China's Regional Activism: Leadership, Leverage, and Protection', *Global Change, Peace and Security*, vol. 17, no. 2, June 2005, p. 149.

3.23 China's growing and active engagement with ASEAN and associated fora in East Asia allows it to exercise a greater degree of influence through the use of soft power diplomacy. On numerous occasions, however, China has stated that it does not seek a leadership role in regional co-operation and that China's support to ASEAN is 'sincere without any political strings attached'.<sup>27</sup> Most recently, Premier Wen asserted that China's rapid economic rise spells an opportunity, not a threat to the rest of East Asia.<sup>28</sup>

3.24 He used the ASEAN Summit in 2005 to underline China's message to its neighbours that 'all the countries in this region are equal members of the East Asian family'.<sup>29</sup> As noted earlier, despite countries in the region welcoming China's increasing involvement in regional institutions, there are some who are troubled by China's growing presence, especially with respect to the shifting balance of influence in the region between China and the United States. This issue is discussed at length in Chapter 5.

3.25 China's multilateral approach is best exemplified in its relations with ASEAN.

### China and ASEAN

3.26 As noted in paragraphs 3.10–3.12, China's relations with the ASEAN countries have not been easy over the past decades.<sup>30</sup> Mr H.E. Ong Keng Yong, Secretary General of ASEAN, noted that the relationship has had 'its ups and downs'. He stated:

Before ties between ASEAN and China were formally established in 1991, they were marked by mutual suspicion, mistrust and animosity largely because of China's support for the communist parties in ASEAN countries.

The normalisation of relations with China in 1990 by Indonesia and then Singapore and Brunei Darussalam acted as a catalyst to set the path for China's admission into the ASEAN Regional Forum (ARF) in 1994 and eventually the granting of ASEAN dialogue partnership in 1996. Since then, the partnership grew from strength to strength resulting in the

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27 Premier Wen Jiabao, Quoted in *China Daily*, 'Beijing against exclusive bloc in East Asia', 13 December 2005, [http://english.people.com.cn/200512/13/eng20051213\\_227590.html](http://english.people.com.cn/200512/13/eng20051213_227590.html) (accessed 24 February 2006).

28 'Wen: Growth poses no threat to neighbours', *China Daily*, 12 December 2005, [http://www.chinadaily.com.cn/english/doc/2005-12/12/content\\_502728.htm](http://www.chinadaily.com.cn/english/doc/2005-12/12/content_502728.htm), (accessed 24 February 2006).

29 Embassy of the PRC, Foreign Ministry Spokesman Qin Gang's Press Conference on 1 December 2005, <http://www.china-embassy.org/eng/fyrth/t224426.htm> (accessed 24 February 2006).

30 H.E. Ong Keng Yong, Secretary General of ASEAN, 'Developing ASEAN–China Relations: Realities and Prospects', Keynote address at the ASEAN–China Forum 2004, Singapore, 23 June 2004.

expansion and deepening of cooperation in the economic, political and security, social and cultural and development cooperation areas.<sup>31</sup>

3.27 In 1997, a year after China was accorded full Dialogue Partner status of ASEAN, the leaders of the member states of ASEAN and the People's Republic of China agreed that the consolidation of their developing relations 'served the fundamental interests of their respective peoples as well as the peace, stability and prosperity of the Asia-Pacific region'.<sup>32</sup> This move toward greater cooperation included developing closer economic relations by 'promoting trade and investment, facilitating market access, improving the flow of technology and enhancing the flow of and access to trade and investment related information'.<sup>33</sup>

3.28 Indeed, since that time, the ASEAN countries and China have consistently worked together to improve their relations. In November 2002, China and ASEAN signed the Declaration on the Conduct of Parties in the South China Sea. This document demonstrated a common desire to maintain stability and carry out cooperation in the region. The parties undertook to resolve their territorial and jurisdictional disputes by peaceful means and to refrain from taking actions that would complicate or escalate disputes. The emphasis was on promoting mutual trust through dialogue.<sup>34</sup>

3.29 Most recently, the ASEAN–China Eminent Persons Group, established in 2004, produced a report which recommended that in 'the next 15 years and beyond, ASEAN and China should strengthen and deepen their strategic partnership on all fronts with focus on economic, political security, social and cultural cooperation'.<sup>35</sup> Former diplomat and Australian Ambassador to the PRC, Mr Garry Woodard, told the committee:

China now has far better relations than we do with practically all the governments of Asia; it certainly has more intricate and better developed relationships. Their diplomacy now is extremely skilful, whereas it was rather awkward in those early days. China is now a member—indeed, in

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31 H.E. Ong Keng Yong, Secretary General of ASEAN, 'Developing ASEAN–China Relations: Realities and Prospects', Keynote address at the ASEAN–China Forum 2004, Singapore, 23 June 2004.

32 Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.

33 Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.

34 Press Statement by the Chairman of the 8<sup>th</sup> ASEAN Summit and the 6<sup>th</sup> ASEAN + 3 Summit and the ASEAN–China Summit, Phnom Penh, Cambodia, 4 November 2002.

35 Co-Chairman Press Statement of the ASEAN–China Eminent Persons Group, Kuala Lumpur, 9 December 2005.

regard to political dialogue, the leading member—of regional institutions in Asia, some of which we are not yet in. That change is absolutely radical.<sup>36</sup>

3.30 Although at times criticised for its lack of concrete action, many commentators recognise the contribution that ASEAN has made to regional stability. The Singaporean Minister for Foreign Affairs, Mr George Yeo, suggested that people:

...take a step back and look at ASEAN in its historical development. It has been very good for all of Southeast Asia...a weak ASEAN would mean that Southeast Asia would be balkanized and new security problems will appear.<sup>37</sup>

3.31 Professor Stuart Harris, a China specialist in the Department of International Relations at the Research School of Pacific and Asian Studies (ANU), has argued that the success of ASEAN is not fully appreciated. Even though it does not appear to have achieved significant concrete results on paper, he noted that ASEAN had been 'one of the most successful arrangements ever, because all of those countries would otherwise have gone to war with each other'. He noted that 'they have all got disputed borders and a range of conflicts—ethnic and whatever'. He stated:

I think the process of multilateralism is not meant to give you easy results quickly; it is supposed to get you thinking along somewhat similar lines, exchanging information, getting some sense out of them that you understand what they are thinking and why they are thinking that, trying to persuade them, trying to get expectations coming together and eventually building norms. It is a long, slow process, but we spent ages doing it bilaterally, and it does not work anyway.<sup>38</sup>

3.32 Professor William Tow, Director of the International Studies Program at the University of Queensland, agreed with this view stating that ASEAN has been useful because it 'essentially has been a conflict prevention mechanism'.<sup>39</sup>

3.33 The effectiveness of ASEAN as a multilateral force is set to improve with the prospect of a trade agreement with China. At the moment, China is ASEAN's fourth largest trading partner and vice versa.<sup>40</sup>

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36 Garry Woodard, *Committee Hansard*, 27 June 2005, p. 27.

37 Singapore Ministry of Foreign Affairs, Remarks by Singapore Minister for Foreign Affairs, George Yeo, Parliament on the Strategic Overview, 4 March 2005.

38 Stuart Harris, *Committee Hansard*, 13 September 2005, p. 19.

39 William Tow, *Committee Hansard*, 13 September 2005, p. 21.

40 Welcome remarks by H.E. Ong Keng Yong, Secretary General of ASEAN, at the 2<sup>nd</sup> China–ASEAN Business and Investment, Nanning, China, 19 October 2005; 'Wen: Growth poses no threat to neighbours', *China Daily*, 12 December 2005.

## ASEAN Free Trade Agreement

3.34 One of China's most significant recent multilateral initiatives has been the decision to negotiate and implement a China-ASEAN free trade agreement (ACFTA). At the ASEAN summit in November 2000, Chinese and ASEAN leaders agreed to begin the process of establishing a free trade area between China and ASEAN.<sup>41</sup> At the next summit, held on 6 November 2001, leaders of ASEAN and China decided to work toward an ACFTA within ten years.<sup>42</sup> A year later they concluded a Framework Agreement on Economic Co-operation including a commitment 'to negotiate expeditiously in order to establish an ASEAN–China FTA within 10 years, and to strengthen and enhance economic co-operation through a number of trade liberalisation measures'. They included:

- progressive elimination of tariffs and non-tariff barriers in substantially all trade in goods;
- progressive liberalisation of trade in services with substantial sectoral coverage;
- establishment of an open and competitive investment regime that facilitates and promotes investment within the ASEAN–China FTA; and
- establishment of effective trade and investment facilitation measures, including, but not limited to, simplification of customs procedures and development of mutual recognition arrangements.<sup>43</sup>

3.35 To date, progress towards realising the objectives set by the proposed FTA appears promising. In October 2004, the Secretary General of ASEAN told an audience:

The establishment of ACFTA by 2010 looks set to enhance economic cooperation and integration between ASEAN and China. The market and purchasing power are very much enlarged by the FTA. Preliminary estimates suggest that the ASEAN-China FTA would raise ASEAN's exports to China by 48% and China's export to ASEAN, by 51%. At the same time, the combined GDP of ASEAN would expand by at least US\$1

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41 Jose Tongzon, 'ASEAN–China Free Trade Area: A Bane or Boon for ASEAN Countries', *World Economy*, February 2005, vol. 28 (2), p. 191.

42 ASEAN, *Framework Agreement on Comprehensive Economic Co-operation between the Association of South East Asian Nations and the People's Republic of China*, 4 November 2002.

43 ASEAN, *Framework Agreement on Comprehensive Economic Co-operation between the Association of South East Asian Nations and the People's Republic of China*, 4 November 2002.

billion while that of China, by some US\$ 2.3 billion (Note assuming a 6% annual growth rate in ASEAN and 7% in China).<sup>44</sup>

3.36 More recent trade figures continue to show cause for optimism. For the period 2002–2004, bilateral trade grew at an annual rate of 38.9 per cent, reaching US\$105.9 billion in 2004. During the first half of 2005 it grew to US\$59.76 billion. For 2004, Chinese investments to ASEAN grew by 20 per cent to US\$226 million.<sup>45</sup> In October 2005, the Secretary General of ASEAN remarked that:

These encouraging figures could, therefore, only improve as ASEAN and China realise all the agreements envisaged under the Free Trade Area.

The prospects for trade and investment between ASEAN and China are bright as policies that are directed towards closer economic integration and conducive to doing business are realised.<sup>46</sup>

3.37 The ACFTA represents a significant cooperative initiative that bolsters China's soft power. Once the economies of ASEAN become further intertwined with the Chinese economy, regional security interests will likewise converge. Essentially, ASEAN member states will be drawn more tightly into China's orbit of influence. Additionally, the agreement will assist China with its energy needs, contributing further to its capacity for economic growth and hence its ability to spread political influence and continue its process of military modernisation.

3.38 In addressing the China–ASEAN Free Trade Agreement, Reg Little and James Flowers were of the view that the arrangement is 'likely to be little more than a stepping stone to closer China-led regional cooperation, designed to protect against a repeat of the 1997 Asian financial crisis and against regional groupings in Europe and the Americas'. In their submission they stated:

It is hard to see how Australia can protect and advance its interests except by displaying a preparedness to respond constructively to developments of this nature. It is likely to best optimize its negotiating position if it is playing a pro-active, strategic role that is built on an astute understanding of regional interactions and regional sensitivities about the influence of non-regional and alien cultural norms.<sup>47</sup>

The importance of Australia's engagement with major regional institutions is discussed more fully later in this chapter.

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44 H. E. Ong Keng Yong, Secretary-General of ASEAN, The Chinese Business Leaders Summit Global Entrepolis, Singapore 2004, Keynote address, 11 October 2004.

45 Welcome remarks by H. E. Ong Keng Yong, Secretary General of ASEAN, at the 2<sup>nd</sup> China–ASEAN Business and Investment, Nanning, China, 19 October 2005.

46 Welcome remarks by H. E. Ong Keng Yong, Secretary General of ASEAN, at the 2<sup>nd</sup> China–ASEAN Business and Investment, Nanning, China, 19 October 2005.

47 R. Little and J. Flowers, *Submission P26*, p. 9.

## **ASEAN plus three**

3.39 China is also a member of the ASEAN+3 group, which has brought together leaders of the 10 ASEAN member states and China, Japan and South Korea. The first ASEAN+3 Summit was held in 1997. At this meeting, China's President and leaders of ASEAN undertook to promote good-neighbourly and friendly relations, increase high-level exchanges and strengthen dialogue and cooperation in all areas 'to enhance understanding and mutual benefit'.<sup>48</sup>

3.40 By 2002, the process had matured and expanded to include 'regional political and security issues such as the fight against terrorism and transnational crime'. The leaders also expressed a willingness to 'explore the phased evolution of the ASEAN+3 summit into an East Asian summit'.<sup>49</sup>

3.41 At the 8th ASEAN+3 Summit in November 2004, the leaders reiterated their determination to make concerted efforts to fight terrorism in East Asia. They reaffirmed their commitment 'to a peaceful and comprehensive solution to the nuclear issue on the Korean Peninsular and the necessity to engage in dialogue to promote mutual confidence and common approach'.<sup>50</sup> They also discussed positive actions taken by the group including energy cooperation and the establishment of the ASEAN+3 unit in the ASEAN secretariat. The leaders also recognised the need to develop the Asian bond market and to introduce mechanisms to combat emerging diseases. Their support of the ASEAN Leaders' agreement to convene the first East Asia Summit (EAS) in Malaysia in 2005 was a notable milestone in the evolution of the concept of an East Asian community.<sup>51</sup>

3.42 In December 2004, the Prime Minister of Malaysia, the Hon Abdullah Ahmad Badawi, announced that although East Asia as a community had been a work in progress for some time it was 'no longer an idealism'.<sup>52</sup> He noted that there were now 48 ASEAN+3 forums, ranging from the leadership summits down to expert-groups covering many subjects of common interest.<sup>53</sup> Indeed, according to Premier Wen,

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48 Joint Statement of the Meeting of Heads of State/Government of the Member States of ASEAN and the President of the People's Republic of China, Kuala Lumpur, Malaysia, 16 December 1997.

49 Chairman of the 8<sup>th</sup> ASEAN Summit, the 6<sup>th</sup> ASEAN+3 Summit and the ASEAN–China Summit, Cambodia, 4 November 2002.

50 Chairman's Statement of the 8<sup>th</sup> ASEAN + 3 Summit Vientiane, 29 November 2004.

51 Chairman's Statement of the 8<sup>th</sup> ASEAN + 3 Summit Vientiane, 29 November 2004.

52 'Towards an Integrated East Asia Community', Keynote Address by YAB dato' Seri Abdullah HJ Ahmad Badawi, Prime Minister of Malaysia, Second East Asia Forum, Kuala Lumpur, 6 December 2004.

53 'Towards an Integrated East Asia Community', Keynote Address by YAB dato' Seri Abdullah HJ Ahmad Badawi, Prime Minister of Malaysia, Second East Asia Forum, Kuala Lumpur, 6 December 2004.

ASEAN+3 had become 'the most dynamic and promising regional cooperation mechanism in Asia'.<sup>54</sup>

3.43 During 2005, however, there was a cooling in the relationship between China and Japan, aggravated in particular by the Japanese Prime Minister's visit to the Yasukuni shrine. In December, China withdrew from the trilateral annual meeting with Japan and the Republic of Korea (ROK) that was usually held on the sidelines of the ASEAN Summit. In reference to Japan, a Chinese spokesperson announced that China hoped that 'the country in question will create proper atmosphere and condition for stronger tripartite cooperation'.<sup>55</sup> This matter is considered further in chapter 7.

### **ASEAN Regional Forum (ARF)**

3.44 The ASEAN Regional Forum (ARF) is another key multilateral forum in East Asia. It is the primary regional group concentrating on security. It places emphasis on the peaceful settlement of differences and conflicts between states through dialogue and negotiations.<sup>56</sup>

3.45 In 1994, ASEAN and its dialogue partners decided to establish the ARF to facilitate multilateral consultations, confidence building and the prevention of conflict. Forum participants included China as a 'consultative partner' of ASEAN.

3.46 According to ASEAN members, the ARF has taken an evolutionary approach since its inception, incorporating 'the promotion of confidence building among participants, the development of preventive diplomacy and the elaboration of approaches to conflicts'. It argues that this approach enables participants 'to deal constructively with political and security issues that bear on regional peace and stability, including new issues that have emerged as a result of globalisation'.<sup>57</sup> In its view, the ARF is the principal consultative and cooperative forum for political and security matters in the Asia-Pacific.<sup>58</sup>

3.47 China attaches great importance to, and actively participates in, the ARF. Since 1997, it has hosted two inter-sessional meetings on confidence building measures and undertaken eight confidence building programs, including training

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54 'Strengthening Cooperation for Mutual Benefit and a Win-Win Result', Speech by Premier Wen Jiabao at the 8<sup>th</sup> ASEAN+3 Summit in Vientiane, 29 November 2004.

55 Embassy of the PRC, Foreign Ministry Spokesman Qin Gang's Press Conference on 6 December 2005, <http://www.china-embassy.org/eng/fyrth/t225189.htm> (accessed 24 February 2006).

56 See Chairman's statement: the Tenth ASEAN Regional Forum Ministerial Meeting, Phnom Penh, Cambodia, 18 June 2003.

57 Association of Southeast Asian Nations, Overview, <http://www.aseansec.org/92.htm> (accessed 29 November 2005).

58 See Chairman's statement: the Tenth ASEAN Regional Forum Ministerial Meeting, Phnom Penh, Cambodia, 18 June 2003.



courses on Chinese security policies and seminars on military logistics support and strengthening cooperation in non-traditional security issues.<sup>59</sup> China is using this forum to promote its message that it is serious about working 'to maintain a peaceful and stable international environment as well the good neighbourly surroundings' in the region.<sup>60</sup> China's soft power gains from its participation in the ARF have been noted:

Beijing has seen the value of the ARF...in providing it with a venue to explain its point of view, ensuring that its interests are not overridden, and assisting with the building of security cooperation rather than exacerbating the security dilemma. These have been matters of major importance given that the Chinese leadership has been engaged in a process designed to undercut the 'China threat' argument in the context of its rising power.<sup>61</sup>

3.48 China has proposed a number of initiatives that have been approved by the ARF foreign ministers' meetings. For example, in 2003 it proposed the convening of an ARF Security Policy Conference in which high military officials as well as government officers would be invited to participate.<sup>62</sup> The first meeting of the new conference was held in Beijing in November 2004. It recommended that the conference explore and develop ways and means of cooperating bilaterally and multilaterally in areas such as 'intelligence and information sharing, capacity building, training programmes, consequence management, sharing experience on legal aspects on the role of armed forces in dealing with non-traditional security issues'.<sup>63</sup> A second conference was held in Vientiane, Laos, in May 2005.<sup>64</sup>

3.49 Some question the effectiveness of the ARF. Professor Paul Dibb, Director of the Strategic and Defence Studies Centre at the Australian National University, observed that it was little more than 'a karaoke-singing talk shop'. He noted in evidence that:

In this part of the world, unlike in Europe, there are no overarching arms control agreements at all. There are no disarmament agreements at all. There are no naval incidents at sea agreements at all. There are no open skies agreements at all. The West had those with the Soviet Union at the height of the Cold War.<sup>65</sup>

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59 See Section IV, Text of White Paper on Arms Control, 1 September 2005.

60 'Wen: More opportunities than challenges', *China Daily*, 6 November 2004, [http://www.chinadaily.com.cn/english/doc/2004-11/06/content\\_389025.htm](http://www.chinadaily.com.cn/english/doc/2004-11/06/content_389025.htm) (accessed 24 February 2006).

61 Rosemary Foot, 'China's Regional Activism: Leadership, Leverage, and Protection', *Global Change, Peace and Security*, volume 17 no. 2, June 2005, p. 149.

62 See Chairman's statement: the Tenth ASEAN Regional Forum Ministerial Meeting, Phnom Penh, Cambodia, 18 June 2003.

63 ASEAN, 2004–2005 *ASEAN Annual Report*, pp. 14–15.

64 ASEAN, 2004–2005 *ASEAN Annual Report*, pp. 14–15.

65 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 14.

3.50 Appreciating that multilateralism is slow to produce concrete results, Professor Harris saw the ARF in a positive light. He noted that Japan and America perceive China as a threat, and referred to the military posturing that goes on in the region. In his view:

It may take a long time to get anywhere, but it may be that the way you get information out of them is by reassuring them on some of their suspicions and getting a better idea of what they are doing. I think we have moved some way down the track with the ARF.<sup>66</sup>

3.51 Mr Garry Woodard took the same approach. He noted:

...the more China is conducting dialogue with other countries and is promoting cooperation with other countries and is developing a normative framework of agreement with regard to matters like security and non-interference and so on, the better it is for Australia and for the world generally.<sup>67</sup>

### ***Committee view***

3.52 The committee recognises that the ARF plays an important role in making it easier for members to talk about regional security issues, as well as more generally assisting to foster mutual understanding in the Asia-Pacific region.

### **Asia Pacific Economic Cooperation**

3.53 The Asia Pacific Economic Cooperation (APEC) forum is a much larger grouping in the region that comprises 21 member states, including the United States and China.<sup>68</sup> The following section considers the significance of APEC as a regional forum.

3.54 In 1989, the then Australian Prime Minister, the Hon Bob Hawke, proposed a meeting of regional countries to discuss the creation of a more formal inter-governmental forum for regional cooperation. After a period of intense diplomatic activity, 26 ministers from twelve regional economies gathered in Canberra to talk about their shared economic future. The forum was called the Asia Pacific Economic Cooperation.

3.55 From its inception, participants in APEC shared the basic understanding that it would be an informal consensus-building body, sensitive to the cultural, political and economic diversity among its members. In 1993, APEC gained greater international

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66 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 19.

67 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 27.

68 The members are: Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore, Chinese Taipei; Thailand; United States; Vietnam.

credibility and authority when the leaders of the member economies met as part of the APEC process. This leaders' meeting is now an annual event.

3.56 Since then, this informal group of economies has grown into an important regional forum of members who share a commitment to free and open trade in the region. In working towards this goal, members have established strong links and developed a better understanding and appreciation of the diversity among member countries. Although tensions still exist between some members, APEC has nurtured a sense of community in the region and has set down a substantial sub-structure of economic cooperation.<sup>69</sup>

3.57 Until recently, APEC had rejected attempts to broaden its mandate to include security issues. Changing world events, however, have drawn APEC into security matters. DFAT explained to the committee:

...APEC has been evolving...over the last several years. You saw in the early period of APEC's development a focus on a set of trade and economic issues but not really a security agenda. You have seen over the last decade, increasingly, APEC members recognising that the division between economic prosperity and security is a very hard one to define. So, with the unfortunate rise in global terrorism and the threat that poses to economic development, APEC leaders have increasingly shown their willingness to address security issues. China has been part of that.

At the APEC leaders meeting in Mexico a couple of years ago, there was agreement on a statement expressing concern about the DPRK and its nuclear activities. We have seen statements condemning terrorism. We have seen agreement on limiting the spread of MANPADS throughout the Asia-Pacific region. They have all come out of APEC meetings. I think we have worked pretty hard to ensure that China is engaged within APEC. It is one of more than 20 members, as you know, and APEC does not revolve around China; it revolves around the broader membership. Of course China is an important part of that.<sup>70</sup>

3.58 More recently, the Australian Prime Minister, the Hon. John Howard, noted the inclusion of security issues on APEC's agenda since the September 11 attack in New York, with 'major initiatives on counter-terrorism and travel security'.<sup>71</sup>

3.59 APEC, however, has been dogged for many years by criticism that it is a political 'talk-fest'.<sup>72</sup> Dr Hadi Soesastro, executive director of Jakarta's Center for

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69 Senate Foreign Affairs, Defence and Trade References Committee, *Australia and APEC: A review of Asia Pacific Economic Cooperation*, July 2000.

70 *Committee Hansard*, 13 September 2005, p. 41.

71 Prime Minister the Hon John Howard MP, *Transcript*, Address to the Asia Society Lunch, The Asia Society, New York City, 12 September 2005.

72 Comment in the media in particular question the effectiveness of APEC. See for example, *The China Post*, 'Action or just talk, APEC meetings will go on despite detractors', 20 November 2005.

Strategic and International Studies, noted that APEC had become 'unwieldy'.<sup>73</sup> Before the 2004 APEC leaders' meeting, the Australian Prime Minister stated that he did not sense that 'we will be treading water' in a way that he felt was the case on a number of occasions in recent years.<sup>74</sup> In October 2005, the Lowy Institute observed that APEC is 'balanced on the brink of terminal irrelevance'. It noted that APEC's reputation among journalists, officials and academics is 'sagging' and even those directly engaged in APEC activities do not seem able 'to muster much enthusiasm for it'.<sup>75</sup>

3.60 Professor Dibb argued that Australia should try to reinvigorate APEC 'not least because of its huge economic content, and the fact that leaders meet and the United States is in it'. He stated:

I think APEC has become, again, something of a talking shop and a bit boring. It needs some usefulness put into it. If Australia can talk to America about that it would, in my view, be extremely good.<sup>76</sup>

3.61 DFAT officers told the committee that it was sometimes easy for people to be critical of APEC because 'it perhaps does not produce a huge number of headlines every time there is a leaders' meeting'. He noted, however, that:

...if you look over the period of time since APEC was established, its track record stands up pretty well against other regional and multilateral institutions in terms of achievements that it has made.<sup>77</sup>

3.62 Although APEC may be seen to be slow in achieving its stated goals of free and open trade in the region, this informal group has grown into an important regional forum of 21 members who share a bold commitment to economic cooperation. It has nurtured a sense of community in the region and has laid substantial foundations for economic cooperation. Its value as a regional forum cannot be underestimated and its influence has spread beyond the boundaries of economics and trade. In 2000, the Senate Foreign Affairs, Defence and Trade References Committee found that:

Over the years, through dialogue and cooperation, APEC had built up a reservoir of goodwill and understanding between members and established a wide and deepening network of diplomatic relations.<sup>78</sup>

3.63 Despite concerns that APEC has failed to meet expectations and its own stated goals, it continues to provide constructive opportunities for its members to meet and to

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73 Hadi Soesastro, Executive Director of Jakarta's Center for Strategic and International Studies, USINDO Report, 7 November 2003.

74 Prime Minister the Hon. John Howard MP, *Transcript*, 'Sunday Sunrise', 21 November 2004.

75 Lowy Institute for International Policy, 'How to save APEC', *Policy Brief*, October 2005, p. 4.

76 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 20.

77 *Committee Hansard*, 13 September 2005, p. 41.

78 Senate Foreign Affairs, Defence and Trade References Committee, *Australia and APEC: A review of Asia Pacific Economic Cooperation*, July 2000, p. 41.

resolve actual or potential tensions between them. This aspect of APEC is particularly important for members such as China, the United States and Japan.

### **East Asia Summit**

3.64 The East Asia Summit (EAS) is the most recent initiative in the development of multilateral fora in East Asia. The EAS concept grew out of a nascent sense of regionalism in East Asia. Its genesis reaches back to the early 1990s when the then Malaysian Prime Minister, Dr Mahathir Mohamad, proposed the formation of an East Asian Trade Group. It was to include ASEAN countries, Hong Kong, China, South Korea, Taiwan, Japan and economies in the Indochina area. At that time, Dr Mahathir argued that Australia and New Zealand were part of Australasia and not East Asia, and since his proposal was to be a geographical grouping, they would not qualify for membership.<sup>79</sup>

3.65 In 1991, ASEAN Trade Ministers supported the notion of an East Asian trade group as an ASEAN initiative after Indonesia proposed successfully that it be known as the East Asian Economic Caucus. At the ASEAN Ministerial meeting in July 1997, the Foreign Ministers expressed their hope that the Caucus would be formally instituted for the benefit of members.

3.66 The idea never really took form until 2000 when the leaders of the member ASEAN countries, China, Japan and Korea agreed to establish an East Asia Study Group. In its final report in 2002, the group concluded that growing interdependence and the recent financial crisis in East Asia provided a 'strong impetus for institutionalizing cooperation in the region'. It recommended that East Asian countries pursue the evolution of the ASEAN+3 Summit into an East Asian Summit.<sup>80</sup> The ASEAN+3 Summit endorsed this view.

3.67 As noted above, ASEAN leaders took the decisive step in 2004 of agreeing to convene the first East Asia Summit in 2005. The Prime Minister of Malaysia, Abdullah Ahmad Badawi, explained that the summit would be more than a political symbol and should 'carry and drive the process of East Asia Community Building'. He stated further:

...an East Asia Summit of Leaders would send a powerful signal of the existence of trust and confidence among regional countries, something that our region needs now and something that the world has been waiting to witness.<sup>81</sup>

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79 For a detailed account of the EAEC see Report of the Senate Foreign Affairs, Defence and Trade References Committee, *Australia and APEC: A review of Asia Pacific Economic Cooperation*, July 2000, pp. 202–4.

80 *Final Report of the East Asia Study Group*, ASEAN+3 Summit, Phnom Penh, 4 November 2002.

81 Prime Minister of Malaysia, 'Towards an Integrated East Asia Community', Keynote Address at the Second East Asia Forum, Kuala Lumpur, 6 December 2004.

### ***China's role in EAS***

3.68 Before the first meeting, the Chairman of the 11<sup>th</sup> ASEAN Summit made clear that the EAS was to be 'an open and inclusive forum with ASEAN as the driving force for broad strategic, political, economic issues of common interest'.<sup>82</sup> Premier Wen expressed similar sentiments stating that China opposed the building of 'any self-enclosed or exclusive bloc in the East Asia region'.<sup>83</sup> He indicated further, however, that China did 'not seek a leadership role in regional co-operation'.<sup>84</sup> Indeed, China publicly expressed support for the leading role of ASEAN in the summit:<sup>85</sup>

ASEAN has been playing a leading role. China thinks that we should respect the consensus of ASEAN and support its leading role.<sup>86</sup>

### ***The EAS and Australia***

3.69 When Dr Mahathir first proposed an East Asian trade group, Australia and the United States opposed the suggestion because of concerns that such an association might undermine the effectiveness of APEC. At the time, Australia was also concerned about being excluded from the group.<sup>87</sup>

3.70 By the time the proposal for an EAS had gained broad support from the ASEAN countries, Australia had altered its stance, indicating that it would like to participate in the summit.<sup>88</sup> In the Prime Minister's view, it would be 'sensible and logical' for Australia to be part of the EAS.<sup>89</sup> Australia's Minister for Foreign Affairs

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82 Chairman's Statement of the 11<sup>th</sup> ASEAN Summit, 'One Vision, One Identity, One Community', 12 December 2005.

83 *China Daily*, 'Beijing against exclusive bloc in East Asia', 13 December 2005, [http://english.people.com.cn/200512/13/eng20051213\\_227590.html](http://english.people.com.cn/200512/13/eng20051213_227590.html) (accessed 24 February 2006).

84 *China Daily*, 'Beijing against exclusive bloc in East Asia', 13 December 2005, [http://english.people.com.cn/200512/13/eng20051213\\_227590.html](http://english.people.com.cn/200512/13/eng20051213_227590.html) (accessed 24 February 2006).

85 Foreign Ministry Spokesman Qin Gang's Press Conference on 1 December 2005, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t224426.htm> (accessed 14 December 2005).

86 Foreign Ministry Spokesman Qin Gang's Press Conference on 6 December 2005, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t224426.htm> (accessed 14 December 2005).

87 Senate Foreign Affairs, Defence and Trade References Committee, *Australia and APEC: A review of Asia Pacific Economic Cooperation*, July 2000.

88 The Hon Alexander Downer MP, Minister for Foreign Affairs, Australia, *Transcript*, ABC Radio National Interview, 8 April 2005.

89 Prime Minister the Hon. John Howard MP, *Transcript*, Press Conference, Imperial Hotel, Tokyo, 20 April 2005.

suggested that it would be 'most unfortunate' if Australia were left out of the summit.<sup>90</sup> He stated:

...because the East Asia Summit could be a very important component of building an East Asian community and for Australia to be part of that right from the beginning is an enormously important development for Australian diplomacy.<sup>91</sup>

3.71 Singapore, Indonesia and Japan actively promoted Australia's participation in the EAS, as did Vietnam in May 2005.<sup>92</sup> For example, Singapore's Minister for Foreign Affairs argued that it was important that the EAS should not be seen by the U.S., India, Europe and others to be 'an exclusive East Asian close grouping'. He stated clearly that Singapore supported the inclusion of India, Australia and New Zealand in the EAS, concluding that their participation would 'keep ASEAN at the centre and put it beyond doubt that we are externally-oriented and inclusive in our deep construction'.<sup>93</sup>

3.72 China was initially unenthusiastic in its support for Australia's involvement in the EAS, but on 18 April 2005 Premier Wen Jiabao stated:

China would like to continue to enhance consultation and coordination with Australia in important international and regional issues in a bid to jointly promote peace and development of the Asia Pacific. China welcomes Australia to play an active role in the regional cooperation within East Asia.<sup>94</sup>

3.73 The following day, the Australian Prime Minister indicated that China would support Australia's inclusion in the East Asia Summit.<sup>95</sup> He said:

...the Premier expressed stronger views about Australia's participation than had previously been expressed by China. And that was a view that was essentially confirmed in a different way by the President.<sup>96</sup>

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90 The Hon. Alexander Downer MP, Minister for Foreign Affairs, Australia, *Transcript*, 'Doorstop—ITECC, Vientiane Laos, 29 July 2005.

91 The Hon. Alexander Downer MP, Minister for Foreign Affairs, *ABC AM*, 27 July 2005.

92 The Hon. Alexander Downer, MP, Minister for Foreign Affairs, Australia, *Transcript*, ABC Radio National Interview, 8 April 2005; *Transcript of the Prime Minister, the Hon John Howard MP Joint Press Conference Imperial Hotel, Tokyo, 20 April 2005*; *Transcript of the Prime Minister, the Hon John Howard MP Joint Press Conference with the Vietnamese Prime Minister, Mr Khai, Parliament House, Canberra, 5 May 2005*.

93 Ministry of Foreign Affairs, Singapore, Remarks by Singapore Minister for Foreign Affairs, George Yeo in Parliament on the Strategic Overview, 4 March 2005.

94 Embassy of the People's Republic of China, 'Wen Jiabao holds talks with Australian Prime Minister John Howard', 18 April 2005.

95 Prime Minister the Hon John Howard MP, *Transcript*, Doorstop interview, Great Hall of the People, Beijing, China, 19 April 2005.

3.74 Immediately before the summit, China was more direct in its support for Australia and stated clearly that:

China sticks to the principle of openness and transparency. We oppose the exclusive cooperation targeting any third party. China welcomes the attendance of Australia, India and New Zealand at the first East Asia Summit. We are willing to maintain contact and coordination with these countries through the summit, bring the friendly cooperation between us closer and jointly promote the peace, development and cooperation in this region.<sup>97</sup>

3.75 In April 2005, ASEAN foreign ministers agreed on the criteria that would allow India, Australia and New Zealand to participate in the summit. As noted earlier, by including non-East Asian members, the EAS departed from the original exclusive East Asian grouping envisaged by Dr Mahathir. According to Mr Goh Chok Tong, Prime Minister of the Republic of Singapore, it was a wise decision: 'It kept East Asia regionalism inclusive, forward looking and open'.<sup>98</sup>

3.76 Participants to the EAS were required to meet three conditions—agree to ASEAN's Treaty of Amity and Cooperation (TAC), hold full dialogue partner status with ASEAN and have substantial economic links with the region.<sup>99</sup> ASEAN stipulated that Australia must sign the TAC as a precondition for Australia attending the inaugural EAS.<sup>100</sup> The treaty is a code of conduct for inter-state relations and ASEAN's founding nonaggression pact aimed at promoting regional stability.<sup>101</sup> ASEAN members look upon this treaty as 'a unique diplomatic instrument for regional confidence-building, preventive diplomacy, and political and security cooperation.'<sup>102</sup> Signatories renounce using violence to settle conflicts in the region.

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96 Prime Minister the Hon John Howard MP, *Transcript*, Doorstop interview, Great Hall of the People, Beijing, China, 19 April 2005.

97 Foreign Ministry Spokesman Qin Gang's Press Conference on 6 December 2005, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t225189.htm> (accessed 14 December 2005).

98 Goh Chok Tong, 15<sup>th</sup> Asian Corporate Conference, 'Southeast Asia Rising: A Region Booming among Asia's Economic Giants', 9 June 2005.

99 See for example, 'Australia signs ASEAN friendship pact', *China Daily*, 10 December 2005 and 'Step closer to a unified Asia', *China Daily*, 12 December 2005.

100 ASEAN Secretariat, 'Australia Ready to Sign ASEAN Peace Pact: Foreign Minister', 27 June 2005.

101 ARF Unit, ASEAN Secretariat, *Matrix of ASEAN Regional Forum Decisions and their Status 1994–2005*, May 2005.

102 ARF Unit, ASEAN Secretariat, *Matrix of ASEAN Regional Forum Decisions and their Status 1994–2005*, May 2005.



3.77 According to the Prime Minister of Malaysia the treaty is now 'the de facto East Asian charter for peace and good neighbourliness'.<sup>103</sup> All ASEAN+3 members have acceded to the treaty, with China the first non-ASEAN state to do so in October 2003. Notably, this was the first of its kind that China had signed with a regional grouping.<sup>104</sup>

3.78 On 27 July 2005, after some initial reluctance, Australia's Foreign Minister announced that Australia would be signing the Treaty. He stated:

We are happy with the arrangements that have been made in relation to the Treaty of Amity and Cooperation and the ASEAN countries made it clear that that would be a pre-condition for participation in the East Asia Summit. So laying all these things in the balance and applying a bit of common sense and wisdom we have come to the conclusion that the best thing is for Australia, Australia's long term interest not just the interests of the next two or three years, but our long term interests, is to be a key player in the East Asia Summit and the emerging East Asian community—I think that is terribly important for Australia.<sup>105</sup>

3.79 He signed the declaration of intention to accede to TAC on 28 July 2005 and the instrument of accession on 10 December 2005. The summit was held on 14 December. Participants endorsed the position that it would remain open and outward looking and welcomed Russia's expression of interest to participate in the EAS. The United States was not invited to the Summit.

3.80 Members agreed that it would continue to be a 'leaders-led' summit that would meet annually for strategic discussions on key issues affecting the region and the evolving regional architecture.<sup>106</sup> Derived from the ASEAN+3 grouping, the focus of the EAS, however, is primarily an economic one. According to Malaysian Foreign Minister, Syed Hamid Albar, its architects are aiming for regional economic integration.<sup>107</sup>

3.81 Mr Peter Jennings, Director of the Australian Strategic Policy Institute (ASPI), was optimistic about EAS' potential. He told the committee that it provides one of the best opportunities 'for the major players of the region to get together in

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103 'Towards an Integrated East Asia Community', Keynote Address by YAB dato' Seri Abdullah HJ Ahmad Badawi, Prime Minister of Malaysia, Second East Asia Forum, Kuala Lumpur, 6 December 2004.

104 Professor Jean Garrison, 'China's Prudent Cultivation of "Soft" Power and Implications for US policy in East Asia', *Asian Affairs*, Spring 2005, p. 26.

105 The Hon Alexander Downer, MP, Minister for Foreign Affairs, *Transcript*, Doorstop interview, Vientiane Laos, 27 July 2005.

106 Chairman's Statement of the First East Asia Summit, Kuala Lumpur, 14 December 2005; Kuala Lumpur Declaration on the East Asia Summit, 14 December 2005.

107 Connie Levett and Cynthia Banham, 'East Asia faces tricky task of harnessing the dragon', *Sydney Morning Herald*, 30 July 2005, p. 18.

ways which will make it possible to start opening up points of transparency about military thinking'.<sup>108</sup> On the other hand, Professor Dibb was sceptical. He questioned whether the EAS was a device through which China could exclude the United States from the region. He noted that this was the first time that Australia had joined a regional security organisation without the United States and concluded: 'We will see whether China manipulates EAS or whether it is a good multilateral security partner'.<sup>109</sup> Despite these reservations he was of the view that Australia must participate in the EAS.<sup>110</sup>

### *Committee view*

3.82 Australia's acceptance into the EAS marks a general recognition by East Asian countries, including China, that Australia has an important and constructive place in the region. The exclusion of the United States from this summit has, however, raised concerns and ignited debate about the role of the United States in the region. This matter is discussed in the following chapter.

### *EAS and APEC*

3.83 As noted earlier, the newly formed EAS has broad support across the countries of East Asia. Australia, however, is strongly advocating the importance of APEC. On 12 September 2005, the Australian Prime Minister told an audience in New York City that 'APEC has served us well as the pre-eminent regional institution and Australia remains strongly committed to ensuring that it remains responsive to emerging regional challenges'.<sup>111</sup> Mr Jennings of ASPI told the committee that in his view:

...the Prime Minister was doing a bit of hedging or bandwagoning himself because he, I think for the first time, started to create a hierarchy for these things. He described APEC as being 'the pre-eminent regional institution' and he described the East Asian summit as 'an important gathering'.<sup>112</sup>

3.84 He believed this statement was intended to send a clear signal to the United States, urging them to assume an active role in APEC:

...what the Prime Minister is actually delivering in that speech is a message to the Americans saying: 'It's about time you woke up and put a bit of substance into the APEC processes if you wish to stay engaged in this part of the world. And if you're not, then the East Asian summit will start to

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108 *Committee Hansard*, 13 September 2005, p. 17.

109 *Committee Hansard*, 13 September 2005, p. 20.

110 *Committee Hansard*, 13 September 2005, p. 20.

111 Prime Minister the Hon John Howard MP, *Transcript*, Address to the Asia Society Lunch, The Asia Society, New York City, 12 September 2005, p.17.

112 *Committee Hansard*, 13 September 2005.

step in and take some of that heavy lifting as far as the security game is concerned.

3.85 At the time of the EAS Summit, the Prime Minister, Mr Howard, again stated his belief that APEC should be the key body:

The premier body in this part of the world should remain APEC because it crucially brings in countries of South and Central America and of course the United States...I certainly don't see it [EAS] replacing the premier role of APEC. I am very pleased that Australia is part of it but I don't think we should get exaggerated views about its relevance at this point.<sup>113</sup>

### ***Committee view***

3.86 The committee recognises the significant role that APEC has in the region not only in facilitating trade but in promoting regional cooperation, good will and security. It is important for both Australia and the U.S. to ensure that APEC remains relevant to members and active in pursuing regional goals. That said, the committee supports equally the work being done in other regional fora such as ASEAN, the ARF and the EAS. It believes that they also have an important place in developing a sense of regional community and warrant the strongest support from Australia.

### **Australia and the growing integration of East Asia**

3.87 There is a web of economic interdependence developing in the region in which China will eventually occupy a central position. With its strong trading links with Japan, Korea and China, Australia has a vested interest in ensuring that the network continues to thrive. The Australian government has indicated that China's spreading influence has been constructive and cooperative in its nature. In evidence to the committee, DFAT stated that:

... as China develops its linkages within East Asia, it would seek to play a more active role within East Asian regional architecture. Clearly that is happening, and it is a constructive development. There is no sense that we have that China's engagement in regional institutions that have been created has been as anything other than a full participant and as a participant that is prepared to discuss issues constructively and to look at ways in which greater cooperation between members of the region can be fostered.<sup>114</sup>

3.88 Even so, a more closely integrated economic community in East and South East Asia means that Australia, many of whose economic and commercial interests are concentrated in this region, will have to monitor these developments carefully. Reg Little and James Flowers observed:

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113 Prime Minister the Hon John Howard MP, *Transcript*, Doorstop Interview, Regent Hotel, Kuala Lumpur, 13 December 2005.

114 *Committee Hansard*, 13 September 2005, p. 40.

Given current trends, it is becoming imperative to base an important portion of Australia's strategic planning on the contingency that China in particular, and East Asia in general, will re-emerge at the centre of global trading, first rivalling and later overshadowing Anglo-American power. In such circumstances, it is apparent that Australian policy cannot afford to be ill-informed about powerful, deep-rooted cultural qualities, largely suppressed and disguised over much of the past century, that direct behaviour among its most powerful neighbours.<sup>115</sup>

3.89 This imperative will increase in importance if there is further movement towards an Asian trade and financial grouping to match European and American regional groupings. Australia will not only need to be closely in tune with developments in China, but also with other key members of any such grouping so as to ensure it can negotiate from a position of strength.<sup>116</sup>

### Recommendation 1

**3.90 The committee recommends that the Australian government demonstrate to East Asian countries a genuine interest in and support for ASEAN and the ARF, redouble its efforts to reinvigorate APEC and remain fully engaged with the East Asia Summit. The committee believes that the Australian government should look upon these fora as complementary.**

3.91 The committee notes that China's smile strategy or soft power diplomacy is working in the East Asia region. Together with its growing economic presence in the region, China is exerting greater influence. However, some view the rise of China as a threat to the interests of the United States in the region. The next chapter examines the bilateral relationship between China and the United States, while Chapter 5 considers the repercussions of this relationship for other countries in the region.

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115 Reg Little and James Flowers, *Submission P26*, p. 5.

116 Reg Little and James Flowers, *Submission P26*, p. 5.

# Chapter 4

## China's relations with the United States

China needs to deepen its understanding of the U.S., so does the U.S. of China.<sup>1</sup>

4.1 This chapter discusses three aspects of Sino–U.S. tension arising from China's emerging strategic and economic influence. The first concerns China's growing economic, political and strategic influence especially in East Asia and whether the U.S., as a superpower, and China, as an emerging great power, are destined to be locked in zero-sum rivalry.<sup>2</sup> The second relates to points of fundamental difference in values and practices that are likely to cause friction between the two countries. Trade and energy policies are used to highlight the nature and extent of current differences. The third, closely related, aspect of Sino–U.S. tension deals with foreign policy styles.

### U.S.–China relationship

#### *Background*

4.2 Traditionally, strong Sino–U.S. economic and trade relations have sometimes been tempered by a degree of strategic unease between the two. Although China and the U.S. have largely avoided confrontation,<sup>3</sup> Chinese regional influence has been exercised within the framework of the U.S.' strong alliances in North and East Asia and the responsibilities and commitments attached to these alliances. As discussed later in this chapter, some U.S. strategic policy makers consider that an extension of Chinese influence would reduce the U.S.' own capacity to exert influence in the region (a 'zero-sum' game).

4.3 Prior to the end of the Cold War, China and the U.S. shared an 'effective strategic alliance against the common challenge of the Soviet Union'.<sup>4</sup> According to one China analyst, the events at Tiananmen Square on 4 June 1989 and the collapse of the Soviet Union marked the emergence of U.S.–China rivalry:

The absence of a common threat helped highlight common differences as well as the potential for competition between the two, particularly because,

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1 Speech by H.E. Ambassador Yang Jiechi at a Breakfast Co-hosted by the Asia Society and Council on Foreign Relations, 3 December 2002.

2 'Zero-sum rivalry' refers to a situation in which greater influence gained by one superpower will lead to a corresponding reduction in the influence of the other.

3 One exception is the Taiwan Strait crisis in 1995–96.

4 Dr Frank Frost, 'Directions in China's foreign relations—implications for East Asia and Australia', *Parliamentary Library Research Brief*, No. 9, 2005–06, p. 22.

just as the US emerged as the world's sole superpower, China itself began to rise in economic importance, military strength, and regional influence.<sup>5</sup>

4.4 Professor Jia Qingguo has written that Sino–U.S. relations in the 1990s were characterised by a 'vicious cycle' of political conflict, whereby the U.S. would push for democratic changes within China, met with strong resistance from China (interpreting them as U.S. attempts at political destabilisation), met in turn with stronger efforts from the U.S., and so on.<sup>6</sup>

4.5 China's response to the 11 September 2001 terrorist attacks on the U.S. may, however, have helped bridge some of the differences between China and the U.S. Chinese support for the U.S. following September 11 included voting in favour of anti-terrorism resolutions in the UN Security Council, assisting with intelligence into regional terrorist networks and encouraging Pakistan to cooperate with the U.S. over their Afghanistan operation. Importantly, this support was provided without explicit conditions attached by the Chinese leadership.<sup>7</sup> In his submission, Professor Colin Mackerras indicated that the terrorist threat reflected a problem common to both countries:

China has had its own concerns about terrorism based on Islamist radicalism since the early 1990s, in other words, for years before September 11.<sup>8</sup>

4.6 The events of September 11 also deflected U.S. attention away from any perceived 'China threat'. Professor Jia Qingguo has commented that the 9-11 attacks provided an opportunity for the U.S. administration to put their pre-existing tensions in perspective and improve relations with China. This in turn diminished the threat to political stability that China felt from the U.S., allowing them to initiate a more cooperative relationship.<sup>9</sup>

### **China's emerging influence and the US response**

4.7 The committee recognises that both China and the U.S. have much to gain from a healthy economic and strategic bilateral relationship. For China, the U.S. 'is a highly valued source of foreign investment and advanced technology and a key trade partner whose appetite for Chinese imports is a substantial contributor to China's

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5 Ailenn San Pablo-Baviera, 'The China factor in US alliances in East Asia and the Asia Pacific', *Australian Journal of International Affairs*, vol. 57, no. 2, July 2003, p. 340.

6 Jia Qingguo, 'The impact of 9–11 on Sino–U.S. relations: a preliminary assessment', *International Relations of the Asia-Pacific*, volume 3 (2003), p. 171.

7 Jia Qingguo, 'The impact of 9–11 on Sino-US relations: a preliminary assessment', *International Relations of the Asia-Pacific*, volume 3 (2003), p. 164.

8 Professor Colin Mackerras, *Submission P54*, pp. 21–22.

9 Jia Qingguo, 'The impact of 9–11 on Sino-US relations: a preliminary assessment', *International Relations of the Asia-Pacific*, volume 3 (2003), p. 172.

growth'.<sup>10</sup> Strategically, the U.S. offers China a stable regional security environment in which to continue its economic development. For the U.S., the prospect of rapid growth in China's untapped consumer market will present significant opportunities for its high-tech exporters. Strategically, China's leverage in the region can assist the U.S. with its anti-terror initiatives as well as mediating a settlement over nuclear capabilities on the Korean Peninsula (see Chapter 9). Despite these benefits, tension remains over China's military build-up, long-term strategic intent and how it will exert its growing economic and political influence.<sup>11</sup>

4.8 Sino–U.S. political relations have also been tested over specific issues such as the political status of Taiwan, democratisation and human rights abuses, as well as the broader strategic question.

4.9 China has been eager to allay concerns over its emerging influence. In its submission to this inquiry, the Embassy of the People's Republic of China (PRC) promoted its "new security concept" with mutual trust, mutual benefit, equality and coordination at its core, advocating the settlement of dispute through dialogues and cooperation'.<sup>12</sup> Chinese analysts have described this as a blueprint for 'peaceful rise', or *heping jueqi*.<sup>13</sup>

4.10 Despite China's insistence of its peaceful intent, its emerging economic, political and strategic influence will inevitably alter the dynamic of the Asia–Pacific region. China's growth rate and sheer size renders it a nation with the potential to exert greater influence in the future, with the much longer-term prospect of it becoming a superpower to rival the U.S. The way in which China's greater influence is exerted, and the response of the U.S. to the challenges arising from this, has considerable implications for the other nations in the region.

4.11 China's growing sphere of influence will affect the U.S.' capacity to shape events in the region with the authority it has asserted since the end of World War II. China now has, and will increasingly have in the future, the economic and political leverage to pursue its own priorities in the region. Given this shifting geopolitical dynamic, compounded by pre-existing differences over Chinese military expansion (discussed in Chapter 6), trade, and democracy and human rights issues, the Sino–U.S. relationship presents challenges as well as opportunities. It raises the question: will China and the U.S. emerge as strategic partners or strategic competitors?

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10 Dr Frank Frost, 'Directions in China's foreign relations – implications for East Asia and Australia', *Parliamentary Library Research Brief*, no. 9, 2005–06, p. 22.

11 *The National Security Strategy of the United States of America*, September 2002, p. 28.

12 PRC Embassy, *Submission P66*, p. 13.

13 Dr Peter Van Ness, 'China's Response to the Bush Doctrine', *World Policy Journal*, Winter 2004–05, p. 42.

### ***Sino–U.S. strategic concerns: partners or competitors?***

4.12 The answer largely depends on how China's growing strategic influence is interpreted in Washington. For its part, China has made a concerted effort to ease U.S. concerns over the potential for a zero-sum superpower rivalry. It emphasises trust and mutual benefit in the changing world order:

Mutual trust means that all countries should transcend differences in ideology and social system, discard the mentality of Cold War and power politics and refrain from mutual suspicion and hostility.<sup>14</sup>

4.13 China's Ambassador to Australia, Her Excellency Madam Fu Ying, has acknowledged concerns that China may be extending its sphere of influence to challenge the U.S. or even seek hegemony in the region. However, she indicated that China, as a developing nation, would not have the economic capability to rival the U.S.:

I think there is *no* doubt that China will undertake more responsibilities and play a bigger role in the region and in the world, as it grows. However, its role can never go beyond its national strength and what is sustainable. I do not believe China will assume a role that would challenge the central role of the United States in the world or pose a threat to other countries in the region.<sup>15</sup>

4.14 In the same speech, as quoted earlier, Madam Fu emphasised China's focus on security through stability and growth:

Traditionally, the term 'security' is related to military posture and defence forces. But for China...the greatest security concern is to ensure an environment for continued economic development.<sup>16</sup>

4.15 Not everyone in Washington is convinced. Its national security bureaucracies, led by the Department of Defense, lean toward the 'China threat' analysis. They cite China's obfuscation of its growing defence expenditures in the absence of a military threat as evidence of the need for U.S. vigilance when dealing with China (see chapter 6). This has led many in the U.S. administration to highlight China's unstated intentions. Indeed, the historic reality of great power rivalry does suggest the inevitability of some degree of strategic mistrust by a prevailing superpower (the U.S.) of an emerging one (China).

4.16 On the other hand, the U.S. Department of State takes an 'integrationist' approach towards China.<sup>17</sup> This approach holds that treating China as a zero-sum

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14 PRC Embassy, *Submission P66*, p. 13.

15 Her Excellency Madam Fu Ying, Speech at Australian Strategic Policy Institute, Canberra, 17 February 2005, [http://www.aspi.org.au/pdf/Madame\\_Fu.pdf](http://www.aspi.org.au/pdf/Madame_Fu.pdf), (accessed 9 August 2005).

16 Her Excellency Madam Fu Ying, Speech at Australian Strategic Policy Institute, Canberra, 17 February 2005, [http://www.aspi.org.au/pdf/Madame\\_Fu.pdf](http://www.aspi.org.au/pdf/Madame_Fu.pdf), (accessed 9 August 2005).



competitor is detrimental to the interests of the U.S. and the Asia–Pacific region generally. In September 2005, U.S. Deputy Secretary of State, Mr Robert Zoellick, stated that the Chinese see economic growth 'as an internal imperative, not as a challenge to the United States', and that they need a 'benign international environment', rather than conflict with the U.S., to ensure continued growth.<sup>18</sup>

4.17 Former U.S. Secretary of State, Dr Henry Kissinger wrote in the *Washington Post* that China's rise will bring about 'a substantial reordering of the international system'. However, he did not view this development as leading to inevitable confrontation:

China's emerging role is often compared to that of imperial Germany at the beginning of the 20<sup>th</sup> century, the implication being that a strategic confrontation is inevitable and that the United States had best prepare for it. That assumption is as dangerous as it is wrong. The European system of the 19<sup>th</sup> century assumed that its major powers would, in the end, vindicate their interests by force...

Only the reckless could make such calculations in a globalised world of nuclear weapons.<sup>19</sup>

4.18 Dr Kissinger maintained that China will be a benign power:

Military imperialism is not the Chinese style...China seeks its objectives by careful study, patience and the accumulation of nuances—only rarely does China risk a winner-take-all showdown.<sup>20</sup>

4.19 A positive Sino–U.S. relationship will depend on both countries sharing the responsibility for working toward common goals. Former diplomat, Mr Garry Woodard, suggested to the committee that a shift in attitude was required from both countries to engage peacefully as equal powers:

The difficulty for the United States is thinking of another country as one which it must treat on a basis of equality. It is as great an issue as the capacity of China to treat anybody on a basis of equality, which it has never

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17 A recent article by political scientist David Lampton differentiated "confrontationalists"—'those who see the future relationship with Beijing in conflict-laden terms—from "integrationists"—those who do not see international relations as a zero-sum game. "Integrationists" believe China can become a regional partner of the U.S. with mutually beneficial consequences: "confrontationalists" identify China as a regional competitor whose rise will injure U.S. interests. David Lampton, 'Paradigm lost: The Demise of "Weak China"', *The National Interest*, Fall 2005, p. 76.

18 Text of speech by Robert Zoellick, 21 September 2005, <http://usembassy-australia.state.gov/hyper/2005/0922/epf403.htm> (accessed 10 November 2005).

19 Dr Henry Kissinger, 'China: Containment Won't Work', *Washington Post*, 13 June 2005.

20 Dr Henry Kissinger, 'China: Containment Won't Work', *Washington Post*, 13 June 2005.

done in the past. There is an enormous problem of adjustment to be made on both sides.<sup>21</sup>

4.20 The committee agrees with this sentiment. For the U.S. and China to be long-term strategic partners, both nations should recognise and accommodate the others' concerns. However, as the following two sections discuss, there are issues and strategies that the U.S. and China approach differently.

***U.S. reservations: can China be a responsible stakeholder?***

4.21 Notwithstanding its commitment to a 'peaceful rise', China's actions have concerned many in the U.S. Some of these misgivings relate to specific differences of opinion over trade matters, human rights and democracy issues; others to a more general suspicion of China's long-term strategic intent.

4.22 Although the U.S. recognises that it faces no immediate threat from China, there are some profound disagreements between them:

Our commitment to the self-defence of Taiwan under the Taiwan Relations Act is one. Human rights is another. We expect China to adhere to its non-proliferation commitments.<sup>22</sup>

Within the U.S. at present, the pro-Taiwan lobby opposes Chinese determinations to maintain control over the democratically governed province and the human rights movement continues to agitate over various human rights violations occurring within China.

4.23 Deputy Secretary of State Robert Zoellick's September 2005 speech called on China to become a 'responsible stakeholder', strengthening 'the international system that has enabled its success'.<sup>23</sup> His comments reflected a wider attitude in Washington that China is benefiting economically from a stable regional environment—through its relationship with the U.S.—without adhering to the norms that have underpinned the stability from which they benefit. Professor David Lampton has put this argument succinctly:

As China's strength grows, Beijing increasingly will be expected to deal with the consequences of its actions...and contribute more to the maintenance of an international system from which it is deriving considerable benefit. Beijing will also be expected to help constructively manage the interdependent systems on which we all increasingly depend.

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21 Garry Woodard, *Committee Hansard*, 27 June 2005, p. 33.

22 *The National Security Strategy of the United States of America*, September 2002, p. 28.

23 Text of speech by Robert Zoellick, 21 September 2005, <http://usembassy-australia.state.gov/hyper/2005/0922/epf403.htm> (accessed 10 November 2005).

The degree to which it does not will contribute to friction with and debate in America.<sup>24</sup>

4.24 Many in the U.S. already view China's actions as falling short of the standards expected from a responsible regional and world leader. In this context, the committee draws attention to two of the major sources of U.S. frustration with China: trade regulations and international energy trade.

#### *Trade regulations*

4.25 Sino–U.S. friction on matters of trade and related domestic regulation has been well documented.<sup>25</sup> The committee's first report into Australia's relationship with China identified many of the concerns held by Australian and U.S. firms. These included poor corporate governance, the complex and inconsistent nature of China's legal and regulatory environment, intellectual property rights violations and government interference in the business sector.<sup>26</sup> The U.S. manufacturing sector and trade union movement are worried about the effect cheap (and often counterfeit) Chinese imports are having on domestic manufacturing and employment. The U.S. also believes that the Chinese have undervalued their currency, making imports from China artificially inexpensive. A range of sectional interest groups routinely pressure the U.S. government about these concerns.

4.26 Mr Zoellick's speech mentioned various U.S. points of trade tension which, combined with China's militarisation program, have produced 'a cauldron of anxiety about China'.<sup>27</sup> In November 2005, the U.S.–China Economic and Security Review Commission outlined the trade-related concerns of U.S. manufacturers in their 2005 report to Congress. The report stated:

...the principal cross-cutting concerns are China's undervalued currency, extensive system of government subsidies (particularly those favouring export-oriented production), weak intellectual property rights protections, and repressive labour practices. Many of these appear to act as a strong inducement for U.S. and other foreign firms to invest in and relocate to

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24 David Lampton, 'Paradigm lost: The Demise of "Weak China"', *The National Interest*, Fall 2005, p. 75.

25 See U.S.–China Economic and Security Review Commission, '2005 Report to Congress of the U.S.–China Economic and Security Review Commission', One Hundredth and Ninth Congress, First Session, November 2005.

26 Senate Foreign Affairs Defence and Trade Committee, *Opportunities and challenges: Australia's relationship with China*, November 2005, Executive Summary.

27 Robert B. Zoellick, 'Whither China: From Membership to Responsibility?', Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005.

China to serve the Chinese domestic market and to use China as an export platform.<sup>28</sup>

4.27 It further asserted that China was not adhering to the rules it had committed to when accepted into the World Trade Organisation (WTO) in 2001:

While China has made progress towards meeting some of its commitments, it remains in violation of its WTO commitments in a number of important areas, many very significant for U.S. industries. As a result, U.S. firms continue to face market access barriers in China and unfair trade practices in U.S. and third-country markets.<sup>29</sup>

4.28 Intellectual property provides a good example. The *2004 Report to Congress on China's WTO Compliance* found:

China has been much less successful in ensuring effective IPR protection, as IPR enforcement remains problematic. Indeed, counterfeiting and piracy in China are at epidemic levels and cause serious economic harm to U.S. businesses in virtually every sector of the economy.<sup>30</sup>

4.29 In its previous report, the committee considered at length China's entry into the WTO in 2001, and the difficulties China has had in complying with its WTO commitments. It recommended that applying pressure through the WTO would provide an effective means of encouraging China to honour its undertakings. It also suggested, however, that it was important for those likely to be affected adversely by various trade and businesses practices in China, such as breaches of intellectual property (IP) law, to be aware of the culture and traditions of China and how Chinese values, customs and beliefs influence the implementation and interpretation of those laws.

### *Trade in energy*

4.30 China's trade in energy is also perceived by many in the U.S. as an example of China's reluctance to be a 'responsible stakeholder'. Chapter 2 noted that China's need to secure its energy supplies is a major factor influencing its foreign policy. As a country dependent on overseas sources for vital raw materials, China has understandably chosen to adopt an opportunistic and pragmatic policy aimed at securing its supplies. Presently, the Chinese authorities are using a range of diplomatic measures to forge closer commercial and political links with resource rich countries.

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28 U.S.–China Economic and Security Review Commission, *2005 Report to Congress of the U.S.-China Economic and Security Review Commission*, One Hundredth and Ninth Congress, First Session, November 2005, p. 2.

29 U.S.–China Economic and Security Review Commission, *2005 Report to Congress of the U.S.-China Economic and Security Review Commission*, One Hundredth and Ninth Congress, First Session, November 2005, p. 4.

30 United States Trade Representative, *2004 Report to Congress on China's WTO Compliance*, 11 December 2004, p. 5.

A number of these countries, however, including Sudan, Iran and Myanmar (Burma), are perceived by the U.S. to be 'rogue states' that fail to promote democracy and to adhere to international norms. Forging friendly bilateral relations with, and providing aid and development assistance to, these 'problem' states is of particular concern to the U.S.<sup>31</sup>

4.31 China's willingness to strike energy deals with these states frustrates broader U.S. foreign policy goals, insofar as the U.S. is attempting to marginalise these countries by refusing to trade with them. In June 2005, the Assistant Secretary, Bureau of East Asian and Pacific Affairs, Mr Christopher R. Hill stated that:

The biggest impact on U.S. national interests is China's willingness to invest in and trade with problem states (Iran, Sudan, Burma). We are concerned that China's needs for energy and other resources could make China an obstacle to U.S. and international efforts to enforce norms of acceptable behaviour and encourage China's participation in international organizations to counter this tendency.<sup>32</sup>

4.32 The U.S.–China Economic and Security Review Commission was also blunt in its findings:

China appears to trade influence and assistance, including weapons technologies, arms, and other aid, for access to oil and gas in terrorist-sponsoring states, such as Sudan and Iran, greatly compromising U.S. efforts to combat terrorism, weapons proliferation, and human rights abuses.<sup>33</sup>

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31 Kerry Dumbaugh, 'China-US Relations: Current Issues and Implications for US Policy', *CRS Report for Congress*, updated 8 July 2005, p. 13. This report noted that Chinese negotiators signed significant oil deals with Iran in 2004 and that China has also targeted resource-rich African nations such as Sudan and Angola for energy-related development. See also the written statement of Randall G. Schriver before the United States Senate Committee for Foreign Relations, 26 July 2005. In testimony before the United States Senate Committee on Foreign Relations, Mikal E. Herberg gave some examples of China's involvement with problem states—'In the case of Sudan and Iran, China's involvement is helping to undermine U.S. sanctions (although China is among a number of countries doing so) and is also complicating U.S. efforts in the United Nations. For example, China is the prime roadblock to taking Iran to the Security Council for sanctions over its nuclear program. Efforts to sanction Sudan for its human rights violations in the Darfur region are also stymied by China's opposition.' 7 June 2005, p. 11.

32 Statement of Christopher R. Hill, Assistant Secretary for East Asian and Pacific Affairs, 'Emergence of China in the Asia-Pacific: Economic and Security Consequences for the United States', 7 June 2005, p. 5.

33 U.S.–China Economic and Security Review Commission, *2005 Report to Congress of the U.S.–China Economic and Security Review Commission*, One Hundredth and Ninth Congress, First Session, November 2005, p. 164.

4.33 In the Commission's view, China 'focused on its narrow interests while dismissing international concerns'.<sup>34</sup> According to Mr Zoellick:

China's involvement with troublesome states indicates at best a blindness to consequences and at worst something more ominous. China's actions—combined with a lack of transparency—can create risks.<sup>35</sup>

He also stated that:

China's economic growth is driving its thirst for energy. In response, China is acting as if it can somehow "lock up" energy supplies around the world. This is not a sensible path to achieving energy security.<sup>36</sup>

4.34 Mr Drew Thompson of the Centre for Strategic and International Studies in Washington DC has commented that this strategy may only be useful to China in the short term:

China's myopic approach to locking up barrels through commercial and diplomatic relations (while ignoring corruption and human rights abuses) frustrates efforts of donor nations and organizations that are working to instil good governance, accountability and transparency. But China's no-strings-attached assistance and opaque commercial transactions which do little to encourage these countries to improve their governance systems might be a short-sighted strategy. Encouraging good governance and stability with trading partners will benefit China in the long-term by building more durable societies and economies that will someday become better markets for Chinese consumer products, and by fostering governments that contribute to global and regional security. The latter being ultimately linked to China's most fundamental core interest: economic growth and domestic stability at home.<sup>37</sup>

4.35 As part of its strategy to improve access to foreign energy resources, China has sought to complement existing sources by purchasing overseas energy companies. For example, in 2005 the China National Offshore Oil Corporation (CNOOC) launched an US\$18.5 billion bid to buy U.S. oil and gas company Unocal.<sup>38</sup>

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34 U.S.–China Economic and Security Review Commission, *2005 Report to Congress of the U.S.–China Economic and Security Review Commission*, One Hundredth and Ninth Congress, First Session, November 2005, pp. 9–13.

35 Robert B. Zoellick, 'Whither China: From Membership to Responsibility?', Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005.

36 Robert B. Zoellick, 'Whither China: From Membership to Responsibility?', Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005.

37 Drew Thompson, 'China's global strategy for energy, security, and diplomacy', *The Jamestown Foundation China Brief*, volume 5, issue 7, 29 March 2005, [http://www.jamestown.org/publications\\_details.php?volume\\_id=408&issue\\_id=3280&article\\_id=2369493](http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3280&article_id=2369493), (accessed 8 November 2005).

38 Joe Carroll, 'CNOOC may look to buy other U.S. energy assets', *Australian Financial Review*, 22 July 2005, p. 27.

Subsequently, CNOOC withdrew its bid in the face of widespread congressional opposition and the strong prospect of the bid ultimately failing. Despite this setback, this incident indicates that China is willing to become more adventurous in seeking to secure much needed energy reserves.

4.36 Another aspect of securing energy supplies involves protecting supply routes, which is also causing some concern. An annual report to the U.S. Congress on China's military power stated:

Naval acquisitions, such as advanced destroyers and submarines, reflect Beijing's pursuit of an 'active offshore defense', to protect and advance its maritime interests, including territorial claims, economic interests, and critical sea lines of communication.<sup>39</sup>

4.37 There are concerns that China's energy shortages and its moves to secure supply routes will heighten military maritime competition to control the sea lines of communication in Southeast Asia.<sup>40</sup> Mr Mikkal E. Herberg of the U.S. National Bureau of Asian Research noted that:

The growing volume of oil that will be flowing to China by tanker through the Indian Ocean and South China Sea appears to be driving efforts to develop naval capabilities and arrangements that would allow it to protect its impact well beyond the Taiwan Strait. China has been developing a major submarine capability and potential port access agreements with Pakistan, Bangladesh, Myanmar, and the South China Sea which appear aimed at protecting future Chinese oil tanker routes. In this sense, China's energy insecurity risks aggravating the potential future problem of military maritime competition to control the Sea Lines of Communication in Southeast Asia.<sup>41</sup>

4.38 China's concerns over the security of its primary maritime trade routes with countries in Southeast Asia underline the importance of developing a cooperative approach to deal with these important strategic issues. Entering into a regular discussion on accessing vital sea lines of communication should be an important priority for China and other nations in the region, particularly within the framework of existing multilateral fora.

### ***Committee view***

4.39 As noted earlier, China is becoming increasingly dependent on a steady, secure and substantial supply of energy resources in order to drive its continuing economic

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39 Office of the Secretary of Defense, *Annual Report to Congress: The Military Power of the People's Republic of China 2005*, p. 12.

40 See for example, Testimony of Mikkal E. Herberg, the National Bureau of Asian Research, Seattle, Washington, United States Committee on Foreign Relations, 7 June 2005.

41 United States Senate Committee on Foreign Relations, Testimony of Mikkal E. Herberg, the National Bureau of Asian Research, Seattle, Washington, 'The Emergence of China Throughout Asia: Security and Economic Consequences for the U.S.', 7 June 2005, p. 10.

development. This reliance presents China with a formidable challenge. It places China in a vulnerable position and is a major influence in shaping its foreign policy. Clearly, China's moves to form trade relationships with resources rich nations regarded as 'rogue states' by the U.S. is a serious difference and one with the potential to escalate.

4.40 The committee believes that this problem needs to be addressed in the wider context of global energy needs.

### ***U.S.–China: contrasts in foreign policy***

4.41 China's emerging influence also has implications for the way in which security issues are resolved in a region with a strong U.S. strategic presence. As the committee discussed in Chapter 3, China uses bilateral relations to resolve disputes but also clearly favours a multilateral approach to regional security, most notably through the ASEAN Regional Forum (ARF). Contrastingly, the U.S. has preferred to rely on its own military strength and strategic alliances with East Asian countries such as Japan and South Korea to manage its security concerns in the region.

4.42 According to Dr Van Ness, China's priority for settling international disputes through multilateral fora appeals to many nations, and is an alternative to the U.S.' unilateral focus. Dr Van Ness has described China's 'new security concept' as:

...cooperation for mutual benefit among potential adversaries rather than the building of military alliances against a perceived common threat.<sup>42</sup>

4.43 He further emphasised the significance of China's multilateralism, describing it as 'unprecedented' and contrasted it with China's past practices:

From dynastic times to the present, China had adopted a largely realist view of the world, and, like the United States, it had preferred a bilateral approach to foreign relations. Moreover, neither in its dynastic past nor in its communist present had China been any more benevolent toward its neighbours, or more hesitant to use military force than most major powers. For China now to adopt a multilateral, cooperative-security design was something new and important.<sup>43</sup>

4.44 One China analyst has written:

Rather than have a unipolar world order under the leadership of the United States, China's leaders have been asserting their preference for a multipolar order as more conducive to equilibrium. A multipolar order, it is argued, would be more consistent with recent global trends such as the greater salience of economic over military power, increased independence, the different nature of security threats and challenges since the 1990s, and the

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42 Dr Peter Van Ness, 'China's Response to the Bush Doctrine', *World Policy Journal*, p. 41.

43 Dr Peter Van Ness, 'China's Response to the Bush Doctrine', *World Policy Journal*, p. 41.



U.S.' own inability to take action in response to such challenges to international security without relying on coalitions with other states.<sup>44</sup>

4.45 China's multilateral strategy may also reflect ambitions to gain influence with countries hitherto within the U.S.' strategic orbit. According to Dr Van Ness, espousing a foreign policy approach of cooperation and negotiation represents a 'strategic response to the Bush doctrine' and the hegemonic status of the U.S., though he does not consider it a design for 'balancing' against the U.S. in a realist sense.<sup>45</sup>

4.46 As China's sphere of influence grows through its burgeoning economy it has the potential to draw countries further away from the U.S.' strategic control. As discussed in the previous chapter, some in the U.S. administration have expressed concern over China's role in the East Asia Summit (EAS), from which the U.S. has been excluded.

4.47 U.S. concern over China's foreign policy initiatives are not necessarily focussed on the contrasting, multilateral nature of China's foreign policy doctrine. Instead, the U.S. is most worried about China's 'unstated intentions'. The committee believes it is vital that the U.S. and Chinese governments pursue frequent and ongoing dialogue. It welcomes recent discussions between U.S. Deputy Secretary of State Zoellick and his Chinese counterpart, Dai Bingguo.<sup>46</sup> The U.S. must maximise opportunities to engage with China in regional security architecture.

## Conclusion

4.48 The overriding message coming out of this chapter is the importance for both countries to appreciate that their relationship can be mutually beneficial and that through cooperation, they can promote stability, peace and prosperity in the Asia-Pacific region. As noted by Ambassador Yang Jirchi, there is a need for China to deepen its understanding of the U.S., and for the U.S. to deepen its understanding of China.<sup>47</sup>

4.49 The committee is of the view that some of the U.S.' concerns regarding China's long-term intent may be tempered if China were more cooperative on issues including intellectual property rights and currency revaluation.<sup>48</sup> This would demonstrate China's preparedness to act as a 'responsible stakeholder'. If China

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44 Ailenn San Pablo-Baviera, 'The China factor in US alliances in East Asia and the Asia Pacific', *Australian Journal of International Affairs*, vol. 57, no. 2, July 2003, pp. 342–343.

45 Dr Peter Van Ness, 'China's Response to the Bush Doctrine', *World Policy Journal*, p. 43.

46 Ministry of Foreign Affairs of the People's Republic of China, 'Vice Foreign Minister Dai Bingguo Holds Talks with US Deputy Secretary of State Zoellick', 25 January 2006, <http://www.fmprc.gov.cn/eng/zxxx/t233112.htm> (accessed 23 February 2006).

47 See opening quotation and footnote 1 to this chapter.

48 The committee notes China's recent decision to revalue the yuan and delink it from the U.S. dollar.

succeeded in demonstrating these credentials to the U.S. over issues of immediate commercial concern, then this would serve to build goodwill between the two countries.

4.50 At the same time, the committee believes that the U.S. should recognise its own responsibilities. As chapter 3 mentioned, it is important that the U.S. reinvigorate its relationship with ASEAN and its member countries and engage fully in the region's developing security architecture.

# Chapter 5

## China, the U.S. and the shifting balance of influence in East Asia

Security is like oxygen: you tend not to notice it until you lose it. A continued U.S. presence in East Asia provides the oxygen that is so crucial for the region's stability and economic prosperity...the United States must maintain its troops, develop regional institutions, bolster its allies, and remain deeply engaged in Asia.<sup>1</sup>

5.1 The previous chapter concentrated on bilateral relations between China and the United States. This chapter takes a broader approach. It focuses on the complex web of relations in East Asia and how smaller countries in the region, particularly Australia, are accommodating changing circumstances as China and the U.S. work out their relationship.

5.2 For many decades the United States has taken an active interest in maintaining a secure environment in East Asia.<sup>2</sup> While acknowledging China's growing presence in the region, the U.S. recognises that it needs to ensure that it remains fully engaged with the nations of South-east Asia.<sup>3</sup> Deputy Secretary of State, Mr Robert Zoellick, suggested that the U.S. should:

...work together with ASEAN, Japan, Australia and others for regional security and prosperity through the ASEAN Regional Forum and the Asia Pacific Economic Cooperation Forum.<sup>4</sup>

5.3 Despite Mr Zoellick's comment, some analysts argue that America is not paying adequate attention to multilateral fora in Asia.<sup>5</sup>

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1 Council on Foreign Relations, Article preview, Joseph S. Nye Jr, from *Foreign Affairs*, July–August 1995.

2 See for example statement by Acting Assistant Secretary of State for East Asian and Pacific Affairs, Rust Deming, Washington File, EPF307 03/08/00, Text: State Official Deming, 8 March on Asia–Pacific Security Issues. He stated: 'Our interest in maintaining a secure environment to allow economies to develop, trade to grow, and democracy to spread has not diminished...in fact the American strategic, political, and economic stake in East Asia has only increased'.

3 For example see testimony of the Hon James A. Kelly, Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State, before the Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, Second Session, 2 June 2004, pp. 8 and 11.

4 Robert B. Zoellick, Deputy Secretary of State, 'Wither China: From Membership to Responsibility', Remarks to National Committee on U.S.–China Relations, New York City, 21 September 2005. See also statement by Hon. James A. Kelly, Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State, before the Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, Second Session, 2 June 2004, p. 8.

5.4 Against the backdrop of China's growing influence, the following section looks at the current level of U.S. engagement in East Asia and the expectations within the region of the U.S.' role.

### **United States of America's engagement with ASEAN countries**

5.5 The United States participates in a number of consultative meetings with ASEAN, including the ASEAN Regional Forum (ARF) and the Post Ministerial Conferences that immediately follow the ASEAN Ministerial Meetings. According to ASEAN, the meetings:

Offer an opportunity for the U.S. Secretary of State to review contemporary political, security, economic and development cooperation issues affecting the dialogue relations with the ASEAN Foreign Ministers.<sup>6</sup>

5.6 The U.S. has publicly indicated that it is committed to ASEAN and the region.<sup>7</sup> In June 2004, the Hon. James Kelly, Assistant Secretary of the U.S. Department of State, explained that the continuing development of regional organisations is essential to East Asia:

We have been an active supporter of ASEAN, the Association of Southeast Asian Nations, the ASEAN Regional Forum, the region's only multilateral security dialogue, and APEC, the Asia Pacific Economic Cooperation fora, and have sought to strengthen and build capacity within these organizations.<sup>8</sup>

5.7 According to the Prime Minister of Singapore, Mr Goh Chok Tong, however, the U.S. lost some goodwill in the region following the Asian financial crisis:

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5 See for example, Dana R. Dillon and John J. Tkacik, 'China and ASEAN: Endangered American Primacy in Southeast Asia', *Backgrounder no. 1886*, The Heritage Foundation, 19 October 2005. They recommended that 'the U.S. must redouble its political, economic, and security efforts in Southeast Asia to thwart the Chinese juggernaut'. See also, Rizal Sukma, 'US–Southeast Asia after the Crisis: the Security Dimension, Background Paper prepared for the Asia Foundation's Workshop on America's Role in Asia, Bangkok, 22–24 March 2000.

6 ASEAN Secretariat, *ASEAN–US Dialogue*, <http://www.aseansec.org/7728.htm> (accessed 13 December 2005).

7 See for example, the statement by the then United States Secretary of State, Colin Powell, in Hanoi, Vietnam, 26 July 2001. <http://www.aseansec.org/7848.htm> accessed 13 December 2005 and statement by Acting Assistant Secretary of State for East Asian and Pacific Affairs, Rust Deming, Washington File, EPF307 03/08/00, Text: State Official Deming, 8 March on Asia–Pacific Security Issues.

8 Testimony of the Hon James A. Kelly, Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State, before the Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, Second Session, 2 June 2004, p. 8.

Fairly or unfairly, the US was perceived to be not forthcoming enough in helping the Southeast Asian countries. The IMF was seen by some as a tool of the US to achieve the latter's objectives.<sup>9</sup>

5.8 Numerous analysts have observed that a major obstacle to strengthening the relationship between the U.S. and ASEAN countries stems from their different priorities in the region.<sup>10</sup> In September 2005, the Malaysian Prime Minister, the Hon. Abdullah Ahmad Badawi, summed up a common perception of the U.S.' engagement with East Asia, and more particularly with ASEAN. He observed that the ASEAN–U.S. dialogue suffers in part from different expectations. In his view, ASEAN expects the U.S. to be an important strategic, economic and development partner as much as a diplomatic one while the U.S. gives a higher priority to ASEAN as 'a strategic partner for political and regional security purposes'.<sup>11</sup> He continued:

...the Dialogue between ASEAN and the United States has yet to reach its full potential. May I say that, to improve the Dialogue, the United States has to listen more to ASEAN's concerns and aspirations. The United States must also make efforts to appreciate the 'ASEAN way' of conducting business, which may at times appear slow and sluggish to the United States.<sup>12</sup>

5.9 He noted further that the U.S. had not acceded to the Treaty of Amity and Cooperation, which he emphasised was a 'very important and key document in the life of ASEAN'.<sup>13</sup> Indeed, ASEAN believes that its dialogue with the U.S. has 'focused more and more on political and security discussions over the years, particularly with the end of the Cold War'.<sup>14</sup>

5.10 In keeping with this view, the Hon Edward Masters, Co-Chairman of the U.S.–Indonesia Society, told a U.S. House of Representatives committee that the countries of Southeast Asia:

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9 'ASEAN–US Relations: Challenges', Goh Chok Tong, Prime Minister of Singapore, *Keynote speech at the ASEAN/United States Partnership Conference*, New York, 7 September 2000, <http://www.aseansec.org/2918.htm> (accessed 13 December 2005).

10 Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia–Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 6. He stated that 'a number of authoritative commentators have expressed concern over a perceived decline in US influence in Asia on account of US preoccupations elsewhere, military assertiveness, and poor diplomacy, and a concurrent rise of Chinese influence'.

11 'Creating a Better Understanding of ASEAN–US Relations', Statement by the Hon Abdullah Ahmad Badawi, Asia Society Programme, New York, 15 September 2005.

12 'Creating a Better Understanding of ASEAN–US Relations', Statement by the Hon Abdullah Ahmad Badawi, Asia Society Programme, New York, 15 September 2005.

13 'Creating a Better Understanding of ASEAN–US Relations', Statement by the Hon Abdullah Ahmad Badawi, Asia Society Programme, New York, 15 September 2005.

14 ASEAN Secretariat, *ASEAN–US Dialogue*, <http://www.aseansec.org/7728.htm> (accessed 13 December 2005).

...very much want to see the United States remain a part of the picture and a more active part than it is now. They find the United States focused, too narrowly, in their view, on counter-terrorism. Counter-terrorism is important to them also...But they are also concerned about the need for better governance, for removing poverty, for consolidating their democracies...they want to resume rapid economic growth so they can absorb new entrants into the workforce and work off the very large unemployed group.<sup>15</sup>

5.11 A former Deputy Undersecretary of Defense, Mr Dov Zakheim, stated in 2000 that the 'American attitude to ASEAN has generally been one of benign neglect'.<sup>16</sup> More recently, U.S. Secretary of State, Dr Condoleezza Rice, was criticised for not attending the last ARF meeting in July 2005, sending her deputy instead.<sup>17</sup> A number of commentators urge the U.S. government to take a more active approach to the ARF and to consider new mechanisms to step up dialogue with ASEAN as a group.<sup>18</sup> This viewpoint, that the U.S. could and should be doing more to strengthen its relationship with East Asia, extends beyond security matters. Some analysts are

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- 15 Statement of the Hon. Edward Masters, Co-Chairman of the U.S.–Indonesia Society, hearing before the Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, Second Session, 17 March 2004, p. 70. See also comments by the Hon. James A. Leach, Chairman of the Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, Second Session, 2 June 2004, p. 1. He noted the 'sadness and in some cases anger in what many of America's friends in the region view as mistakes in United States policies in Iraq and the Middle East'.
- 16 Dov S. Zakheim, 'The American Strategic Position in East Asia', keynote address to the FPRI conference on 'Flashpoints in East Asia', 12 May 2000. See also comments by Harry Harding, Dean of the Elliott School of International Affairs, 'China as a Liberal Power', USINDO Report, 7 November 2003. He stated that the U.S. 'is viewed as acting unilaterally, as becoming more protectionist and as obsessed with the problem of international terrorism'.
- 17 See for example, Dana R. Dillon and John J. Tkacik, 'China and ASEAN: Endangered American Primacy in Southeast Asia', *Backgrounders*, no. 1886, The Heritage Foundation, 19 October 2005 and ASEAN News Network, 15 November 2005.
- 18 See for example, Statement of Catharin E. Dalpino, Adjunct Professor, Southeast Asian Studies, Georgetown University and the George Washington University, United States Senate, Committee on Foreign Relations, 7 June 2005, p. 7. The Asia Foundation recommended that: 'the U.S. needs to revamp its public diplomacy in Southeast Asia in order to redress the serious deterioration in the public support for the U.S. and its policies', Summary of Findings/Recommendations of the Asian Working Group.

calling on the country to expand or accelerate existing measures in diplomacy, security, trade and cultural exchanges—to 'rediscover its soft power in the region'.<sup>19</sup>

5.12 At a time when the commitment of the U.S. to promoting the interests of the region—as distinct from its own narrower strategic pursuits—is under question, China's influence is on the ascendency. Indeed, a number of analysts have compared China's growing sophistication and skill in its foreign diplomacy in the region with the lack of interest by the U.S. One stated that China's charm campaign contrasts sharply with U.S. 'hectoring nanny-ism'; another maintained that while the Chinese diplomatic offensive was 'a thing of beauty', the U.S. had been 'oblivious'.<sup>20</sup> The International Institute for Strategic Studies suggested that:

... there is a growing appreciation in the region that US influence is declining as China's grows. Furthermore, while China is an increasingly attractive partner, the Bush administration's war on terrorism has complicated Washington's relations with Southeast Asia.<sup>21</sup>

5.13 Similarly, another analyst noted that China's increasing leadership in the region is acceptable to its neighbours, given China's better understanding of the region's shared priorities. The same observation, however, did not apply to the U.S.:

Japan and Singapore apart, Asian nations clearly are not keen to include the U.S. Asian leaders grumble that Washington does not seem to understand that economic development—not the fight against international terrorism—is at [the] top of the agenda for Southeast Asian governments.<sup>22</sup>

5.14 A 2005 survey conducted by the Pew Global Attitudes Project found that positive opinions of the U.S. in Indonesia had plummeted to as low as 15 per cent in 2003, but had rebounded to 38 per cent by 2005. The survey found that the U.S. tsunami aid and relief effort was widely hailed in Indonesia and gave Indonesians a

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19 See for example, Testimony, David M. Lampton, Dean of Faculty and Director of China Studies, Johns Hopkins Nitze School of Advanced International Studies and Director of Chinese Studies, The Nixon Center, prepared for the United States Committee on Foreign Relations, 7 June 2005; Statement of Catharin E. Dalpino, Adjunct Professor, Southeast Asian Studies, Georgetown University and the George Washington University, United States Senate, Committee on Foreign Relations, 7 June 2005, p. 7; Dana R. Dillion and John J. Tkacik, Jr, 'China and ASEAN: Endangered American Primacy in Southeast Asia', *Backgrounder*, no. 1886, The Heritage Foundation, 19 October 2005; US–ASEAN Business Council Inc, *ASEAN and its importance to the United States of America, the Urgent need to Look to the Future while Building on the Past*, February 2002.

20 James Castle, 'China's economic surge is an opportunity, not a threat', *USINDO Report*, 7 November 2003.

21 The International Institute for Strategic Studies, 'China, America and Southeast Asia', *IISS Strategic Comments*, vol. 11, issue 1, February 2005. See also, Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia-Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 6.

22 Axel Berkofsky, 'China's Asian Ambitions', *Far Eastern Economic Review*, July 2005, p. 22.

more favourable view of the U.S. Even so, the U.S.' favourability rating is very low when compared to the 73 per cent support rating attributed by Indonesians to China.<sup>23</sup>

5.15 To underline his point that U.S. engagement with ASEAN lacks vigour, the Singaporean Prime Minister, Mr Goh Chok Tong, made the following comparisons:

Formal ASEAN India dialogue relations were established in 1995. In the ten years since, 14 ASEAN India mechanisms were established. Formal ASEAN China dialogue relations were established in 1996. In the nine years since, 27 ASEAN China mechanisms at different levels have been established. ASEAN Japan dialogue relations were formalised in 1977. In the 28 years since, 33 ASEAN Japan mechanisms were established. The US ASEAN dialogue relationship was formalised at the same time as Japan's, almost three decades also, but there are currently only 7 ASEAN US bodies and they meet only infrequently.<sup>24</sup>

5.16 Mr Goh sees the U.S.–China relationship as the key relationship in East Asia: 'If U.S.-China relations are strained, all East Asia is unsettled'.<sup>25</sup> He has expressed the view that 'an East Asian architecture that does not have the US as one of its pillars would be an unstable structure'.<sup>26</sup>

5.17 The International Institute for Strategic Studies emphasised the view that 'in order to maintain its regional influence Washington needs to employ a more coordinated strategy for Southeast Asia'.<sup>27</sup> Mr Eric Heginbotham has argued that rather than focus on military issues alone, the United States needs 'to be connected to political and economic realities...to pay more attention to the wider Asian context—

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23 The Pew Global Project Attitudes, *American Character Gets Mixed Reviews: U.S. Image Up Slightly, But Still Negative*, 23 June 2005, pp. 2, 11. See also Jean A. Garrison, 'China's Prudent Cultivation of 'Soft' Power and Implications for U.S. Policy in East Asia', *Asian Affairs, An American Review*, Washington, Spring, vol. 32, issue 1, Spring 2005, pp. 25–30. See also, Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia–Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 7. Mr Sutter noted that the U.S. response to the tsunami 'underlined the kinds of options the US can follow to secure influence in Asia'.

24 Goh Chok Tong, 15<sup>th</sup> Asian Corporate Conference, 'Southeast Asia Rising: A Region Booming among Asia's Economic Giants', 9 June 2005.

25 Prime Minister Goh Chok Tong, 'East Asia after Iraq', *Keynote address*, Asia Society, Washington Center Gala Dinner, 7 May 2003.

26 Goh Chok Tong, 15<sup>th</sup> Asian Corporate Conference, 'Southeast Asia Rising: A Region Booming among Asia's Economic Giants', 9 June 2005.

27 The International Institute for Strategic Studies, 'China, America and Southeast Asia', vol 11, issue 1, February 2005. See also the Asia Foundation, 'Key findings, America's role in Asia'.



one that is generating underappreciated opportunities to influence political outcomes, as well as creating non-traditional security challenges'.<sup>28</sup>

5.18 Witnesses to the inquiry also raised concerns about the role of the United States in the region. Professor Paul Dibb, Director of the Strategic and Defence Studies Centre at the Australian national University (ANU), told the committee that the United States has 'taken its eye off the East Asia security ball'. According to Professor Dibb, the U.S.' preoccupation with the war on terrorism and Iraq has left the U.S. distracted, while 'China has been allowed to develop soft sources of power and influence, not least a sphere of influence in South-East Asia'.<sup>29</sup>

### ***The United States and the EAS***

5.19 Concern over the United States' lack of engagement in the region was heightened with the proposal for an East Asia Summit that did not include the United States. Some American political observers have expressed concern that the East Asia Summit (EAS) may become exclusive and inward-looking.<sup>30</sup> Mr Drew Thompson of the Centre for Strategic and International Studies suggested that the U.S.' exclusion from the summit may reflect a broader trend of China attempting to marginalise America in the region:

China has continually expressed its intention not to seek hegemony or disrupt international balances, but simply to maintain its 'peaceful rise'. However, not all are assuaged by its reassurances. While China may not significantly degrade Japan's economic influence or the U.S. strategic position in the near-term, China's opaque transactions and unstated intentions are a cause for concern that China is treating the United States and Japan as regional competitors. For example, China's promotion of an East Asian Summit scheduled for November of this year has so far excluded the U.S., which remains the dominant economic and strategic force in the region. This behaviour fuels the feeling in Washington that Beijing is attempting to marginalize the U.S. and ultimately push it out of Asia. Reinforcing this notion, Taiwan (which was not invited to attend the 1955 Bandung conference either) risks being another regional powerhouse excluded from the meeting over ideology.<sup>31</sup>

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28 Eric Heginbotham, 'Getting Realism: U.S. (and China) Policy Reconceived', *The National Interest*, no. 69, Fall 2002, Washington D.C. See also Dana R. Dillon and John J. Tkacik, 'China and ASEAN: Endangered American Primacy in Southeast Asia', *Backgrounders*, no. 1886, The Heritage Foundation, 19 October 2005.

29 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 20.

30 See for example, Axel Berkofsky, 'China's Asian Ambitions', *Far Eastern Economic Review*, vol. 168, issue 7, Hong Kong, July/August 2005.

31 Drew Thompson, 'China's Global Strategy for Energy, Security, and Diplomacy', *China Brief*, vol. 5, issue 7, The Jamestown Foundation, 29 March 2005. Mr Thompson is Assistant Director at the Freeman Chair in China Studies, Centre for Strategic and International Studies, Washington D.C.

5.20 In November 2004, the U.S. Deputy Secretary of State, Mr Richard Armitage, indicated that the United States was 'less happy' about the EAS because it is not a member. He noted 'we are a Pacific power, we want to be involved in the Pacific and the life of the Pacific, and we intend to be involved'.<sup>32</sup> The following May, he stated that the U.S. would 'oppose overt efforts to block it from participating in the summit', but it would not insist on sending a representative to any meetings because 'it can ask Japan, Australia and other nations to speak for the American side'.<sup>33</sup>

5.21 A number of China experts have asserted that, with the U.S. absent, it was important for Australia to participate in the East Asia Summit. For instance, Dr Peter Van Ness of the ANU's Contemporary China Centre told the committee:

What the United States fears is not just being left out but that some sort of strategic arrangement will develop out of that which will not be in their interests and which will not let them in effect play the role that they have been playing so far in East Asia. Australia has important influence here. Colleagues in Japan, for example, talk about Prime Minister Howard as having 'the Crawford connection' and being able to talk to the American administration in ways that many other countries cannot.<sup>34</sup>

5.22 He accepted that America may not be part of the EAS, but that Australia 'can try to build in a cooperative way a new set of arrangements, including security arrangements, for East Asia'.<sup>35</sup>

5.23 Even though, at the moment, it is excluded from the EAS, the U.S., as discussed earlier, is a member of numerous major regional fora. In noting the establishment of regional organisations, 'several of which exclude the United States', Mr Kelly told a U.S. House of Representatives' Committee that:

...we need to strengthen the organizations in which we are a member, such as the ARF, ASEAN and APEC.<sup>36</sup>

5.24 This observation is pertinent in light of some of the criticism levelled at the U.S. for failing to give adequate attention to the region. As a respected and strong ally of the U.S., Australia is well placed to support and encourage the U.S. to maintain an active presence in the region.

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32 US Department of State, Office of the Spokesman, Interview, Deputy Secretary of State, Richard L. Armitage with Takao Hishinuma of Yomiuri Shimbun, 30 November 2004. International Information Programs, USINFO.State .Gov.

33 'Panelists Urge Japan, China to Pursue Dialogue', *Nikkei Net Interactive*, 27 May 2005.

34 Dr Peter Van Ness, *Committee Hansard*, 13 September 2005, p. 12.

35 *Committee Hansard*, 13 September 2005, p. 13.

36 Prepared statement of the Hon. James A. Kelly, Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State, Hearing before the Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, Second Session, 'U.S. Policy in East Asia and the Pacific, 2 June 2004, p. 14.

### **Committee view**

5.25 The committee believes that Australia must do its utmost to encourage the United States to remain constructively engaged in the region. While the committee has stressed the important role that the United States has in APEC, it believes that Australia should also encourage the United States to demonstrate its support for the broader objectives of ASEAN—including the ARF—and to build a more visible and credible presence in the region.

### **Recommendation 2**

**5.26 The Australian government, through its good relations with the United States, encourage the United States to use its influence more effectively in the region, and in so doing, to improve its relationship with ASEAN and its member countries.**

### **Triangular relations involving China and the U.S.**

5.27 As noted in chapter 2, countries in the East Asian region are endeavouring to maximise the benefits deriving from their relationship with China, but are at the same time taking measures to guard against a potentially more assertive or demanding China. One of their major apprehensions is that relations between China and the United States may sour.

5.28 They are keen to see China and the United States enjoy positive relations: they do not want to be placed in a position where they may have to take sides. As Singapore's Minister for Foreign Affairs, Mr George Yeo, noted: 'the greater the number of major powers in our house, the more comfortable our lives would be, the greater will be the opportunities available to each and every one of us'.<sup>37</sup>

5.29 Noting the predicament of being caught in the middle of a possible superpower rivalry, Dr Van Ness submitted that:

The vast majority of countries in the region find themselves in a similar situation: they have good relations with both, and don't want to have to choose either the US or China.<sup>38</sup>

5.30 Dr Richard Ellings, President of the National Bureau of Asian Research, told a U.S. House of Representatives' Committee on International Relations that China's rise is 'exerting a gravitational pull felt throughout Asia'. He stated further that '[N]ot knowing the future of Chinese power or America's commitment in the region, many Asian nations are hedging by increasingly seeking accommodation with both power

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37 Ministry of Foreign Affairs, Singapore, Remarks by Singapore Minister for Foreign Affairs, George Yeo, in Parliament on Strategic Overview, 4 March 2005.

38 Dr Peter Van Ness, *Submission P22*, p. 1.

centers'.<sup>39</sup> Indonesia is a good example, having signed a 'strategic partnership' with China in April 2005 while pursuing the re-establishment of military to military contacts with the U.S.<sup>40</sup>

5.31 However, Dr Ron Huisken, a Senior Fellow at the ANU's Defence and Strategic Studies Centre, has observed that 'choosing between the US and China is the common nightmare in East Asia, something to be avoided if at all possible'.<sup>41</sup> Similarly, Professor David M. Lampton, director of China studies at Johns Hopkins University's School of Advanced International Studies, has argued:

China's rise, therefore, is forcing many of our traditional allies in the region and farther afield increasingly to balance their interests with Beijing against their interests with Washington. Most Asian countries do not wish to be forced to choose between the two. As China becomes a bigger security and economic player, and if it continues with its trade and smile diplomacy, alliances that initially were directed against the PRC, and more recently designed to maintain balance and reassurance in the region, will become progressively less effective unless they adapt.<sup>42</sup>

5.32 Australia confronts the same challenge. Mr Peter Jennings, Director of ASPI, defined Australia's relations with the U.S. and China in terms of 'hedging' and 'bandwagoning':

...there is still a degree of uncertainty in the region about the ultimate shape of China's disposition to use power. And, really, we will not know the answer to that question until we get there. But all of these multilateral, trilateral and bilateral moves to one degree or another reflect the region becoming more alive to the need to work out how we can either hedge, by cooperating with the Americans, or bandwagon, by cooperating with the Chinese.<sup>43</sup>

5.33 The following section considers Australia's position in the context of the China–U.S relationship in the region.

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39 Statement of Dr Richard J. Ellings, President, National Bureau of Asian Research, The Subcommittee on Asia and the Pacific of the Committee on International Relations, House of Representatives, 108<sup>th</sup> Congress, Second Session, 17 March 2004, p. 14.

40 Professor Chung Min Lee, 'China's Rise, Asia's Dilemma', *The National Interest*, Fall 2005, pp. 93–94.

41 Dr Ron Huisken, 'The Future of the US Military Presence in East Asia', updated version of a paper first prepared for a conference sponsored by the U.S. Department of State, Washington D.C., 9 October 2003, the Australian National University, 2004, pp. 6 and 10.

42 Professor David M. Lampton, Dean of the Faculty and Director of China Studies, Johns Hopkins Nitze School of Advanced International Studies and Director of Chinese Studies, the Nixon Center, 'What Growing Chinese Power Means for America'. Prepared for United States Senate Committee on Foreign Relations hearing, 7 June 2005.

43 Mr Peter Jennings, *Committee Hansard*, 13 September 2005, p. 17.

### ***Maintaining healthy relations with two superpowers***

5.34 China's rise has rendered Sino–U.S. relations one of the most important considerations in Australia's foreign policy. Along with many countries in the East Asian region, Australia shares the desire to see China and the U.S. manage their relationship in a way that will encourage a stable and economically prosperous region. As noted earlier, however, as China's influence grows, uncertainties about the shift of power in the region are emerging. There are concerns that China may ultimately seek to dominate the region and that the United States and China may compete for power there, rather than cooperate to bring stability and economic prosperity.

5.35 Australia's efforts to balance its relationship between prospective 'peer' superpowers has to date consisted of maintaining the best possible relations with both nations and hoping that zero-sum choices between them will not need to be made. The future health of the relationship between China and the U.S. will have significant implications for Australia, particularly given our close strategic ties with the U.S. and the trade benefits derived from China's economic growth.

5.36 Despite the clear economic compatibility and recent warm political relations between Australia and China, potential difficulties remain. Most significantly for Australia, China's emerging influence across East Asia is inextricably linked with the influence of the U.S. in that region. As a close strategic ally of the U.S., Australia's positive political relationship with China will be significantly dependant on how these two large nations come to terms with the shifting balance of power in the region. Whether or not Australia can continue to develop a close political relationship with China while maintaining close ties with our foremost ally, the U.S., potentially presents Australia with a most challenging foreign policy issue.

5.37 As a relatively small nation, however, much of this task will be outside Australia's immediate control; it will depend on how China and the U.S. manage their own relationship and their diplomacy with other major Asian nations. For example, the Lowy Institute's Mr Allan Gyngell has noted that successfully meeting the new challenges posed by an emerging China will be somewhat out of Australia's hands and dependent largely on the U.S. and China's own conduct:

For the past 50 years Asia's most important power, Japan, has been a staunch partner of the U.S. Australia has not had to make choices between its principal ally and its most promising market. But it may now face the uncomfortable challenge of having to maintain constructive relations with both Washington and Beijing. Its success in doing this will depend critically on two things: U.S. strategy towards its emerging Asian competitor and China's own behaviour.<sup>44</sup>

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44 Alan Gyngell, 'Living with the giants', *Time International* (South Pacific ed.), issue 16, New York, p. 27 and *Time Asia*, 25 April 2005.

5.38 According to Professor Hugh White of the ANU's Strategic and Defence Studies Centre, the Australian government believes that even-handedness is sustainable in managing our relations with China and the U.S., because 'growing strategic competition between U.S. and China is not inevitable'.<sup>45</sup> The Department of Foreign Affairs, Defence and Trade (DFAT) suggested that China's approach to the relationship favours cooperation over confrontation:

China's leaders recognise that a stable regional security environment is essential for China's economic development. They also recognise that a productive relationship with Washington is in China's interests.<sup>46</sup>

5.39 In a speech to the Lowy Institute in March 2005, the Prime Minister expressed optimism about the future of the U.S.–China relationship:

It would in my strong view be a mistake to embrace an overly pessimistic view of this relationship, pointing to unavoidable conflict. Australia does not believe that there is anything inevitable about escalating strategic competition between China and the United States.<sup>47</sup>

5.40 He added that, from Australia's perspective:

Australia is encouraged by the constructive and realistic management of this vital relationship. We see ourselves as having a role in continually identifying, and advocating to each, the shared strategic interests these great powers have in regional peace and prosperity.<sup>48</sup>

5.41 For Australia, with its long-term ANZUS alliance, the U.S. is properly viewed not as an outside balancer to China, but as an integral and long-standing component of its strategic policy. If Australia is to pursue its ties with Washington and Beijing concurrently, it is obviously in Australia's best interests for cordial and constructive relations between the U.S. and China.

5.42 However, some elements within the current U.S. administration and Congress do not wholeheartedly share this view, instead perceiving China's growing influence in 'zero-sum' terms (see earlier discussion at paragraphs 4.12–4.19).<sup>49</sup> If this view were to ultimately prevail in Washington, Australia's position would be considerably more challenging.

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45 Professor Hugh White, 'Howard's Asian balancing act', the *Age*, 13 April 2005, p. 25.

46 Department of Foreign Affairs and Trade, 'Advancing the National Interest', Foreign and Trade Policy White Paper, Canberra, 2003, p. 80.

47 The Hon. John Howard MP, *Transcript of address to the Lowy Institute for International Policy*, 'Australia in the World', Westin Hotel, Sydney, 31 March 2005.

48 The Hon. John Howard MP, *Transcript of address to the Lowy Institute for International Policy*, 'Australia in the World', Westin Hotel, Sydney, 31 March 2005.

49 See Professor Hugh White, 'Howard's Asian balancing act', the *Age*, 13 April 2005, p. 25.

5.43 Professor White has suggested that Australia needs to negate the prospects of a 'choice' by convincing the U.S. not to force it into making one:

Both Beijing and Washington want to force us to a choice, and we can only avoid that with very forceful, imaginative and effective diplomacy. Howard needs to persuade Washington that it is in America's interests to have a U.S. ally embedded in the new, China-dominated Asia.<sup>50</sup>

5.44 He has stated that Australia is shifting its foreign policy emphasis towards China out of pragmatism:

China is seen as the key to Australia's economic future, and Beijing has made it clear that economic opportunities are conditional on strategic and political alignment. China is using its economic potential to build a sphere of influence, and we are being drawn in by our purse strings.<sup>51</sup>

5.45 He also commented that:

For 100 years we have supported American primacy in Asia. Now we seem happy to be drafted into a Chinese sphere of influence that directly challenges that primacy.

That is not necessarily a mistake. Australia has no choice but to adjust our policies to the raw facts of China's growing power.<sup>52</sup>

5.46 Professor William Tow, Director of the International Studies Program at the University of Queensland, has argued, however, that Australia should not risk undermining its U.S. alliance:

...no Australian government can risk adopting security policies that are at odds with the world's remaining superpower and one that shares a language, a set of liberal values and a historical identity very similar to Australia's own.<sup>53</sup>

5.47 From the Chinese perspective, public statements on Australia's strategic alliance with the U.S. have been positive. In a February 2005 speech, the PRC's Ambassador to Australia, Her Excellency Madam Fu Ying, stated that China did not view Australia's alliance with the U.S. as targeted at China. She added that it would not 'in any way harm Australia's relations with China'.<sup>54</sup>

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50 Professor Hugh White, 'Howard's Asian balancing act', the *Age*, 13 April 2005, p. 25.

51 Professor Hugh White, 'Torn between the panda and Uncle Sam', the *Age*, 23 March 2005, p. 15.

52 Professor Hugh White, 'Torn between the panda and Uncle Sam', the *Age*, 23 March 2005, p. 15.

53 Professor Bill Tow, 'Stand by your mate', *The Diplomat*, Oct/Nov 2004, p. 25.

54 Her Excellency Madam Fu Ying, *Transcript of speech at Australian Strategic Policy Institute*, Canberra, 17 February 2005, [http://www.aspi.org.au/pdf/Madame\\_Fu.pdf](http://www.aspi.org.au/pdf/Madame_Fu.pdf) (accessed 9 August 2005).

5.48 One aspect of discussions with the committee during this inquiry was Australia's need to be transparent with both China and the U.S. about our allegiances and relations with the other. For example, the Department of Defence's submission stated that:

The U.S.-China relationship will be the key bilateral relationship shaping the strategic environment in the Asia-Pacific region for the foreseeable future. As China continues to view its relationship with Australia, particularly in defence issues, through the prism of our alliance with the U.S., we welcome the opportunity to discuss Australia's involvement in U.S. initiatives of particular interest to China.<sup>55</sup>

5.49 Although Australia's influence over U.S. or Chinese strategic foreign policy is limited, evidence received during this inquiry assessed Australia's options for maintaining healthy political relations with both countries. Professor White has highlighted that on one hand, Australia needs to adjust to the realities of China's emergence, yet on the other, America's continued effective engagement in the region is necessary to Australia's own strategic interests.<sup>56</sup> How Australia achieves this balance is a difficult proposition, especially with regard to Australia's role as mediator.

#### *Australia as an intermediary?*

5.50 Since the visits of the U.S. and Chinese leaders to Australia in 2003, the prospect of Australia actively assisting the two nations to overcome their political tensions has emerged. Having a close strategic alliance with the U.S. and warm political relations with China, Australia may be perceived to hold a unique facilitative position between the two and be able to act as a mediator between them by virtue of an unthreatening middle power status.

5.51 Indeed, this prospect of proactive diplomacy has been widely discussed in the context of Australia's handling of Sino-U.S. tension. For example, Professor Tow has emphasised Australia's strategic importance to China in terms of Sino-U.S. relations:

Australia is...becoming an important strategic conduit between China and the US as those two great powers attempt to manage regional flashpoints such as the Korean peninsula and Taiwan. China covets Australia's natural resources, and appreciates what it views as Australia's greater sensitivity to its irredentism and human rights positions. As Chinese leaders rely on Australia to help modify what they view as excessively hardline US positions, they in turn lend Canberra leverage in its relations with Beijing.<sup>57</sup>

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55 Department of Defence, *Submission P9*, p. 6.

56 Professor Hugh White, 'Torn between the panda and Uncle Sam', *the Age*, 23 March 2005, p. 15.

57 Professor Bill Tow, 'Stand by your mate', *The Diplomat*, Oct/Nov 2004, p. 25.



5.52 As noted earlier, Mr Armitage has suggested that Australia, among other nations, could speak for the American side in the EAS. More recently, in July 2005, the U.S. President encouraged Australia to be persuasive with the Chinese on issues over which they differ with the U.S.:

... we can work together to reinforce the need for China to accept certain values as universal—the value of minority rights, the value of freedom for people to speak, the value of freedom of religion, the same values we share.<sup>58</sup>

5.53 At the same press conference, however, the Prime Minister stated:

From Australia's point of view, well, we don't presume any kind of intermediary role. That would be absurd. We have relationships with the United States, which I've talked about and categorised in an unambiguous way. Everybody understands the centrality of that relationship to Australia. The Chinese understand it. But we are unashamed in developing our relations with China, and I am well pleased with the way the economic relationship has developed. And I'll continue to do everything I can in the interests of Australia to ensure that it develops further.<sup>59</sup>

5.54 This occasion was not the first time that Australian leaders have made plain that Australia was not going to speak for the U.S. in the region, nor be the middleman for China and the U.S. Both the Australian Prime Minister and the Minister for Foreign Affairs have downplayed the suggestion that Australia has an honest broker role in East Asia. Prime Minister Howard has clearly stated that Australia's primary role in the region is helping friends.<sup>60</sup> Minister Downer has also asserted that Australia does not see itself as some kind of broker but as a country that 'promotes its own interests and has a strong alliance with the United States but good relations through East Asia'.<sup>61</sup>

5.55 Professor White has suggested that Australia's reluctance to become a U.S.–China mediator stems from the U.S.' unwillingness to separate China's different political and cultural values from its legitimate exercise of power,<sup>62</sup> where Australia is

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58 Transcript of joint press conference between Prime Minister Howard and President Bush, Washington DC, 19 July 2005.

59 Transcript of joint press conference between Prime Minister Howard and President Bush, Washington DC, 19 July 2005.

60 Prime Minister the Hon. John Howard MP, *Transcript*, Interview with Neil Mitchell, Radio 3AW, 17 October 2003.

61 The Hon. Alexander Downer MP, Minister for Foreign Affairs, Doorstop Interview—Australia Group, 18 April 2005.

62 Professor Hugh White, 'Things to chew over for the meat in the sandwich', *Sydney Morning Herald*, 18 August 2005, p. 15.

content 'to build upon the things we have in common and not become obsessed with the things that make us different'.<sup>63</sup>

5.56 Professor White has written:

[The Prime Minister] acknowledges that China and Australia have different values, but does not agree with [the President] that China's values undermine its claims to regional power. He accepts those claims as legitimate.

5.57 However:

... they [the U.S.] do not accept China's claims for a share of power in Asia, because they believe only countries that share America's values can legitimately exercise such power. Power and values are so deeply intertwined in American thinking they cannot be separated.<sup>64</sup>

5.58 The committee recognises that Australia would be placing itself in a number of potentially awkward diplomatic positions by attempting to act as a go-between for the two countries over their differences. At present, the Australian government can maintain a close relationship with the U.S. without having to confront China on issues of conjecture.

5.59 Notwithstanding this, the Chinese leadership has also indicated that Australia can have a meaningful role to play in assisting this important relationship, particularly with respect to assisting with a resolution of the Taiwan issue. In his November 2003 speech to the Australian Parliament, President Hu Jintao stated:

The Chinese government and people look to Australia for a constructive role in China's peaceful reunification.<sup>65</sup>

### ***Committee view***

5.60 The committee believes that Australia must maintain its current position of presenting itself as an independent country whose abiding interest is in ensuring that the region as a whole remains politically stable and secure. It recognises that a cooperative Sino–U.S. relationship is crucial to Australia's own interests in the region, particularly with respect to the U.S.' regional security presence and China's economic opportunities. It believes that Australia, as a friend to both countries, should encourage them, in pursuing their own interests, to place the highest priority on contributing to the stability and prosperity of the region as a whole. The committee again underlines the important role that multilateral fora have in creating an

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63 Quote from Prime Minister the Hon. John Howard MP, cited in 'Poised between two giants', the *Australian*, 23 July 2005.

64 Professor Hugh White, 'Things to chew over for the meat in the sandwich', *Sydney Morning Herald*, 18 August 2005, p. 15.

65 President Hu Jintao, Transcript of speech to Australian Parliament, 24 October 2003, <http://www.smh.com.au/articles/2003/10/24/1066631618612.html> (accessed on 18 July 2006).

environment conducive to cooperative and friendly relations that take account of the interests of the region as well as of individual countries.

5.61 The following chapter develops this discussion in the context of China's military modernisation.



# Chapter 6

## China's Military Modernisation

China persists in taking the road of peaceful development and unswervingly pursues a national defense policy defensive in nature. China's national defense is the security guarantee for the survival and development of the nation.<sup>1</sup>

6.1 China is modernising its national defence and armed forces as an 'important guarantee for safeguarding national security and building a moderately prosperous society'.<sup>2</sup> This chapter examines China's defence policy, its underlying principles and key objectives. It looks at the response of other countries to China's military modernisation and its implication for regional security. Finally, it considers the information that China provides on its military spending and ambitions and assesses whether this helps to build greater trust between China and the outside world.

### China's defence policy

6.2 China's major goals of economic growth and political stability are, to a large extent, reliant on the maintenance of regional security and stability. As China continues to engage as a major participant in the global economy and becomes increasingly reliant on overseas energy resources, it has a growing stake in regional peace and stability.<sup>3</sup> In December 2004, Beijing released *China's National Defense 2004* (the 2004 White Paper). This report stated that the key objectives of China's national defence are:

...to step up modernisation of its national defence and its armed forces, to safeguard national security and unity, and to ensure the smooth process of building a moderately prosperous society in an all-round way.<sup>4</sup>

6.3 The White Paper noted that 'the role played by military power in safeguarding national security is assuming greater prominence'.<sup>5</sup>

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1 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 2, 'National Defense Policy', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(2\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(2).html) (accessed 23 November 2005).

2 Premier Wen Jiabao, *Report on the Work of the Government*, 5 March 2004.

3 DFAT, *Submission P19*, p. 15.

4 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 2, 'National Defense Policy', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(2\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(2).html) (accessed 23 November 2005).

6.4 Australia's Department of Defence concurred with this representation of China's broad military objectives. It recognised that increasing military capability was important to China and that it would:

... continue to view military strength as a key component of comprehensive national power, vital to securing its territorial claims, protecting its economic interests and building political influence.<sup>6</sup>

6.5 The following section outlines the approach and priorities that China is taking to modernise its armed forces.

### ***Building a modern military force***

6.6 China's military policy is guided by two goals: the 'historic objectives of ensuring that the army is capable of winning any war it fights and that it never degenerates.'<sup>7</sup>

6.7 In 1985, with an emphasis on increased competency and training rather than the size of its armed force, China decided to downsize its military personnel by one million. According to its White Paper on Arms Control, by 1987 the size of the People's Liberation Army (PLA) had been reduced from 4.238 million to 3.235 million and by 1990, the number of armed forces had been cut back to 3.199 million, downsized by an overall total of 1.039 million. Since 1990, China's armed forces have undergone a series of adjustments and their size has continued to shrink with the decision to downsize its military by 500,000 within three years. In 2003, China decided to further cut the number by 200,000 within two years and to reduce its military size to 2.3 million.<sup>8</sup> In 2005, China announced that it would complete the task of reducing the size of the army by 200,000.<sup>9</sup>

6.8 As part of its modernisation program, China is using science and technology to build strong armed forces by investing in developing new and high technology weaponry and equipment. This is intended to foster a new type of highly competent military personnel and promote the modernisation of its armed forces, with IT

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5 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 1, 'The Security Situation', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(2\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(2).html) (accessed 23 November 2005).

6 *Submission P9*, p. 3.

7 Premier Wen Jiabao, Part VI, *Report on the Work of the Government*, 5 March 2005, <http://www.china.org.cn/english/2005lh/122817.htm> (accessed 17 February 2006).

8 State Council Information Office, Section IV, 'China's Endeavours for Arms Control, Disarmament and Non-Proliferation', 1 September 2005, reprinted in *China Daily* as Full Text of White Paper on Arms Control, 1 September 2005.

9 Premier Wen Jiabao, Part VI, *Report on the Work of the Government*, 5 March 2005, <http://www.china.org.cn/english/2005lh/122817.htm> (accessed 17 February 2006).

application as the main content.<sup>10</sup> Indeed, improved competency and high technology are central to China's modernisation process. China wants to build a strong military through advances in science and technology and aims to have qualitative efficiency instead of relying on quantitative force: 'to transform the military from a manpower-intensive one to a technology-intensive one'.<sup>11</sup> While the streamlining of the PLA is designed to reduce the number of ordinary troops that are 'technologically backward', China is also strengthening its Navy, Air Force and Second Artillery force. It wants to ensure that the make-up of troops and the size of the services and arms are most effective, with an increased proportion of new and high-tech units.<sup>12</sup>

6.9 The Australian Department of Defence also noted that the PLA's military modernisation program emphasises the exploitation of technology and quality over quantity:

Key aspects of the program include: foreign acquisition and indigenous production of modern weapons and defence systems; organisational reform and the promotion of a joint approach to strategy and operations; logistics reform, including a growing emphasis on commercialisation of support functions; and personnel reforms such as improved training and education. The bulk of the modernisation efforts and resources are focused on naval, air and missile forces.<sup>13</sup>

6.10 In keeping with the goal of achieving a high technology defence force, the 2004 White Paper emphasised that the PLA wants to build an informationalised force: that its objective is to 'win local wars under conditions of informationalisation'.<sup>14</sup> Informationalisation is defined by analysts as 'the PLA's ability to use the latest technologies in command, intelligence, training and weapon systems'.<sup>15</sup> China is

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10 Premier Wen Jiabao, *Report on the Work of the Government*, 5 March 2004, [http://www.chinadaily.com.cn/english/doc/2004-03/16/content\\_315302.htm](http://www.chinadaily.com.cn/english/doc/2004-03/16/content_315302.htm) (accessed 17 February 2006).

11 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 2, 'National Defense Policy', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(2\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(2).html) (accessed 23 November 2005).

12 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 3, 'Revolution in Military Affairs with Chinese Characteristics' [http://english.people.com.cn/whitepaper/defense2004/defense2004\(3\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(3).html), (accessed 23 November 2005).

13 *Submission P9*, p. 5.

14 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 2, 'National Defense Policy', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(2\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(2).html) (accessed 23 November 2005).

15 International Assessment and Strategy Centre, 'Top Ten Chinese Military Modernisation Developments', 23 March 2005, [http://strategycenter.net/printVersion/print\\_pub.asp?pubID=65](http://strategycenter.net/printVersion/print_pub.asp?pubID=65) (accessed 27 November 2005).

seeking to achieve a gradual transition from mechanisation and semi-mechanisation to informationalisation.

6.11 As for weaponry and equipment, China has indicated that it is accelerating the modification of old and outmoded weapons. The 2004 White Paper noted that:

By embedding advanced technology, developing new munitions, and integrating command and control systems, the PLA has restored or upgraded the tactical and technical performance of some current main battle weapons.<sup>16</sup>

6.12 China hopes to develop its defence-related science, technology and industry to ensure the 'production and supply of military equipment to meet the needs of national defense'. Its objective is to raise China's 'capability for weaponry and equipment research and production, and accelerate the research and production of new and high-tech weaponry and equipment'.<sup>17</sup> This development is to complement and promote the growth of the national economy and improve the overall strength of the nation.<sup>18</sup>

6.13 In its 2004 White Paper, China stressed that its defence-related science, technology and industry 'takes a prudent attitude toward the export of military products and related technologies, and strictly complies with the policies and laws of the state on non-proliferation'.<sup>19</sup> It added that China has invariably adhered to three principles concerning the export of military products. They are that such exports:

- should only serve the purpose of helping the recipient state enhance its capability for legitimate self-defence;
- must not impair peace, security and stability of the relevant region and the world as a whole; and

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16 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 3, 'Revolution in Military Affairs with Chinese Characteristics', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(3\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(3).html), (accessed 23 November 2005).

17 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 7, 'Science, Technology and Industry for National Defense', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(7\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(7).html), (accessed 23 November 2005).

18 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 7, 'Science, Technology and Industry for National Defense', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(7\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(7).html), (accessed 23 November 2005).

19 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 7, 'Science, Technology and Industry for National Defense', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(7\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(7).html), (accessed 23 November 2005).



- must not be used to interfere in the recipient state's internal affairs.<sup>20</sup>

6.14 In keeping with its foreign policy, China maintains that its defence policy also looks to develop strong, amicable and mutually beneficial relations with other countries. China's 2004 White Paper explained that:

...the PLA conducts military cooperation that is non-aligned, non-confrontational and not directed against any third party. The PLA takes part in the UN peacekeeping operations and international counter-terrorism cooperation. While promoting military exchanges in various forms, the PLA works to establish security dialogue mechanisms in order to create a military security environment featuring mutual trust and mutual benefit.<sup>21</sup>

6.15 According to the White Paper, China has stepped up its bilateral and multilateral strategic consultation and dialogues with countries concerned in security and defence areas which 'contribute to better mutual trust and mutual exchange and cooperation'.<sup>22</sup> China's foreign and defence policy seeks to promote 'international security dialogues and cooperation of all forms'.<sup>23</sup>

6.16 The Australian Department of Defence submitted that China's expanding military capabilities are likely to be complemented by an expansion in its cooperative international engagement with foreign forces, and even possible participation in UN peacekeeping activities.<sup>24</sup>

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20 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 7, 'Science, Technology and Industry for National Defense', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(7\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(7).html) (accessed 23 November 2005).

21 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 2, 'National Defense Policy', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(2\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(2).html) (accessed 23 November 2005).

22 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 9, 'International Security Cooperation', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(9\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(9).html) (accessed 23 November 2005).

23 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 9, 'International Security Cooperation', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(9\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(9).html) (accessed 23 November 2005).

24 Department of Defence, *Submission P9*, p. 6.

## Priorities in China's defence policy

6.17 China is at pains to stress that it will rely on its own strength for development and 'poses no obstacle or threat to any one'.<sup>25</sup> Although China's defence policy places a high priority on cooperating with other countries to create a peaceful international environment, some countries remain concerned about the direction China is taking to modernise its military forces. The following section looks at two aspects of China's military modernisation process that trouble some countries (the U.S. in particular): firstly, it considers China's military build-up and the likelihood of it using force, especially against Taiwan, and secondly, the lack of transparency in China's military capability and future plans. The section then considers the shifting balance of power in the East Asian region.

### *China—'We have never forsworn the use of force'*

6.18 In its National Defence White Paper, China stated that one of its basic goals and tasks in maintaining national security is to 'stop separation and promote reunification, guard against and resist aggression, and defend national sovereignty, territorial integrity and maritime rights and interests'. As discussed further in Chapter 7, pro-independence developments in Taiwan are of great concern to the Chinese government. China maintains that Taiwan is 'part of the sacred territory of the People's Republic of China'. It stresses that it is 'the sacred responsibility of the Chinese armed forces to stop "Taiwan independence" forces from splitting the country'.<sup>26</sup>

6.19 The White Paper stated that relations across the Taiwan Straits were 'grim':

The separatist activities of the 'Taiwan independence' forces have increasingly become the biggest immediate threat to China's sovereignty and territorial integrity as well as peace and stability on both sides of the Taiwan Straits and the Asia-Pacific region as a whole.<sup>27</sup>

6.20 It made clear that China would:

...never allow anyone to split Taiwan from China through whatever means. Should Taiwan authorities go so far as to make a reckless attempt that

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25 Foreword, Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Beijing, December 2004, <http://english.peopledaily.com.cn/whitepaper/defense2004/defense2004forward.html> (accessed 10 January 2006).

26 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 1, 'The Security Situation', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(1\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(1).html) (accessed 23 November 2005).

27 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 1, 'The Security Situation', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(1\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(1).html) (accessed 23 November 2005).

constitutes a major incident of 'Taiwan independence', the Chinese people and armed forces will resolutely and thoroughly crush it at any cost.<sup>28</sup>

6.21 In its 2005 Report on the Work of the Government, Premier Wen stated that strengthening national defence and developing the army constituted 'a task of strategic importance to our modernisation drive and an important guarantee for safeguarding national security and reunification'.<sup>29</sup> This reference to reunification again clearly showed China's resolve to ensure that Taiwan does not separate from China.

6.22 The passing of the Anti-Secession Law in March 2005 was a further demonstration of China's determination to prevent Taiwan seceding from China. Mr Wang Zhaoguo, vice chairman of the Standing Committee of the National People's Congress (NPC), told the NPC that:

No sovereign state can tolerate secession and every sovereign state has the right to use necessary means to defend its sovereignty and territorial integrity.

Using non-peaceful means to stop secession in defence of our sovereignty and territorial integrity would be our last resort when all our efforts for a peaceful reunification should prove futile. The draft legislation provides that in the event that the 'Taiwan independence' forces should act under any name or by any means to cause the fact of Taiwan's secession from China should occur, or that major incidents entailing Taiwan's secession from China should occur, or that possibilities for a peaceful reunification should be completely exhausted, the state shall employ non-peaceful means and other necessary measures to protect China's sovereignty and territorial integrity.<sup>30</sup>

6.23 The Chinese government has stressed that should they employ non-peaceful means and other necessary measures to prevent secession:

...such means and measures would be completely targeted against the 'Taiwan independence' forces rather in any way against our Taiwan compatriots.<sup>31</sup>

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28 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 2, 'National Defense Policy', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(2\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(2).html) (accessed 23 November 2005).

29 Premier Wen Jiabao, *Report on the Work of the Government*, 5 March 2005, <http://www.china.org.cn/english/2005lh/122817.htm> (accessed 23 November 2005).

30 Wang Zhaoguo, Translation of the explanation on the draft Anti-Secession Law, *Third Session of the Tenth National People's Congress*, 8 March 2005, [http://english.people.com.cn/200503/08/eng20050308\\_176017.html](http://english.people.com.cn/200503/08/eng20050308_176017.html) (accessed 31 October 2005).

31 Wang Zhaoguo, Translation of the explanation on the draft Anti-Secession Law, *Third Session of the Tenth National People's Congress*, 8 March 2005, [http://english.people.com.cn/200503/08/eng20050308\\_176017.html](http://english.people.com.cn/200503/08/eng20050308_176017.html) (accessed 31 October 2005).

6.24 Following the passing of the law, Premier Wen reportedly warned foreign interests against interfering over Taiwan:

Solving the Taiwan question is entirely an internal Chinese affair and brooks no interference by any outside forces...We do not wish to see any foreign interference, but we do not fear foreign interference should it occur.<sup>32</sup>

The anti-secession law is discussed further in the following chapter.

6.25 Many in the U.S. believe that China is shaping its military modernisation and increasing its fighting capability with a conflict over Taiwan in mind. A U.S. Department of Defense report has noted that:

In the short term, the PRC appears focused on preventing Taiwan independence or trying to compel Taiwan to negotiate a settlement on Beijing's terms. A second set of objectives includes building counters to third-party, including potential U.S., intervention in cross-strait crises. PLA preparations, including an expanding force of ballistic missiles (long-range and short-range), cruise missiles, submarines, advanced aircraft, and other modern systems, come against the background of a policy toward Taiwan that espouses 'peaceful reunification'. China has not renounced the use of force, however. Over the long term, if current trends persist, PLA capabilities could pose a credible threat to other modern militaries operating in the region.<sup>33</sup>

6.26 It concluded that although the use of force against Taiwan would be costly, Chinese leaders 'might use force if they believed they had no other way to prevent Taiwan independence or, as implied in its 'anti-secession law', to guarantee reunification over the long term'.<sup>34</sup>

6.27 A report to Congress from the U.S.–China Economic and Security Review Commission found that:

China is in the midst of an extensive military modernisation program aimed at building its force projection capabilities to confront U.S. and allied forces in the region. A major goal is to be able to deter, delay, or complicate a timely U.S. and allied intervention in an armed conflict over Taiwan so

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32 Cited in 'China's top legislature enacts historic law for peace', *China Daily*, 15 March 2005, [http://www.chinadaily.com.cn/english/doc/2005-03/15/content\\_424828.htm](http://www.chinadaily.com.cn/english/doc/2005-03/15/content_424828.htm) (accessed 19 January 2006).

33 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, Executive Summary.

34 US Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, p. 39.

China can overwhelm Taiwan and force a quick capitulation by Taiwan's government.<sup>35</sup>

6.28 Some analysts maintain that China's military build-up 'is tilting the balance of power in the Taiwan Strait' and that its improved capabilities threaten U.S. forces in the region.<sup>36</sup> Vice Admiral Lowell E. Jacoby, U.S. Navy Director in the Defense Intelligence Agency, stated:

We believe China has adopted a more activist strategy to deter Taiwan toward independence that will stress diplomatic and economic instruments over military pressure. We believe Chinese leaders prefer to avoid military coercion, at least through the 2008 Olympics, but would initiate military action if it felt that course of action was necessary to prevent Taiwan independence.

Beijing remains committed to improving its forces across from Taiwan. In 2004, it added numerous SRBMs to those already existing in brigades near Taiwan. It is improving its air, naval and ground capabilities necessary to coerce Taiwan unification with the mainland and deter US intervention. Last fall, for instance, a Chinese submarine conducted a deployment that took it far into the western Pacific Ocean, including an incursion into Japanese waters.<sup>37</sup>

### ***Committee view***

6.29 China has put Taiwan and the world on notice that it will not tolerate an independent Taiwan and is prepared to use non-peaceful means to prevent its secession. It has also made clear that Taiwan is an internal matter of national sovereignty and it would not brook outside interference. Consequently, China's military modernisation takes close account of developments in Taiwan and is geared, if needed, to prevent Taiwan from splitting from China. It provides a powerful deterrent against any move by Taiwan toward asserting its independence. China has, however, stressed that the use of force would be a last resort.

6.30 The following section looks at a range of views from outside China on China's military modernisation.

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35 United States–China Economic and Security Review Commission, *2005 Report to Congress*, One Hundred and Ninth Congress, First Session, November 2005, p. 9.

36 Porter J. Goss, Director of Central Intelligence, Central Intelligence Agency, Testimony, United States Senate Select Committee on Intelligence, *Statement*, 16 February 2005, p. 16. In evidence he noted that in 2004 China increased its ballistic missile forces deployed across from Taiwan and rolled out several new submarines.

37 Vice Admiral Lowell E. Jacoby, U.S. Navy Director, Defense Intelligence Agency, *Testimony*, United States Senate Select Committee on Intelligence, 16 February 2005, p. 7.

### ***China's defence policy beyond Taiwan***

6.31 Some analysts believe that Chinese military acquisitions indicate that the PLA is building military capabilities that could be used beyond a conflict over Taiwan. In July 2005, the U.S. Department of Defense released its annual report to Congress titled *The Military Power of the People's Republic of China 2005*. While indicating that presently 'China's ability to project conventional military power beyond its periphery remains limited',<sup>38</sup> it noted:

All of China's SRBMs, although garrisoned opposite Taiwan, are mobile and can deploy throughout the country to take up firing positions in support of a variety of regional contingencies. China is also developing new medium-range systems that will improve its regional targeting capability. There are corresponding improvements in intercontinental-range missiles capable of striking targets across the globe, including in the United States.<sup>39</sup>

6.32 On this issue, the U.S. Department of Defense report observed:

Similarly, China's air and naval force improvements—both complete and in the pipeline—are scoped for operations beyond the geography around Taiwan. Airborne early warning and control and aerial refuelling programs for the PLA Air Force will extend the operational range for its fighter and strike aircraft, permitting extended operations into the South China Sea, for example. Naval acquisitions, such as advanced destroyers and submarines, reflect Beijing's pursuit of an 'active offshore defense' to protect and advance its maritime interests, including territorial claims, economic interests, and critical sea lines of communication. Over the long term, improvements in China's command, control communications, computers, intelligence, surveillance and reconnaissance (C4ISR) capability, including space-based and over-the horizon platforms, could enable Beijing to identify, target and track foreign military activities deep into the western Pacific and provide, potentially, hemispheric coverage.<sup>40</sup>

6.33 The report warned of the consequences of the PLA's continuing modernisation. It contained the following assessments:

China does not now face a direct threat from another nation. Yet, it continues to invest heavily in its military, particularly in programs designed to improve power projection. The pace and scope of China's military build-up are, already, such as to put regional military balances at risk. Current trends in China's military modernization could provide China with a force capable of prosecuting a range of military operations in Asia—well beyond

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38 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, Executive Summary.

39 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, p. 12.

40 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, pp. 12–13.

Taiwan—potentially posing a credible threat to modern militaries operating in the region...

6.34 It added:

...as China's military power grows, China's leaders may be tempted to resort to force or coercion more quickly to press diplomatic advantage, advance security interests, or resolve disputes.<sup>41</sup>

***Australia's response to China's military modernisation***

6.35 Generally, evidence before the committee assumed a far less alarming tone. Air Power Australia's submission to the committee, however, argued that China's military advancements are for less benevolent purposes than simply maintaining order or deterring attack. They indicated that the PLA is undergoing a 'deep transformation' from an essentially defensive force to one capable of long range projection'.<sup>42</sup>

6.36 In contrast, Professor Stuart Harris from the Research School of Pacific and Asian Studies at the Australian National University (ANU), told the committee that the PLA's modernisation process has not been overtly threatening:

What surprises me is that the defence modernisation program is so lacking in a sense of urgency in the response to the threat that they see. Ten years ago we were talking about 20 ICBMs going to go to solid fuel so that they could be mobile and less vulnerable. The Americans gave them the MIRV technology anyway and they have never used it. They have had their submarines sitting in the harbour—they cannot fire a missile—for 10 or 15 years and they are gradually getting around to seeing if they can find out how to do it properly one of these days. There is no sense of urgency except on the east coast, which is where all the jewels are and where Taiwan is. So they want a defensive military that can tackle the American military...and they want to be able to sink an aircraft carrier. Sooner or later everybody is going to be able to sink aircraft carriers and aircraft carriers are going to go out of business anyway.<sup>43</sup>

6.37 Professor James Cotton from the Australian Defence Force Academy also questioned the level of anxiety over China's current military capability, stating that their missile systems still rely on liquid fuel and are 'enormously cumbersome and difficult to operate and are uniquely vulnerable to interdiction'.<sup>44</sup> He noted:

Go back to the United States capability 20 years ago: it is going to be a long time before the Chinese even have that capability.<sup>45</sup>

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41 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, pp. 13–14.

42 Air Power Australia, *Submission P39*, pp. 5–7.

43 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 27.

44 Professor James Cotton, *Committee Hansard*, 13 September 2005, p. 24.

45 Professor James Cotton, *Committee Hansard*, 13 September 2005, p. 24.

6.38 Professor Cotton suggested that increased military spending in China related in large part to domestic political priorities:

...it is still an unaccountable, self-elected and self-promoting group of people who are in charge of the country. When you are in that position you stay in power by cultivating interests and one of the most important interests in China currently is the Chinese military. To some extent these people are given generous resources, simply in order to maintain their loyalty and their role in the internal political dynamics. This is not a question of an external threat; it is a question of maintaining control over the domestic constituency.

Also, we need to bear in mind that that military is required to ensure the loyalty of some parts of China where that loyalty has sometimes been in question. In Xinjiang and in Tibet there are significant populations who are still unhappy with being part of the People's Republic of China. Both of these factors would explain why more munificent provisioning of the military might be necessary than would otherwise makes sense in terms of China's external situation.<sup>46</sup>

6.39 Professor William Tow, Director of International Relations at the University of Queensland, also commented to the committee on the perceived China threat:

China has a real problem in its long-term military capabilities. They know what they have to do: to develop niche capabilities, particularly in network warfare and the other areas where they have looked at US military behaviour and essentially said that this is work we have to become good at in order to become a peer competitor strategically down the line with the United States. The bottom line is that they are not very good in many of these sectors. For example, we are still uncertain to what extent they have mastered the solid fuel capabilities in order to move towards a fully fledged SSBN nuclear submarine force. They have had problems with it for years. They are perhaps better than we are, because of their Soviet heritage, in mobile ballistic missile systems.

Frankly, they are still hamstrung. It does not really matter what their budget is to a large extent until they are able to come to terms with some of the types of issues that Western defence departments or defence ministries come to terms with every day—interoperability, procurement and so forth.<sup>47</sup>

6.40 Professor Tow stressed, however, that China should not be discounted as a peer competitor down the line. He stated:

It is just going to be much harder for them and it is going to take a long time. So they have sensibly said, 'Periphery warfare is the way to go. We can develop fairly credible and formal capabilities by pursuing that

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46 Professor James Cotton, *Committee Hansard*, 13 September 2005, p. 23.

47 Professor William Tow, *Committee Hansard*, 13 September 2005, p. 23.



particular doctrine.' Within that context the Taiwan thing is obviously the priority.<sup>48</sup>

6.41 In answer to a question about the reasonableness of China's military spending given its perceived security threats, Professor Paul Dibb, Director of the Strategic and Defence Studies Centre at the ANU, told the committee:

...it is like most countries; you could ask the same question of us, if you are a regional power—that it is a mixture of both. China has a long history, as you well know, of being humiliated, divided and occupied. In that sense, there is some understanding that they have a sense of vulnerability and a history that they have not forgotten. Since the creation of the People's Republic of China, they have not been attacked. In that sense, I think it is fair to say that—except for the early period, including the seventies, which we should not forget—Chinese revolutionary warfare and the export of communism were still a central and active part of the ideology.<sup>49</sup>

6.42 The former Minister for Defence, Senator the Hon. Robert Hill, has stated that China's modernisation is not a concern:

...we certainly accept the right of China to modernise its armed forces. As the economy grows, as China plays a more forward role in the world, it's not surprising it wishes to improve its defence capabilities, so I understand that.<sup>50</sup>

6.43 Even so, the uncertainty about the direction of China's modernisation process and the amount it is spending on its military build-up gives rise to unhelpful speculation about China's intentions.

### **China's defence budget**

6.44 In June 2005, U.S. Defense Secretary Donald Rumsfeld asserted that China's defence expenditures were much higher than Chinese officials had admitted. He stated that the U.S. estimates that China has the 'third-largest military budget in the world and now the largest in Asia'.<sup>51</sup> The U.S. Department of Defense's Annual Report to

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48 Professor William Tow, *Committee Hansard*, 13 September 2005, p. 23.

49 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 24.

50 Senator the Hon. Robert Hill, *Transcript of press conference*, Beijing, 8 June 2005.

51 See for example, The International Institute for Strategic Studies, Press Coverage—Economist, 3–5 June 2005, Pakistani Defence Forum, 'China's build-up puts military balance in region at risk: Rumsfeld', 4 June 2005; Matt Kelly, *Associated Press*, 4 June 2005; and Spokesperson Liu Jianchao's Comment on US Defense Secretary's Accusation of China's Constant Military Build-up, 8 June 2005.

Congress on China's military power repeated the assertion that China was the third largest defence spender in the world after the United States and Russia.<sup>52</sup>

6.45 In response to Mr Rumsfeld's suggestion that China's actual military expenditure 'has been the top of Asia and the third world', a Chinese government spokesman reiterated that China's military expenditure was used largely to 'improve the living conditions of military officials and soldiers'. He went on to state that assertions claiming China's military spending ranked first in Asia were 'totally groundless'. He added:

China has neither intention nor capacity to drastically develop a military build-up. In fact, compared with other big countries, China's defense expenditure always remains at a fairly low level.<sup>53</sup>

6.46 He also asserted that 'any words or actions that fabricate and drum up the China's military threat are detrimental to regional peace and stability'.<sup>54</sup>

### ***China—reporting on its defence budget***

6.47 Analysts complain that the lack of transparency in China's defence reporting is a major problem for them in assessing China's military intentions.

6.48 China maintains that its National Defence Law ensures that 'the necessary funds for national defence, incorporates the entire expenditure in the state budget and exercises management over it in accordance with the Budget Law of the People's Republic of China'. It argues that 'examined and approved by the National People's Congress, China's defence budget is open and transparent'.<sup>55</sup>

6.49 Every March, as part of its annual state budget, the Chinese government releases a single overall figure for national military expenditure.<sup>56</sup> The table below shows stated expenditure for the past five years.<sup>57</sup>

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52 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005. In testimony before U.S. House of Representatives Armed Services Committee, Mr Peter Brookes referred to China's military build-up as disconcerting — 'a defense modernization program that is raising eyebrows in both Washington and across Asia'. He claimed that some estimates indicate that China now has the world's third largest defense budget after the United States and Russia, ranging from \$70–90 billion a year. Testimony of Peter T.R. Brookes, Senior Fellow for National Security Affairs and Director, Asian Studies Center, The Heritage Foundation, before the House Armed Services Committee, United States House of Representatives, Washington, D.C., 27 September 2005.

53 Spokesperson Liu Jianchao's Comment on the U.S. Defense Secretary's accusation of China's constant military build-up, 8 June 2005.

54 Spokesperson Liu Jianchao's Comment on the U.S. Defense Secretary's accusation of China's constant military build-up, 8 June 2005.

55 Section IV, Full Text of White Paper on Arms Control, 1 September 2005.

56 GlobalSecurity.org, 'China's Defense Budget', <http://www.globalsecurity.org/military/world/china/budget.htm> (accessed 27 November 2005).

Budget year	RMB Yuan (billion)	\$USD (billion)
2000	121	14.6
2001	141.04	17
2002	166	20
2003	185.3	22
2004	200	24
2005	247.7	29.9

6.50 On military spending, China's 2004 defence White Paper indicated that China's defence expenditure has 'long been lower' than major western countries. It stated that in the past two years, the percentage of China's annual defence expenditure to its GDP and to the state financial expenditure in the same period has remained basically stable.<sup>58</sup>

6.51 It reported that the increased part of the defence expenditure has primarily been used for increasing the salaries and allowances of the military personnel, further improving the social insurance system for servicemen, supporting the structural and organisational reform of the military; increasing investment in the development of high-calibre talents in the military; moderately increasing equipment expenses.<sup>59</sup>

6.52 The Embassy of the PRC's submission also emphasised the relatively small proportion of China's GDP that was spent on defence; less than two per cent in 2004.<sup>60</sup>

6.53 In evidence to the committee, Dr Rosita Dellios, Head of International Relations at Bond University, told the committee that China's defence spending was relatively limited:

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57 Table data taken from *China Today*, 'Military and Armed Forces' accessed at <http://www.chinatoday.com/arm> on 27.10.05 and Global Security.org, 'China's Defense Budget', <http://www.globalsecurity.org/military/world/china/budget.htm> (accessed 27 November 2005).

58 *China's National Defense in 2004*, quoted in *People's Daily Online*, 27 December 2004, [http://english.people.com.cn/200412/27/eng20041227\\_168799.html](http://english.people.com.cn/200412/27/eng20041227_168799.html) (accessed 27 November 2005). It stated that in 2003, China's defence expenditure amounted to only 5.69 per cent of that of the U.S.; 56.78 per cent of that of Japan; 37.07 per cent of that of the United Kingdom; and 75.94 per cent of that of France.

59 *China's National Defense in 2004*, quoted in *People's Daily Online*, 27 December 2004, [http://english.people.com.cn/200412/27/eng20041227\\_168799.html](http://english.people.com.cn/200412/27/eng20041227_168799.html) (accessed 27 November 2005).

60 Embassy of the PRC, *Submission P66*, p. 12. His Excellency, Zhou Wenzhong, Ambassador of the People's Republic of China to the United States, *Address*, 'The Future of China–U.S. Relations', 22 September 2005. The Ambassador stated that China's defense budget for 2005 was 'some 29.56 billion U.S. dollars, far less than all the major powers of the world in both aggregates and per capita terms'.

China's modernisation of the military occurs from a very low technological base of development, so there would be increases expected there. It occurs within the context of the first priority of funding being given to the civilian economies—agriculture, industry, science and technology. Defence is then only the fourth priority.

...defence definitely has a lower priority than the economic development side of things. For a country with such a low technological base in the military, I think the level of military modernisation that has been occurring is appropriate.<sup>61</sup>

6.54 A number of commentators have, however, questioned the reliability of the figures produced by China on its military expenditure. One suggested that because China's stated budget does not include defence acquisitions and other significant categories, 'there is a cottage industry of analysts who attempt to assess the true size of the budget'.<sup>62</sup>

6.55 The U.S. Department of Defense is critical of the opacity of China's reporting on the state of its military forces and its military budget, including China's White Paper. In its Annual Report to Congress, the Defense Department claimed that China's leaders continue to guard closely basic information on the quantity and quality of the Chinese armed forces. Although it welcomed the publication of China's White Paper, it stated:

The paper explains China's public views on security and provides information on military-related policies, organization and regulations. Although a modest improvement over previous years, this newest Defense White Paper provides only limited transparency in military affairs.<sup>63</sup>

6.56 The report indicated that the U.S. Department of Defense does not know the full size and composition of Chinese government expenditure on national defence. It noted that 'secrecy envelops most aspects of Chinese security affairs', further stating:

The outside world has little knowledge of Chinese motivations and decision-making and of key capabilities supporting PLA modernisation. Hence, the findings and conclusions are based on incomplete data. These gaps are, of necessity, bridged by informed judgment.<sup>64</sup>

6.57 It cited a number of perceived weaknesses in the reporting system that results in opacity and prevents serious analysis by outsiders. They include the wide variation

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61 Dr Rosita Dellios, *Committee Hansard*, 1 August 2005, pp. 59–60.

62 Testimony of Roy Kamphausen, Director of National Security Affairs, the National Bureau of Asian Research, Statement before the House Armed Services Committee hearing on China's Military Modernisation, 4 November 2005.

63 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, p. 1.

64 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, Executive Summary.

in methodologies such as calculations based on market exchange rates, purchasing power parity, or a mixture of the two in varying proportions. The report noted that:

According to some estimates, the official budget does not include foreign weapons procurement (up to \$3.0 billion annually from Russia alone), expenses for the paramilitary People's Armed Police, funding to support nuclear weapon stockpiles and the Second Artillery, subsidies to defense industries, some defense-related research and development, and local, provincial, or regional contributions to the armed forces.

Combined, these additional monies could increase actual defense expenditures by two to three times the publicly available figure, suggesting the defense sector in China could receive up to \$90.0 billion in 2005, making China the third largest defense spender in the world after the United States and Russia, and the largest in Asia.<sup>65</sup>

6.58 One group of analysts suggested that the inadequate accounting methods used by the PLA is one reason for China's low published spending figures:

Budgeted functions are hidden under construction, administrative expenses, and under state organisations such as the Commission on Science, Technology and Industry for national defense, which mix PLA and other state activities. Further sources of income outside the national defense budget include official local and regional government expenses for local army contributions, pensions, militia upkeep and off-budget income from PLA commercial enterprises and defense industries, as well as income from international arms sales and unit-level production (e.g. farming).<sup>66</sup>

6.59 Given the problems in assessing China's military expenditure, the actual level of spending is frequently debated, but is probably not known with certainty. U.S. Department of Defense studies indicate that the published budget figures understate China's defence expenditure by about one-half.<sup>67</sup> Most analysts estimate the real figure is at least three times more than the public figure,<sup>68</sup> with some suggesting that Chinese military expenditure has reached or exceeded \$100 billion.<sup>69</sup>

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65 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, pp. 21–22.

66 GlobalSecurity.org, 'China's Defense Budget', <http://www.globalsecurity.org/military/world/china/budget.htm> (accessed 27 November 2005).

67 GlobalSecurity.org, 'China's Defense Budget', <http://www.globalsecurity.org/military/world/china/budget.htm> (accessed 27 November 2005).

68 GlobalSecurity.org, 'China's Defense Budget', <http://www.globalsecurity.org/military/world/china/budget.htm> (accessed 27 November 2005).

69 International Assessment and Strategy Center 'Top Ten Chinese Military Modernization Developments', 23 March 2005, [http://www.strategycenter.net/printVersion/print\\_pub.asp?pubID=65](http://www.strategycenter.net/printVersion/print_pub.asp?pubID=65) (accessed 27 October 2005).

6.60 The committee also received evidence highlighting the confusion surrounding China's military spending. In evidence, Professor Cotton commented on the lack of transparency:

China is in the unhappy position of not having democratic legislature to scrutinise and restrict defence spending. It is simply not reviewed in a transparent political process—the kind of process we are familiar with.<sup>70</sup>

6.61 Professor Dibb stated:

What do we know about China's defence spending? What we do know is that, like all communist countries, what it publishes as an alleged defence budget is, to be polite, not true. Let me tell you what they do not include in their defence budget. It does not include expenditure on military acquisitions, which in Australia would account for one-third of our total budget. It does not account for heavy subsidies to state owned defence industry. Almost all defence industry in China is still state owned, not private. It does not include military exports. It does not include its expenditure on space, a significant part of which, including overhead satellite capabilities, is to do with military precision capabilities. It does not include other covert programs. It does not include military research and development. It does not include military pensions, which we do.<sup>71</sup>

6.62 He emphasised:

You see the things we publish for the parliament of Australia—volumes that would fill this room several times over every year—on defence matters. China does not publish its military order of battle. It does not say how many tanks it has got or how many aircraft. You can argue that some of this is due to its sense of vulnerability but, if it wants it to come into a multilateral community of nations, it better start to cough on transparency.<sup>72</sup>

6.63 Regarding the true level of expenditure, Professor Dibb told the committee that:

The best estimate that we currently have is not to accept necessarily the inflated estimates of the Pentagon but in my humble view the figures put out by the International Institute for Strategic Studies in London. It estimates that China in the last year spent \$US56 billion on defence. That

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70 Professor James Cotton, *Committee Hansard*, 13 September 2005, p. 23.

71 *Committee Hansard*, 13 September 2005, p. 25. Professor Dibb has also stated 'Its published figures do not include expenditure on military acquisitions, subsidies to defence industry, military sales, space and other covert programs, and research and development. The best estimate is that China spends more than \$US56 billion (\$74 billion) annually on defence. That makes it the largest defence spender in our region and the third largest in the world, after the US and Russia. China has by far the largest armed forces in the world, with 2.25 million regular troops and about 800,000 thousand reserves'. Professor Paul Dibb, 'Don't get too close to Beijing', the *Australian*, 2 August 2005.

72 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 25.

makes it the largest defence spender in our region, larger than Japan, and the third largest in the world after the United States and Russia.<sup>73</sup>

### ***Improving transparency***

6.64 The uncertainty of the nature and extent of China's military build-up, coupled with China's growing defence budget, has raised concerns regarding the U.S.–Chinese military balance in Asia. The United States is particularly concerned about China concealing military developments. For example, the Annual Report to Congress on China's military power stated:

One might expect some secrecy in technological and weapon system development and tactical deception about location of units. China's practice encompasses this and more. In recent years, for example, China rolled out several new weapon systems whose development was not previously known in the West.<sup>74</sup>

6.65 When the U.S. Defense Secretary Donald Rumsfeld visited China in October 2005 he urged China to provide more information about its military spending to clarify its intentions. He said that China's improvements in its strategic strike capability, with its missile forces capable of reaching many areas of the world beyond the Pacific region, has made the U.S. and many regional countries question China's intentions. He added: 'greater clarity would generate greater certainty in the region'.<sup>75</sup>

6.66 Mr Rumsfeld commented:

To the extent that defense expenditures are considerably higher than what is published, neighbours understandably wonder what the reason might be for the disparity between reality and public statements.<sup>76</sup>

6.67 In October 2005, the *Australian* reported that Mr Rumsfeld would press the Chinese authorities for:

...greater transparency, greater discussion, so that we, the United States, and perhaps the neighbours in the immediate region, would have a much clearer understanding of what the Chinese intent was in developing the capabilities they're developing.<sup>77</sup>

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73 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 25.

74 U.S. Department of Defense, *Annual report to Congress: The Military Power of the People's Republic of China 2005*, July 2005, p. 16.

75 defenseLINKNews, 'Rumsfeld Urges More Transparency from Chinese Military', 20 October 2005, <http://globalsecurity.org/military/libraty/news/2005/10/mil-051020-afps05.htm> (accessed 27 October 2005).

76 defenseLINKNews, 'Rumsfeld Urges More Transparency from Chinese Military', 20 October 2005, <http://globalsecurity.org/military/libraty/news/2005/10/mil-051020-afps05.htm> (accessed 27 October 2005).

77 Quote attributed to a senior Defence Department official, Geoff Elliot, 'Rumsfeld bid for answers on Chinese arms', the *Australian*, October 19 2005, p. 12.

According to the report, the U.S. is concerned about a 'lack of transparency and our ability to appreciate and understand and predict what China's intent will be'.<sup>78</sup>

6.68 Officials from the Australian Department of Defence told the committee that Defence would 'like China to be more transparent in its capability development and to explain the reasons for the sorts of capabilities it is pursuing'. It noted that there are a variety of views on China's defence spending, but emphasised that transparency in the PLA's activities was a more important issue than overall military expenditure:

Generally speaking, our sense is that it is not out of proportion to China's size, to its perception of its interests and to its economic growth. I think that it is a difficult area when you are talking about a country's defence spending as a measure of its intent. The real issue is: what is it spending on and what is it doing with those forces? That is where you get the uncertainty and the ambiguity. So for us the level of expenditure is less of a concern than the issue of transparency.<sup>79</sup>

6.69 The department added:

...transparency is more likely to create stability than nontransparency because it reduces the possibility of misunderstanding.<sup>80</sup>

6.70 As noted above, Professor Dibb stated that some countries—including China—have a long way to go to improve the transparency of their military capabilities. He noted that there is information regarded as state secrets by China that are publicly accessible in many other countries, such as Japan, South Korea, Taiwan, some ASEAN countries, and Australia and New Zealand. He stated: 'You receive them in Senate estimates inquiries'.<sup>81</sup>

6.71 The committee considered the role of the ASEAN Regional Forum (ARF) in Chapter 3 and found that this forum plays an important role in facilitating dialogue between countries and promoting a cooperative approach to regional security. Recognising the potential to use the ARF to encourage greater openness on security matters, Professor Tow recommended that:

...if you have got white papers coming out each year in the ASEAN Regional Forum context for the purposes of getting greater transparency on strategic intentions, why not extend that to a process where you get white papers published by a combined Australian DFAT-DOD interagency team, a commensurate team in the United States and a commensurate team in China, with consultations, blessed tacitly by the Chinese, between the Americans, the Australians and the Taiwanese

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78 Quote attributed to a senior Defence Department official, Geoff Elliot, 'Rumsfeld bid for answers on Chinese arms', the *Australian*, October 19 2005, p. 12.

79 Department of Defence, *Committee Hansard*, 13 September 2005, p. 36.

80 Department of Defence, *Committee Hansard*, 13 September 2005, p. 39.

81 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 14.



are not going to feel totally marginalised in the process. It is not going to be a perfect process, but at least 'jaw-jaw is better than war-war', as Churchill once said.<sup>82</sup>

6.72 Mr Peter Jennings, Director of the Australian Strategic Policy Institute, has argued that 'Australia must do what it can to stop the U.S. and China from allowing suspicion to generate threatening military postures'. He suggested that Australia assist with the statement on Chinese military power that the Pentagon is required to produce every 12 months. He told the committee:

...as a close and respected ally, we should be talking to the Americans much more deeply about how the Pentagon chooses to write that document. We should ask ourselves what we can say to the Americans about how to think intelligently about Chinese military power.<sup>83</sup>

6.73 He added:

In Washington, we should ask defence planners what they would consider a reasonable military posture for the Chinese. We should seek early access to US thinking about their forthcoming Quadrennial Defence Review...and we should offer to share views on drafts of future Pentagon reports on Chinese military power.

In Beijing we should redouble efforts to encourage the Chinese to be more open about their defence planning, to reveal true defence budget figures and to participate in substantive bilateral strategic dialogues, for example, on force development plans and strategic perceptions.<sup>84</sup>

### ***Committee view***

6.74 Transparency from the Chinese government, or a perceived lack thereof, was a major issue raised during the course of this inquiry. This was particularly the case with respect to the scope and intent of China's ongoing military modernisation. Many analysts agree that increased transparency would assist to develop greater trust between countries in the region and that measures to encourage open discussion and reporting, such as initiatives taken by the ARF, would be a positive step toward regional security.

6.75 The committee recognises that as China's economy grows, the Chinese authorities will inevitably seek to update the capabilities of the PLA. China's growing investment in military capability has attracted a great deal of attention from its neighbours and those concerned about regional security. Some view the modernisation of China's military as a threat to regional stability, while others note that the improvements in overall military capability need to be set against the very low-

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82 Professor William Tow, *Committee Hansard*, 13 September 2005, p. 11.

83 Peter Jennings, *Committee Hansard*, 13 September 2005, p. 29.

84 Peter Jennings, 'Australia's Chinese challenge', *Australian Financial Review*, 7 October 2005, p. 11.

technology starting point of China's armed forces.<sup>85</sup> Transparency and detailed information about China's military budget and its current military capability, together with a clear understanding of its future defence plans, is necessary for the rest of the world to be able to assess accurately the implications of China's modernisation.

6.76 Clearly there are very different interpretations on China's military spending, its military capability and its long-term projections, as well as on matters such as China's commitment to non-proliferation. The U.S., in particular, has been highly critical of China's lack of transparency and from the tone of the 2005 report to Congress on China's military power, a disturbing level of distrust exists. This lack of mutual confidence increases the risk of misjudgement and miscalculation and increases the likelihood of heightened tensions, misunderstanding and disagreement, especially in a crisis. It is important that both China and the United States build trust between them.

6.77 The uncertainty about China's military budget and the capability of its forces creates an atmosphere of mistrust and conjecture. Any steps taken by China to make its reports on military spending and capability more informative, accurate and comprehensive will at least remove the tendency for other countries to indulge in speculation.

6.78 As a political force, Australia has little if any influence over China's overall defence policy and over how the United States will respond to what it believes are military developments in China. That is not to say that Australia cannot take a constructive role in helping China to open up further its military activities to greater scrutiny, to encourage China and the United States to improve the level of trust between them and to assist to create a climate in the region where countries work together toward a safe and secure environment.

6.79 The committee believes that Australia has an important role in encouraging both countries to work together to create an atmosphere that supports open discussions about military and strategic planning in the region.

### **Recommendation 3**

**6.80 The committee recommends that the Australian government work with countries, which have a common interest in regional stability and security, in the ARF, APEC and EAS to promote confidence building measures, such as increased transparency in reporting on military spending and capability, that will contribute to greater regional stability.**

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85 Frank W Moore, Institute for Defense and Disarmament Studies, 'China's Military Capabilities', June 2000, <http://www.comw.org/cmp/fulltext/addschina.html> (accessed on 27 October 2005).

## **China–Australia Defence Relations**

6.81 Australia's defence relationship with China could provide a suitable pathway to encourage China to be more open and transparent in its military modernisation. The Department of Defence noted that 'Australia's defence relationship with China contributes to the strength of Australia's broader bilateral relationship with China'.<sup>86</sup> It submitted that:

China's importance as an interlocutor on strategic and defence issues is increasing...The defence relationship between Australia and China, which has experienced a period of unprecedented growth in recent years, is now better than it has ever been.<sup>87</sup>

6.82 The department also noted:

The maintenance of the Australia-China bilateral defence relationship will remain an objective of the Australian Government in recognition of China's current and future strategic significance.<sup>88</sup>

6.83 Australia's defence relationship with China appears to be entering a phase of consolidation where existing areas of engagement will be developed further. The department's submission noted that 'nurturing senior officer ties is the centrepiece of Australia's defence engagement program with the PLA and will continue to be so in the coming years'.<sup>89</sup>

These activities allow Australia and China to exchange views and to improve our understanding of each other's respective strategic assessments and policies and build personal contacts at the senior level.<sup>90</sup>

6.84 Details of recent senior PLA visits to Australia and senior Australian Department of Defence visits to China are listed at Appendix 5.

6.85 Chinese leaders are proud of China's active military exchange programs and its cooperation with other military forces. In their view, China is creating a military diplomacy that is 'all-directional, multi-tiered and wide-ranging'.<sup>91</sup> China's defence White Paper recorded that China has established military relations with more than 150 countries, has over the past two years sent high-level military delegations to over 60 countries and hosted over 130 delegations of military leaders from 70 countries. It has

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86 *Submission P9*, p. 6.

87 *Submission P9*, p. 3.

88 *Submission P9*, p. 3.

89 *Submission P9*, p. 7.

90 *Submission P9*, p. 7.

91 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 9, International Security Cooperation, Beijing, December 2004, <http://english.peopledaily.com.cn/whitepaper/defense2004/defense2004forward.html> (accessed 10 January 2006).

invited military observers from overseas countries to observe military and naval exercises and has sent delegations to observe military exercises in Russia, Japan, the United States, Thailand and Singapore. It engages in friendly naval visits and pursues active military academic exchanges with foreign militaries.<sup>92</sup>

### **Committee view**

6.86 The committee notes China's increasing importance as a dialogue partner on strategic and defence issues and the growth in the defence relationship with Australia in recent years. It notes further China's enthusiasm for military exchanges and for greater cooperation with countries on military matters. China's willingness to participate in military exchanges and joint exercises provides an ideal starting point for countries such as Australia to encourage China to be more open and transparent in its military modernisation and defence budget.

6.87 The committee believes that Australia, as a country that has an open and accountable system for reporting on government spending that enables both the Parliament and the public to scrutinize defence expenditure, is well placed to encourage China to adopt a more transparent reporting system.

### **Recommendation 4**

**6.88 The committee recommends that the Australian government use its good relationship with China, and its defence links in particular, to encourage China to be more open and transparent on matters related to its military modernisation such as its objectives, capability, and defence budget.**

### **Arms control in the region**

6.89 China has stated that it attaches great importance to non-proliferation:

It pursues a policy of not supporting, not encouraging and not assisting other countries to develop WMD. It resolutely opposes the proliferation of WMD and actively participates in the diplomatic efforts of the international community to deal with non-proliferation issues.<sup>93</sup>

6.90 The 2005 U.S.–China Economic and Security Review Commission's report to Congress had a different viewpoint. It found that:

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92 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 9, 'International Security Cooperation', <http://english.people.com.cn/whitepaper/defense2004/defense2004.html> (accessed 10 January 2006).

93 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 10, 'Arms Control, Disarmament and Non-Proliferation', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(10\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(10).html) (accessed 17 February 2006).

China's proliferation activities are broad ranging; it continues to provide equipment and technology, including dual-use goods and technologies, related to WMD and their delivery systems to countries such as Iran as well as conventional armaments to countries like Sudan.

6.91 It told Congress that:

As China improves its nuclear and missile capabilities, the potential damage from its proliferation action increases. Given China's poor track record on preventing proliferation, the presumption is that it will continue to allow transfers of improved WMD-and missile-related technology to countries of concern.<sup>94</sup>

6.92 Professor Tow noted the 'singular lack of arms control' activities in the region. He stated:

If you want to modify the threat or the perceived threat of Chinese military modernisation, you start talking the language of SALT in an Asian context. You kickstart, if you will, the learning process. I think you will find that the process of China having learned in so many other dimensions of Asian security politics over the past decade or two will be repeated in this sector.<sup>95</sup>

6.93 Mr Peter Jennings also referred to the absence of effective arms control in the region. He was not, however, in favour of the Strategic Arms Limitation Talks (SALT) model.<sup>96</sup> He preferred instead the model of 'the conventional armed forces agreement that was signed in 1990, which really became a mechanism for NATO, in the Warsaw Pact, to start negotiating on the number of conventional weapons, tanks and so forth'.<sup>97</sup>

### ***Committee view***

6.94 The committee notes that there are regional fora, such as the ARF, that could start serious discussions on, and lay the groundwork for, an arms control arrangement for the region. The potential exists to promote such an agreement but the leadership and initiative of a group of like-minded countries is needed to achieve results.

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94 United States–China Economic and Security Review Commission, *2005 Report to Congress*, One Hundred and Ninth Congress, First Session, November 2005, p. 153.

95 Professor William Tow, *Committee Hansard*, 13 September 2005, p. 22.

96 The Strategic Arms Limitation Talks (SALT) refers to two rounds of bilateral talks between the Soviet Union and United States on the issue of armament control. The first round (1969–1972) froze the number of strategic ballistic missile launchers at existing levels: the second round (1972–1979) sought to curtail the manufacture of strategic nuclear weapons.

97 Mr Peter Jennings, *Committee Hansard*, 13 September 2005, p. 29.

### **Recommendation 5**

**6.95** The committee notes the suggestions by Professor Tow and Mr Jennings for a regional arms control agreement and recommends that the Australian government work with like minded countries in the region to promote such an agreement.

# Chapter 7

## Taiwan

Taiwan is part of the sacred territory of the People's Republic of China. It is the lofty duty of the entire Chinese people, including our compatriots in Taiwan, to accomplish the great task of reunifying the motherland.<sup>1</sup>

7.1 Taiwan's uncertain political status represents one of Australia's foremost obstacles to maintaining good relations with both China and the U.S. From China's perspective, reunification with Taiwan represents a key foreign policy goal. Evidence received during the inquiry generally emphasised the centrality of the unresolved Taiwan issue to China's identity and relations with the rest of the world. According to Professor Colin Mackerras, emeritus professor of Asian Studies at the University of Griffith:

For China, Taiwan and national reunification is at the heart of domestic policy and national identity. But because any country that recognises the [PRC] *ipso facto* also adopts the one China policy that Taiwan is a province of China, Taiwan has also become an issue in its foreign policy.<sup>2</sup>

7.2 At times, declarations from the U.S. that its military would defend Taiwan in the event of an attack has placed Australia's dual commitment to its strategic alliance with the United States, and its expanding trade relationship with China, under strain.<sup>3</sup> As explored further in this chapter, balancing these two foreign policy objectives would become increasingly difficult for Australia if relations across the Taiwan Strait deteriorate in the future.

7.3 This chapter discusses the nature of prevailing cross-strait relations, the role of the United States in facilitating a peaceful resolution to the issue and, in this context, the implications of Australia's strategic alliance with the U.S.

### Background

7.4 Taiwan's present political status has emerged from the Chinese civil war in the 1940s when the Communist Party drove the ruling Kuomintang (KMT) from power on mainland China, thereafter restricting them to control of Taiwan—which has continued to be known as the Republic of China (ROC). From their defeat and withdrawal in 1949 until the early 1990s, the KMT government maintained that the ROC was the legitimate government for all of China. However, political and social change in Taiwan, democratisation and the reality of the widespread diplomatic recognition of the People's Republic of China (PRC) led the KMT to abandon this

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1 Preamble, *Constitution of the People's Republic of China*, <http://english.peopledaily.com.cn/constitution/constitution.html> (accessed 17 July 2005).

2 Professor Colin Mackerras, *Submission P54*, p. 23.

3 See for example 'Bush commits US forces to defend Taiwan', the *Age*, 26 April 2001, p. 11.

position in 1991. For its part, the PRC maintains the position that Chinese sovereignty is indivisible; Taiwan is part of its sovereign territory and the reunification of Taiwan and mainland China remains the ultimate goal.<sup>4</sup>

7.5 Beginning in the early 1970s, most countries have chosen to recognise the PRC as the legitimate government of China. In 1971, the United Nations voted to transfer the seat held by the ROC to the PRC and endorsed the PRC's one-China policy.<sup>5</sup> This acknowledges that Taiwan is a province of the PRC and cannot attain the status of a national government. The U.S. afforded the PRC official recognition in 1978. Only 26 countries, mostly in Africa, Latin America and the Pacific, today recognise the ROC as the official government of China.<sup>6</sup>

7.6 The Australian government officially recognised the PRC as the sole legal government of China in the Joint Communiqué of 21 December 1972, a position that has retained bipartisan political support since then. It stated that:

The Australian Government recognises the Government of the People's Republic of China as the sole legal Government of China, acknowledging the position of the Chinese Government that Taiwan is a province of the People's Republic of China.<sup>7</sup>

7.7 In response to Taiwan's changing political status, the U.S. Congress passed the *Taiwan Relations Act* in April 1979, providing for the U.S.' non-diplomatic relations with Taiwan. Under this legislation, the U.S. government is authorised to provide Taiwan with weapons of a defensive character. The Act does not, however, obligate the U.S. to defend Taiwan.<sup>8</sup>

7.8 The Taiwanese government no longer claims to govern all of China but maintains a somewhat ambiguous position on its own political identity. Taiwan does not accept that the PRC is Taiwan's legitimate government, but nor does it assert its formal independence from China. Instead, Taiwan has adopted a status of *de facto* independence from China; an autonomous, democratic administration that rejects

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4 See footnote 1 to this chapter and paragraphs 6.18–6.24. Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06.

5 Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06, p. 3.

6 DFAT website, [http://www.dfat.gov.au/geo/taiwan/taiwan\\_brief.html](http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html) (accessed 19 August 2005).

7 PRC Embassy, *Submission P66*, p. 25.

8 Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06, pp. 8–9.



China's right to coercively alter the existing situation by enforcing its reunification with mainland China.<sup>9</sup>

### **People and trade: close cross-strait ties**

7.9 Despite their political differences, China and Taiwan still have close people-to-people ties and continue to deepen their economic relationship. In their submission to this inquiry, Reg Little and James Flowers also emphasised the importance of the person-to-person Taiwanese–Chinese relationship:

The divisions that feature so loudly in the Western press rarely seem relevant when Chinese and Taiwanese mix in economic or cultural environments. Indeed, such divisions seem to belong to another world, where information is manipulated in ideological terms solely to maintain an appearance that remains relevant to little more than American foreign policy and Taiwanese domestic politics, although it retains the potential for damaging confrontation.<sup>10</sup>

7.10 This close cultural relationship between the people of China and Taiwan is reflected in the economic ties between them. In the past decade, China's increasing participation in the global economy has led to the development of very close financial and economic ties across the Taiwan Strait, even where attention has been focussed on their differences. Although exact trade figures are difficult to acquire—most trade passes through Hong Kong or other commercial centres—China and Taiwan are becoming increasingly economically interdependent, despite the absence of direct commercial trading links.

7.11 According to the Taiwanese Bureau of Foreign Trade, China was Taiwan's largest export market (in excess of US\$50 billion) in 2004 and the third largest source of imports. Only Japan exceeded China's share of total trade volume with Taiwan, which was 15 per cent.<sup>11</sup> Furthermore, a U.S. Congressional Research Service report has indicated that Taiwanese businesses' total investment in China stands between US\$70–100 billion, around half all Taiwanese overseas investment. The report also noted that about one million Taiwanese businessmen and their families live in China.<sup>12</sup>

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9 Taiwan's leaders have referred at times to Taiwan as an independent sovereign country. See for example, President Chen's interview by the Washington Post, 30 March 2004; The Office of the President of the Republic of China, President Chen Shui-Bian, 'Writing History with Democracy and Defending Taiwan with Referendum', 3 February 2004; Ministry of Foreign Affairs, Republic of China (Taiwan), 'The Ministry of Foreign Affairs issues the following solemn statement: the government of the Republic of China...', January 2004.

10 Reg Little and James Flowers, *Submission P26*, p. 9.

11 Taiwanese Bureau of Foreign Trade, 'Value of imports and exports by country January 2004–January 2005', *Trade Statistics* (link), <http://eweb.trade.gov.tw/kmDoit.asp?CAT597&CtNode=649> (accessed 24 October 2005).

12 Dick Nanto and Emma Chanlett-Avery, CRS Report to Congress, *The Rise of China and its Effect on Taiwan, Japan and South Korea: US Policy Choices*, April 2005, p. 12.

7.12 The committee notes that in spite of their diverging attitudes on political sovereignty, China and Taiwan have shown restraint, even though tensions have ebbed and flowed in recent years. Neither has behaved recklessly in seeking to force a resolution to Taiwan's status, instead demonstrating preparedness—albeit reluctantly at times—to adhere to the status quo until a diplomatic solution can be reached.

### **The cross-strait status quo**

7.13 Both the U.S. and Australia support a continuance of what is regularly referred to as the cross-strait 'status quo' until a peaceful resolution can be found. Essentially, the status quo refers to a bundle of commitments between China, Taiwan and the U.S. to ensure peaceful relations across the Taiwan Strait. Central to this status quo is China's undertaking to pursue reunification peacefully and Taiwan's acceptance of its present, uncertain political status.<sup>13</sup> Helping to sustain it has been the U.S.' overwhelming military capabilities and its policy of strategic ambiguity.

7.14 The U.S.' policy of strategic ambiguity aims to provide a deterrent to both sides from upsetting the uneasy peace prevailing across the strait. On one hand, the U.S. maintains its adherence to the one-China policy and openly discourages the Taiwanese from declaring political independence (with the implication that recklessly declaring independence would jeopardise U.S. military support in the event of conflict). On the other, the U.S. maintains substantial (albeit unofficial) links with Taiwan and provides arms in accordance with the provisions of the *Taiwan Relations Act*.

7.15 Critically, the U.S.' strategically ambiguous stance operates as a deterrent to both parties to engage in action that will potentially threaten the status quo, these being:

- a) Taiwan formally moving towards declaring its independence; and/or
- b) China instigating military action against Taiwan to force reunification.

7.16 Roy Pinsker has described the rationale for strategic ambiguity:

[The] case for the United States retaining strategic ambiguity rests on the idea that this posture enables it simultaneously to deter each of two strategic actors from unilaterally pursuing their mutually exclusive maximal objectives: independence in the case of Taiwan and reunification in the case of the PRC.<sup>14</sup>

7.17 Although the U.S.' policy of strategic ambiguity has helped maintain the status quo, recent events have demonstrated that the arrangement remains a tenuous

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13 Malcolm Cook and Craig Meer, *Balancing act: Taiwan's cross-strait challenge*, Lowy Institute Paper 06, p. 4.

14 Roy Pinsker, 'Drawing a line in the Taiwan Strait: strategic ambiguity and its discontents', *Australian Journal of International Affairs*, vol. 57, no. 2, July 2003, p. 356.

one. It is dependent on the three participants persevering with an arrangement that is, in the longer term, less than satisfactory to all.

### **Difficulties facing the status quo**

7.18 Peace over the Taiwan Strait was most immediately threatened during 1995–1996 in the months preceding Taiwan's first direct presidential election. Reportedly interpreting this event as the Taiwanese damaging future reunification prospects by forging its own political identity, from July 1995 the PLA conducted a series of missile 'tests' directed into the sea off Taiwan's two main ports. In March 1996, the U.S. responded by positioning two aircraft carrier groups adjacent to the Taiwan Strait.<sup>15</sup> The standoff dissipated after the election, but it indicated that Taiwan's ongoing process of democratisation could place significant strain on the status quo.

### ***Taiwan's evolving political environment***

7.19 While direct military confrontation has not been a characteristic of recent cross-strait tensions, a critical element in peaceful cross-strait relations remains Taiwan's domestic political developments. Given its economic imperatives, China is unlikely to engage militarily with Taiwan (and potentially the U.S.) unless provoked by moves by Taiwan to declare its own independence. Taiwan's democratisation and the rise of a domestic political movement for independence have generated the political environment in which this has become a possibility.

7.20 The election of the Taiwanese Democratic Progressive Party (DPP) in December 2000 was highly significant in this respect. The DPP was established on a platform of democratic reform and the advancement of a distinct identity for Taiwan, generating concerns that Taiwan may seek to declare independence from the PRC. In March 2004, DPP leader President Chen Shui-bian narrowly retained power.<sup>16</sup>

7.21 For its part, the Taiwanese government has not moved to exert formal independence and thus abandon the status quo. Nonetheless, there has been some strong rhetoric from President Chen Shui-bian on Taiwan's sovereignty:

The sovereignty of the Republic of China is vested with the 23 million people of Taiwan. The Republic of China is Taiwan and Taiwan is the Republic of China. This is an indisputable fact.<sup>17</sup>

7.22 The Taiwanese government also unsettled the status quo when it moved to hold a referendum on Taiwan's constitutional status. The referendum placed two

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15 Roy Pinsker, 'Drawing a line in the Taiwan Strait: 'strategic ambiguity and its discontents'', *Australian Journal of International Affairs*, vol. 57, no. 2, July 2003, p. 357 and 364.

16 Professor Bruce Jacobs, 'A victory for Taiwanese sovereignty', *the Age*, 23 March 2004, p. 11.

17 'President Chen's address to the National Day rally', Office of the President Republic of China, News Release, 10 October 2004, <http://www.mac.gov.tw/english/english/macpolicy/c931010e.htm> (accessed 25 July 2005).

issues of national security concerning Taiwan's defence capabilities and cross-strait negotiations before the people. In support of this 'peace' referendum', the President stated that the aim was to 'realize the principle of popular sovereignty and prevent China from unilaterally changing the status quo in the Taiwan Strait through a military offensive against Taiwan'.<sup>18</sup> The language was inflammatory and indicates the tension and potential for serious flare-ups in the relationship:

Beijing unilaterally denies the sovereignty of our nation and conspires to force us to accept the so-called 'one China' and 'one country, two systems' formulae. In recent years, it has continuously increased the deployment of missiles against Taiwan and repeatedly threatened us by refusing to renounce the use of force against Taiwan'.<sup>19</sup>

7.23 According to Professor Stuart Harris, a China specialist in the School of Pacific and Asian Studies at the Australian National University (ANU):

What Chen was trying to do was to change the One China policy, basically, by separating the constitution of Taiwan from the constitution of China, and doing it with a referendum only of Taiwanese, which would have provided the basis for saying, 'We are legally independent.' The Americans eventually woke up to that and said, 'That's not on,' and they have been very firm.<sup>20</sup>

7.24 Whatever the intentions, provocative moves by either Taiwan or China against the other have the potential to escalate tensions. This increases the risk that one side may miscalculate or misjudge the situation, drawing both closer to the brink of conflict.<sup>21</sup>

### ***China's response***

7.25 China is clearly uneasy about the direction of Taiwan's political momentum. The Embassy of the PRC's submission stated that:

Since 2000, Taiwan authorities under Chen Shui-bian have recklessly challenged the status quo that both sides of the Straits belong to one and the same China...

7.26 The submission continued:

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18 President Chen Shui-bian, 'Writing History with Democracy and Defending Taiwan with Referendum, The Office of the President of the Republic of China, 3 February 2004

19 The Office of the President of the Republic of China, President Chen Shui-Bian, 'Writing History with Democracy and Defending Taiwan with Referendum', 3 February 2004.

20 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 5.

21 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 3.

The Chinese people and the Chinese government are resolutely against 'Taiwan Independence' and there will not be an iota of hesitation ambiguity and concession on this significant issue [of principle].<sup>22</sup>

7.27 On 14 March 2005, the Chinese authorities sought to demonstrate their sovereignty over Taiwan when the National People's Congress passed China's Anti-Seccession law (see paragraph 6.22). This stated the PRC's objective of achieving peaceful reunification with Taiwan and, significantly, did not impose deadlines for this action. It should be noted, however, that the law reserved the right to use non-peaceful means as a last resort to preserve China's territorial integrity and sovereignty. This reference caused considerable consternation in Taiwan and the U.S., with U.S. Secretary of State Condoleezza Rice stating that it was unhelpful for China to be unilaterally raising tensions.<sup>23</sup>

7.28 The Australian government has indicated that although the law did not materially change the status quo, it was unnecessarily provocative. The Department of Foreign Affairs, Defence and Trade (DFAT) commented to the committee that:

...our assessment was that overall the law largely restated the longstanding elements of China's policy on cross-strait issues...

Nevertheless, overall we did feel it would have been better had China not proceeded with the law and we were very disappointed by the reference to the use of non-peaceful means and other measures, even though they were termed to be a last resort should efforts towards a peaceful settlement be completely exhausted.<sup>24</sup>

7.29 Professor Harris told the committee that the law did not, however, reflect a more confrontational approach from China:

Beijing is being much more concerned about maintaining the status quo than it is about changing the situation. It feels that the antiseccession law has put a clear marker in the sand and that it can now afford to try to do things which might be helpful.<sup>25</sup>

7.30 On China's present accumulation of missiles directed across the Taiwan Strait,<sup>26</sup> he argued:

It seems to me that China is now satisfied that it is deterring Taiwan and that that is all it needs to do. It does not necessarily want it back in any great hurry. It wants the status quo maintained under deterrence.<sup>27</sup>

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22 Embassy of the PRC, *Submission P66*, pp. 18–19.

23 Transcript from ABC radio, *PM*, 14 March 2005.

24 DFAT, *Committee Hansard*, 16 June 2005, p. 21.

25 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 2.

26 See paragraph 6.26–6.28.

27 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 27.

7.31 Nonetheless, an important element of the strain on the status quo has been China's military build-up in recent years (discussed at length in Chapter 6). Although a unilateral attack upon Taiwan seems unlikely in the present climate, China's increasing military capabilities risk precipitating further mistrust on the part of Taiwan and the U.S., in turn threatening to unsettle the U.S.' policy of strategic ambiguity and undermining the status quo. In evidence to the committee, Professor Bruce Jacobs, Professor of Asian Languages and Studies at Monash University, commented that:

We should bear in mind that the only party threatening war in the Taiwan Strait is China. It is China which has 700 missiles pointed at Taiwan. It is China that is spending a fortune to build up its military might. Taiwan, on the other hand, has reduced its defence expenditures.<sup>28</sup>

### ***U.S. strategic ambiguity***

7.32 It is in the environment of the standoff between China and Taiwan that the U.S. seeks to retain a strategically ambiguous position. While neither China nor Taiwan is wholeheartedly satisfied with the present arrangement, and no peaceful resolution appears imminent, it is a challenge for the U.S. to remain ambiguous in the midst of heightened tension across the Taiwan Strait.

7.33 With the support of allies such as Australia, the U.S. has continued to follow broadly the path of strategic ambiguity whenever an escalation in tension arises. In spite of unhelpful rhetoric from both sides, the U.S. has maintained its support for the one China policy, while continuing to provide arms to, and maintain close relations with, Taiwan.

7.34 However, statements speculating on military intervention in the event of conflict over the Taiwan Strait tested the 'ambiguity' of the U.S.' position. An obvious and notable aspect of strategic ambiguity, as outlined above in paragraph 7.14, has been the absence of a commitment on the circumstances under which the U.S.' military power might be employed to protect Taiwan. Thus, the Taiwanese leadership contemplates that a conflict recklessly provoked may not attract assistance. Similarly, China is discouraged from unilaterally 'reunifying' Taiwan with the mainland, aware of the capabilities of the U.S. military.

7.35 In an interview to mark his first hundred days in office, U.S. President George W. Bush stated in April 2001 that the U.S. would do 'whatever it took' to defend Taiwan in the event of a Chinese attack.<sup>29</sup> Professor Jacobs commented to the committee that President Bush was the first U.S. leader to make the promise that they would defend Taiwan if attacked by China.<sup>30</sup>

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28 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 38.

29 See for example 'Bush commits US forces to defend Taiwan', *the Age*, 26 April 2001, p. 11.

30 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 35.

7.36 China has also criticised the extent of the U.S.' support for Taiwan and the mixed messages inherent in their strategic ambiguity:

The United States has on many occasions reaffirmed adherence to the one China policy, observance of the three joint communiqués and opposition to 'Taiwan independence'. However, it continues to increase, quantitatively and qualitatively, its arms sales to Taiwan, sending a wrong signal to the Taiwan authorities. The U.S. action does not serve a stable situation across the Taiwan Straits.<sup>31</sup>

7.37 Despite this, the U.S. has continued to support China's sovereignty over Taiwan and the central tenets of the status quo remain. Indeed, the most recent comments by the U.S. Secretary of State, Dr Condoleezza Rice, indicate that the U.S. remains firm in its support of the one-China policy and that it is prepared to work with China and Taiwan to ensure that neither acts to upset the status quo:

We've been very clear with China and Taiwan that we don't expect anyone to try and [s]train the status quo unilaterally. From time to time, we've had to say to Taiwan that it has engaged in behaviour that is problematic for stability. From time to time, we've had to say to China, don't threaten with missile batteries that look as if they are aimed at Taiwan. But I think most would tell you that the US has been a kind of upright anchor in this policy. We've kept to our principles, but we've also recognised our responsibility to help the Chinese and Taiwan avoid any conflict, which would be in no-one's interests - China, Taiwan or the region.<sup>32</sup>

### **Can the status quo be sustained?**

7.38 Although an immediate threat of military conflict across the strait appears unlikely, strong rhetoric from both China and Taiwan has strained the status quo. Taiwan's demonstration of its political autonomy, as well as China's continued assertions that anything other than reunification remains unacceptable, leaves the prospect of peacefully resolving Taiwan's status a long-term proposition.

7.39 Professor James Cotton of the Australian Defence Force Academy told the committee that the Chinese government could not afford to yield on the issue of reunification:

...if they were seen to fail regarding this issue, their credibility as a national government would be threatened completely, so it is the one issue where very little compromise is possible...<sup>33</sup>

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31 Information Office of the State Council of the People's Republic of China, *China's National Defense in 2004*, Chapter 1, 'The Security Situation', [http://english.people.com.cn/whitepaper/defense2004/defense2004\(1\).html](http://english.people.com.cn/whitepaper/defense2004/defense2004(1).html) (accessed 17 February 2006).

32 Interview with Condoleezza Rice, 'Rice puts US-China relations on the Australian agenda', *Transcript*, 16 March 2006.

33 Professor James Cotton, *Committee Hansard*, 13 September 2005, p. 7.

7.40 The lack of a foreseeable solution may be compounded by an emerging tendency for Taiwanese people to regard themselves as distinct, highlighted by their changing attitudes to national identity. In evidence to the committee, Professor Jacobs highlighted that over the past thirteen years surveys indicated that the proportion of Taiwanese who identified themselves as only 'Taiwanese' had increased from 17 to over 40 per cent. Alternatively, those who identified themselves as being just 'Chinese' dropped from 26 to six per cent. The remainder, Jacobs said, identified themselves as both Chinese and Taiwanese.<sup>34</sup>

7.41 The committee does note, however, the countervailing effects of cross-strait people-to-people ties and the increasingly close economic relations, as discussed in paragraphs 7.9–7.11.

7.42 The passage of time also makes the United States' delicate strategic and diplomatic balancing act more challenging in the face of impatience across the Taiwan Strait. One of the major problems with the U.S.' support for the one-China policy within the framework of strategic ambiguity is its inherent contradiction. If Taiwan is recognised as a province of China, then any opposition to China's use of force over Taiwan can be interpreted as a challenge to Chinese sovereignty. Professor Cotton told the committee:

...if we contemplated intervention in a situation where we recognise that there is only one government of China, whichever government that might be, it would be very problematic to ground it in some legal status.<sup>35</sup>

This is an awkward contradiction to sustain as China witnesses Taiwan's steady evolution into an independent (albeit not politically recognised) national entity.

7.43 The difficulty in maintaining the status quo was noted by the Australian government during this inquiry. In referring to strategic competition between the U.S. and China, the Department of Defence's submission stated that 'the possibility of miscalculation over Taiwan persists'.<sup>36</sup>

7.44 However, there are a number of factors that provide for an optimistic outlook for cross-strait relations. The first is that East Asian regional instability would be clearly detrimental to the economic development of both Taiwan and China.<sup>37</sup> Although the prevailing cross-strait stalemate is not ideal for either, it is still preferable to engaging in direct military conflict. Mr Peter Jennings, Director of the Australian Strategic Policy Institute, has commented that:

...a full-scale military confrontation between the US and China over Taiwan would have strategic implications. It would polarise the Asia-

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34 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 39.

35 Professor James Cotton, *Committee Hansard*, 13 September 2005, p. 7.

36 Department of Defence, *Submission P9*, p. 4.

37 DFAT, *Submission P19*, p. 17.



Pacific, bring an end to economic growth and threaten dire military escalation.<sup>38</sup>

7.45 For Taiwan, the consequences of a Chinese attack on home soil could be devastating, putting at risk the safety of its people and the growth of its economy. Professor Hugh White of the ANU's Defence and Strategic Studies Centre has stated that:

...it is hard to see how it would be in Taiwan's interest to risk war to gain the legal trappings of independence.<sup>39</sup>

7.46 For China, military conflict would jeopardise its past two decades of economic expansion. As Mr Jennings noted in his submission, China has refrained from repeating its missile tests during the 2000 and 2004 Taiwanese elections, in contrast to the 1995–96 crisis. This, he suggested, stems from a decision by the Chinese to avoid 'actions that might threaten [their] growth path because of international instability'.<sup>40</sup>

7.47 The committee also notes the Pentagon's views concerning China's military capacity with respect to Taiwan. As discussed in Chapter 6, a U.S. Pentagon report released in July 2005 indicated that China's military build-up represented a risk to regional balance and a long term threat to other regional forces. However, the report concluded that China's ability to project conventional power beyond its borders remains limited, and does not yet possess the military capability to attack Taiwan.<sup>41</sup>

7.48 The committee earlier noted the importance of close economic ties between China and Taiwan. Professor Paul Dibb, Director of the Strategic and Defence Studies Centre at the ANU, expressed cautious optimism about the effect this could have on their political differences:

...if anything, the risks of conflict across the Taiwan Strait have moderated in recent years, particularly as China has focused on fast economic growth and Taiwan has benefited very substantially from it...But it is not a risk-free situation. You cannot dismiss the risk of a miscalculation or some deliberate provocation on one side or the other across the Taiwan Strait.<sup>42</sup>

7.49 The committee remains optimistic that China, Taiwan and the U.S. can maintain the status quo and ultimately resolve Taiwan's political status peacefully. However, the committee received considerable evidence on the strains this unresolved

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38 Mr Peter Jennings, 'Australia's Chinese challenge', *Australian Financial Review*, 7 October 2005, p. 11.

39 Professor Hugh White, 'It's not in Taiwan's interest to risk war for the trappings of independence', *Sydney Morning Herald*, 25 March 2004, p. 11.

40 Mr Peter Jennings, Australian Strategic Policy Institute, *Submission P2*, p. 3.

41 See paragraphs 6.25–6.28. 'China not capable of Taiwan attack: US report', *ABC news online*, <http://www.abc.net.au/news/newsitems/200507/s1418134.htm> (accessed on 20 July 2005).

42 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 3.

problem could place on Australia's relations with China. Primarily, the discussion focussed on Australia's approach to Taiwan in the context of balancing its burgeoning trade and political relationship with China against its potential alliance obligations to the U.S.

### **Australia and the cross-strait status quo**

7.50 As noted earlier, since 1972, the one-China policy has received the support of both major Australian political parties.<sup>43</sup>

7.51 Mr Peter Jennings has highlighted the 'delicate and rather unsatisfactory balance' for Australia to maintain a stance of strategic ambiguity:

Since 1972 Australia has recognised Beijing as the sole government of China and Taiwan as a province of the People's Republic. Taiwan is, however, a vibrant and functioning democracy of 20 million people. It's firmly in our interest to uphold the principle that democracies should be respected in the international system. But in the interests of peace, Taiwanese aspirations for more than de facto sovereignty must be curbed.<sup>44</sup>

7.52 While noting Chinese President Hu Jintao's comments on Australia's 'constructive role' in the peaceful reunification of Taiwan, the committee recognises that Australia's potential for assisting in brokering a resolution to this complex and sensitive issue is limited.

7.53 In evidence to the committee, former diplomat Mr Garry Woodard considered the alliance with the U.S. to preclude Australia from having a meaningful role in this regard:

In my view it is by definition and in fact impossible for Australia to be an honest broker if it is tied by an alliance to one side and to automatic military obligations.<sup>45</sup>

7.54 Professor Harris contended that Australia should strive to ensure that the U.S. remained focussed on preventing Taiwan from doing something provocative:

...there is no way that the Taiwanese could in fact go down the independence track without American support or at least tolerance or simply the failure of the Americans to move to stop it. It seems to me that, for Australian policy, it means keeping a very close watch and persuading the Americans very hard to make sure that Taiwan does not do something that will be much more serious for us than it will be for the Americans.<sup>46</sup>

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43 See paragraph 7.6. See also Mr Tony Pratt, 'Off the map: missteps in our one-China policy', *Canberra Times*, 13 December 2005, p. 13.

44 Mr Peter Jennings, 'Australia's Chinese challenge', *Australian Financial Review*, 7 October 2005, p. 11.

45 Mr Garry Woodard, Submission 61, p. 3.

46 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 10.

7.55 Unfortunately, a breakdown of the status quo could potentially render Australia a participant in Taiwan Strait affairs should the U.S. intervene to protect Taiwan. Were conflict to indeed break out across the Taiwan Strait, Australia would find itself in the unenviable position of needing to decide if, or how, it would assist the U.S. According to Professor Bill Tow, 'Australia's worst foreign policy nightmare will have materialised'.<sup>47</sup> He has written that were we to participate, Australia would 'jettison' Sino–Australian relations and impair its relations with other Asian nations wishing to remain on good terms with China. On the other hand, failing to participate would end Australia's status as a reliable ally to the U.S.<sup>48</sup>

7.56 Australia's response to such a scenario was discussed at length during the inquiry, particularly in the context of our ANZUS Treaty obligations.

### **Australia's responsibility under ANZUS**

7.57 The ANZUS Treaty was signed by Australia, New Zealand and the U.S. on 1 September 1951 and came into force on 29 April 1952.<sup>49</sup> In considering the Taiwanese issue, the relevant provisions of the Treaty are as follows: Article III of the ANZUS Treaty states that:

The Parties will consult together whenever in the opinion of any of them the territorial integrity, political independence or security of any of the Parties is threatened in the Pacific.

7.58 Article IV states that:

Each Party recognises that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.

7.59 Article V explains that, for the purposes of Article IV, an armed attack can include attacks on 'armed forces, public vessels or aircraft in the Pacific'.<sup>50</sup>

7.60 If conflict were to erupt between China and the U.S over Taiwan, would the provisions of the Treaty require Australia to participate in any U.S.-led military action? Although the committee considers this to be a highly speculative question, it was widely discussed during the inquiry.

7.61 Mr Peter Jennings commented in his submission that:

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47 Professor Bill Tow, 'Stand by your mate', *The Diplomat*, Oct/Nov 2004, p. 26.

48 Professor Bill Tow, 'Stand by your mate', *The Diplomat*, Oct/Nov 2004, p. 26.

49 Department of the Parliamentary Library, 'Upside, Downside: ANZUS After Fifty Years', *Current Issues Brief No. 3 2001–02*, p. 1.

50 The full text of the ANZUS Treaty can be found at: <http://www.australianpolitics.com/foreign/anzus/anzus-treaty.shtml> (accessed 16 March 2006).

An attack on U.S. military forces in the Pacific would, in the terms of the treaty, trigger a requirement for Australia and the U.S. to consult on how to respond. If conflict seemed likely to break out over Taiwan it is highly likely that the US would ask Australia to contribute military forces to a coalition operation in defence of the island.<sup>51</sup>

7.62 In his submission to the committee, former ambassador Mr Garry Woodard outlined his understanding of Australia's application of the ANZUS Treaty to the Taiwan situation. He told the committee that Australia never intended ANZUS to apply to Taiwan, given Taiwan's indeterminate political status and Australia's unwillingness to follow the U.S. into what would essentially be a civil war. He also indicated that in 1970, Australia's Ambassador to the Republic of China (Taiwan) discounted Taiwan as falling within ANZUS.<sup>52</sup> Woodard quoted the Ambassador as saying: 'Taiwan is not in the area in which our specific defence obligations to the Americans exist'.<sup>53</sup>

7.63 In evidence, Mr Woodard reinforced this view that ANZUS would not apply to Taiwan:

I argue that historically this area, although clearly 'in the Pacific', did not fall within the ambit of ANZUS. It was not Australia's intention, when ANZUS was concluded, that it should cover Formosa, as it was then called...

In our eyes, Taiwan was not initially an internationally accepted state. Its status remained undetermined. This affected what treaty commitments we could enter into which would apply to it.<sup>54</sup>

7.64 However, he was also of the view that a commitment had been made to the U.S. in the period just prior to or during the March 1996 crisis. Whether this was a commitment related to those specific circumstances or a deliberate redefinition of the scope of ANZUS is, according to Mr Woodard, unclear.<sup>55</sup>

7.65 Professor Dibb argued that Australia's response would depend heavily on the circumstances of any conflict:

The Foreign Minister, Alexander Downer, has talked about: 'It would depend on the circumstances of the time.' I think that is a wise and prudent policy. If it were Chinese provocation it would leave us with little option, and I will come to that. If it were Taiwanese provocation that might be a different matter. But if it were Chinese provocation against a democratically

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51 Australian Strategic Policy Institute, *Submission P2*, p. 5.

52 Mr Garry Woodard, *Submission P61*, pp. 3–4.

53 Mr Garry Woodard, *Submission P61*, p. 4.

54 *Committee Hansard*, 27 June 2005, p. 22.

55 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 23.

elected Taiwan, would the United States invoke the ANZUS Treaty? Absolutely.<sup>56</sup>

7.66 He further added that in the event of a Chinese-provoked war:

I think the implications for the ANZUS treaty would be serious, and perhaps terminal, if we said no.

...

It would not be automatic, but I am saying there would be substantial national security penalties levied on Australia by the United States if we said no in the sort of scenario I painted where no other country said yes.<sup>57</sup>

7.67 Any discussion as to whether Australia would be bound by ANZUS is, however, speculative. As Professor Harris noted, it is unlikely that the source of provocation for any conflict would be 'clear-cut'.<sup>58</sup> Peter Jennings has also written that:

There is little value (and indeed some danger) in an Australian government speculating about our response in [a conflict] scenario. This is not shirking alliance obligations...no alliance requires its members to sign a blank cheque for military commitments into the indefinite future.<sup>59</sup>

7.68 Publicly, Australia is maintaining an uncommitted stance in the interests of ongoing positive relations with both the U.S. and China. DFAT informed the committee that:

Our position is that it is not useful to speculate on hypothetical situations when the ANZUS Treaty would not apply.

...

... it would depend on a whole range of circumstances that apply at the time. It is impossible for [the government] to speculate as to what those circumstances might be.<sup>60</sup>

7.69 In spite of the arguments relating to our obligations under the provisions of ANZUS, the committee agrees that Australia has little diplomatic incentive to clarify what Australia's obligations would be in the event of a hypothetical U.S.–China conflict. To adopt either a 'yes' or 'no' approach to Australia's potential obligations under the ANZUS treaty would risk alienating either China or the U.S. It would also commit Australia to a particular course of action regardless of the circumstances at the time.

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56 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 3.

57 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 4.

58 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 4.

59 Mr Peter Jennings, 'Australia's Chinese challenge', *Australian Financial Review*, 7 October 2005, p. 11.

60 DFAT, *Committee Hansard*, 13 September 2005, p. 35.

7.70 According to Mr Woodard, conflicting statements from the Prime Minister and Foreign Minister on Australia's ANZUS commitment appear to indicate a prevailing diplomatic ambiguity on the issue.<sup>61</sup> On 17 August 2004, the Australian Foreign Minister, after meeting with Premier Wen Jiabao, commented that under the ANZUS alliance Australia may not automatically have to support the U.S. in a conflict with China over Taiwan.<sup>62</sup> On 20 August, the U.S. Ambassador to Australia expressed the view that, although the U.S. opposed Taiwanese independence, under the ANZUS Treaty Australia would be obliged to come to the aid of the U.S. in any conflict in the region.<sup>63</sup> Responding to the subsequent media interest, the Prime Minister reasserted the government's position that the question of conflict over Taiwan was hypothetical; until it actually transpired Australia would continue to discourage conflict between the U.S. and China, within the framework of Australia's support for the one-China policy. He also added, however, that Australia's obligations to the U.S. under ANZUS were clear:

We have to consult and come to each other's aid when we're under attack or involved in conflict. That's the situation.<sup>64</sup>

7.71 A pertinent question arises from an ambiguous approach to this issue. Is it wise to allow uncertainty to exist over Australia's contingency plans for conflict over Taiwan?

7.72 Mr Woodard stated that Australia's present stance was acceptable, so long as it is clarified before any potential conflict eventuated:

The presently ambiguous nature of our statements in relation to the application of the ANZUS Treaty towards Taiwan—that is, the statement by Foreign Minister Downer on the one hand and the statements by the Prime Minister on the other—are acceptable to both Washington and Beijing, and that is no mean feat. So I say let sleeping underdogs lie. However, it will be better for us if we can choose our own occasion for clarifying our military position, rather than being forced to do so one way or the other at some stage.<sup>65</sup>

7.73 Professor Jacobs disagreed with Australia's cautiously ambiguous approach:

China is very important to Australia, but genuflecting to China will not win concessions from Beijing, just as it did not win concessions from Suharto. As a middle-ranking world power with special importance in the Asia-Pacific region, we must stand up and clearly state our positions to all sides

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61 Mr Garry Woodard, *Submission P61*, p. 4.

62 John Kerin, 'Beijing puts the flame to Downer', *Weekend Australian*, 21 August 2005, p. 3.

63 Taken from quote on ABC radio, *PM*, 20 August 2005.

64 Transcript of interview with Neil Mitchell on 3AW, 20 August 2004.

65 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 24.

without fear or favour. This can be done quietly, but it must be done. Ultimately, it will win respect and friendship.<sup>66</sup>

7.74 In his evidence to this committee, Mr Woodard suggested that Australians would not support our involvement in a conflict over Taiwan.<sup>67</sup> Similarly, in February 2005, a poll by the Lowy Institute revealed that 69 per cent of Australians held positive feelings about China, while the U.S. achieved a positive response from just 58 per cent,<sup>68</sup> indicating that support for military conflict with China would be unlikely.

7.75 The Australian government's 2003 *Foreign and Trade Policy White Paper* stated that:

Whether Australia takes military action in a particular circumstance will be determined by careful case-by-case consideration based on our broad national interests.<sup>69</sup>

## Conclusion

7.76 Australia has made clear that it supports the one-China policy and encourages both China and Taiwan to work together to find a solution. It has also made plain that it is a staunch ally of the U.S. and that ANZUS remains an important agreement. The committee believes that this approach is the wise course of action. It also notes and welcomes the recent statement by Dr Condoleezza Rice indicating the preparedness of the U.S. to exert pressure, when required, on either China or Taiwan to prevent any escalation of tension.

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66 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 38.

67 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 23.

68 Cited in Peter Jennings, 'Getting China Right: Australia's policy options for dealing with China', *ASPI Strategic Insights*, October 2005, p. 4.

69 Department of Foreign Affairs and Trade, 'Advancing the National Interest', *Foreign and Trade Policy White Paper*, Canberra, 2003, p. 21.





# Chapter 8

## Japan

The relationship with Japan is one of the most important bilateral relationships for China. We are pleased to see that after normalisation of ties, the relationship between China and Japan has enjoyed tremendous development. Last year, our trade approached US\$170 billion. People travelling back and forth between the two countries exceeded 4 million.

But as you see, there are obstacles to this relationship, especially in the political field.<sup>1</sup>

8.1 In 1972, after a long period of mutual enmity, China and Japan started the process of normalising their relationship. Since then, both countries have taken steps to strengthen diplomatic ties, improve mutual understanding and to achieve greater cooperation between them. This chapter examines the relationship between China and Japan. It considers issues that affect the current state of the association, including wartime history, territorial and resource disputes, competition for regional influence and the interdependence of their economies. The chapter outlines Australia's interest in how these two countries manage their relationship and considers the implications for Australia.

8.2 Both China and Japan appreciate that they have shared interests in developing and maintaining a strong bilateral relationship. The leaders of both countries have publicly expressed their desire to continue to develop long-term, stable and amicable relations.<sup>2</sup> China's foreign policy reflects this understanding:

Japan is an important neighbour of the People's Republic of China. Developing the China-Japan good-neighbourly, friendly and cooperative relationship has been an important component of China's foreign policy. Since 1972 when the two countries normalised diplomatic ties, China-Japan relations have been deepened constantly, and grown substantially in various fields.<sup>3</sup>

8.3 Despite these sentiments, China's progress in improving relations with Japan has not been as steady or as smooth as it has been with its ASEAN neighbours. Sino-Japanese relations are generally characterised by close economic ties tempered by an intermittently strained political relationship; described as 'economically warm' and

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1 Premier Wen Jiabao, *Transcript of press conference*, 14 March 2005, [http://www.chinadaily.com.cn/english/doc/2005-03/15/content\\_424826\\_9.htm](http://www.chinadaily.com.cn/english/doc/2005-03/15/content_424826_9.htm) (accessed 20 February 2005).

2 See for example the messages from Prime Minister Junichiro Koizumi to Premier Zhu Rongji and the message from Premier Zhu Rongji to Prime Minister Junichiro Koizumi, 29 September 2002 on the occasion of the 30<sup>th</sup> anniversary of the normalisation of Japan-China relations.

3 Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, *China's Foreign Affairs 2005*, p. 192.

'politically cool'. In particular, 2005 was a year of strain and tension in the China–Japan political relationship. The China–Japan relationship was summarised by the Department of Foreign Affairs, Defence and Trade (DFAT) in its submission to the committee:

Despite growing economic integration between China and Japan, with each other's largest merchandise trading partner, political ties remain strained. Irritants include growing competition for resources, the recent intrusion into Japanese waters of a Chinese nuclear submarine, Chinese oil and gas exploration near the median line between Chinese and Japanese EEZs, and the long-running dispute over Prime Minister Koizumi's visits to the Yasukuni Shrine.<sup>4</sup>

8.4 The following section examines some of the matters which have caused, and continue to create, tension in the relationship between China and Japan.

### **Issues contributing to the tension in the China–Japan relationship**

8.5 In April 2005, anti-Japanese sentiment erupted when tens of thousands of protestors gathered at violent rallies across China in the biggest anti-Japanese protests in China's history.<sup>5</sup> During the three weekends of protests, windows were broken at Japan's embassy in Beijing and consulate in Shanghai,<sup>6</sup> while Japanese-style restaurants and Japanese-made cars were also attacked.<sup>7</sup> The press reported that local police officers made no effort to prevent the protests or to arrest people responsible for vandalism against Japanese diplomatic missions and private property.<sup>8</sup> Japan strongly condemned the riots and protested to the Chinese government, asserting that China had failed to demonstrate an adequate response to the disturbances.<sup>9</sup>

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4 DFAT, *Submission P19*, p. 17.

5 The *Economist*, 6 October 2005, [http://economist.com/PrinterFriendly.cfm?story\\_id=4489650](http://economist.com/PrinterFriendly.cfm?story_id=4489650) (accessed 27 October 2005).

6 Statement by the Press Secretary/Director General for Press and Public Relations, Ministry of Foreign Affairs, On the Activities Concerning Japan by Demonstrators on the 16<sup>th</sup> in Shanghai and elsewhere in China, 16 April 2005; 'China row with Japan still on the boil', *Canberra Times*, 20 April 2005.

7 Statement by the Press Secretary/Director General for Press and Public Relations, Ministry of Foreign Affairs, On the Activities Concerning Japan by Demonstrators on the 16<sup>th</sup> in Shanghai and elsewhere in China, 16 April 2005; Jonathan Watts, 'Violence flares as the Chinese rage at Japan', *Observer*, 17 April 2005.

8 Joseph Kahn, 'Chinese Official Urges End to Anti-Japan Protests', *New York Times*, 19 April 2005, <http://www.nytimes.com/2005/04/19/international/asia/19cnd-china.html?ei=5070&en=19c0ab56a739c6ea&ex=1132722000&adxnnl=1&adxnnlx=1132611408-Kl6qK/KdyQBRXnP0XiSN4w> (accessed 21 November 2005).

9 Ministry of Foreign Affairs of Japan, Statement by the Press Secretary/Director-General for Press and Public Relations, Ministry of Foreign Affairs, On the Activities Concerning Japan by Demonstrators on the 16<sup>th</sup> in Shanghai and elsewhere in China, 16 April 2005 and Visit by Minister for Foreign Affairs, Nobutaka Machimura, to the People's Republic of China.

8.6 The committee recognises that large-scale public protests are not common in China. In evidence to the committee, Professor Bruce Jacobs from Monash University indicated that even though the Chinese government did not instigate the riots, they were certainly willing to permit their occurrence.<sup>10</sup>

8.7 DFAT told the committee that much of the recent and ongoing tension between China and Japan relates to historical issues, particularly over Japanese actions perceived by China to be inconsistent with Japanese apologies for its wartime treatment of other countries in Asia, including China.<sup>11</sup>

### ***Chinese sensitivity over World War Two***

#### *Japanese history textbooks*

8.8 The protests in 2005 were reportedly a manifestation of Chinese anger over Japan's approval of a history textbook that was perceived to play down Japan's wartime atrocities. The murdering of up to 300,000 Nanking civilians, the recruitment of thousands of Chinese women as prostitutes for Japanese soldiers and biological weapons testing on Chinese villages were among the events alleged to have been subject to understatement or omission in the text.<sup>12</sup> However, controversy over Japan's reputation for sanitising its war history in educational material is not new. Similar concerns were reported in April 2001, when a Japanese high school textbook was denounced for glossing over the colonisation of Manchuria and the Nanking massacre.<sup>13</sup>

8.9 The Japanese Foreign Minister, Nobutaka Machimura, defended Japan's textbooks against China's allegations, saying they do not gloss over Japan's invasion of other Asian countries.<sup>14</sup> In reference to China's own approach to recording history, he has also said:

From the perspective of a Japanese person, Chinese textbooks appear to teach that everything the Chinese government has done has been correct...there is a tendency towards this in any country but the Chinese textbooks are extreme in the way they uniformly convey the 'our country is correct' perspective.<sup>15</sup>

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10 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 43.

11 DFAT, *Committee Hansard*, 16 June 2005, p. 43.

12 Jonathan Watts, 'Violence flares as the Chinese rage at Japan', *Observer*, 17 April 2005.

13 See for example 'Revisionist history text infuriates Japan's neighbours', *Sydney Morning Herald*, 5 April 2001.

14 *The Japan Times*, 25 April 2005, <http://www.japantimes.co.jp/cgi-bin/getarticle.pl5?nn20050425a2.htm> (accessed 22 November 2005).

15 'Machimura blasts China's textbooks as extreme', *The Japan Times*, 25 April 2005, <http://search.japantimes.co.jp/print/news/nn04-2005/nn20050425a2.htm> (accessed 22 November 2005).

*Visits by the Japanese Prime Minister to the Yasukuni shrine*

8.10 China is also upset about the Japanese Prime Minister's visit to the Yasukuni shrine, a monument that honours Japan's war dead but reportedly also enshrines 14 convicted Class A war criminals. China's leaders have banned formal meetings with Japanese Prime Minister Koizumi for the past three years because of his visits to the Yasukuni shrine.<sup>16</sup>

8.11 The Japanese Prime Minister regarded China's condemnation of the visits as foreign interference in Japan's domestic affairs. While acknowledging the war crimes, the Prime Minister insists his visits to the shrine are based on personal beliefs.<sup>17</sup>

8.12 This issue received attention at the APEC summit in November 2005, where Prime Minister Koizumi stated that he was merely offering prayers for those who died in war and expressing thanks for their sacrifices. In relation to Japan's relationship with China he added that 'even if there is a difference in views on one issue, that shouldn't be allowed to hurt good relations'.<sup>18</sup> The visit was again raised as the reason behind the cancellation of a planned bilateral meeting which was due to take place in Kuala Lumpur in December 2005.<sup>19</sup> A planned trilateral meeting between China, Japan and South Korea was also cancelled as a result of the tensions over wartime history.<sup>20</sup>

8.13 Some witnesses to the inquiry disagreed with China's stance against Japan regarding the Second World War. For example, Professor Paul Dibb, Director of the Defence and Strategic Studies Centre at the Australian National University (ANU), told the committee that China's posturing against Japan is unreasonable and provocative:

The way it is currently treating Japan, from my point of view, is abominable. It keeps harping on about the Second World War as if it were yesterday. It was not yesterday. It was over three generations ago. If it wants to push the Japanese down the path of rearmament, it is a smart way of doing it.<sup>21</sup>

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16 Peter Alford, 'Neighbours face off over Koizumi war stand', the *Australian*, 18 April 2005, p. 9.

17 As part of investigating alternatives, a private advisory panel in Japan has proposed establishing a non-religious national facility to mourn war dead. *Japan Times*, 12 June 2005, <http://www.japantimes.co.jp/cgi-bin/getarticle.pl5?eo20050612kn.htm> (accessed 22 November 2005).

18 Mainichi Daily News, 19 November 2005, <http://mdn.mainichi-msn.co.jp/national/news/20051119p2a00m0na028000c.html> (accessed 22 November 2005).

19 *China Daily*, 'Sino-Japanese leaders' meeting impossible in December—official', 30 November 2005.

20 *China Daily*, 'Meeting with Japan, South Korea ruled out', 8 December 2005.

21 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 20.

8.14 It has been noted that Japan's Prime Minister and its Emperor have apologised to China on 17 occasions since the countries restored diplomatic relations in 1972 for the conduct of the occupying Japanese army in the 1930s and 1940s. However, China has not deemed these expressions of regret to be adequate.<sup>22</sup>

### ***Sino-Japanese strategic rivalry***

8.15 While the issues outlined above may constitute a basis for some of the historical and enduring mistrust at a political level, they do not adequately explain contemporary political relations between the two countries. Each country also harbours concerns over the other's strategic interests in the region. Particularly notable has been China's concerns over Japan's moves to assume an increased security role in the regional and globally, especially through its close alliance with the U.S., including joint statements on Taiwan, and attempts to gain a permanent seat on the UN Security Council. Similarly, analysts have suggested that Japan's efforts to expand its role in the region have been in response to its own concern about China's growing influence.

8.16 Professor Jacobs attributed the recent tension in the China–Japan relationship in 2005 to Japan's expanding strategic role:

The recent anti-Japanese riots and demonstrations which took place in China followed a statement by the Japanese and Americans. The Japanese and Americans had a meeting and they put out a communiqué which had one sentence which said that both nations were concerned about their security in the Taiwan Strait area, and this, I think, is what really upset the Chinese. It was on that basis then that you had all these Japanese riots.<sup>23</sup>

8.17 The communiqué referred to by Professor Jacobs was signed in February 2005, following a meeting between the U.S. Secretary of State and Defense Secretary and Japan's Foreign and Defence ministers. It was the first time the two countries had declared Taiwan to be a common security concern.<sup>24</sup> The Chinese government responded in the following way:

The Chinese Government and people resolutely opposes the United States and Japan in issuing any bilateral document concerning China's Taiwan, which meddles in the internal affairs of China, and hurts China's sovereignty.<sup>25</sup>

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22 'History that still hurts', the *Economist*, 13 April 2005, [http://www.economist.com/agenda/displayStory.cfm?story\\_id=3856623](http://www.economist.com/agenda/displayStory.cfm?story_id=3856623) (accessed on 28 November 2005).

23 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 43.

24 Hamish McDonald, 'China scolds US, Japan over Taiwan', *Sydney Morning Herald*, 21 February 2005, p. 8.

25 Quoted in Hamish McDonald, 'China scolds U.S., Japan over Taiwan', *Sydney Morning Herald*, 21 February 2005, p. 8.

8.18 In March 2005, Japan also issued a statement on China's Anti-Secession law, stating that:

A peaceful solution through dialogues between the parties concerned is necessary for the issues concerning Taiwan, and Japan strongly hopes for an early resumption of the dialogue for that purpose. Being consistently against use of force, Japan is against any means of solution other than a peaceful one.<sup>26</sup>

8.19 Recent statements from the Chinese Foreign Ministry that criticise Japan's approach to its war history and to the Taiwan situation indicate that China holds Japan responsible for the deterioration in their relationship:

In recent years, the Japanese side has been driving in reverse gears on the historical and Taiwan issues and repeatedly failed its trust to the Chinese people, which has seriously damaged the friendly relationship restored and developed by the elder generations of statesmen with painstaking efforts and severely harmed the friendly feelings resumed by the two peoples with great efforts.<sup>27</sup>

8.20 The Chinese clearly see the need for Japan to take action to repair the damage done to their relationship. In April 2005, Chinese State Councilor Tang Jiaxuan stated:

At present, China-Japan relations encounter difficulties, the responsibility of which does not lie with the Chinese side. The key to overcome these difficulties and return China-Japan relations back to the track of normal development is that Japan should demonstrate its political will to improve and develop our relations with earnest action instead of only verbal expression.<sup>28</sup>

8.21 Professor Stuart Harris, a China specialist at the School of Pacific and Asian Studies (ANU), has discussed Japan and China's relations in the broader context of 'competition for influence and leadership'. He indicated that Japan was inevitably seeking to exert more influence in response to China's emergence as a dominant regional power:

...Japan's response to China's increased influence is to be more assertive in relations with China and other regional countries, such as South Korea. Corresponding to Japan's increased nationalism as it seeks to be a normal

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26 Ministry of Foreign Affairs of Japan, 'Statement by the Press Secretary/Director-General for Press and Public Relations, Ministry of Foreign Affairs, on the Anti-Secession Law', *Press release*, 14 March 2005, <http://www.mofa.go.jp/announce/announce/2005/3/0314.html> (accessed on 20 February 2006).

27 Ministry of Foreign Affairs of the People's Republic of China, 'Chinese State Councillor Tang Jiaxuan Meets with Japanese Foreign Minister Nobutaka Machimura', *Press release*, 18 April 2005, <http://www.fmprc.gov.cn/eng/zxxx/t192591.htm>, (accessed on 20 February 2006).

28 Ministry of Foreign Affairs of the People's Republic of China, Foreign Spokesman Kong Quan's, *Transcript of press conference*, 1 November 2005, <http://www.china-embassy.org/eng/fyrth/t219470.htm> (accessed on 20 February 2006).



country is a comparable Chinese nationalist response to what it regards as Japan's failure to acknowledge its historic role in the war with China.<sup>29</sup>

8.22 He cited China's attempts to frustrate Japan's ambitions to become a permanent member on the United Nations Security Council as an example of the contest between China and Japan over international recognition and standing.

8.23 Indeed, China has strongly opposed Japan's efforts to secure a permanent seat in an expanded United Nations Security Council. In September 2004, Japan launched a united bid with Brazil, Germany and India to acquire permanent seats on the UN Security Council as part of a broader package of reform for the UN.

8.24 According to former Australian Ambassador to the PRC, Mr Garry Woodard, the permissive attitude of the Chinese authorities to the April 2005 riots may have partly reflected China's disapproval of Japan's attempt to become a permanent member of the UN Security Council.<sup>30</sup>

8.25 Following Japan's push for a permanent seat on the UN Security Council, a Chinese Foreign Ministry spokesman reportedly stated that the UN Security Council is:

...not a board of directors and its composition should not be decided according to the financial contribution of its members.

We understand Japan's expectation to play a greater role in international affairs. But we also believe that if a country wishes to play a responsible role in international affairs, it must have a clear understanding of the historical questions concerning itself.<sup>31</sup>

8.26 Again referring to Japan's war record, China has insisted that Japan is not ready for elevation to a permanent seat on the Security Council until it is more contrite about its pre-1945 record.<sup>32</sup> Premier Wen stated that:

The invasion war launched by Japan last century brought severe calamity to the people not only in China and Asia, but also the world. Recently the civilians in some neighbouring countries including China voluntarily organised demonstrations against Japan in pursuit of becoming a permanent member of the United Nations Security Council...only the country respecting the history, with the courage to take responsibility for the history

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29 Professor Stuart Harris, 'PM's China challenge', the *Australian*, 20 April 2005, p. 15.

30 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 28.

31 'China: United Nations "not a board of directors"', *China People's Daily Online*, 23 September 2004, [http://english.people.com.cn/200409/23/eng20040923\\_158023.html](http://english.people.com.cn/200409/23/eng20040923_158023.html) (accessed 29 July 2005).

32 See for example Hamish McDonald, 'Beijing struggles to regain control of anti-Japan protests', the *Age*, 18 April 2005, p. 7.

and obtaining the trust of the people in Asia and the world could play greater role in the international affairs.<sup>33</sup>

8.27 Mr Woodard told the committee that China was extremely sensitive to the strategic ambitions of a country that had acted unjustly towards them:

We have underestimated the sensitivity in Beijing to the proposal to make Japan a permanent member of the Security Council...they do not see why the aggressor and the defeated nation of the second World war should now have emerging out of the postwar settlement a status equal to their own. That has touched a rather raw nerve.<sup>34</sup>

He added:

These long historical animosities have to be contained. They are always there and can be reactivated for national purposes at any time.<sup>35</sup>

8.28 Despite the historical rhetoric, however, current Sino–Japanese tension over UN representation and U.S.–Japan alliance appears to reflect broader concerns by both nations that the other is escalating competition for influence within the region. DFAT's 2003 Foreign and Trade Policy White Paper said of the Sino–Japan relationship:

Japanese views are increasingly influenced by perceptions of China as a competitor, although economic interdependence between the two is becoming deeper. This is spurring diplomatic rivalry between the two for influence in Asia, particularly South-east Asia.<sup>36</sup>

8.29 In their submission to the inquiry, Mr Reg Little and Mr James Flowers suggested that 'Japan faces a difficult transition from a client relationship with the United States to a similar relationship with China'.<sup>37</sup> Although the Japanese Defence Minister has indicated that Japan did not see China as a military threat, their recent remilitarisation activities seem to be in part due to China's emerging influence and military modernisation.<sup>38</sup> Further, the ruling Japanese Liberal Democratic Party has proposed revising its pacifist constitution to extend Japan's military capabilities beyond self-defence and into participation in global security roles.<sup>39</sup>

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33 Foreign Ministry of the People's Republic of China, 'Premier Wen Jiabao Meets with Journalists, Talking about 3 Achievements of His Visit to India', 12 April 2005.

34 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, pp. 27–28.

35 Mr Garry Woodard, *Committee Hansard*, 27 June 2005, p. 28.

36 Department of Foreign Affairs and Trade, 'Advancing the National Interest', *Foreign and Trade Policy White Paper*, Canberra, 2003, p. 23.

37 Mr Reg Little and Mr James Flowers, *Submission P26*, p. 9.

38 'Japan reopens wartime wounds', *Sydney Morning Herald*, 4 August 2005.

39 'Japan reopens wartime wounds', *Sydney Morning Herald*, 4 August 2005.



### ***Resources and territorial disputes***

8.30 China and Japan also have longstanding disagreements over maritime boundaries; a significant matter given the possible exploitation of mineral resources.<sup>40</sup>

8.31 The dispute over ownership of the Japanese-controlled Senkaku islands (China calls them the Diaoyu islands) in the East China Sea also flared in 2005 when Japan's trade ministry moved to issue drilling concessions. The islands are oil and gas rich and near key international shipping routes. Japan said the planned exploration leases lie on its side of the boundary that it recognises—the median line between Chinese and Japanese land territories. However, China claims its economic zone extends further east to a trench in the sea floor. Japan has reiterated calls for China to disclose the extent of its own exploration efforts near the sea border.<sup>41</sup> China does not recognise the border line and said it is drilling in an undisputed area, while Japan has asserted that China's activities could siphon gas from Japan's side of the border.<sup>42</sup>

8.32 In November 2004, a Chinese submarine entered Japanese territorial waters near its southern islands, apparently to test maritime defences. Japanese forces detected the submarine and Japan demanded and received an apology from China over the incident.<sup>43</sup>

8.33 Encouragingly, the debate seems to have now shifted to whether the area could be jointly developed. In May 2005, China proposed that the two countries cooperate in gas fields on the eastern side of the median line as claimed by Japan. Japan rejected the proposal and refused to suspend drilling on the western side of the median line. In October 2005, Japan proposed to China that they jointly develop the gas fields in the disputed area.<sup>44</sup> Also in October, a Japanese embassy official in Washington provided evidence that China was drilling for gas in the disputed part of the East China Sea. Japan has asked China to stop drilling but stressed that Japan was willing to resolve tensions through negotiations.<sup>45</sup>

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40 Tim Johnston, 'Japan apologises for wartime atrocities', the *Age*, 23 April 2005, p. 15.

41 Hamish McDonald and Deborah Cameron, 'Drilling plan infuriates China', *Sydney Morning Herald*, 15 April 2005, p. 8.

42 J. Sean Curtin, 'Sea of confrontation: Japan–China Territorial and Gas dispute Intensifies', *Japan Focus*, 6 October 2005 <http://www.japanfocus.org/article.asp?id=426> (accessed 28 November 2005).

43 Dr Frank Frost, 'Directions in Australia's foreign relations—implications for east Asia and Australia', *Research brief*, Parliamentary Library, p. 37.

44 *Japan Times*, 2 October 2005, <http://www.japantimes.co.jp/cgi-bin/getarticle.pl5?nn20051002a1.htm> (accessed 22 December 2005).

45 *Mainichi Daily News*, 26 October 2005, <http://mdn.mainichi-msn.co.jp/business/archive/news/2005/10/26/20051026p2g00m0bu013000c.html> (accessed 22 December 2005).

### ***Importance of regional stability for Japan and China***

8.34 A politically stable and mutually beneficial Sino–Japanese relationship is important not only for these two powerful nations, but for their region generally. According to the Japanese Foreign Affairs Ministry:

Japan considers its relationship with China to be one of its most important bilateral relationships and it is to promote further cooperation in various areas under the Partnership of Friendship and Cooperation for Peace and Development. In recent years, interdependence between Japan and China has deepened more and more, and it is extremely important for Japan's peace and prosperity to build stable, friendly and cooperative relations with China. Japan and China, both of which have great influence in the international community, are expected to not only bring profit to both, but also to cooperate with one another and to promote a 'future-oriented' and 'mutually beneficial' Japan-China relationship for peace and prosperity in the Asia-Pacific region, and thus the world.<sup>46</sup>

8.35 Despite the political tensions that exist between China and Japan, the two nations have an extensive trade relationship. In 2004, Japan was China's third largest trading partner, behind the European Union and the U.S.<sup>47</sup> It is to be hoped that the two countries' economic interest in a politically stable region and mutually beneficial trade will ensure that Sino–Japanese political relations begin to improve.

8.36 The Department of Defence stated in its submission that destabilisation in China was not in the interests of any country in the region:

While China's economic rise will pose challenges for some countries over the next decade, notably Japan, the consequences for regional stability could be greater if growth stalled or there was social breakdown in China.<sup>48</sup>

8.37 As noted by DFAT, 'Australia sees the Japan–U.S. alliance as a cornerstone of regional security',<sup>49</sup> while 'Japan and China will be of fundamental importance to maintaining regional stability and prosperity'.<sup>50</sup>

### **Implications for Australia**

8.38 Japan remains one of Australia's primary trading partners and long-term political and strategic allies in the Asia-Pacific region. Both countries value the close

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46 The Ministry of Foreign Affairs of Japan, *Diplomatic Bluebook 2004*, Chapter 2: Regional diplomacy, pp. 45–56.

47 Wenran Jiang, 'China's "New Thinking" on Japan', The Jamestown Foundation, *China Brief*, volume V, issue 3, 1 February 2005, p. 3.

48 Quote taken from Department of Defence, 'Defence Update', 2003, p. 8, Department of Defence, *Submission P9*, pp. 4–5.

49 DFAT, *Submission P19*, p. 17.

50 DFAT, *Submission P19*, p. 18.

relationship of goodwill and cooperation that they have forged over the post-war period. The Australian Prime Minister has stated that 'Australia has no greater friend in Asia than Japan',<sup>51</sup> also emphasising Japan's importance as Australia's 'largest export market...and a strategic partner for regional peace and prosperity'.<sup>52</sup> In September 2005, he reiterated the strength and endurance of this association:

It has been the largest export destination for Australia for about 40 years and is likely to remain so for many years in to the future. The partnership between Australia and Japan has continued to evolve off the back of a quiet revolution in Japanese foreign policy.<sup>53</sup>

8.39 This shift in Japanese foreign policy is reflected in their efforts to gain a permanent seat on the UN's Security Council, discussed earlier at paragraphs 8.24-8.25.

8.40 Australia and Japan also share close political and strategic allegiances with the U.S. Japan is strategically closer to the U.S. than its regional neighbours, while Australia has been closely aligned with the U.S. for over 50 years through the ANZUS Treaty commitment. It is within this strategic framework that the implications of Sino-Japanese relations need to be examined.

8.41 Dr Peter Van Ness of the ANU's Contemporary China Centre has described the close U.S.-Japan-Australia relationship in the context of the U.S.' military activism:

Australia, like Japan, has supported the major Bush administration initiatives of the President's first term, especially the 'global war on terror' and the invasion of Iraq. The two countries are seen in effect as the anchors of U.S. policy, North and South, in the East Asian region.<sup>54</sup>

8.42 In keeping with the framework of its existing strategic alliances, Australia has supported Japan on issues over which China has expressed its displeasure. For instance, the Australian government has supported Japan's new preparedness to take a leading role in regional security,<sup>55</sup> also advocating their representation on the UN's Permanent Security Council.<sup>56</sup> Prime Minister John Howard recently noted Japan's extending security responsibilities:

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51 The Hon. John Howard MP, *Transcript of address to the Lowy Institute for International Policy*, 'Australia in the World', Westin Hotel, Sydney, 22 March 2005.

52 The Hon. John Howard MP, *Transcript of address to the Lowy Institute for International Policy*, 'Australia in the World', Westin Hotel, Sydney, 22 March 2005.

53 Prime Minister the Hon. John Howard MP, *Transcript of address to the Asia Society Lunch*, New York City, 12 September 2005.

54 *Submission P22*, p. 2.

55 See for example 'Visit to Japan', *Press release*, Foreign Minister the Hon. Alexander Downer MP, 17 March 2005.

56 'New call for Japanese UN seat', *Sunday Canberra Times*, 13 February 2005, p. 14.

This quiet revolution in Japan's external policy—one which Australia has long encouraged—is a welcome sign of a more confident Japan assuming its rightful place in the world and in our region.<sup>57</sup>

8.43 Given our existing strategic alliances, Australia potentially faces difficult choices in the event of a breakdown in relations between China and Japan. Indeed, any tension between these two most influential Asian nations complicates China's relations with the U.S. and Australia.

8.44 Dr Van Ness, however, stated that as long as Sino–Japanese relations do not deteriorate, Australia will continue to benefit from healthy relations with both China and Japan:

It seems to me that Australia is, in a sense, in a wonderful position. Australia has excellent relations with the United States, excellent relations with Japan and very, very good relations with China. What Australia obviously wants to do is to keep the very best relations with all of them and never be put in a situation where they have to choose.<sup>58</sup>

8.45 Professor Dibb has rejected concerns that Australia should be worried about alienating China. Instead, he has expressed his own concern about Australia potentially accommodating China's perspective at the expense of our relations with Japan:

It is a matter of serious concern that Beijing is taking such a belligerent attitude towards Japan. That can only raise tensions in northeast Asia and put regional security at risk. As important as Australia's relations are with China, our relationship with Japan is much more important.<sup>59</sup>

8.46 In parallel with Sino–U.S. relations, tension between China and Japan over regional competition has the potential to become a sensitive issue in Australia's relations with China. For Australia, finding a balance between maintaining its important strategic alliances and continuing to improve already good relations with China, which holds particular grievances with our allies, will require sensitive diplomacy.

8.47 The Prime Minister visited both China and Japan in late April 2005, just after the Chinese demonstrations over Japan had reached their peak. Before leaving, he indicated that he did not want to 'take sides', advocating the same approach that characterises the government's attitude to balancing relations with China and the U.S.:

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57 The Hon. John Howard MP, *Transcript of address to the Lowy Institute for International Policy*, 'Australia in the World', Westin Hotel, Sydney, 22 March 2005.

58 Dr Peter Van Ness, *Committee Hansard*, 13 September 2005, p. 18.

59 Professor Paul Dibb, 'Don't get too close to Beijing', the *Australian*, 2 August 2005.

[It] must be possible for nations to have close relations with other nations without those relationships impairing their relationships with third countries, that is certainly our view.<sup>60</sup>

8.48 On the quarrel over the interpretation of war history, Mr Downer has stated that the matter is one 'entirely for China and Japan' and one that both countries need to work through.<sup>61</sup> The committee believes, however, that such a stand does not preclude Australia from continuing its public support for Japan on matters such as becoming a permanent member of the UN Security Council.

### **Trilateral security dialogue—Japan, the United States and Australia**

8.49 The committee notes that Australia is committed to participate in a ministerial-level trilateral security dialogue with Japan and the U.S. In May 2005, at the announcement of the upgrading of the trilateral talks to ministerial level, the U.S. Secretary of State, Dr Condoleezza Rice, stated that the arrangement would provide the opportunity for the foreign ministers 'to get together periodically to discuss the many issues of interest that we have in the Asia Pacific region but also global issues of interest'.<sup>62</sup>

8.50 In evidence to the committee, Professor Harris cautioned against the exclusion of China from this security dialogue:

The idea of bringing China into these issues is a much better way to go. If we really want to get China working cooperatively in the international system that would be much more helpful in the long run. I do think it does work very cooperatively in the international system but the security area is a different ball game and I think they should have been brought in rather than sat out while we three discussed what we were going to do about China.<sup>63</sup>

8.51 Dr Van Ness also warned against sending China the wrong signal:

...the trilateral arrangement of Australia, Japan and the U.S. makes more problems than it provides answers. What it says to China is: 'They're ganging up. It's the old "get the democracies aligned in a potential containment arrangement" vis-a-vis China.'<sup>64</sup>

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60 The Hon. John Howard MP, *Transcript of press conference*, Darwin, 18 April 2005.

61 The Hon. Alexander Downer MP, *Transcript of doorstep interview*, 18 April 2005.

62 Washington File, EPF30405/04/2005, Transcript: U.S. Security Talks with Australia, Japan to Intensify, Rice Says (Secretary says trilateral initiative will be raised to foreign ministerial level) (2004).

63 Professor Stuart Harris, *Committee Hansard*, 13 September 2005, p. 13.

64 Dr Peter Van Ness, *Committee Hansard*, 13 September 2005, p. 18.

8.52 In July 2005, the Australian Foreign Minister emphasised that the U.S.–Japan–Australia security dialogue was not part of a strategy to contain Chinese influence:

This...isn't a security dialogue that is directed at China. This is a security dialogue that draws together three countries which have global interests, not just regional interests and we have global things to talk about, not least our respective commitments in Afghanistan and Iraq...Australia doesn't believe in a policy of containment of China. We believe in a policy of engaging with China, of ensuring that China is fully integrated into the affairs of the region and the world.<sup>65</sup>

8.53 On the eve of the trilateral talks in March 2006, however, the U.S. Secretary of State foreshadowed the U.S.' concerns about China's growing influence and military development. Dr Rice stated:

And I think all of us in the region, particularly those of us who are longstanding allies, have a joint responsibility and obligation to try and produce conditions in which the rise of China will be a positive force in international politics, not a negative force.

That means that we need to engage the Chinese in dialogue about security in the region. Now that is sometimes difficult because there are some longstanding historical issues and troubles that get in the way. I think Australia, the United States, Japan can think about ways to deal with some of those issues.

We together to try to, recognizing that China is going to improve its military, is going to build up its military, but to make sure that we're looking at a Chinese military buildup that is not outsized for China's regional ambitions and interests.<sup>66</sup>

### ***Committee view***

8.54 The committee believes that the trilateral discussions should maintain their original broad focus on regional and global security issues and definitely not adopt a stance that could be interpreted by other East Asian countries, especially China, as a move to contain China's influence. It suggests that the three countries in the dialogue should be careful to ensure that their discussions are aimed at involving China as an important partner in securing regional stability.

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65 The Hon. Alexander Downer MP, *Transcript of doorstep interview*, Vientiane Laos, 29 July 2005.

66 Dr Condoleezza Rice, Washington DC, 9 March 2006, *Transcript*, 'Roundtable with Australian, Indonesian and Latin American Journalists', <http://www.state.gov/secretary/rm/2006/62968.htm> (accessed 13 March 2006). See also quote in Geoff Elliott, 'US warns of China threat', 11 March 2006, Washington, News.com.au.

**Conclusion**

8.55 The committee recognises that China and Japan are two countries naturally positioned to exert great influence in East Asia. Therefore, a cooperative and peaceful Sino–Japanese relationship is vital for the stability of the region. Their relationship also has a direct bearing on Australia's interests in the region. China is fast becoming one of Australia's major trading allies with political and cultural ties also strengthening. Japan is one of Australia's most important and long-standing partners in the region with not only close economic links, but shared regional strategic interests. Australia would therefore like to see both countries maintain friendly relations.

8.56 There are, however, some deep-seated disagreements between China and Japan which flare from time to time giving rise to acrimonious outbursts and a failure to support each other. The committee supports Australia's current stand that the arguments are between China and Japan and that it should not interfere. Even so, the committee believes that Australia has a role to encourage both countries to actively engage in regional fora where they can meet and discuss matters in an environment conducive to the resolution of problems.





# Chapter 9

## China and the North Korean nuclear issue

9.1 This chapter examines China's recent role in multilateral efforts to disarm North Korea of its nuclear weapons program. U.S.–North Korean tensions have placed China in a difficult situation. Its long-time support for the North Korean regime and non-interventionist approach to diplomacy has had to be balanced with an increasingly cooperative relationship with the U.S. and a common desire for regional peace and stability. The issue has demonstrated China's skill and persistence in bringing Washington and Pyongyang to the negotiating table and finding common ground.

### *Background*

#### *North Korea and China*

9.2 North Korea—officially the Democratic People's Republic of Korea (DPRK)—is one of the few remaining communist states. It is the world's most militarised nation relative to population size.<sup>1</sup> In 2003, an estimated 1.14 million North Koreans were in active forces, with 7.45 million in reserves, from a population of 22.2 million.<sup>2</sup> With a faltering economy and widespread shortages of basic staples and energy supplies, North Korea relies crucially on aid from China.<sup>3</sup> China is the DPRK's largest trading partner and its biggest financial and diplomatic supporter.<sup>4</sup> North Korea has often viewed international humanitarian aid as a threat to its dogmatic policy of *Juche* or self reliance (see paragraph 9.54).

9.3 The DPRK and the People's Republic of China have enjoyed friendly relations since the establishment of diplomatic ties in 1949.<sup>5</sup> During the Korean War (1950–1953), China intervened to protect the Pyongyang regime and in 1961, the countries

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1 See 'North Korean Military Resource Page', *Military History*, <http://www.militaryhistory.about.com/od/northkorea> (accessed 1 March 2006).

2 Reuters, cited in 'A North Korean snapshot', the *Age*, 26 April 2003, p. 13. North Korea's current population is estimated at 22.9 million. See 'Country Profile: North Korea', *BBC World News*, [http://news.bbc.co.uk/1/hi/world/asia-pacific/country\\_profiles/1131421.stm](http://news.bbc.co.uk/1/hi/world/asia-pacific/country_profiles/1131421.stm), (accessed 13 December 2005).

3 Aid from the former Soviet Union ceased in 1991.

4 Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, *China's Foreign Affairs 2005*, World Affairs Press, 2005, p. 137; C. Armitage, 'Beijing feels the heat', the *Australian*, 14 January 2003.

5 The DPRK was established on 9 September 1948. The People's Republic of China was established a year later on 1 October 1949.

signed the *Treaty of Friendship, Cooperation and Mutual Assistance*.<sup>6</sup> Article 1 of the Treaty states that 'the Contracting Parties will continue to make every effort to safeguard the peace of Asia and the world and the security of all peoples'. However, Article 2 states:

In the event of one of the Contracting Parties being subjected to the armed attack by any state or several states jointly and thus being involved in a state of war, the other Contracting Party shall immediately render military and other assistance by all means at its disposal.<sup>7</sup>

9.4 This article has attracted recent attention in the context of a pre-emptive U.S. attack on North Korea. It is unclear, however, as to whether China would intervene directly in this event.<sup>8</sup> China has traditionally been reluctant to deal with the international community on security issues relating directly to North Korea. Notably, in 1993–94 it abstained from multilateral efforts to achieve a resolution on North Korea's nuclear disarmament.<sup>9</sup> In 1999, China's Premier Zhu Rongji insisted: 'North Korea is a sovereign nation, and it is nothing to do with us whether North Korea develops guided missiles or nuclear weapons'.<sup>10</sup>

9.5 Since the September 2001 terrorist attacks, however, China has increased its support for the U.S. (see chapter 4). China gave unconditional support to the U.S. war in Afghanistan and voted in favour of anti-terrorist resolutions in the UN Security Council. It has also been increasingly apprehensive about North Korea's nuclear ambitions. Since 2002, the Chinese leadership has faced mounting pressure from the U.S. to become involved in multilateral discussions with North Korea on the imperative of Pyongyang's nuclear disarmament. China and the U.S. have a common concern for regional peace and stability, which has 'conveniently created a synergy between the two countries'.<sup>11</sup>

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- 6 Dr Frank Frost, 'Directions in China's foreign relations—implications for East Asia and Australia', Research Brief no. 9, *Parliamentary Library*, 5 December 2005, p. 42. The end of the Korean War and the death of Soviet leader Joseph Stalin in 1953 led to a thawing of relations between the DPRK and the Soviet Union and a move towards the DPRK's policy of self-reliance.
- 7 The text of the Treaty is available at: <http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/docs/19610711.T1E.html> (accessed 15 December 2005).
- 8 See Ms Anne Wu, 'What China whispers to North Korea', *The Washington Quarterly*, vol. 28, no. 2, pp. 36 and 42.
- 9 Dr Frank Frost, 'Directions in China's foreign relations—implications for East Asia and Australia', Research Brief, no. 9, *Parliamentary Library*, 5 December 2005, p. 42.
- 10 Dr Frank Frost, 'Directions in China's foreign relations—implications for East Asia and Australia', Research Brief no. 9, *Parliamentary Library*, 5 December 2005, p. 42. See Zhu Feng, 'China's policy on the North Korean nuclear issue', *China Strategy*, (Center for Strategic and International Studies, Washington DC), vol 3, 20 July 2004, p. 5.
- 11 See Anne Wu, 'What China whispers to North Korea', *The Washington Quarterly*, vol. 28, no. 2, p. 39.

9.6 However, China differs from the U.S. over the nature of, and response to, the problems that North Korea poses. It has rejected the use of sanctions against North Korea, preferring instead to strengthen aid and trade ties. Under Kim Jong Il's presidency (1997–), North Korea has remained deeply committed to its Stalinist philosophy and policy of self-reliance. It is suspicious of China's controlled market economy.<sup>12</sup> Nonetheless, China continues to encourage two-way trade and bilateral economic cooperation as a basis for 'friendship, mutual benefit and common development'.<sup>13</sup>

#### *The 1994 Agreed Framework and U.S.–North Korean tensions*

9.7 U.S.–North Korean nuclear tensions have been simmering for more than a decade. The Clinton administration had opted for a direct bilateral approach to gain North Korea's consent to halt its nuclear program. In 1994, the U.S. and North Korea signed the *Agreed Framework*. Under the terms of the Framework, Pyongyang would shut down its plutonium facilities and accept enhanced monitoring by the International Atomic Energy Agency (IAEA). In return, the U.S. would provide North Korea with a package of economic, diplomatic and energy-related benefits.<sup>14</sup>

9.8 In June 2001, six months into President George W. Bush's first term, the U.S. revised its policy on North Korea.<sup>15</sup> The President promised further to lift sanctions and increase assistance for North Korea if Pyongyang agreed to:

- start to take serious, verifiable steps to reduce the conventional weapons threat to South Korea;
- improve implementation of the 1994 *Agreed Framework*; and
- constrain its missile exports.<sup>16</sup>

9.9 Following the attacks on New York and Washington in September 2001, President Bush's 2002 *State of the Union* address identified North Korea as 'a regime

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12 Kim Jong Il's father, Kim Il-sung, was the DPRK's first leader (1948–1994). Kim Jong Il assumed the presidency and leadership of the Korean Workers' Party in 1997.

13 Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, *China's Foreign Affairs 2005*, World Affairs Press, 2005, p. 137.

14 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 2.

15 All references to 'President Bush' and 'the U.S. government' in this chapter relate to the incumbent US President, George W. Bush.

16 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 1.

arming with missiles and weapons of mass destruction, while starving its citizens'.<sup>17</sup> The President's speech asserted that Iraq, Iran and North Korea formed an 'axis of evil'. Both the U.S. and South Korea fear that North Korea may miscalculate and attack South Korea in the belief it can acquire permanent advantage.<sup>18</sup> The U.S. has similar fears about miscalculation with regard to China's relations with Taiwan (see Chapter 7).

9.10 On the one hand, China was concerned at President Bush's 'axis of evil' rhetoric. The Foreign Ministry stated shortly after the *State of the Union* address: '[the] consequences will be very serious if [the United States] proceeds with this kind of logic'.<sup>19</sup> On the other hand, China supported the U.S. government's approach to engage Pyongyang in multilateral, rather than bilateral, negotiations.<sup>20</sup>

9.11 The multilateral efforts to resolve the North Korean nuclear issue can be divided into seven key stages:

- the October 2002 visit of U.S. Assistant Secretary of State Mr James Kelly to Pyongyang;
- the April 2003 talks between North Korea, the U.S. and China;
- the first Six-Party talks in August 2003 between North Korea, the U.S., China, South Korea, Russia and Japan;
- the second Six-Party talks in February 2004;
- the third Six-Party talks in June 2004;
- the fourth Six-Party talks in July 2005, culminating in the September 2005 disarmament pact; and
- the fifth round of Six-Party talks in Beijing in November 2005.

All five rounds of the Six-Party talks to date were hosted by China in Beijing. The remainder of this chapter looks at China's participation in each of these stages.

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17 President George W. Bush, *State of the Union Address*, 29 January 2002, <http://www.whitehouse.gov/news/releases/2002/01/20020129-11.html> (accessed 29 November 2005).

18 For a discussion of the South Korean position, see David Reese, 'North Korea: Anatomy of a rogue state', in Maria Vicziany, David Wright-Neville and Peter Lentini (eds), *Regional Security in the Asia Pacific: 9/11 and After*, (Cheltenham: Edward Elgar, 2004), pp. 256–259.

19 K. Quan, Foreign Ministry briefing, 5 February 2002, cited in Anne Wu, 'What China whispers to North Korea', *Washington Quarterly*, vol. 28, no. 2, p. 40.

20 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 2.

### ***North Korea's admission of nuclear rearmament***

9.12 On 25 October 2002, North Korea admitted it was trying to produce highly enriched uranium in violation of the terms of the 1994 *Agreed Framework* (see paragraph 9.7). At the same time, the U.S. Defence Department announced its intent to resume military talks with China, citing China's vitally important role in bringing a peaceful end to the North Korean nuclear issue.<sup>21</sup>

9.13 In November 2002, the U.S. successfully persuaded the Korean Peninsula Development Organization to cease oil shipments to North Korea. These shipments had been a core U.S. responsibility under the terms of the *Agreed Framework*. The following month, North Korea expelled IAEA officials from its Yongbyon nuclear plant.<sup>22</sup> On 10 January 2003, North Korea became the only nation to withdraw from the nuclear non-proliferation treaty (NPT) following U.S. accusations that it was conducting a uranium enrichment effort to make bombs.<sup>23</sup> In withdrawing from the NPT, Pyongyang was seeking U.S. recognition of North Korea as a nuclear state and to have one-to-one talks with the U.S. on the issue.<sup>24</sup> However, its public statements made no reference to using these weapons.<sup>25</sup>

9.14 The U.S. was unwilling to hold bilateral talks with North Korea. Shortly after Pyongyang's 10 January announcement, U.S. President George Bush stressed the importance of a peaceful multilateral resolution:

What this nation [the U.S.] will do is use this as an opportunity to bring the Chinese and the Russians and the Japanese and the South Koreans to the table to solve this problem peacefully.<sup>26</sup>

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21 BBC News World Edition, 'Jiang and Bush start Texas summit', 25 October 2002, <http://news.bbc.co.uk/2/hi/asia-pacific/2355797.stm> (accessed 6 January 2005).

22 This reactor had been abandoned in 1994 as part of the *Framework Agreement* with the U.S. In return, North Korea was supplied with fuel water, two light-water reactors and economic aid.

23 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 1.

24 Korean Central News Agency of DPRK, Statement of DPRK Government on its withdrawal from NPT, 11 January 2003, <http://www.kcna.co.jp/index-e.htm> (accessed 6 January 2006). See also Stephen Lunn and Roy Eccleston, 'N Korea to talk with US and China', the *Australian*, 17 April 2003, p. 10.

25 Henry Sokolski and Victor Gilinsky, 'Northern Exposure', *Weekend Australian*, 18 January 2003, p. 21. This article was reproduced for the *Weekly Standard*. Henry Sokolski is executive director of the Washington-based Non-proliferation Policy Education Centre. Victor Gilinsky is an energy consultant and former member of the U.S. Nuclear Regulatory Commission.

26 U.S. Department of State, 'Remarks by President Bush and Polish President Kwasniewski During Photo Opportunity', 14 January 2003, <http://warsaw.usembassy.gov/poland/011503b.html> (accessed 6 January 2006).

9.15 As North Korea's most important ally and the principal source of outside aid, China is a vital player in efforts to resolve peacefully the North Korean nuclear issue. Australia regards China as a key intermediary in persuading North Korea to participate in nuclear disarmament talks. On 13 February 2003, the Australian Foreign Affairs Minister, the Hon Alexander Downer, acknowledged China as 'a most important influence on North Korea, especially in terms of Chinese access to North Korean leader Kim Jong Il'.<sup>27</sup> On 3 April, Minister Downer recognised that China was making 'a substantial effort to try to persuade the North Koreans...to engage in a multilateral dialogue...'<sup>28</sup>

### ***China's entry into the multilateral dialogue***

9.16 Beginning in March 2003, Hu Jintao's Presidency has strongly advocated a multilateral approach to the U.S.–North Korean impasse. The U.S. Library of Congress explained China's motivation in the following terms:

Beijing reportedly fears the profoundly destabilizing effects of either a robust nuclear-armed North Korea, which could set off an arms race in the region, or the collapse of the regime, which could send thousands of refugees over the border into China.<sup>29</sup>

9.17 An arms race in East Asia would leave China surrounded by nuclear powers. Russia, India and Pakistan already have nuclear weapons programs: both Japan and Taiwan are widely believed to have the capacity to develop nuclear weapons quickly.<sup>30</sup> China's strategy to avert an arms race has been to resist coercive measures that may unnecessarily provoke Pyongyang. In July 2003, for example, China voted against a proposed Security Council resolution condemning North Korea's nuclear program and withdrawal from the NPT. China reasons that a patient, cooperative attitude to Pyongyang offers the best prospect for the DPRK's full disarmament and thereby defusing the region's nuclear ambitions.<sup>31</sup> It has refused U.S. calls to use

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27 The Hon. Alexander Downer MP, 'Dealing with North Korea', *Korea 're-examined' conference dinner*, University of Sydney, 13 February 2003, p. 8.

28 The Hon. Alexander Downer MP, *Press Conference*, Washington, 3 April 2003. See also H. McDonald, 'China turns up heat on North Korea as it warns UN not to be hasty', *Sydney Morning Herald*, 9 April 2003, p. 10.

29 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 3. The China–North Korean border is over 1,000 kilometres long.

30 See Anne Wu, 'What China whispers to North Korea', *Washington Quarterly*, vol. 28, no. 2, p. 38.

31 While this is certainly the approach of the Chinese government, Professor Yiwei Wang from Fudan University (PRC) notes: '[T]here are huge gaps between the government and civil society, seniors and juniors, elites and the masses, and even between different departments and regions of China'. He notes that most 'ordinary Chinese' think that solving the North Korean nuclear issue is not China's business and that 'China just wants to do a favor for the U.S.' Professor Yiwei Wang, 'China's role in dealing with the North Korean Nuclear issue', *Korea Observer*, vol. 36, no. 3, Autumn 2005, pp. 471–472.

sanctions to pressure North Korea to participate in the multilateral process.<sup>32</sup> Beijing's preferred option for encouraging North Korean involvement in the talks was to increase its aid of food, money and oil.

9.18 China's formal entry into the multilateral dialogue on the North Korean nuclear issue began in Beijing in April 2003 with three-way talks between Chinese, U.S. and North Korean officials. Minister Downer strongly supported the meeting, stating: 'we now hope that a multilateral forum will evolve from these initial three-party talks'.<sup>33</sup> A press statement from the U.S. Department of State shortly before the talks acknowledged: '[w]e appreciate China's efforts to achieve the international community's shared goal of a peaceful and stable Korean Peninsula free of nuclear weapons'.<sup>34</sup> Moreover, the Chinese government's preparedness to arrange and host the talks reflected its eagerness to use dialogue, rather than sanctions, as a means to exert greater pressure on North Korea. The talks were successful to the extent that the parties displayed a willingness to negotiate and agreed to keep channels open for further discussions. The *Australian Financial Review* wrote:

The Beijing talks provided a form of accommodation that was acceptable to both sides. The important factor was China's pivotal role. It is North Korea's prop, providing it with energy, food and other resources it needs to survive in the absence of a tradeable output or a viable domestic economy.<sup>35</sup>

9.19 Following the April talks, the *Economist* noted that North Korea had 'appeared remarkably cavalier in its dealings with its chief economic benefactor in the last few months'.<sup>36</sup> For instance, it had failed to consult China before telling the U.S. in 2002 that it had a uranium-enrichment program.<sup>37</sup> The *Economist* highlighted the significance of China's involvement in the trilateral talks, but saw them as a second-best option for the U.S.:

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32 In March 2003, U.S. National Security Adviser, Dr Condoleezza Rice, had suggested the option of an oil pipeline shut down to Beijing. In late April 2005, a senior U.S. envoy asked Chinese officials to cut off North Korea's supply of oil as a way of pressuring Pyongyang to return to disarmament talks. It was reported that U.S. officials had explained that China rejected this idea, citing the damage it would cause to the pipeline. Glenn Kessler, 'China rejected US suggestion to cut oil off to pressure North Korea', *Washington Post*, 7 May 2005, p. A11, <http://www.washingtonpost.com/wp-dyn/content/article/2005/05/06/AR2005050601623.html> (accessed 1 December 2005).

33 The Hon. Alexander Downer MP, 'Australia welcomes three-party talks on North Korea', *Media Release*, 17 April 2003.

34 Richard Boucher, 'Multilateral talks in Beijing', *Press Statement, U.S. Department of State*, 21 April 2003, <http://www.state.gov/r/pa/prs/ps/2003/19780.htm> (accessed 1 March 2006).

35 'Beijing's role in shaping N Korea', *Australian Financial Review*, 30 April 2003, p. 62.

36 'Desperate straits', *The Economist*, 3 May 2003, p. 26.

37 *The Economist*, 'The China syndrome', reprinted in the *Australian*, 5 May 2003.



Suspicious that North Korea would simply use talks to buy more time to build more weapons, and determined that other countries with an interest in the nuclear issue be involved in keeping North Korea to any future deal, Washington had at first insisted that South Korea and Japan have a seat at any talks too. The tripartite discussions in Beijing involving China, the closest North Korea has to a friend, were a face-saving formula. They were also a breakthrough, since China has in the past shied away from any hint of pressure on North Korea...<sup>38</sup>

### ***The first round of Six-Party talks—August 2003***

9.20 The first Six-Party talks took place on 27–29 August 2003. The new participants were South Korea, Japan and Russia. During the talks the U.S. set down its demand that North Korea commit to 'complete, verifiable, irreversible dismantlement' of its nuclear programs. North Korean delegate Kim Yong Il stated that the DPRK would continue to develop a nuclear deterrent unless the U.S. agreed to a non-aggression treaty.<sup>39</sup> Although a written joint statement was not achieved, the talks did establish agreement:

- to resolve the issue through peaceful means and dialogue;
- that the security concerns of North Korea should be taken into consideration;
- to explore an overall plan to resolve the nuclear issue in a just and reasonable manner and in a simultaneous and incremental way;
- that in the process of negotiations, any action or word that may aggravate the situation should be avoided;
- that dialogue should continue to establish trust, reduce differences and broaden common ground; and
- that the Six-Party talks should continue and the specific date and venue should be decided through diplomatic channels as soon as possible.<sup>40</sup>

9.21 China strongly supported these objectives. However, the Chinese Ministry of Foreign Affairs conceded it was 'fully aware of the complexity of the [North Korean]

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38 The *Economist*, 'Beijing holds aces in a high-stakes game', reprinted in the *Australian*, 5 May 2003.

39 'China and the North Korean Nuclear and Missile Issues—Statements and Developments', *Nuclear Threat Initiative*, <http://www.nti.org/db/china/koreachr.htm> (accessed 27 November 2005).

40 'China and the North Korean Nuclear and Missile Issues—Statements and Developments', *Nuclear Threat Initiative*, <http://www.nti.org/db/china/koreachr.htm> (accessed 27 November 2005).



question and the difficulties and twists in-between'.<sup>41</sup> Many attributed the summit's shortcomings to a breakdown in the U.S.–North Korea relationship.<sup>42</sup>

9.22 In early October 2003, North Korea's Vice Foreign Minister Mr Choe Su-hon declared to the United Nations that it had resumed the operation of a five megawatt nuclear reactor in Yongbyon and had processed 8,000 steel rods to provide plutonium for nuclear weapon development.<sup>43</sup> North Korea noted that it had no plans to export these weapons, only to use them in defence against U.S. aggression. The U.S. continued to reject Pyongyang's demands for a non-aggression pact. However, on 20 October, President Bush offered China's President Hu Jintao a five nation security guarantee that would include North Korea if it dismantled its nuclear weapons programs. The U.S. Secretary of State, Colin Powell, commented: 'we will be fleshing out these ideas with our partners in the Six-Party framework and pursuing them with the North Koreans'.<sup>44</sup>

### ***The second round of Six-Party talks—February 2004***

9.23 The second round of Six-Party talks was held in Beijing from 25–28 February 2004. In the lead-up to the second round of talks, China had cast doubt on whether North Korea had a program to enrich uranium for use in nuclear weapons, thereby undermining the U.S. demand of complete nuclear dismantlement.<sup>45</sup> Some commentators agreed with China's view, notwithstanding U.S. officials' concern that Beijing's position was weakening their demands.<sup>46</sup> The *Washington Post* reported a month before the talks that 'Chinese and U.S. aims appear to be diverging'.<sup>47</sup> Days

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41 Foreign Ministry Spokesman, *Press Conference*, 2 September 2003. See 'China and the North Korean Nuclear and Missile Issues—Statements and Developments', *Nuclear Threat Initiative*, <http://www.nti.org/db/china/koreachr.htm> (accessed 27 November 2005).

42 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 2.

43 See the comments of James Kelly, Assistant Secretary of State for East Asian and Pacific Affairs, *North Korea: Towards a New International Engagement Framework*, Remarks to The Research Conference, Washington DC, February 13, 2004, <http://www.acronym.org.uk/docs/0402/doc26.htm> (accessed 6 January 2006). See also Stephen Lunn, 'North Korea declares: we've got N bombs', the *Australian*, 3 October 2003, p. 1.

44 Colin Powell, Remarks at APEC CEO Summit, Shangri-La Hotel, Bangkok, 20 October 2003, <http://bangkok.usembassy.gov//apec2003/remarkspowell102003.htm> (accessed 6 January 2006).

45 Glenn Kessler, 'China questions US claims about Korean nuclear threat', *Sydney Morning Herald*, 8 January 2004, p. 7. The article was reproduced from *The Washington Post*. See also Selig Harrison, 'Crafting Intelligence: Iraq, North Korea and the Road to War', *Japan Focus*, <http://www.japanfocus.org/article.asp?id=229> (accessed 1 March 2006).

46 See for example Selig Harrison, 'Did North Korea Cheat?', *Foreign Affairs*, January 2005, <http://www.foreignaffairs.org/20050101faessay84109/selig-s-harrison/did-north-korea-cheat.html> (accessed 1 March 2006).

47 Glenn Kessler, 'China questions US claims about Korean nuclear threat', *Sydney Morning Herald*, 8 January 2004, p. 7. The article was reproduced from the *Washington Post*.

before the talks, there were reports that foreign countries were restricting aid donations to North Korea amid concern of Pyongyang's nuclear program.<sup>48</sup>

9.24 The North Korean delegates arrived in Beijing insisting that compensation must precede any freeze of its nuclear program. The U.S. continued to insist that North Korea commit to 'complete, verifiable, irreversible dismantlement' of its nuclear programs. Again, however, the Six-Party talks failed to reach written agreement on the basic aim of peacefully resolving the issue. The only point of consensus was the broad 'commitment to a nuclear weapons-free Korean peninsula'.<sup>49</sup>

9.25 North Korea denied U.S. allegations that it had a highly enriched uranium processing program. It also disagreed with the U.S. on the issue of complete dismantlement, arguing that some nuclear facilities were needed for electricity generation. To this end, North Korean officials distinguished between civilian and military nuclear programs, claiming only to have offered to freeze its nuclear arms programs.<sup>50</sup>

9.26 Although the U.S. was reportedly disappointed with the lack of progress on the multilateral front, it claimed that Pyongyang was more isolated than ever.<sup>51</sup> This isolation advanced the 'five versus one' situation often referred to by U.S. officials as a basis for the participation of China, South Korea, Japan and Russia in sanctions against North Korea.<sup>52</sup> China's Chief Delegate, Vice Foreign Minister Mr Wang Li, referred to the 'extreme lack of trust' between the two parties.<sup>53</sup>

### ***The third round of Six Party talks—June 2004***

9.27 The third round of Six-Party talks was held in Beijing from 23–26 June 2004. It was marked by an emergency meeting between North Korea and China concerning Pyongyang's threat to test a nuclear device. Once again, no progress was made on the key issue of complete, verifiable and irreversible dismantlement of North Korea's nuclear program. The U.S. did, however, make its first comprehensive proposal for

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48 Hamish McDonald, 'Millions in North Korea face starvation rations as aid dries up', the *Age*, 10 February 2004, p. 8.

49 'Official statements for second round of Six-Party talks', *DPRK Briefing Book*, accessed from Nautilus Institute website, <http://www.nautilus.org/DPRKBriefingBook/multilateralTalks/sixpartytalks2.html#top> (accessed 1 March 2006).

50 Catherine Armitage, 'N Korea nuclear talks end in limbo', the *Australian*, 1 March 2004, p. 12.

51 Hamish McDonald, 'Pyongyang resists US nuclear demands', the *Age*, 1 March 2004, p. 9. The comment was made by an unnamed senior US delegate, who spoke to reporters on condition of anonymity.

52 See Larry Nicksch, 'North Korea's Nuclear Weapons Program', *CRS Issue Brief for Congress*, 17 January 2006, p. 6, <http://www.fas.org/sgp/crs/nuke/IB91141.pdf> (accessed 3 March 2006).

53 'Six-Party Talks End, US Saying "Successful"', *China People's Daily*, 29 February 2004, [http://english.people.com.cn/200402/29/eng20040229\\_136143.shtml](http://english.people.com.cn/200402/29/eng20040229_136143.shtml) (accessed 6 January 2006).

dismantlement. It called for Pyongyang to declare its nuclear facilities and materials, suspend their operation, allow IAEA officials to return and negotiate steps to be taken in dismantlement.<sup>54</sup> In return, North Korea would receive Japanese and South Korean oil and a multilateral guarantee that the U.S. would not attack.<sup>55</sup> On 24 July 2004, North Korea's Foreign Ministry described the U.S. plan as a 'sham offer'. The Ministry stated that its proposal for eventual disarmament was based on 'reward for freeze'.<sup>56</sup>

9.28 The lack of progress at the June 2004 talks was attributed to both Pyongyang's intransigence and inflexibility by Washington.<sup>57</sup> Part of the blame was directed at the U.S. Secretary of Defense and the Vice President, and non-proliferation specialists in the U.S. State Department and the National Security Council.<sup>58</sup> Their approach was to isolate North Korea economically and diplomatically and oppose any negotiations with or concessions to North Korea. Another U.S. faction of East Asia experts within the State Department and the NSC favoured negotiations before more coercive methods.<sup>59</sup> The presentation of a plan at the June 2004 talks suggests that this faction was exerting some influence. As the Australian Foreign Minister, Alexander Downer, noted in July 2004, 'the Americans have been more constructive in that they came to the last round of six-party talks and put forward the bare bones of some sort of a deal...'<sup>60</sup>

9.29 Chinese efforts to resolve the nuclear issue continued in the ensuing months. In July 2004, Professor Zhu Feng of the University of Beijing commented:

Never in the diplomatic history of the People's Republic of China (PRC) has the country been so deeply or extensively involved in a controversial regional issue to which it was not a direct party.<sup>61</sup>

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- 54 Larry Nicksch, 'North Korea's Nuclear Weapons Program', *CRS Issue Brief for Congress*, 17 January 2006, p. 1, <http://www.fas.org/sgp/crs/nuke/IB91141.pdf> (accessed 3 March 2006).
- 55 Larry Nicksch, 'North Korea's Nuclear Weapons Program', *CRS Issue Brief for Congress*, 17 January 2006, p. 1, <http://www.fas.org/sgp/crs/nuke/IB91141.pdf> (accessed 3 March 2006).
- 56 'DPRK Foreign Ministry dismisses U.S. proposal', *Korean Central News Agency of DPRK*, 24 July 2004, <http://www.kcna.co.jp/index-e.htm> (accessed 3 March 2006).
- 57 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 4.
- 58 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 4.
- 59 Mark Manyin, Emma Chanlett-Avery and Helene Marchart, 'North Korea: A Chronology of Events, October 2002–December 2004', *Congressional Research Service report for Congress*, 24 January 2005, p. 4.
- 60 The Hon. Alexander Downer MP, *Jakarta Doorstop*, 1 July 2004, [http://www.foreignminister.gov.au/transcripts/2004/040701\\_jak.html](http://www.foreignminister.gov.au/transcripts/2004/040701_jak.html) (accessed 6 January 2006).
- 61 Zhu Feng, 'China's policy on the North Korean nuclear issue', *China Strategy*, (Center for Strategic and International Studies, Washington DC), vol. 3, 20 July 2004, p. 5.

9.30 In August 2004, Mr Downer attended talks in Pyongyang with the North Korean President and Foreign Minister. He stressed that the nuclear issue was of major concern for the international community at large: 'it is not just an issue between the DPRK and the United States'.<sup>62</sup> He also highlighted the common elements in the packages proposed by Washington and Pyongyang such as a nuclear freeze and eventual dismantlement, assistance, a security guarantee and the lifting of sanctions.<sup>63</sup> However, a spokesman for the DPRK Ministry of Foreign Affairs stated:

Given that the nuclear issue between the DPRK and the U.S. was spawned by the latter's extremely hostile policy toward the former, the U.S. should begin the work to find a solution to the issue with dropping its hostile policy toward the DPRK...It is clear that there would be nothing to expect even if the DPRK sits at the negotiating table with the U.S. under the present situation.<sup>64</sup>

9.31 North Korea boycotted the round of Six-Party talks planned for September 2004. China sent several top officials to Pyongyang in an effort to persuade North Korea to attend, but their efforts were unsuccessful. China continued its strategy of downplaying North Korea's nuclear activities and focused instead on the need to rebuild the U.S.–DPRK relationship. In late September, the Chinese Foreign Minister Li Zhaoxing publicly questioned claims made by North Korean Vice Foreign Minister Choe that his country had turned its plutonium into nuclear weapons.<sup>65</sup> Mr Li blamed the breakdown of the proposed fourth round of Six-Party talks—scheduled for September 2004—on the 'exceptional mutual lack of trust between the DPRK and the United States'.<sup>66</sup> Other commentators attributed the boycott to Pyongyang's belief that a Democrat victory in the November U.S. Presidential election may provide it with greater flexibility in the negotiations.<sup>67</sup> As for Sino–U.S. relations, Secretary of State

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62 The Hon. Alexander Downer MP, *Pyongyang Doorstop*, 18 August 2004, p. 1.

63 The Hon. Alexander Downer MP, *Pyongyang Doorstop*, 18 August 2004, p. 2.

64 'Spokesman for DPRK Foreign Ministry on Prospect of Six-Party talks', *Korean Central News Agency of DPRK*, 16 August 2004, <http://www.kcna.co.jp/index-e.htm> (accessed 20 December 2005).

65 Reuters, 'Chinese Minister doubtful on N. Korea nuclear claim', 29 September 2004, accessed from Nautilus Institute website, <http://www.nautilus.org/napsnet/dr/0409/SEPT2904.html> (accessed 6 January 2006). Mr Li commented: 'The official news I've got from the DPRK side seems not to be exactly the same as what you have heard about.'

66 Reuters, 'Chinese Minister doubtful on N. Korea nuclear claim', 29 September 2004, accessed from Nautilus Institute website, <http://www.nautilus.org/napsnet/dr/0409/SEPT2904.html> (accessed 6 January 2006).

67 See Peter Alford, 'Stalemate on N Korea talks tipped to break after US elections', the *Australian*, 12 October 2004, p. 8. The article quoted an unnamed official as stating that North Korea 'always tries for maximum flexibility of manoeuvre'. Pyongyang denied it was waiting for the U.S. election outcome stating: 'Who will become a next U.S. president is the Americans' interest. It has nothing to do with the DPRK'. 'Spokesman for DPRK Foreign Ministry on Prospect of Six-Party talks', *Korean Central News Agency of DPRK*, 16 August 2004.

Powell commented shortly after President Bush's re-election that they were the best they had been in more than 30 years.<sup>68</sup>

9.32 On 10 February 2005, Pyongyang declared it was a 'full-fledged nuclear weapons state' and suspended its participation in the Six-Party talks.<sup>69</sup> It demanded that future talks must prioritise a significant reduction of U.S. military power in and around the peninsula, and announced its intention to remove fuel rods for the production of nuclear weapons-grade plutonium.<sup>70</sup>

9.33 China's concern, however, was to ensure that Pyongyang returned quickly to the negotiating table. It was reported that Mr Yang Xiyu, a senior Chinese Foreign Ministry official, had told journalists that President Bush's reference to Kim Jong Il as a 'tyrant' in April 2005 had 'destroyed the atmosphere for negotiations'.<sup>71</sup> It is significant that China was the only nation to continue high-level direct contacts with the North Korean leadership in the months following the February statement.<sup>72</sup> It was partly China's influence that led to the U.S. and North Korea meeting bilaterally as part of the July 2005 Six-Party talks.

#### ***The fourth round of Six Party talks—July 2005***

9.34 The opening of a new round of Six-Party talks on 26 July 2005 began with conciliatory rhetoric from both the U.S. and North Korea. Pyongyang emphasised its determination to denuclearise the peninsula: Washington affirmed its acceptance of North Korea's sovereignty and hinted that immediate regime change was not imperative.<sup>73</sup> For China, these were encouraging signs. Throughout the process of the multilateral talks, it had urged the U.S. to soften its language and North Korea to return to the negotiating table. Both objectives were now realised.

9.35 On the first day of discussions, the U.S. assured North Korea that it would not attack, thereby meeting Pyongyang's demand for an assurance of non-aggression.

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68 Colin Powell, interview by Maria Bartiromo, *Wall Street Journal Report*, CNBC, November 12 2004.

69 See 'N Korea's statement in full', *BBC World News*, <http://news.bbc.co.uk/2/hi/asia-pacific/4252515.stm> (accessed 9 December 2005).

70 Larry Niksch, 'Korea: US–Korean Relations—Issues for Congress', *The Library of Congress*, 16 June 2005, p. 1.

71 See Joseph Kahn, 'China says U.S. impeded North Korea arms talk', *New York Times*, 13 May 2005.

72 Professor Gennady Chufirin, 'The North Korean Nuclear Crisis', *Social Science Research Council*, <http://northkorea.ssrc.org/Chufirin/> (accessed 9 December 2005). Professor Chufirin notes a brief meeting between the head of the North Korean Parliament, Kim Jong-Nam, and the Prime Minister of South Korea, Lee Hae-Chan, during the Asia–Africa summit in Jakarta in April 2005.

73 Christopher Hill, *US Opening Statement at Fourth round of Six-Party talks*, 26 July 2005, <http://usinfo.state.gov/eap/Archive/2005/Aug/03-391434.html> (accessed 5 January 2006).



However, North Korea disagreed with U.S. demands that its complete, verifiable and permanent dismantlement of nuclear weapons must precede aid and security guarantees.<sup>74</sup> The other point of disagreement was the definition of 'denuclearisation'. North Korea insisted that U.S. nuclear weapons must be removed from South Korea. The U.S. and South Korea insisted these weapons had been removed three years earlier.<sup>75</sup>

9.36 It was China that initiated progress at the talks by drafting a proposed agreement on broad principles for ending North Korea's nuclear weapons program. The U.S. supported the various drafts. On 29 July 2005, the chief U.S. envoy to the talks, Mr Christopher Hill noted: 'we give a lot of credit to the Chinese for putting this all together'.<sup>76</sup> Later, he praised China for 'really trying to push to get to resolution of this round...I think the Chinese side has done a very good job of trying to meet various needs'.<sup>77</sup> The *New York Times* noted of Mr Hill:

He regularly complimented his 'Chinese hosts' and spoke of the draft joint statement as the 'Chinese draft text'. Not only did this play to China's desire to be seen as an international diplomatic player, but it also placed implicit pressure on North Korea, since the draft under consideration was a 'Chinese text', not an American one.<sup>78</sup>

9.37 Nonetheless, after 13 days the talks failed to secure a statement of principles. The U.S. took issue with North Korea's insistence that the DPRK still had the right to build light-water reactors to generate electricity.<sup>79</sup> It was agreed that talks would recommence on 29 August 2005.

### ***Agreement on disarmament—the September joint statement***

9.38 The Six-Party talks resumed in September 2005. It began with China pressing the parties to allow North Korea to retain a nuclear energy program, including a light-water reactor, in return for the DPRK abandoning its nuclear weapons. This strategy was the basis for the first of six principles in a joint statement signed by the six parties on 19 September 2005. It advanced the 1994 *Agreed Framework* from simply freezing

74 Edward Cody, 'U.S., N. Korea focus on bilateral talks', *Washington Post*, 26 July 2005. The article made reference to an 'unnamed source'.

75 See Jim Yardley and David Sanger, 'U.S. tries a new approach in talks with North Korea', *New York Times*, 27 July 2005. See also the comments of U.S. Secretary of State, Dr Condoleezza Rice, Interview on *The NewsHour with Jim Lehrer*, 28 July 2005, Transcript available at <http://www.state.gov/secretary/rm/2005/50349.htm> (accessed 3 March 2006).

76 Christopher Hill, Transcript, 'Hill reports "encouraging signs" at the Six Party talks', *Washington File*, 29 July 2005.

77 'US lauds China's efforts on North Korea Six-Party talks', Transcript of Assistant Secretary Christopher Hill at Six-Party talks, Regis Hotel, *usinfo.state.gov*, 3 August 2005.

78 Jim Yardley, 'US and North Korea blame each other for stalemate in talks', *New York Times*, 8 August 2005.

79 Light-water reactors are harder to use for bomb-making than heavy-water types.

North Korea's nuclear program to focussing on its abandonment. The six principles were:

- (i) 'that the goal of the six-party talks is the verifiable denuclearization of the Korean Peninsula in a peaceful manner'. To this end, North Korea committed to abandoning all nuclear weapons and nuclear programs and returning to the NPT and IAEA safeguards. However, it reserved the right to 'peaceful uses of nuclear energy'. The other parties agreed to discuss 'at an appropriate time' the provision of a light-water reactor. The U.S. confirmed it has no nuclear weapons on the Korean Peninsula and has no intention to attack the DPRK;
- (ii) that both North Korea and the U.S. undertake to respect each other's sovereignty and to take steps to normalise their bilateral relationship;
- (iii) that all six parties undertake to promote economic cooperation in the fields of energy, trade and investment, bilaterally and/or multilaterally. China, the U.S., the Republic of South Korea and Russia stated their willingness to provide energy assistance to North Korea;
- (iv) that the six parties committed to 'explore ways and means for promoting security cooperation in northeast Asia';
- (v) that the six parties agreed 'to take coordinated steps to implement the aforementioned consensus in a phased manner in line with the principle of "commitment for commitment, action for action"'; and
- (vi) that the six parties agreed to hold the fifth round of the six party talks in Beijing in early November 2005.<sup>80</sup>

9.39 Several sources praised China for its lead role in framing these principles. The chief U.S. negotiator described the outcome as 'really one of the best examples of multilateral diplomacy in this part of the world'.<sup>81</sup> The *Washington Post* noted:

Although only preliminary, the agreement was a triumph for China, which has undertaken to host and referee the talks on a major Asian security problem. The mission has been a new exercise in leadership for China, emerging as a regional leader after years of standing on the sidelines and preaching non-interference in other countries' affairs.<sup>82</sup>

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80 The transcript of the statement can be found at the U.S. Department of State website at: <http://www.state.gov/r/pa/prs/ps/2005/53490.htm> (accessed 9 December 2005).

81 See 'Disarmament documentation: Six Party talks on North Korea's nuclear program, Selected comment, 13–19 September 2005', *The Acronym Institute*, <http://www.acronym.org.uk/docs/0509/doc06.htm> (accessed 9 December 2005).

82 Edward Cody, 'N Korea vows to quit arms program', *Washington Post Foreign Service*, 19 September 2005.

9.40 Professor Hugh White, Head of the Strategic and Defence Studies Centre at the Australian National University said of the statement: 'It appears to be a huge diplomatic coup for China and a significant softening of the US position'.<sup>83</sup> Professor James Cotton of the Australian Defence Force Academy commented:

This policy represents a major modification of the ambitious Bush axis doctrine. From being implacably opposed two years ago to any form of concession or reward to a recidivist violator of agreements, the US is now prepared to contemplate compensation and diplomatic recognition.<sup>84</sup>

9.41 However, Professor Cotton had reservations about whether the plan would lead to permanent disarmament.<sup>85</sup> He claimed that the plan was essentially a return to the terms of the 1994 *Agreed Framework*, particularly if Pyongyang is granted a light-water reactor. The key test was whether Pyongyang would rejoin the NPT and allow the return of IAEA safeguards.<sup>86</sup>

9.42 Within days, however, the deal seemed to be unravelling. The North Korean Foreign Ministry insisted: 'We will return to the nuclear non-proliferation treaty and sign the safeguards agreement with the International Atomic Energy Agency...upon the U.S. provision of light-water reactors'.<sup>87</sup> Chinese Foreign Ministry spokesman, Mr Qin Gang, explained he 'didn't think the North Koreans misunderstood or misinterpreted the joint statement'.<sup>88</sup> Christopher Hill insisted that 'the North Koreans know precisely what they agreed to'.<sup>89</sup> Others were more damning. Professor Robyn Lim of Nanzan University commented:

North Korea does nothing but lie and cheat. Sure enough Pyongyang is already backing down from Monday's commitment. And the NPT is unravelling.<sup>90</sup>

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83 Professor Hugh White quoted in Catherine Armitage, 'N Korea abandons its nukes', the *Australian*, 20 September 2005, p. 1.

84 Professor James Cotton quoted in Paul Kelly, 'A death knell to the Bush doctrine', the *Australian*, 21 September 2005, p. 12.

85 Professor James Cotton quoted in Geoffrey Barker, 'Peace and Pyongyang prevail', *Australian Financial Review*, 20 September 2005, p. 12.

86 Professor James Cotton quoted in Geoffrey Barker, 'Peace and Pyongyang prevail', *Australian Financial Review*, 20 September 2005, p. 12.

87 Korean Central News Agency of DPRK, 'Spokesman for DPRK Foreign Ministry on Six-Party talks', 21 September 2005, <http://www.kcna.co.jp/index-e.htm> (accessed 5 January 2006).

88 The quote was reported by Kyodo News, <http://home.kyodo.co.jp/modules/fstSpecial01/index.php?cmenuid=19&> (accessed 5 January 2006).

89 Christopher Hill, *Remarks on the Six-Party Peace Talks*, New York, 11 October 2005.

90 Professor Robyn Lim, 'Upping the ante on N-weapons', *Australian Financial Review*, 21 September 2005, p. 63.



9.43 Still, some commentators believe that the enforcement of the six principles will be a test of China's regional leadership. Mr Charles Krauthammer wrote in the *Washington Post* that if the statement of principles holds, 'it will mark China's emergence from an economic and demographic dynamo to a major actor on the world stage, and serious rival to American dominance in the Pacific'. Mr Krauthammer argued that if China can succeed where the U.S. failed, 'it will have shown that the future lies in association with China, with or without the United States'.<sup>91</sup>

9.44 Dr Peter Van Ness from the Australian National University argued that a successful resolution of the North Korean nuclear issue would have significant benefits for all nations with a vested interest in regional security. He told the committee that:

...in my opinion Australia and every other country in the region has a huge stake in the outcome of those six-party talks and has a huge interest in supporting and encouraging a negotiated conclusion to those talks. This is particularly since the talks may in the end...provide the Chinese, and a number of others who are in discussion, a foundation for security institutions in North-East Asia to help maintain and sustain stability, interdependence and collaborative economic development.<sup>92</sup>

9.45 However, while the September statement may have secured a common goal, the strategy for disarmament and compensation has divided the six parties. This was apparent in the fifth round of Six-Party talks from 9–11 November 2005.

#### ***The fifth round of Six-Party talks—November 2005***

9.46 Again, China's negotiators paved the way for the talks with a positive preliminary meeting between Presidents Kim Jong Il and Hu Jintao. Mr Wang Jiarui, the chief of the Chinese Communist Party's international department, observed: '...from my observations we have reason to believe that the fifth round of talks will be on schedule and will lead to results'.<sup>93</sup>

9.47 When the talks began, China's Deputy Foreign Minister, Mr Wu Dawei, appealed for all parties to be flexible in their approach to an implementation plan. China shared South Korea and Russia's preference for allowing further aid before disarmament.<sup>94</sup> China's President Hu had promised more economic cooperation with

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91 Mr Charles Krauthammer, 'China's moment', *Washington Post*, 23 September 2005, p. A23.

92 Dr Peter Van Ness, *Committee Hansard*, 13 September 2005, p. 18.

93 Nuclear Threat Initiative, 'North Korea repeats demand for light-water reactor', 31 October 2005, [http://www.nti.org/d\\_newswire/issues/2005/10/31/ec3dda4d-b88c-4288-a10c-5aa731a3fce9.html](http://www.nti.org/d_newswire/issues/2005/10/31/ec3dda4d-b88c-4288-a10c-5aa731a3fce9.html) (accessed 5 January 2006).

94 See Liu Jianchao, Foreign Ministry Spokesman, *Press Conference*, 8 November 2005, <http://www.fmprc.gov.cn/eng/xwfw/s2510/t220541.htm> (accessed 5 January 2006). See also Peter Wallsten and Tyler Marshall, 'Allies differ on N Korea approach', *Los Angeles Times*, 17 November 2005.

Pyongyang during his meeting with President Kim in October. The South Korean government also stated its enthusiasm for new investment initiatives in North Korea, following the opening of a \$US10 million joint textiles company the previous month.<sup>95</sup> The South Korean National Assembly also approved a doubling of its North Korean aid budget (to \$US2.6 billion) for 2006. In contrast, the U.S. reiterated its position at the talks that a light-water reactor for nuclear energy would not be given to North Korea until it had completely disarmed. Japanese negotiators also took this hard line.<sup>96</sup> According to David Sanger of the *New York Times*, the U.S. government's focus had been to cut off as many of North Korea's sources of revenue as it can.<sup>97</sup> Indeed, there is still a view within Washington that regime change—not unification—is the key to resolving the nuclear issue.<sup>98</sup>

9.48 Shortly after the talks adjourned, North Korea proposed a five-step plan for disarmament. The five stages were to:

- halt plans for nuclear tests;
- ban the export of nuclear technology;
- ban further weapons production;
- dismantle the nuclear program; and

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95 David Sanger, 'US and Seoul share a goal but not a strategy on North Korea', *New York Times*, 17 November 2005. Anthony Faiola, 'N Korea gains aid despite arms standoff', *Washington Post*, 16 November 2005.

96 Japan's relationship with North Korea has been tested by the admission of Kim Jong-il to Japanese Prime Minister Junichiro Koizumi in September 2002 that North Korea had abducted 13 Japanese nationals in the 1970s and 1980s. Five of the thirteen abductees have returned to Japan. Japan rejects North Korea's claims that the other eight are dead and has scientifically disproved Pyongyang's claim that bone fragments it had sent to Japan were the remains of the abductees. The issue has aroused considerable public anger in Japan and led to the Japanese government's suspension of aid shipments to the DPRK in 2004.

In November 2005, Japan's Ministry of Foreign Affairs noted that the UN General Assembly had overwhelmingly passed a resolution—'Situation on human rights in the Democratic People's Republic of Korea (DPRK)'—which referred explicitly to the abduction issue. The Ministry released a statement stipulating: 'Japan strongly hopes that North Korea will seriously accept the message of the international community shown in the resolution and take sincere action toward improving the situation of human rights including the resolution of the abduction issue'. Ministry of Foreign Affairs of Japan, *Statement by the Press Secretary/Director-General for Press and Public Relations, Ministry of Foreign Affairs, on the Adoption of the Resolution on the Situation of Human Rights in the DPRK at the Third Committee, United Nations General Assembly*, <http://www.mofa.go.jp/announce/announce/2005/11/1118.html> (accessed 16 December 2005).

97 David Sanger, 'US and Seoul share a goal but not a strategy on North Korea', *New York Times*, 17 November 2005.

98 See David Sanger, 'US and Seoul share a goal but not a strategy on North Korea', *New York Times*, 17 November 2005. Also, David Rennie, 'Rumsfeld calls for regime change in North Korea', *Daily Telegraph* (UK), 23 April 2003.

- rejoin the NPT and submit to IAEA safeguards.<sup>99</sup>

9.49 North Korea's top negotiator, Deputy Foreign Minister Mr Kim Gye Gwan, emphasised that these steps are conditional on the 'action for action' principle: 'we will act if action is made... We will never move first'.<sup>100</sup> The sequence of disarmament and reward will continue to be the vexed issue in future Six-Party talks. There remain difficult negotiations before any significant steps toward an agreement on nuclear disarmament can be reached. Kim Gye Gwan described the November 2005 talks as:

a beacon guiding the six parties towards progress... But that beacon at present is far away and, moreover, the mist on the ocean is thick and sometimes it blurs the beacon.<sup>101</sup>

9.50 Nonetheless, China's recent influence in Korean Peninsula affairs cannot be doubted. Ms Anne Wu, a visiting fellow at the Kennedy School of Government, wrote in the *Washington Quarterly*:

China has significantly departed from its traditionally low-profile diplomacy in Korean peninsula affairs with an explicit message that North Korea must put an end to its nuclear weapons program. This decisiveness contrasts sharply with Beijing's onlooker approach to the first North Korean crisis...<sup>102</sup>

#### *Committee view*

9.51 The committee recognises China's role in mediating the Six-Party talks. It indicates that China's influence on the world stage is extending beyond trade and into security issues (see also chapter 3). China is rightly concerned at the prospect of social unrest and political instability in bordering North Korea, and at the possibility of a nuclear arms race in the region. For these reasons, the committee emphasises that China's involvement in the Six-Party process is driven principally by concern for its own internal stability. It should not be interpreted as a plan to rival America's strategic dominance in the Asia-Pacific. It is clear from the Six-Party process that China wants to play an important role in international diplomacy and deserves commendation for this role.

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99 'North Korea proposed five-step plan to disarm at latest talks', *China Daily*, 14 November 2005, [http://www.chinadaily.com.cn/english/doc/2005-11/14/content\\_494486.htm](http://www.chinadaily.com.cn/english/doc/2005-11/14/content_494486.htm) (accessed 5 January 2006).

100 'North Korea proposed five-step plan to disarm at latest talks', *China Daily*, 14 November 2005, [http://www.chinadaily.com.cn/english/doc/2005-11/14/content\\_494486.htm](http://www.chinadaily.com.cn/english/doc/2005-11/14/content_494486.htm) (accessed 3 March 2006).

101 Embassy of the People's Republic of China in the United States, 'Six Party talks restart with mixed hope and caution', <http://www.china-embassy.org/eng/xw/t220638.htm> (accessed 2 March 2006).

102 Ms Anne Wu, 'What China whispers to North Korea', *The Washington Quarterly*, vol. 28, no. 2, p. 36.

### ***Japan and the Republic of Korea: broader interests***

9.52 At the same time, it is important to note that both Japan and South Korea have reacted to the North Korean nuclear issue mindful of their broader relationship with China. The cases of Japan and South Korea contrast. As Professor Chung Min Lee from the National University of Singapore noted:

...Japanese policy toward the Korean Peninsula remains a critical facet of Tokyo's balancing posture *vis-à-vis* Beijing, in that the maintenance of a robust Washington–Tokyo–Seoul strategic triangle serves not only to coordinate policies toward North Korea but also as a counterweight to China's increasingly dominant posture in northeast Asia.<sup>103</sup>

On the other hand:

While Seoul has taken care to emphasize that it continues to view as fundamental its alliance with the United States...Seoul's posture toward Pyongyang has increasingly coincided with Beijing's views rather than Washington's. In part, such a transformation illustrates Seoul's increasing desire to shape its own 'boutique' foreign and national security policy by balancing its decades-old alliance with the United States with new linkages with China.<sup>104</sup>

### ***Australia's continuing interest in the North Korean nuclear issue***

9.53 It was noted earlier (paragraph 9.30) that Australia has maintained bilateral ties with Pyongyang, with visits by Minister Downer to the capital in November 2000 and August 2004. Mr Downer has made clear that Australia supports the Six-Party talks and takes 'every opportunity to tell North Korea that nuclear weapons have no place on the Korean peninsula'.<sup>105</sup> In November 2005, he told an audience in Seoul:

Japan, China and South Korea are Australia's largest export markets and stability in this region is important to us...Once the North verifiably abandons its nuclear programs, Australia is willing to provide significant development aid, energy assistance and nuclear safeguards expertise to assist dismantlement...Australia is already one of the major suppliers of energy products to North East Asia...and this would be a logical area where we could contribute funding and expertise to a settlement brokered in the six-party talks.<sup>106</sup>

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103 Professor Chung Min Lee, 'China's Rise, Asia's Dilemma, *The National Interest*, Fall 2005, p. 91.

104 Professor Chung Min Lee, 'China's Rise, Asia's Dilemma, *The National Interest*, Fall 2005, p. 91.

105 The Hon. Alexander Downer MP, 'Australia and Korea: Shared interests, Shared future', *Speech to the Korea Press Foundation*, Seoul, 14 November 2005, p. 3.

106 The Hon. Alexander Downer MP, 'Australia and Korea: Shared interests, Shared future', *Speech to the Korea Press Foundation*, Seoul, 14 November 2005, p. 5.

9.54 The issue of aid is important: more than one-quarter of North Koreans have relied on the UN's World Food Program since the 1990s famine.<sup>107</sup> The Australian government has expressed strong concern at the current humanitarian situation. It is particularly anxious at Pyongyang's recent decision to end the World Food Programme's (WFP) emergency distribution programs and restrict the number of WFP staff and monitoring visits. Mr Downer's response to the policy announcement was blunt: 'I think it will cost lives that policy'.<sup>108</sup>

9.55 Encouragingly, in February 2006, the board of the WFP announced a \$US102 million two-year plan for delivering aid to North Korea.<sup>109</sup> There has also been a report that North Korea will ask the UN to resume food aid.<sup>110</sup> At the time of tabling this report, however, these developments were unclear.

## Recommendation 6

**9.56 The committee recommends that the Australian government continue its efforts to encourage North Korea to abandon its nuclear weapons program and resume full receipt of international aid. It notes the success of China's efforts to date in the Six-Party process and urges the Australian government to continue supporting China in its efforts to broker and implement a strategy for disarmament.**

## Conclusion

9.57 Although unresolved, the North Korean nuclear issue has demonstrated China's capacity for a strategic and patient approach to multilateral diplomacy. It has balanced its support for the Pyongyang regime with its fears that North Korean weapons may lead its neighbours—particularly Japan and Taiwan—to adopt nuclear weapons programs.

9.58 To this end, China has assumed the role of arbiter between North Korea and the U.S. Unlike the U.S., China's preference for regime stability in Pyongyang has seen it favour continuing aid and economic engagement with the DPRK. This support, and its insistence on North Korean disarmament, made China the obvious choice to host and lead the multilateral negotiations. It also gave support to the softer faction within the U.S. State Department and National Security Council, which favoured negotiations with the DPRK and doubted the benefits of a North Korean collapse. This has been important to maintain Washington's engagement in the Six-Party process.

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107 See Michael Sheridan, 'N Korea gears up to make nukes', the *Australian*, 2 January 2006, p. 8.

108 The Hon. Alexander Downer MP, 'Australia and Korea: Shared interests, Shared future', *Speech to the Korea Press Foundation*, Seoul, 14 November 2005, p. 1.

109 Reuters, 'WFP sees \$100 mln aid for N. Korea, with conditions', 26 February 2006, <http://www.alertnet.org/thenews/newsdesk/L23209665.htm> (accessed 5 March 2006).

110 Reuters, 'N. Korea to ask for food aid to resume—LA Times', 23 February 2006, <http://www.alertnet.org/thenews/newsdesk/11406916600.htm> (accessed 5 March 2006).

Nonetheless, there remains support within the U.S. government to isolate North Korea diplomatically and thereafter, through sanctions.

9.59 The committee recognises that the negotiating process for North Korea's nuclear disarmament is likely to be long and arduous. It warns against expectations that China will broker a ready solution. That said, the committee does note that China's role to date has been significant and a fillip for U.S.–Sino relations. Since the September 2005 statement was signed, the multilateral discussion has turned to disarmament *plans*.

9.60 China and the Republic of South Korea now have important roles in planning how the 'action for action' principle is to work. Their approach to concessions is clearly more flexible than that of the U.S. government. Notwithstanding U.S. demands for immediate dismantlement, China may again exert a moderating influence on the U.S. government's position and shape a workable compromise. It is clear that on this issue, China will be vital to the multilateral response.

# Chapter 10

## Southwest Pacific

We will deepen mutually beneficial cooperation with developing countries and safeguard the common interests we share with them.<sup>1</sup>

### China's engagement with countries in the Southwest Pacific

10.1 China has formed diplomatic relations with a number of island states in the Southwest Pacific. Since establishing formal recognition with these various countries, China's relationships with Pacific Island nations have generally been characterised by high level visits, economic and technical cooperation, and generous development assistance.<sup>2</sup>

10.2 China established formal diplomatic ties with Samoa and Fiji in 1975, Papua New Guinea (PNG) in 1976, the Cook Islands in 1997, Kiribati in 1980 (ceased 2003), Vanuatu in 1982, the Federated States of Micronesia in 1989, Tonga in 1998 and Nauru in 2002 (ceased 2005). According to the Department of Foreign Affairs and Trade (DFAT), China has a stronger diplomatic presence in the South Pacific than any other country.<sup>3</sup> At the time this report was tabled, six Pacific Island nations afforded diplomatic recognition to Taiwan. These are: Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands and Tuvalu.<sup>4</sup>

10.3 This chapter outlines the nature of China's political engagement with Pacific Island nations, particularly in the context of China's insistence on an adherence to the one-China policy and its contest with Taiwan for diplomatic recognition across the Pacific region. The committee then discusses the problems associated with this diplomatic competition, both for the Pacific Island nations involved and for Australia, which is seeking to improve governance in the region through conditional aid.

### *Visit diplomacy*

10.4 High level visits by Pacific Island leaders to China are often marked by lavish receptions.<sup>5</sup> For example, the Prime Minister of the Cook Islands, Dr Robert

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1 Part VII, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the 10<sup>th</sup> National People's Congress, 5 March 2005.

2 Cook Islands Government, 'China grants Cooks extra \$4 million', *News release*, 30 April 2004.

3 This indicates that they have more diplomats than any other country, rather than more diplomatic missions. See also Susan Windybank, 'The China Syndrome', *Policy*, vol. 21, no. 2, Winter 2005, p. 31.

4 According to the DFAT website, [http://www.dfat.gov.au/geo/taiwan/taiwan\\_brief.html#intrec](http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html#intrec) (accessed 19 July 2005).

5 Dr Frank Frost, 'Directions in Australia's foreign relations—implications for east Asia and Australia', *Research brief*, Parliamentary Library, p. 52.

Woonton, stated that he was humbled by the recognition China afforded him during his visit to China in 2004. At the time, he stated:

The Cook Islands is the only country on a state visit to China at present and Tiannenmen Square has Cook Islands and Chinese flags flying all around it.

I am speechless at the hospitality extended to everyone in our delegation, not only in Shanghai, but also in Jiangsu province and Beijing.

When we arrived at the Great Hall of the People, the prime minister was welcomed to the Peoples Republic of China by Premier Wen, before inspecting a guard of honour and receiving a 19-gun salute.<sup>6</sup>

10.5 Professor Ron Crocombe, emeritus professor at the University of the South Pacific, stated on *Radio Australia* that:

[China] wants to be the major influence in the Pacific, there's no doubt about that; it's aiming to be that in a fairly short time.

It has [been] carefully planned, [there's been] very strategically placed aid. You'll notice Chinese aid is quite different from other patterns: China is heading straight for the jugular.

It goes firstly for trips and favours for the politically powerful and very lavish receptions that are on a broader scale than most.<sup>7</sup>

10.6 Indeed, Mr Eni Faleomavaega, member of the U.S. House of Representatives Subcommittee on the Western Hemisphere recalled that the head of state of one of the island countries with a population less than half a million people received 'the same treatment that President Nixon got when he went to China'.<sup>8</sup> According to John Henderson and Benjamin Reilly, China's visit diplomacy:

...provides a lucrative return on a modest investment. It stands as an example of how skilful diplomacy can enable a state to gain influence over vast areas through the acquiescence of very few people.<sup>9</sup>

10.7 China's overseas aid program provides another avenue for China to strengthen diplomatic ties with the Pacific Islands.

### ***Development aid***

10.8 DFAT told the committee that China has greatly increased its aid to the Pacific in recent years, with one study suggesting that Chinese aid could total up to

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6 Cook Islands Government, 'China grants Cooks extra \$4 million', *News Release*, 30 April 2004.

7 Transcript, 'Pacific: Minister's concerns over Chinese presence', *Pacific Beat*, 15 June 2005.

8 Transcript of hearing before the Subcommittee on the Western Hemisphere of the Committee on International Relations, House of Representatives, 109<sup>th</sup> Congress, First Session, 6 April 2005, p. 75.

9 John Henderson and Benjamin Reilly, 'Dragon in Paradise: China's rising star in Oceania', *The National Interest*, vol. 72, Summer 2003, p. 95.



\$300 million annually. In August 2004, Vice-Foreign Minister Zhou Wenzhong pledged that China would continue to do 'its utmost to provide aid to all island countries that have diplomatic relations with China'.<sup>10</sup>



10.9 The aid provided to the island countries often goes toward high profile projects such as the construction of the parliamentary complex in Vanuatu, a multi-story government office in Samoa, the new foreign ministry headquarters in Papua New Guinea, as well as hotel developments in Tonga and the provision of a ferry for Kiribati. China also built the sports stadium in Fiji for the 2003 South Pacific Games,<sup>11</sup> and has made a practice of donating a fleet of VIP cars to the island state hosting the Pacific Islands Forum.<sup>12</sup> Aid also takes the form of scholarships for students to study in China, or the provision of Chinese teachers, sports coaches or medical teams to work in the islands.

10 Quoted in 'One-China essential to ties with PIF nations', *China Daily*, 11 August 2004, [http://www.chinadaily.com.cn/english/doc/2004-08/11/content\\_364202.htm](http://www.chinadaily.com.cn/english/doc/2004-08/11/content_364202.htm) (accessed 21 February 2006).

11 Dr Frank Frost, 'Directions in Australia's foreign relations—implications for east Asia and Australia', *Research brief*, Parliamentary Library, p. 52.

12 John Henderson and Benjamin Reilly, 'Dragon in Paradise: China's rising star in Oceania', *The National Interest*, vol. 72, Summer 2003, p. 102.

10.10 In 2004, China granted the Cook Islands \$NZ4 million to be used for various projects. This grant followed a cooperation package for construction of the Avarua courthouse and Police National Headquarters projects.<sup>13</sup>

10.11 DFAT told the committee that Chinese aid was generally bilateral and often readily visible:

China's aid...is overwhelmingly bilateral. Very often if you go to these small countries, not only in the South Pacific but really anywhere in the world, you will find a big stadium, for example, which was a gift of the Chinese government. They often like to provide what we call 'concrete aid'—that is, buildings and structures. They have also been very strong in providing medical teams in smaller underdeveloped countries, and that often goes along with, for example, a hospital building.<sup>14</sup>

10.12 In contrast to the financial aid Australia contributes to Pacific nations, China's aid to these countries is not conditional on them improving standards of governance. The clear exception to the unconditional nature of Chinese aid is the issue of adherence to the one-China policy.

### **China and Taiwan: competitors in the Southwest Pacific**

10.13 China's stated intention is to provide genuine aid to underdeveloped countries in the Southwest Pacific, 'in all sincerity and with no political strings attached'. Its aim is to cultivate friendly relations and cooperation with these countries 'in the spirit of mutual respect, equality and mutual benefit'.<sup>15</sup> Even though China's diplomatic and financial support for these small island countries appears to be unconditional, there is a requirement to adhere to the one-China policy. Indeed, China will tolerate no opposition on this issue, openly and unequivocally insisting on adherence to the one-China policy. Speaking at a Post Pacific Islands Forum,<sup>16</sup> China's Vice Foreign Minister Mr Yang Jiechi stated:

We do not object [to] economic and cultural exchanges of an unofficial nature between Taiwan and countries having diplomatic relations with China. But, we firmly oppose these countries developing official relations or having any official exchanges or contacts with Taiwan...we are appreciative and thankful that the Forum and the Forum members having diplomatic relations with China have adhered to the one-China position and hope that they will stand on high alert against the Taiwan authorities' political attempts to advance 'pragmatic diplomacy' in the South Pacific, create 'two Chinas' or 'one China, one Taiwan' and sabotage the relations

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13 Cook Island Government, 'China grants Cooks extra \$4 million', *News release*, 30 April 2004.

14 DFAT, *Committee Hansard*, 16 June 2005, p. 14.

15 Opening Remarks by People's Republic of China Vice Foreign Minister Yang Jiechi, Post Forum Dialogue, 7 October 2000, Koror, Palau.

16 The Post Pacific Forum is discussed in detail at paragraphs 10.53–10.54.

between China and the Forum, and refrain from developing any official relations with Taiwan.<sup>17</sup>

10.14 Communiqués issued by representatives after official meetings with Chinese leaders invariably contain an affirmation declaring adherence to this policy.<sup>18</sup> For example, during his visit to China, Dr Woonton stated that the Cook Islands' government and people will 'unswervingly adhere to the one China policy and support China's just stance on the Taiwan issue.'<sup>19</sup> He explained:

Some people may still be asking what the Chinese will want from us in return for their assistance, but their only requirement is for the Cook Islands to recognise China's legitimate ownership of Taiwan.<sup>20</sup>

10.15 Many with an interest in the Southwest Pacific are in no doubt that China and Taiwan are in a contest to obtain formal recognition from the islands in the region. The 2005 Annual Report to the U.S. Congress on China's military power noted that China had intensified its competition with Taiwan for diplomatic recognition in the developing world. According to the report, the intention was to undermine Taiwan's diplomatic support 'among the 26 remaining countries that recognise Taipei'.<sup>21</sup> As discussed earlier, China employs both diplomatic and commercial influence to encourage other states to limit their engagement with Taiwan and to discourage Taiwan from fostering relations with such countries.

10.16 DFAT also stated that a priority for China's six embassies in the Pacific is competition from Taiwan for diplomatic recognition. The department suggested that both China and Taiwan use economic assistance as a lever in their competition for diplomatic recognition.<sup>22</sup> The prevailing belief is that China has been courting island

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17 Opening Statement by People's Republic of China Vice Foreign Minister Yang Jiechi, Post Forum Dialogue, 30 October 2000, Tarawa, Kiribati.

18 See for example, *China Daily*, 'Jiang encourages more economic Co-operation', 4 July 2002. See also, Foreign Ministry of the People's Republic of China, 'Hu Jintao meets Tongan King Taufa'ahau Tupou IV', 19 October 2004. Such statements generally confirm the country's adherence to the one-China policy. In 2002, Nauru recognised that there 'is but one China in the world, that the Government of the People's Republic of China is the sole legal government representing the whole of China and that Taiwan is an inalienable part of Chinese territory'. See Joint Communiqué of the Government of the People's Republic of China and the Government of the Republic of Nauru on the Establishment of Diplomatic Relations, 22 July 2002. See also Foreign Ministry of the People's Republic of China, 'Premier Wen Jiabao Meets with Papua New Guinea Prime Minister Michael Somare', 10 February 2004.

19 Foreign Ministry of the People's Republic of China, 'President Hu Jintao Meets with the Cook Islands' Prime Minister', 30 April 2004.

20 Cook Islands Government, 'China grants Cooks extra \$4 million', *News release*, 30 April 2004.

21 U.S. Department of Defense, *Annual Report to Congress: The Military Power of the People's Republic of China 2005*, p. 40.

22 DFAT, *Committee Hansard*, 16 June 2005, p. 5.

governments with unconditional aid and various perks, while extending its network of diplomatic missions to thwart countries switching their allegiance to Taiwan.

10.17 China's carefully tailored diplomatic policy enables it to invest a relatively small amount of money in the Southwest Pacific and deny Taiwan the opportunities to advance its own economic and political agenda in the region independent of China. The following section looks more closely at this policy. It deals with a number of Pacific island countries that have recently been caught up in this power tussle between China and Taiwan, notably Kiribati, Vanuatu and Nauru.

### ***Kiribati***

10.18 China and Kiribati established diplomatic relations in June 1980.<sup>23</sup> On 7 November 2003, however, the Kiribati government announced the establishment of diplomatic relations with Taiwan. China denounced the move as an 'open violation' of the principles of the joint communiqué on establishing diplomatic relations between the two countries and 'a gross interference in China's internal affairs'. China protested strongly to Kiribati calling on it to abide by the one-China policy.<sup>24</sup> A spokesperson from the Chinese Foreign Ministry told a press conference:

We call for the Government of Kiribati to analyze the situation and correct their wrongs so that China-Kiribati relations can continue to develop on the basis of the Five Principles of Peaceful Coexistence. We are keeping a close eye on the developments and we will decide how to take [the] next step accordingly.<sup>25</sup>

10.19 China also accused Taiwan of practicing 'an unscrupulous policy of "bribery diplomacy"'.<sup>26</sup> China suspended diplomatic relations with Kiribati retaining caretakers, not diplomats, to oversee the previous embassy's premises and property. Furthermore, it dismantled a satellite tracking station it had set up in Kiribati in 1997 as part of its 'monitoring and control network for supporting satellite and carrier rocket launchings'.<sup>27</sup>

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23 Foreign Ministry of the People's Republic of China, 'China and Kiribati', 9 December 2003.

24 Embassy of the PRC, *Spokesperson's remarks on Kiribati's establishment of ties with Taiwan*, <http://www.china-embassy.org/eng/fyrth/t40558.htm> (accessed 21 February 2006).

25 Embassy of the PRC, *Foreign Ministry Spokesperson's Press Conference*, 25 November 2003, <http://www.china-embassy.org/eng/fyrth/t50489.htm> (accessed 21 February 2006).

26 Embassy of the PRC, *Foreign Ministry Spokesperson's Press Conference*, 13 November 2003, <http://www.china-embassy.org/eng/fyrth/t42193.htm> (accessed 21 February 2006).

27 See for example, the prepared statement by the Hon. James R. Lilley, former U.S. Ambassador to China, before the U.S. Senate Committee on Foreign Relations, One Hundredth Sixth Congress, 20 April 1999; Answers to questions by the Minister for Foreign Affairs, the Minister for Trade and their representatives in the Senate, Question on Notice no. 2097, 4 December 2000. See also Testimony before U.S. Senate Committee on International Relations, 6 April 2005, p. 100.

## Vanuatu

10.20 More recently, the Prime Minister of Vanuatu, Mr Serge Vohor, moved to align his country more closely with Taiwan. On 3 November 2004, during a trip to Taiwan, he signed an agreement to establish full diplomatic ties with Taiwan. The Joint Communiqué signed by Taiwan and Vanuatu envisaged closer bilateral cooperation in areas such as agriculture, aviation, tourism, fishery aquaculture, education, capacity building, health and the development of small and medium enterprises. In the international arena, Prime Minister Vohor:

Committed himself to give Vanuatu's strong support for Taiwan to participate in the international organizations including UN, WHO, APEC and other regional organizations...<sup>28</sup>

10.21 China immediately contacted the Vanuatuan government for information. On 10 November, Vanuatu's Council of Ministers vetoed the decision and upheld the one-China policy. The Chinese government expressed appreciation about the reversal, stating:

Taiwan is an inalienable part of Chinese territory, the government of the People's Republic of China is the only legitimate government representing the whole China. This is a universal consensus recognised by over 160 countries including Vanuatu in the world and all important international organisations including the UN. The fact has borne out again that the Taiwan authority's scheme of splitting the motherland has neither popularity nor future.<sup>29</sup>

10.22 For a while it would appear that some leaders of Vanuatu entertained the notion that they could reach some arrangement whereby Vanuatu could secure the support of both countries.<sup>30</sup> China and Taiwan, however, became engaged in a diplomatic brawl, accusing each other of underhand 'dollar diplomacy'. According to media reports, there were claims of large amounts of cash being paid to leaders of the then governing coalition amid counter claims that political support was being 'bought' with Chinese donations.<sup>31</sup> Taiwan categorically denied that it was involved in 'cheque book' diplomacy. One high-ranking Taiwan government official stated:

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28 Ministry of Foreign Affairs, Republic of China (Taiwan), *Statements*, 3 November 2005.

29 Embassy of the PRC, *Foreign Ministry Spokesperson Zhang Qiyue's Press Conference on 11 November 2004* and Embassy of the PRC, *Foreign Ministry Spokesperson Zhang Qiyue's Remarks* <http://www.china-embassy.org/eng/fyrth/t169908.htm> (accessed 21 February 2006).

30 See for example *Pacific Islands Report*, 8 November 2005, <http://pidp.eastwestcenter.org/pireport/2004/November/11-08-04.htm> (accessed 6 December 2005).

31 See 'Questions of corruption in the search for Pacific allies', *Sydney Morning Herald*, 7 February 2005, p. 16; 'Vanuatu MPs switch sides in protest', *Sydney Morning Herald*, 3 December 2004, p. 9; 'High stakes diplomacy in Vanuatu', *Sydney Morning Herald*, 27 November 2004, p. 13.

No funds have been given to the Prime Minister or any political parties, however, we are certain that is not the case with China as they are desperate to prevent Vanuatu from establishing ties with Taiwan.<sup>32</sup>

10.23 A state of confusion prevailed until the Prime Minister was ousted in a no-confidence vote on 11 December. A new government favourable to China was formed. In February 2005, the new Prime Minister of Vanuatu, Mr Ham Lini, visited China where he gave reassurances that his government supported the one-China policy.<sup>33</sup>

### **Nauru**

10.24 For more than 20 years prior to 2002, Nauru had had official diplomatic relations with Taiwan. But in 2002, it decided to switch allegiance to China. In a joint communiqué announcing the establishment of diplomatic relations with China, the Republic of Nauru stated that it recognised that:

... there is but one China in the world, that the Government of the People's Republic of China is the sole legal government representing the whole of China and that Taiwan is an inalienable part of Chinese territory'.<sup>34</sup>

The government of the Republic of Nauru pledged that it would not have official relations of any form with Taiwan.<sup>35</sup>

10.25 At the time of Nauru's change of alliance to China, Taiwan stated that China had revealed its true colours: 'it will even try to intimidate a small island of the South Pacific Ocean. This move is a serious challenge to our foreign policy, and a severe provocation to the people of Taiwan'.<sup>36</sup>

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32 Marc Neil-Jones, Interview with Taiwan Deputy Minister of Foreign Affairs Michael Ying-mao Kau and the Director General of the Department of East Asian and Pacific Affairs Dr Gary Song-Huann Lin, *Port Vila Presse*, 2 December 2004, <http://www.news.vu/en/news/inter/041202-the-taiwan-side.shtml> (accessed 21 February 2006).

33 Foreign Ministry of the People's Republic of China, 'President Hu Jintao Meets with the Prime Minister of the Republic of Vanuatu', 25 February 2005; 'Vanuatu reiterates commitment to one-China policy: joint statement', *China People's Daily*, 26 February 2005, [http://english.people.com.cn/200502/26/eng20050226\\_174755.html](http://english.people.com.cn/200502/26/eng20050226_174755.html) (accessed 28 February 2006).

34 Foreign Ministry of the People's Republic of China, 'Joint Communiqué of the People's Republic of China and the Government of the Republic of Nauru on the Establishment of Diplomatic Relations', Hong Kong, 21 July 2002.

35 Foreign Ministry of the People's Republic of China, 'Joint Communiqué of the People's Republic of China and the Government of the Republic of Nauru on the Establishment of Diplomatic Relations', Hong Kong, 21 July 2002.

36 His Excellency Dr Eugene Chien, Taiwan Ministry of Foreign Affairs, 'Statement by Ministry of Foreign Affairs Concerning Nauru', *Press release*, 22 July 2002, <http://www.gio.gov.tw/taiwan-website/4-oa/20020722/2002072201.html> (accessed 21 February 2006).

10.26 In May 2005, however, Nauru restored formal diplomatic ties with Taiwan. In response to a question about whether Nauru was 'seeking or expecting a pledge of economic aid from Taiwan', Nauruan President Ludwig Scotty told reporters that 'these things happen'. He stated further that, 'Everyone knows in bilateral relations there are mutual benefits that can be achieved'. He indicated, however, that his country 'might still need financial help from Taiwan in coming days'. He stated: 'This will come at a later stage, resulting from further negotiations between our two governments'.<sup>37</sup>

10.27 The government of Taiwan announced that both countries could look forward to cooperation in various fields such as culture, education, agriculture, fisheries, tourism, healthcare as well as aquaculture. It noted that Nauru was a member of a number of multilateral and regional organisations including the United Nations, the British Commonwealth, the World Health Organisation, the Asian Development Bank, the Pacific Islands Forum, the Food and Agriculture Organization, and the International Olympic Committee. It indicated that Taiwan had been assured that:

Nauru will firmly support Taiwan's efforts to participate in the United Nations, the World Health Organization and other international and regional organizations after the reestablishment of diplomatic ties between the two countries.<sup>38</sup>

China cut ties with Nauru.

### **Problems created by the contest between China and Taiwan in the Southwest Pacific**

10.28 It should be noted that some of the island countries in the Southwest Pacific are among the smallest and poorest countries in the world and susceptible to the influence of others willing to use their economic leverage to serve their own foreign policy objectives. The three countries cited above are developing countries. Nauru is the world's smallest independent republic with a total land area of 21 square kilometres, or about 0.1 times the size of Washington D.C., and a population of

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37 Quoted in 'Nauru switches its allegiance back to Taiwan from China', *Taipei Times*, 15 May 2005, <http://www.taipetimes.com/News/front/archives/2005/05/15/2003254718/wiki> (accessed 21 February 2006).

38 Taiwan Foreign Relations website, Ministry of Foreign Affairs, 'The Republic of China (Taiwan) and the Republic of Nauru restored full diplomatic relations on May 14, 2005', 17 July 2005, <http://english.www.gov.tw/eGov/index.jsp?categid=33&recordid=82350> (accessed 4 January 2006). It should be noted that Taiwan on many occasions has publicly condemned China for what it perceives as China's attempts to block it from participating in organisations such as the World Health Organization (WHO). For example, in April 2005, Taiwan issued a press release that stated: 'If China truly respects the will of the people of Taiwan, it should display its sincerity by taking substantive actions to assist Taiwan to participate in the WHO on an equal footing, instead of using hypocritical language to deceive the international community'. Ministry of Foreign Affairs, Republic of China (Taiwan), *Press Release*, 20 April 2005.



13,048 people. Kiribati is a remote country of 33 scattered coral atolls comprising a land mass of 811 square kilometres supporting a population of 103,092 people. Vanuatu is the largest of the three countries covering 12,200 square kilometres and with a population of 205,754 people.<sup>39</sup> Kiribati and Vanuatu are deemed to be among the least developed countries on the Organisation for Economic Cooperation and Development (OECD) list of recipients for official development assistance. Papua New Guinea, Fiji and the Solomon Islands have recently experienced internal political upheavals.<sup>40</sup>

10.29 The Prime Minister of Australia has noted that for many 'fragile tiny states' of the Pacific Islands 'poor governance, crime and corruption pose a real threat to both economic development and to regional security'.<sup>41</sup> AusAID has pointed to the difficulties in providing assistance to these countries that would effectively promote development:

The development process in the Pacific region is particularly complex and fragile. Also, the poverty profile of this region differs from those parts of the developing world where there is abject poverty. Few Pacific islanders can be shown to be without minimum levels of food, shelter or water. However, as a result of their geographic and climatic disadvantages as well as generally poor standards of governance, many islanders have very limited economic development prospects. For some, recent political instability and internal conflict have eroded even these.<sup>42</sup>

### ***Committee view***

10.30 The small island states of the Southwest Pacific have much to gain from the development assistance offered by donors such as China and Taiwan. This support, however, should be constructive with the primary goal of improving the welfare of the recipient. Where other considerations take priority, or where there is inadequate transparency, accountability and probity in the use of funds, misuse of aid may occur. Corruption is a major concern. Clearly, the political rivalry between China and Taiwan in the Southwest Pacific does not provide an environment conducive for the most effective use of development assistance. The following section tests this assumption.

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39 Information on the three states was obtained from *The World Factbook*, <http://www.odci.gov/cia/publications/factbook/geos/nr.html> (accessed July 2005).

40 See for example, Tanaka Yoshiaki, 'Pacific States and Japan in the Global Context: Democracy, Foreign Aid and Economic Development', in *Security in Oceania in the 21<sup>st</sup> Century*, Eric Shibuya and Jim Rolfe (eds), Asia-Pacific Center for Security Studies, Hawaii, 2003, p. 97.

41 Prime Minister the Hon. John Howard MP, *Transcript*, Address to the Asia Society Lunch, the Asia Society, New York City, 12 September 2005.

42 *Submission 17*, p. 12 (AusAID) in Senate Foreign Affairs, Defence and Trade References Committee, *A Pacific Engaged: Australia's relations with Papua New Guinea and the islands states of the south-west Pacific*, August 2003, p. 86.



**Most immediate problems**

10.31 Susan Windybank argued that the most immediate problem arising from the Pacific Cold War between Taiwan and China is that 'it further destabilises already weak and unstable governments and feeds the endemic corruption throughout the region'. She cited the case in 1998 when the then Prime Minister of Papua New Guinea tried to secure 'over \$3 billion in grants, loans and business deals from Taipei—almost half of PNG's GDP at the time—in return for switching allegiance from China to Taiwan'.<sup>43</sup> Professor Helen Hughes, Senior Fellow at the Centre for Independent Studies, expressed concern at the extent of corruption in the region stating that unscrupulous conduct among the political and bureaucratic elites and their business associates are 'constantly covered in the Pacific press'. She added, however, that it 'is so common that even large scandals scarcely merit a day's attention'.<sup>44</sup>

10.32 In her view, 'China and Taiwan have added to corruption in the Pacific by competing for recognition (in Kiribati, Nauru, Vanuatu and Papua New Guinea)'.<sup>45</sup> For example, accusations were raised during the 2002 Kiribati Presidential election campaign that the Chinese were interfering in domestic affairs by engaging in chequebook diplomacy. China vigorously denied giving money to political candidates, insisting that funds were made available for projects intended to benefit the community, such as to restore a damaged seawall.<sup>46</sup> As noted earlier, soon after the Prime Minister announced Vanuatu's recognition of Taiwan in 2004, accusations of graft and bribery by Taiwan and China again surfaced.

10.33 Witnesses before the committee added weight to concerns expressed by other academics about the detrimental effects of the contest in the Pacific between China and Taiwan. Professor Stuart Harris from the Research School of Pacific and Asian Studies at the Australian National University (ANU) told the committee that this form of competition is very destructive:

The initiative is usually taken by Taiwan, and although all the politicians in Taiwan when they are out of office say, 'This dollar diplomacy is ridiculous,' the moment they get in they realise they have to use it. The reason they do that is that politically it is very popular within Taiwan. China then finds that it has to counter it. I think it is a very dangerous situation. We found this in the Solomons, where governments are totally disoriented—in fact just about destroyed—by interventions of this kind. You can disorient a government in the Pacific islands with a very limited amount of money—just a few bribes to the right people at the top and you have undermined the whole governing system...we do have to keep the kinds of processes going that we have got. But it does mean that you are

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43 Ms Susan Windybank, 'The China Syndrome', *Policy*, vol. 21, no. 2, Winter 2005, p. 31.

44 Professor Helen Hughes, 'Aid has failed the Pacific', *Issue Analysis*, no. 33, 7 May 2003, p. 13.

45 Professor Helen Hughes, 'The Pacific is viable', *Issue Analysis*, no. 53, 2 December 2004, p. 9.

46 *Pacific Beat*, 4 November 2002. See also *Pacific Magazine*, December 2003.

going to be subject to that kind of process all the time that they are there, and if you leave it will start to take over again.<sup>47</sup>

10.34 Professor James Cotton of the Australian Defence Force Academy agreed with this view:

It seems to me that one of the reasons they [Chinese] are obsessed with certain Pacific island states is because these states still recognise the ROC government in Taiwan as the national government. The fundamental strategy of this particular regime and its unique fragility in terms of the justification for its continued existence is the reason it is not prudent to discuss it.<sup>48</sup>

The government in Taiwan has six Pacific nations that recognise its sovereignty as the government of China. Three of those fall within the American sphere of interest, you might say, and I do not really think our role could be very prominent. But certainly in relation to the Solomon Islands and Nauru, where a lot of taxpayers' money is spent, I would have thought there might be some way found to ensure that that kind of competition for representation does not cause those governance problems that you have mentioned. There may be some package solution that would remove that issue from the agenda.<sup>49</sup>

10.35 The Australian government has previously indicated that it is opposed to aid being used as a foreign policy tool. In a doorstep interview on 17 May 2005, the Foreign Minister stated that:

We...don't like to see an unseemly competition within the South Pacific between China and Taiwan over recognition. It obviously doesn't contribute to the stability of the region, so we'd rather not see that.<sup>50</sup>

10.36 The position was reinforced in evidence before the committee. DFAT stated that Australia opposes such chequebook diplomacy, because it works against regional countries' efforts to improve living standards, governance and political stability.<sup>51</sup> DFAT told the committee:

Firstly, we are concerned about incidents of chequebook diplomacy in the South-West Pacific where, as you know, we have made a very considerable effort to try to address governance issues. We see chequebook diplomacy as directly undermining the efforts that we have made over many years—particularly the efforts that we have intensified in recent times.<sup>52</sup>

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47 *Committee Hansard*, 13 September 2005, p. 30.

48 *Committee Hansard*, 13 September 2005, p. 7.

49 *Committee Hansard*, 13 September 2005, p. 30.

50 DFAT website, [http://www.foreignminister.gov.au/transcripts/2005/050517\\_ds.html](http://www.foreignminister.gov.au/transcripts/2005/050517_ds.html) (accessed 21 February 2006).

51 DFAT, *Submission P19*, p. 19.

52 *Committee Hansard*, 13 September 2005, p. 42.

**Committee view**

10.37 Diplomacy and aid in the Pacific region are intrinsically linked as the PRC and Taiwan compete for recognition, often utilising the blunt foreign policy tool of aid payments. Amongst some Pacific Island nations, competition between the PRC and Taiwan for diplomatic recognition has, on occasion, appeared to take on the characteristics of a bidding war, conducted mainly through bilateral 'aid' payments. This problem can be exacerbated when the practice of gift giving, an important aspect of many Pacific Island cultures, is exploited.<sup>53</sup> Being relatively poor and tending to lack the appropriate institutional mechanisms to ensure political and bureaucratic accountability, many Pacific islands are vulnerable to financial influence and corruption.

10.38 According to the OECD, the main objective of official development assistance is 'the promotion of economic development and the welfare of the partner country'.<sup>54</sup> As noted previously, China's stated aim in establishing diplomatic relations and providing assistance to countries in the Southwest Pacific is to provide genuine aid, to cultivate friendly relations and cooperation. The committee believes, however, that although China's stated intention is commendable, its rivalry with Taiwan in the region creates problems for the islands in the Southwest Pacific.

**The effects of China's growing influence in the Southwest Pacific**

10.39 DFAT noted that China has a strong and growing business presence in the Pacific, supported actively by its diplomatic missions. Over 3,000 Chinese state owned and private enterprises have been registered in the Pacific region, with investments of about \$800 million. Increased economic activity has been accompanied by an increase in ethnic Chinese populations in the Pacific island countries. Professor Crocombe noted that:

China's newly expanded business interests range from multi-million dollar mining ventures to tiny restaurants and grocery stores set up by poor settlers, many of them illegal immigrants whose passports and visas are bought from corrupt officials.<sup>55</sup>

10.40 Over recent years, a number of articles have appeared in the media reflecting on China's interest in the Pacific region, particularly the island states of Melanesia.

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53 See for example 'Questions of corruption in the search for Pacific Allies', *Sydney Morning Herald*, 7 February 2005, p. 16.

54 OECD, *Managing Aid: Practices of DAC Member Countries*, November 2004, p. 17.

55 Quoted in Nick Squires, 'Pacific Persuasion: Beijing's increasing economic muscle in the South Pacific', CIS Executive Highlights, no. 289 and published in *South China Morning Post*, 21 July 2005.

While governments have remained largely silent on China's activities, numerous commentators and academics have raised concerns.<sup>56</sup>

10.41 Some warn that China is sowing the seeds of future tension in the islands of the Southwest Pacific. As noted previously, the region consists of small underdeveloped countries scattered throughout the area, reliant on external aid and facing an uncertain economic future. Although there is marked variation in the soundness of their political systems and social cohesion, there is an underlying fragility to many of these states. A number lack robust institutions and a sound corporate governance regime. Some are politically unstable and highly susceptible to the influences of countries willing to provide assistance. Mr Benjamin Reilly noted that Polynesian countries such as Samoa have proved relatively successful post colonial states, but much of Melanesia:

... is plagued by poor state performance, with negative economic growth, ethnic conflict, weak governance and military coups all signalling the failure of states to provide basic security and public services to their citizens. Each of the four independent Melanesian states (Fiji, Papua New Guinea, Solomon Islands and Vanuatu) have suffered army mutinies in recent years, Fiji has experienced three coups; and Papua New Guinea has faced armed conflict in Bougainville and, more recently, the Southern Highlands...The Australian Strategic Policy Institute has categorised the Solomons as a 'failing state', a term used by the Australian government and academic commentators.<sup>57</sup>

10.42 Some argued that China is able to buy influence. By courting and winning the allegiance of these poorer countries, it garners support for its proposals in the UN and is able 'to shield itself from international criticism' on issues such as political persecution, religious freedom, the occupation of Tibet and human rights violations.<sup>58</sup>

10.43 Mr John Henderson and Mr Benjamin Reilly agreed with this view but also noted that the weaknesses of Pacific islands make them attractive strategic resources for China:

Their financial and other problems make the support of Pacific states cheap for Beijing to buy. At the same time, their utility as a source of diplomatic recognition (particularly in the China and Taiwan tussle...), voting blocs in international forums, fishing and other maritime resources, and as possible

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56 See for example, *Asia Times*, 'China goes island hopping', 24 May 2001; *Time Pacific Magazine*, 'How to win friends', no. 22, 4 June 2001; *Asia Times*, 'Canberra uneasy as Beijing woos South Pacific', 16 August 2001.

57 Benjamin Reilly, 'State functioning and state failure in the South Pacific', *Australian Journal of International Affairs*, vol. 58, no. 4, December 2004, p. 479.

58 See comments by the Hon. Dan Burton, a representative in Congress from the State of Indiana and Chairman, subcommittee on the Western Hemisphere, Hearing before the subcommittee on the Western Hemisphere of the Committee on Internal Relations, House of Representatives, One hundred and ninth Congress, First Session. 6 April 2005, p. 19. Although referring to China's activities in Latin America, the observation also has relevance to the Southwest Pacific.

sites for port facilities or even military bases, means that relatively small investments in these countries can have a major longer-term payoffs for countries such as China.<sup>59</sup>

10.44 Apart from the destabilising effects of the tussle for power between China and Taiwan, Ms Teufel-Dreyer, Commissioner, U.S.–China Economic and Security Review Commission, noted that advancing self-interest was a main driver behind China's diplomacy, particularly with regard to natural resources. She stated she had:

...heard a lot of complaints in the South Pacific that the Chinese were exploiting their fishing resources; the Chinese were exploiting their sandalwood; the Chinese were taking their farms...<sup>60</sup>

10.45 Other questions have been raised about China's motives for showing an interest in the region. For example, there was speculation about whether the China Space Telemetry Tracking Station on Tarawa atoll in Kiribati was for spying purposes. Ideally located, some defence experts suspected that the base could be used to monitor U.S. missile tests or assist a future space warfare effort.<sup>61</sup>

10.46 Although China acknowledged that some people had queries about the tracking station, it dismissed any such suggestion, claiming that the station was for peaceful purposes.<sup>62</sup> It was reported that in 1999 to allay local concerns, Chinese officials opened the station for the towns-people and members of Parliament to inspect. The Kiribati & Tuvalu Association newsletter noted that a group of elders was given a guided tour around the satellite tracking station and concluded that the station was not used for spying and 'therefore there is no cause for panic!'<sup>63</sup>

### ***Committee view***

10.47 As noted earlier, the region is made up of many small and underdeveloped islands vulnerable to the influences of larger countries. Any country engaging with a small Pacific island state should ensure that the island's needs are a priority and that the island's political and social stability, its economic development and security and environmental interests are not compromised by the presence of the country or the activities of its nationals.

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59 John Henderson and Benjamin Reilly, 'Dragon in Paradise: China's rising star in Oceania', *The National Interest*, vol. 72, Summer 2003, p. 98.

60 Testimony before US Senate Committee on International Relations, 6 April 2005, p. 100.

61 *Time Pacific Magazine*, 'How to win friends', no. 22, 4 June 2001; *Space*, 'South Tarawa Island, Republic of Kiribati', <http://www.globalsecurity.org/space/world/china/kiribati.htm> (accessed 8 December 2005).

62 *Time Pacific Magazine*, 'How to win friends', no. 22, 4 June 2001

63 The Kiribati & Tuvalu Association newsletter, no. 5, November 1999, <http://www.wysiwyg.co.nz/kiribati/kt9911.html> (accessed 21 February 2006).

## Australia's approach to China's presence in the Southwest Pacific

10.48 In its 2003 report on Australia's relations with Papua New Guinea and the island states of the Southwest Pacific, the committee noted the emergence of aid donors such as China and Taiwan in the region. The committee considered that:

Australia should be concerned about these developments, both in terms of the use of development assistance as a 'blunt foreign policy tool', as well as for Australia's position and influence in the region.<sup>64</sup>

10.49 It drew attention to the OECD Development Assistance Committee (DAC) that promotes international best practice for effective official development assistance. It should be noted that OECD member states must observe proscribed definitions of what constitutes official development assistance and submit to a peer review of each others' development assistance programs.

10.50 During this current inquiry, DFAT stated that Australia welcomes China's constructive engagement in the South Pacific and encourages China to increase the accountability and transparency of its aid programs. It informed the committee that:

As part of our ongoing dialogue with the Chinese government, we encourage China to increase its accountability and the transparency of its aid program in line with regional aspirations for economic development and improved governance. We also exchange information with Taiwanese missions in Pacific island countries where they are represented, again to encourage them to take a constructive approach to the delivery of aid. In terms of Pacific island governance, the answer to your question is yes, we have an ongoing dialogue with all of the Pacific island governments and we seek to use that dialogue to foster good governance, accountable government and, as part of that, sensible budget management.

It is difficult to make an assessment of the success of those efforts. Sometimes we do not find out about activities that have gone on until after they have happened, but it is certainly an area where we have increased our engagement with both China, through our official contact, and Taiwan, through, as I say, our contact with missions in Pacific island countries where they are represented.

10.51 One of the OECD guiding principles for the development efforts of all countries is to establish sustainable development through the use of mechanisms that 'ensure socially responsible economic development while protecting the resource base and the environment for the benefit of future generations'.<sup>65</sup> This principle is especially pertinent to the countries of the Southwest Pacific and the committee urges

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64 Senate Foreign Affairs, Defence and Trade References Committee, *A Pacific Engaged: Australia's relations with Papua New Guinea and the islands states of the south-west Pacific*, August 2003, p. 132.

65 OECD, *The DAC Guidelines: Strategies for Sustainable Development: Guidance for Development C006F-operation*, 2001, p. 11.

the use of such mechanisms to deliver development assistance and to prevent the exploitation of developing countries in the region.<sup>66</sup>

### **Committee view**

10.52 The committee remains concerned at the effect that China and Taiwan's aid program is having on the countries in the Southwest Pacific. Notwithstanding the potential benefits that aid can bring to financially struggling Pacific nations, funds provided to local politicians or government officials without proper conditions attached can encourage fraudulent behaviour and undermine political stability. Without appropriate safeguards, aid assistance may not be directed to where it is most needed; it may find its way into the hands of local politicians, officials, or other improper beneficiaries. Serious corruption or political unrest can also occur as rival factions bid for increased untied grants in return for promises of diplomatic recognition.

10.53 The committee accepts that each country in the Southwest Pacific has the primary responsibility for its economic and social development but that countries providing development assistance should ensure that their aid contributes to sustainable development. As noted above in paragraph 10.48, the OECD Development Assistance Committee has formulated guidelines to assist donor countries and the recipients of development assistance. Adherence to these guidelines would ensure the correct, proper and most efficient use of such assistance.

### **The Pacific Islands Forum**

10.54 The Pacific Island Forum (PIF) meets annually and represents Heads of Government of all the independent and self-governing Pacific Island countries, Australia and New Zealand.<sup>67</sup> China is a dialogue partner to the Post Pacific Islands Forum which meets immediately after the Forum itself and is conducted at ministerial level.<sup>68</sup>

10.55 Since 1990, China has sent government representatives to attend the annual dialogue meetings to strengthen 'the cooperative ties between China and the Forum and its member countries'. In China's view, it has at those meetings:

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66 Senate Foreign Affairs, Defence and Trade References Committee, *A Pacific Engaged: Australia's relations with Papua New Guinea and the islands states of the south-west Pacific*, August 2003, p. 132.

67 Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

68 The participants in the Post Pacific Islands Forum are Canada, China, the European Union, France, India, Indonesia, Japan, the Republic of Korea, Malaysia, the Philippines, the U.K. and the U.S.

...expounded its policy towards the South Pacific region, promising to take the principles of 'mutual respect, equality and mutual benefit, opening to each other, common prosperity and reaching unanimity through consultation' as the fundamental policy for developing its friendly and cooperative relations with the Asian-Pacific countries including the South Pacific countries.<sup>69</sup>

10.56 China offers financial assistance to the PIF and associated activities. In 1999, the China–Pacific Islands Forum Secretariat Cooperation Fund was established with a start-up figure expected to be \$US3 million. The funds were to be used in the bilateral trade, investment, tourism, personnel training and exchanges and other cooperative projects.<sup>70</sup> In 2003, it pledged to contribute \$US100,000 annually to supplement the membership contributions to the Forum Presiding Offices Conference (FPOC) which represents the Speakers of Parliament and Congress in the Pacific. In 2004, it donated \$US70,000 to support the interim Secretariat of the Forum Presiding Officers Conference and a further \$US30,000 to assist a FPOC delegation to Nauru.<sup>71</sup> It should be noted that Taiwan also provides assistance. It provided \$US820,000 for 33 projects in resource management, health, institutional strengthening, governance and information systems. Taiwan has contributed annually to regional organisations 'to an aggregate of US \$3.8 million over the part six years prior to 2004'.<sup>72</sup>

10.57 China, however, has made its stand on the one-China policy clear to this Forum. In 2000, it urged the Forum to uphold this policy in arranging for the Post Forum Dialogue for this year and beyond. It requested, *inter alia*, that:

- participants from Taiwan should not be allowed to take part in any activities related to the Forum and Post-Forum Dialogue;
- forum members having diplomatic relations with China, the PIF Secretariat and other regional organizations in the South Pacific should not participate in the dialogue with Taiwan; and
- the PIF Secretariat should not hold receptions or any other official activities for participants from Taiwan.

China 'demanded' that the Forum take its position seriously.<sup>73</sup>

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69 Ministry of Foreign Affairs of the People's Republic of China, 'Pacific Islands Forum', *Press release*, 9 December 2003, <http://www.fmprc.gov.cn/eng/wjb/zzjg/gjs/gjzzyhy/2616/t55904.htm> (accessed 21 February 2006).

70 Opening Remarks by Mr Jiechi, Vice Minister of Foreign Affairs of the People's Republic of China, 11<sup>th</sup> Post Forum Dialogue, Koror, Palau, 7 October 1999.

71 Pacific Islands Forum Secretariat, *Press Statement*, no. 87/04, 22 November 2004.

72 Pacific Islands Forum Secretariat, *Press Statement*, no. 31–40, 19 May 2004.

73 Opening Statement by People's Republic of China Vice Foreign Minister Yang Jiechi, Post Forum Dialogue, 30 October 2000, Tarawa, Kiribati.



10.58 In August 2004, at the same time that Vice Foreign Minister Zhou Wenzhong was stating publicly China's commitment to provide aid, he was urging members of the Pacific Island Forum to 'remain highly vigilant to the political manoeuvres of the Taiwan authorities to split up China and undermine China's relations with the PIF and countries having diplomatic relations with China'.<sup>74</sup>

10.59 The committee has highlighted its concern about the intrusion of a donor country's own political agenda into the affairs of the island states of the Southwest Pacific. It has noted that such interference may not be in the best interests of the island states and in some cases may impede rather than promote development and good government practices.

10.60 Evidence to this inquiry underlines the importance of Australia remaining an interested and constructive participant in the Pacific Islands Forum. Professor Tow was of the view that:

...the best thing that we can do is continue to be an active and concerned player in the Pacific Forum to the greatest extent possible, because I think the institutional politics in the Pacific really is one episode of institutional politics that counts, increasingly. Australia cannot be responsive; we cannot say, 'Gee, we're not going to the Solomons,' and then do a 180 degree turnaround a year later and say, 'Yeah, I guess we actually are going to the Solomons.' We need to introduce some good, strong, mid- to long-term strategic projections for the South Pacific region, taking into account the institutions.<sup>75</sup>

10.61 In its 2003 report on Australia's relations with Papua New Guinea and the islands states of the Southwest Pacific, the committee recommended that the Prime Minister of Australia place the highest priority on attending all Pacific Forum Meetings.<sup>76</sup> The findings of this current inquiry underline the importance of this recommendation.

### ***Committee view***

10.62 The committee acknowledges the positive and active role that China is taking in the Post Forum Dialogue. Its level of interest and engagement underscores the need for Australia to ensure that it remains focused on the activities of the Pacific Islands Forum and attentive to its goals and aspirations. The committee believes that it is vital

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74 This statement was reported widely. See for example, "'One-China' essential to ties with PIF nations', *China Daily*, 11 August 2004; 'One-China Policy Essential to Ties in Pacific', *China through a Lens*, 11 August 2004; 'Being Cautious Pacific Nations', *Taipei Times*, 12 August 2004; 'China Warns Pacific Nations against Siding with Taiwan', *Agence France Presse*, 11 August 2004.

75 *Committee Hansard*, 13 September 2005, p. 29.

76 Senate Foreign Affairs, Defence and Trade References Committee, *A Pacific Engaged: Australia's relations with Papua New Guinea and the islands states of the south-west Pacific*, August 2003, p. xxvii.

to Australia's interest for Australia to continue to take a leadership role in the Forum and to demonstrate to all its members that Australia is committed to the ideals of the Forum.

**Recommendation 7**

**10.63 The committee recommends that the Prime Minister of Australia place the highest priority on attending all Pacific Forum Meetings.**

**10.64 The committee recommends that the Australian government, through the Pacific Islands Forum, encourage members to endorse the OECD principles on official development assistance.**

**10.65 The committee recommends that the Australian government, through the Post Pacific Islands Forum, encourage China to adopt, and adhere to, the OECD principles on official development assistance for the islands of the Southwest Pacific.**

**10.66 The committee recommends that Taiwan should also be encouraged to adhere to the OECD principles on official development assistance for the islands of the Southwest Pacific.**

**10.67 The committee recommends further that Australia work closely with China to encourage both countries to enter joint ventures designed to assist the development of the island states of the Southwest Pacific.**

# Chapter 11

## Australia and China's foreign policy

11.1 East Asia is of fundamental importance to Australia: it is where Australia's immediate interests and responsibilities reside.<sup>1</sup> Australia faces many challenges in managing its relations with countries in East Asia particularly as China's rapidly growing economic and strategic influence reshapes the neighbourhood. This chapter begins with a review of China's foreign policy before looking at Australia's unilateral, bilateral and multilateral approach to dealing with the changing environment in the region.

### China's foreign policy

11.2 Three major forces shape China's relations with the outside world—the need for domestic harmony and regional stability to ensure China's continued economic development, the drive to secure energy supplies and its national identity as a good neighbour and responsible world citizen. They have given rise to a foreign policy whose first principle is 'peaceful development'. In keeping with this stated policy, China is deliberately cultivating friendly relations with its ASEAN neighbours, with countries rich in the natural resources it needs to sustain economic growth and is presenting itself to its citizens and the outside world as an advocate of global accord. It wants to reassure the world that its rise is peaceful and does not pose a threat to any country.<sup>2</sup>

11.3 Although China clearly enunciates its wish to develop friendly and cooperative relations with the outside world, doubts about its intentions persist.<sup>3</sup> Many countries publicly praise and welcome China's friendly foreign policy yet some remain unsure of its long-term designs.<sup>4</sup> Smaller countries, especially those with important economic links with China, such as Australia, are keen to strengthen their

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1 Prime Minister the Hon. John Howard MP, *Transcript*, Address to the Lowy Institute for International Policy, 'Australia in the World', Westin Hotel, Sydney, 31 March 2005.

2 See paragraphs 2.9–2.12, 2.13–16, 2.23–33.

3 Numerous commentators refer to the uncertainty that surrounds China's long-term strategic intentions. See for example, Shannon Tow, 'Southeast Asia in the Sino-U.S. Strategic Balance', *Contemporary Southeast Asia* Singapore, December 2004, vol. 26, Issue 3; Elizabeth Economy, *China's Rise in Southeast Asia: Implications for Japan and the United States*, (updated version prepared for *Japan Focus* of an article that appeared in *Journal of Contemporary China*, August 2005) *Japan Focus*, 6 October 2005; Robert G. Sutter, 'China's Rise in Asia—Promises, Prospects and Implications for the United States', Asia–Pacific Center for Security Studies, *Occasional Paper Series*, February 2005, p. 5; David Shambaugh, 'China engages Asia: Reshaping the Regional Order', *International Security*, vol. 29, no. 3, Winter 2004/5, p. 67; Chung Min Lee, 'China's Rise, Asia's Dilemma', *The National Interest*, Fall 2005, p. 89.

4 *ibid.*

political and diplomatic relations with China but are aware that the relationship is not risk free.

11.4 A number of witnesses questioned the extent of influence that China may exert over Australia. In his submission to the inquiry, Professor Colin Mackerras, emeritus professor of Asian Studies at Griffith University, noted that:

Given the size of China and its economy compared to Australia, it is hardly surprising that China matters much more to Australia in trade terms than the other way around.<sup>5</sup>

11.5 A common concern is that Australia may compromise on matters of principle so as not to upset the relationship and the maintenance of good trading links with China. Professor Stuart Harris from the Research School of Pacific and Asian Studies at the Australian National University (ANU), has referred to economic coercion, which could include the withdrawal of economic relationships, as an important potential weapon in itself and 'a factor in Chinese thinking'.<sup>6</sup> Professor John Fitzgerald, professor of Asian Studies at La Trobe University, made a similar observation:

Generally speaking it is reasonable to say that in the contemporary world order countries get their way by pushing people around. It is not unusual for...cultural representatives of one country to intimate to business leaders of another that they would lose a contract unless something was done about some other totally unrelated issue; like you might go to wage war in order to win a trade concession. This linkage of trade with other issues is now quite widespread. China does not hesitate to use that kind of intimidation with anyone in relation to business. There is nothing that is unique to Australia about that. It is unfortunate, but it strikes me as fairly commonplace.<sup>7</sup>

11.6 Mr Peter Jennings, Director the Australian Strategic Policy Institute, suggested that Australia and China have 'sought to secure their economic relationship by tacitly agreeing not to stress the issues that either party finds difficult to handle'.<sup>8</sup> Professor Bruce Jacobs, professor of Asian Languages and Studies at Monash University, was of the view that Australia chooses to play down or ignore troubling aspects of China's development because of China's influence. He asked, 'Why do we feel a need to kowtow to China's leadership even before they say anything? Is it because in the past the Chinese have thrown a few hissy fits?'<sup>9</sup> Dr Stephen Morgan, a research associate of the Australian Centre for International Business, argued that

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5 *Submission P54*, p. 9.

6 Professor Stuart Harris, 'Does China matter? The global economic issues', Department of International Relations, ANU, Canberra, September 2003, p. 3.

7 Professor John Fitzgerald, *Committee Hansard*, 27 June 2005, p. 82.

8 *Submission P2*, p. 4.

9 Professor Bruce Jacobs, *Committee Hansard*, 27 June 2005, p. 36.

Australia should not let short-term developments get in the way of Australia upholding principles related to democracy and economic institutions.<sup>10</sup>

11.7 The Prime Minister of Australia, the Hon. John Howard, recently commented on Australia's approach to managing tensions in its relations with China. In an address to the Asia Society, he stated that 'Australia's relationship with China further illustrates what can be achieved when countries focus on the substance of common interests'. He told the audience that Australia seeks to build on shared goals and not 'become obsessed by those things that make us different'.<sup>11</sup>

11.8 Despite diplomatic efforts to remain on friendly terms with China, there are circumstances where Australia may be in a situation requiring choices involving competing interests. Indeed, many analysts have noted that Australia has a difficult task in charting a careful diplomatic course that would avoid any confrontation with China while remaining on good terms with a major regional partner who may be in dispute with China.

11.9 The following section looks at China's engagement with particular organisations or countries and its significance for Australia.

### **China and ASEAN countries**

11.10 A number of regional fora designed to improve economic, political, security, social and cultural cooperation between its members have come into existence over recent decades. China is actively cultivating friendly relations with countries in the region and participating constructively in regional multilateral fora, such as ASEAN and the ASEAN Regional Forum (ARF), often taking a leadership role in initiating projects or programs.<sup>12</sup>

11.11 ASEAN is one of the most important regional fora, promoting cooperation and building a broad community base in East Asia. Although Australia is not a member of ASEAN, it became ASEAN's first dialogue partner in 1974 and is currently one of ASEAN's 10 dialogue partners. The committee believes that it is important for Australia to continue to show an interest in ASEAN and to demonstrate a willingness to cooperate in furthering its aims to improve regional cooperation. The committee would like to see Australia strengthen its relationship with the ASEAN Secretariat (see recommendation 1 at paragraph 3.90).

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10 Dr Stephen Morgan, *Committee Hansard*, 27 June 2005, pp. 8–9.

11 Prime Minister the Hon. John Howard MP, *Transcript*, Address to the Asia Society Lunch, the Asia Society, New York City, 12 September 2005.

12 See paragraph 3.22.

### ***ASEAN Regional Forum***

11.12 Both China and Australia participate in the ARF which is concerned with key regional political and security issues of consequence to the region. The committee recognises that the ARF plays an important role in facilitating dialogue on regional security issues, as well as more generally assisting to foster mutual understanding in the Asia-Pacific region (see paragraphs 3.44–3.52). It creates an atmosphere of cooperation and confidence building that enables countries in the region to address, and even resolve, issues that they might not otherwise discuss (see recommendation 1 at paragraph 3.90).

### ***Asia-Pacific Economic Cooperation (APEC)***

11.13 APEC is another important regional forum and one that Australia strongly supports. The committee recognises the significant role that APEC has in the region, not only in facilitating trade, but in promoting regional cooperation, goodwill and security. It is important for Australia to ensure that APEC remains relevant to its members and active in pursuing regional goals.<sup>13</sup> The committee believes that Australia should take a lead role to ensure that APEC remains relevant and on track by revitalising the process. Having said so, the committee supports equally the work being done in other regional fora such as ASEAN, ARF and the East Asia Summit. It believes that they also have an important place in developing a sense of regional community and warrant the strongest support from Australia (see recommendation 1, paragraph 3.90).

### ***The East Asia Summit***

11.14 Although a strong advocate of the EAS, China has made clear that it supports ASEAN's leading role in the Summit.<sup>14</sup> Australia's policy makers are of the view that the East Asia Summit has the potential to build a stronger and more cohesive East Asian community. Furthermore, they acknowledge that it is in Australia's long-term interests to be an active participant in the Summit and the growing regional community. After indicating its intention to sign the Treaty of Amity and Cooperation, Australia was invited to attend the inaugural meeting of the East Asia Summit (see paragraph 3.69–3.82).

11.15 Australia's acceptance into the EAS marked a general recognition by East Asian countries, including China, that Australia has an important and constructive place in the region. The exclusion of the United States from this summit has, however, raised concerns and ignited debate about the role of the United States in the region.

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13 See paragraph 3.53–3.63.

14 See paragraph 3.68.

11.16 The committee believes that Australia must remain engaged in the EAS and that it acknowledge that the Summit is as important as other major regional fora such as ASEAN and APEC (see recommendation 1, paragraph 3.90).

### **Summary—regional fora**

11.17 Although sometimes criticised for their failure or slowness in producing positive results, ASEAN, the ARF and APEC provide an ideal environment in which Australia, together with other smaller like-minded countries, can pursue their interests.<sup>15</sup> ASEAN, the ARF and APEC allow countries in the region that are in dispute, or whose relations are strained, to resolve their difficulties with the support and encouragement of their neighbours. The recently formed EAS also has the potential to promote the goodwill needed to foster greater regional cooperation.

11.18 The committee believes that Australia must continue to participate actively in regional fora and encourage other countries, especially the U.S., to demonstrate its support for the broader objectives of ASEAN, including the ARF. The committee believes that Australia must do its utmost to encourage the U.S. to remain constructively engaged in the region (see Recommendations 1 and 2, paragraphs 3.90 and 5.26).

### **China and the United States**

11.19 Australia has made clear that it is a strong and staunch ally of the United States. The Australian Prime Minister, the Hon. John Howard, has stressed the importance of Australia's friendship with the United States:

America has no more reliable ally than Australia, and I'm not ashamed to say that because in the long run it's only America that could be our ultimate security guarantee. But we have interests in Asia. We have a separate, strong growing relationship with China and it is not in Australia's interests for there to be conflict between America and China, and I will do everything I can, and Mr Downer will do everything he can, to discourage that ever occurring.<sup>16</sup>

11.20 He has stated, however, that Australia is not an agent of the United States and that it does not have a role as a mediator or regional broker. Both the Prime Minister

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15 For example, the Singaporean Minister for Foreign Affairs, Mr George Yeo, stated that 'ASEAN is a "paper machine"... That we seem to spend a lot of time talking, back tracking and then moving forward again. Not always moving in a straight upward course. Let us take a step back and look at ASEAN in its historical development. It has been very good for all of Southeast Asia... a weak ASEAN would mean that Southeast Asia would be balkanized and new security problems will appear.' Singapore, Ministry of Foreign Affairs, Remarks by Singapore Minister for Foreign Affairs, George Yeo, *Parliament on the Strategic Overview*, 4 March 2005.

16 *Transcript*, Interview with Neil Mitchell, *Radio 3AW*, 20 August 2004.

and the Minister for Foreign Affairs have made it clear that Australia's primary role in the region is to help friends.<sup>17</sup>

11.21 The health of the Sino–U.S. bilateral relationship is of vital importance to Australia, as it is to every other nation in the region. The U.S. has provided a strong security presence in the region, while China's rapid economic development will be of enormous benefit to other regional economies hoping to 'piggyback' on China's successes. This dual benefit—stability and growth—depends, however, on the U.S. and China remaining on relatively good terms, thus negating the need for other countries in the region to choose between them, and by extension, the benefits each provides. As Mr Peter Jennings has written, 'we have not yet been forced to choose between Beijing and Washington'.<sup>18</sup> So long as the relationship remains friendly and mutually beneficial, Australia can pursue relations with China and maintain strong alliance with U.S.

11.22 As discussed in Chapter 5, China has publicly indicated that it is comfortable with Australia's long and continuing alliance with the U.S.<sup>19</sup> There are a number of plausible explanations for this mentioned in earlier sections of this report. The U.S. has helped provide the relatively stable regional security environment that has underpinned Chinese economic growth. Furthermore, the Chinese are aware that the U.S.–Australia alliance is Australia's most important strategic partnership for ensuring Australia's own security, one that Australia will not contemplate compromising. China understands Australia's security priorities and does not reject their legitimacy. It may also value Australia's closeness to the U.S. as a means by which to press a positive, moderate view of China within Washington policy-making circles (see paragraphs 5.44–5.53).

11.23 Australia is also in a sound position in terms of avoiding U.S. concern over Australia's increasingly close relations with China. The U.S. has enjoyed unwavering Australian support for its activities in Iraq and Afghanistan in the face of widespread disquiet elsewhere over U.S. foreign policy. Both the Australian and U.S. governments have commented on the strength of the contemporary alliance. Citing the international editor of the *Australian*, Mr Paul Kelly, Dr Peter Edwards has suggested that the assuredness of the alliance may provide Australia with the diplomatic leverage to pursue closer relations with China.<sup>20</sup> There is no indication that Australia is maintaining the U.S. alliance as an insurance policy against a Chinese misadventure or

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17 Transcript of the Prime Minister the Hon John Howard MP, Interview with Neil Mitchell, Radio 3AW, 17 October 2003; U.S. Department of State, 'Remarks by President Bush and Prime Minister Howard of Australia in a Photo Opportunity', October 2003, Parliament House, Canberra.

18 Peter Jennings, 'Getting China Right: Australia's policy options for dealing with China', *ASPI Strategic Insights*, October 2005, p. 2.

19 See paragraph 5.47.

20 Dr Peter Edwards, 'Permanent Friends? Historical Reflections on the Australian-American Alliance', *Lowy Institute Paper 08*, p. 51.



catastrophe. Australia has a longstanding and solid alliance with the U.S. that predates any concerns about China. Rather than 'hedging' on the U.S., Australia has used its warm relations with Washington to broaden its relationship with, and secure opportunities from, China. In addition, the U.S. welcomes having a close ally that can advocate the U.S. view in the EAS and other regional fora (see paragraph 5.14).

11.24 While these satisfactory diplomatic conditions prevail, Australia will not be required to 'make a choice' between U.S. strategic benefits and China's economic magnetism. The committee indicated in Chapter 5 that Australia's relationships with the U.S. and China largely depend on how those two nations handled their own bilateral relationship. To help avoid a Sino–U.S. fall-out, Australia should, through its favourable access in Washington, continue to remind the U.S. of the positive aspects of China's rise and discourage confrontational rhetoric. Australia should also use improving relations with China to convey U.S. concerns over the People's Liberation Army's (PLA) modernisation, actively encouraging the Chinese authorities to undertake this process with greater transparency and openness.

### **China's military modernisation**

11.25 The committee notes that China's leaders are working assiduously to enhance China's position as a world leader, using a mix of trade incentives, confidence building measures and development aid. It recognises the particular efforts that China has made to reassure the world that it is acting with the best of intentions.

11.26 Even so, some commentators have raised fears about the intentions underpinning China's military expenditure.<sup>21</sup> The lack of transparency in both China's reporting on its military expenditure and its military intentions creates the confusion and uncertainty that has given rise to speculation and heightened anxiety about China's ultimate ambitions.<sup>22</sup>

11.27 As a country that openly reports on its growing military expenditure, Australia can encourage China to improve the transparency of its reporting regime on its military modernisation program (see recommendation 4, paragraph 6.88). Military exchanges and joint exercises with China also provide an ideal mechanism for Australia to encourage China's military leaders to report more openly on China's defence spending and military intentions. The committee commends the exchange programs.

11.28 Alongside its bilateral endeavours, Australia can also work through regional political and security structures to reduce anxiety about China's strategic ambitions. Like-minded countries, intent on maintaining and securing a stable and peaceful region, could work through the ARF to formulate, propose, and initiate measures designed to improve regional security, such as encouraging greater transparency in

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21 See chapter 6, pp. 86–90.

22 See chapter 6, pp. 94–98.

reports on military spending. The first step in this regard is to generate interest in, and discussion on, such measures (see recommendation 3 and 5, paragraphs 6.80 and 6.95).

## China and Taiwan

11.29 The committee agrees with Australia's current position that supports the one-China policy and continues 'to urge restraint and a peaceful resolution of issues across the Taiwan Straits'.<sup>23</sup> The Prime Minister stated that Australia sees itself as:

...having a role in continually identifying, and advocating to each, the shared strategic interests these great powers have in regional peace and prosperity.<sup>24</sup>

11.30 Furthermore, the committee endorses the approach taken by the Australian government in declining to speculate on hypothetical situations involving conflict between China and Taiwan. The committee believes that the Australian government is right in declaring Australia's strong alliance with the U.S. and its desire to deepen diplomatic ties with China.

11.31 The committee recognises the importance for China and the U.S. to offer each other greater assurances that both want the peaceful reunification of China and Taiwan. Australia has shown itself a friend to China and the U.S. and is well placed to encourage all parties involved to act in a manner that will promote peace in the region, particularly between China and Taiwan. Again, the committee highlights the important role that regional fora have in helping countries resolve difficulties.

## China and Japan

11.32 The committee understands that China and Japan have taken positive steps to strengthen diplomatic ties, improve mutual understanding and to achieve greater cooperation between them. Even so, the committee notes that there are a number of unresolved and long-standing irritants in the relationship that have the potential to undermine good relations between them. The committee believes that it is important for both countries to arrest any further erosion of their relationship

11.33 The committee agrees, however, with Australia's approach not to interfere in the disputes between China and Japan. Mr Downer has stated that while Australia

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23 Prime Minister the Hon. John Howard MP, *Transcript*, Address to the Lowy Institute for International Policy, 'Australia in the World', Westin Hotel, Sydney, 31 March 2005.

24 See Prime Minister the Hon. John Howard MP, *Transcript*, Address to the Lowy Institute for International Policy, 'Australia in the World', Westin Hotel, Sydney, 31 March 2005.

hopes that both countries are able to work through their differences, the quarrels are 'a matter entirely for China and Japan'.<sup>25</sup>

11.34 It should be noted, however, that there are a number of regional fora that create opportunities for leaders of countries whose relationships are strained to seek cooperative means to resolve their differences and repair damaged relations. Regional fora such as APEC are ideal for members such as the United States, Japan and China to manage their relationship in a spirit of cooperation. It is uniquely suited to deal with complicated and sensitive strategic interactions in the Asia-Pacific region and help defuse tensions that exist between members.

11.35 The committee recognises that Australia's role in influencing relations between China and the U.S. and the triangular relationship between Japan, China and the U.S. is limited. It does see a role though for APEC in providing a forum that can facilitate or promote a cooperative approach by these countries, not only toward achieving the goal of free and open trade and investment in the region, but to assist the countries toward cooperative agreement in securing a stable and safe regional environment.<sup>26</sup>

11.36 Dr Peter Van Ness from the Research School of Pacific and Asian Studies at the ANU also saw a role for members of the broader community, especially academics, to work together toward improving relations between Japan and China. He told the committee:

One thing that my colleagues are planning to do at the ANU as academics is to set up a workshop next year on reconciliation between China and Japan, because we think the hostility between them is counterproductive to everything that might move the region in a positive direction. Thus far, in beginning to organise that workshop, the responses from both the Chinese colleagues and the Japanese colleagues have been overwhelmingly enthusiastic. Another point they make is that this is something Australia can do, because Australia is neutral ground for something like that. Australia, again, wants to cooperate with both China and Japan and with both the United States and China. As the Prime Minister has said, China is an opportunity. There is a lot we can do on the positive side—which is not to ignore the downside of things and, in the worst-case, the dark side of things. I think we have a responsibility to look in both directions.<sup>27</sup>

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25 The Hon. Alexander Downer MP, *Transcript*, Doorstop interview, Sydney, 18 April 2005. The Prime Minister, the Hon. John Howard, expressed similar sentiments: '...the bilateral relationship between China and Japan is not something that I give lectures to either country on...I'm obviously keen to see the bilateral relationship being strong and positive...', *Transcript of the Prime Minister The Hon. John Howard MP Press Conference*, Imperial Hotel, Tokyo, 20 April 2005.

26 See the findings of the Senate Foreign Affairs, Defence and Trade References Committee in *Japan's Economy: Implications for Australia*, August 2000, p. 227.

27 *Committee Hansard*, 13 September 2005, p. 28.

11.37 The committee welcomes initiatives such as that taken by the ANU in arranging a workshop on reconciliation between China and Japan that includes both Chinese and Japanese academics. It believes that the government should lend strong support to Australian institutions using their resources to bring together colleagues from the region to discuss problems such as disagreements between regional neighbours.

### **Recommendation 8**

**11.38 The committee recommends that the Australian government support Australian institutions that are using their initiative and resources to bring together colleagues from the region to discuss means to reconcile differences that exist between countries such as those currently between China and Japan.**

### **The North Korean nuclear issue**

11.39 China's leadership in the Six-Party talks has been a constructive process in Sino–U.S. relations. China fully deserves praise for its role in drafting the September 2005 statement of principles according to Washington's insistence on 'complete, verifiable, irreversible dismantlement'. However, the committee notes that the North Korean plan proposed in November 2005 has stalled. The main area of contention continues to be the sequence of disarmament and reward. North Korea is adamant it will not freeze its nuclear weapons program without first receiving a concession. It is currently boycotting the Six-Party talks.

11.40 The committee found that the details of a successful disarmament strategy will be a significant test for multilateral diplomacy. China and South Korea favour an aid-based approach to North Korea. The U.S. prefers to isolate North Korea through sanctions, although there remains a preparedness to engage Pyongyang in the Six-Party process. The committee emphasises that the successful disarmament of North Korea is a long-term goal and that China should not be burdened with international expectations. China clearly has a vested interest in reviving the Six-Party process. It is understandably concerned that social instability in North Korea does not spill over its border and that a nuclear arms race does not develop in the region. Beyond these imperatives, however, the committee recognises China's genuine willingness to make a contribution to multilateral security efforts.

11.41 The committee endorses the Australian government's approach in supporting the Six-Party process and using its bilateral relationship with North Korea to encourage dialogue and an agreement on disarmament. In light of North Korea's latest boycott of the talks, these efforts must continue (see recommendation 6, paragraph 9.56).

### **Southwest Pacific**

11.42 The committee found that the small island states of the Southwest Pacific have much to gain from the development assistance offered by countries such as China. However, the relative poverty of Pacific Island nations, and their lack of

appropriate institutional mechanisms to ensure political and bureaucratic accountability, leaves them prone to financial influence and corruption. Without appropriate safeguards, aid assistance may not be directed to where it is most needed or it may find its way into the hands of local politicians or officials or other improper beneficiaries.<sup>28</sup>

11.43 The committee noted that amongst some Pacific Island nations, competition between the PRC and Taiwan for diplomatic recognition has, on occasion, appeared to take on the characteristics of a bidding war, conducted mainly through bilateral 'aid' payments. This problem can be exacerbated when the practice of gift giving, an important aspect of many Pacific Island cultures, is exploited.<sup>29</sup> The committee recognises the potential for serious corruption or political unrest to occur as rival factions bid for increased untied grants in return for promises of diplomatic recognition.

11.44 The committee was of the view that aid support to the islands must be constructive, with the primary goal of improving their welfare. Clearly, the political rivalry between China and Taiwan in the Southwest Pacific does not provide an environment conducive for the most effective use of development assistance (see paragraphs 10.51–10.52).

11.45 The committee recommended that Australia, through the Pacific Islands Forum and Post Pacific Islands Forum, encourage members to adopt the OECD principles on official development assistance for the islands of the Southwest Pacific. The committee also recognised the benefits that could result from China and Australia engaging in joint ventures to deliver development aid to the Pacific Islands (see recommendation 7, paragraphs 10.63–10.67).

11.46 Furthermore, Australia cannot afford to become complacent in the attention it gives to the Pacific Island community. The committee believes that it is vital to Australia's interest for Australia to continue to take a lead role in the Pacific Island Forum and to demonstrate that Australia is committed to the ideals and aspirations of its members (see recommendation 7, paragraph 10.63).

## **Need for skilled diplomacy**

### ***Trained analysts***

11.47 In the first part of its report on Australia's relationship with China, the committee found that Australia should have skilled analysts monitoring developments in China, predicting trends in the market and forewarning of problems. It was of the view that 'such a body of experts would be an invaluable asset for Australian

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28 See paragraphs 10.28–29–10.30.

29 See for example 'Questions of corruption in the search for Pacific Allies', *Sydney Morning Herald*, 7 February 2005, p. 16.

businesses and Australian leaders'.<sup>30</sup> The committee now considers whether the same conclusion applies to strategic considerations.

11.48 The East Asia region is characterised by political, ethnic, cultural and religious diversity. This report has highlighted the complex and changing web of relations that exists in East Asia and some of the tensions that threaten to disrupt this network, particularly those existing between an increasingly influential China and the U.S. It has shown that Australia's interests are very much caught up in this web. To safeguard its own economic and security needs, Australia relies heavily on the region remaining politically stable and economically healthy. It does not want to be drawn into disputes between powerful neighbours, especially any confrontation between the U.S. and China.

11.49 As noted by Mr Allan Gyngell, Director of the Lowy Institute for International Policy, Australian leaders 'will need all their resources of strategic foresight, diplomatic skill and political cunning' to deal with the challenges facing Australia.<sup>31</sup> Mr Reg Little and Mr James Flowers highlighted the need for Australia to have 'an astute understanding of regional interactions and regional sensitivities about the influence on non-regional and alien cultural norms'. They stated:

It is apparent that Australian policy cannot afford to be ill-informed about powerful, deep-rooted cultural qualities, largely suppressed and disguised over much of the past century, that direct behaviour among its most powerful neighbours.<sup>32</sup>

11.50 Professor Hugh White of the ANU's Strategic and Defence Studies Centre wrote of the critical importance of having a 'more active, imaginative and effective diplomacy than we have shown so far'.<sup>33</sup>

11.51 The importance of effective diplomacy assumes even greater significance in light of China's skills in this area. A number of commentators, including those participating in the committee's inquiry, remarked on China's growing and impressive diplomatic performance. Dr Brendan Taylor, a post-doctoral fellow at the Strategic and Defence Studies Centre, acknowledged that China's use of soft power in the region had become 'significantly more adept' and its new diplomacy 'more adroit'.<sup>34</sup>

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30 Senate Foreign Affairs, Defence and Trade References Committee, *Opportunities and challenges: Australia's relationship with China*, pp. 237–238, 242–243.

31 Mr Allan Gyngell, *Time International* (South Pacific ed.), Issue 16, New York, 25 April 2005, p. 27.

32 *Submission P26*, p. 9.

33 Professor Hugh White, 'It's a delicate dance to tiptoe between colliding giants', *Sydney Morning Herald*, 13 April 2005, p. 9. See chapter 3 particularly the section headed Chinese Soft power in East Asia—peace, progress and cooperation, pp. 24–26 and in particular paragraphs 3.7 and 5.43.

34 Dr Brendan Taylor, *Committee Hansard*, 13 September 2005, p. 15. See also paragraphs 5.12–5.13. See also paragraphs 5.12

11.52 The building block for good diplomacy is sound intelligence. Professor Paul Dibb, however, questioned whether Australia put 'enough effort into analysing and studying China'.<sup>35</sup> Professor William Tow, Director of the International Studies Program at the University of Queensland, suggested that Australia could begin to train more strategic analysts. He stated:

Paul [Professor Dibb] talked about this earlier: to what extent now are the vagaries of the day essentially dominating, if you will, our perceptions and our thinking about international security and security studies in general? I think I can state with a high level of confidence—being a veteran of tertiary teaching over the past decade and a half in Australia and for 10 years prior to that in the big place across the Pacific—that Australian universities right now are remarkably deficient in addressing the need to train motivated, bright young people in the security studies field. I am talking not just about the traditional strategic studies approach; I am talking about peace and conflict resolution and so forth. There is no systematic equivalent in Australia today to the national security programs that emanated in the United States, following Sputnik, in the late fifties and early sixties...

I think the government has to take a good hard look at this now. The Australian Research Council is not doing it, we know that, in terms of the types of topics that they fund. While it would be nice to think that there might be corporate support for this type of thing, it is not happening. This is a field that has a paucity of support at a time, frankly, when support is needed more than ever before...Train a new generation, so that this committee can reconvene in 15 or 20 years and have young people come in and address it.<sup>36</sup>

11.53 As noted earlier, the region is of critical importance to Australia's economic prosperity and national security. The quality of Australia's diplomacy relies on good, sound, accurate and incisive analysis that is able to take account of developments and trends that will influence Australia's long-term interests in the region. Because training and experience takes time, the committee believes that this is an area that cannot be neglected.

11.54 The committee also believes that Australia needs skilled and well-trained analysts with a thorough understanding of China's security priorities and the complexities of relationships in the region. In light of the importance of East Asia to Australia and the rapid and complex changes taking place in the region, the committee makes the following recommendation.

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35 Professor Paul Dibb, *Committee Hansard*, 13 September 2005, p. 20.

36 Professor William Tow, *Committee Hansard*, 13 September 2005, pp. 29–30.

**Recommendation 9**

**11.55 The committee recommends that the Australian Government:**

- **place a high priority on building-up a pool of highly trained, skilled and experienced analysts specialised in East Asian affairs, and**
- **review the incentives it now has in place to attract and train highly skilled strategic analysts to ensure that Australia's current and future needs for such trained people will be met.**

SENATOR STEVE HUTCHINS  
CHAIRMAN



# Appendix 1

## Public submissions

- P82 Friends of the Earth, Australia
- P83 Australian Trade Commission (Austrade)

*The following submissions were tabled (10 November 2005) with the report titled Opportunities and challenges: Australia's relationship with China:*

- P1 Mr Peter Beattie MP, Premier of Queensland and Minister for Trade
- P1A Mr Peter Beattie MP, Premier of Queensland and Minister for Trade
- P2 Australian Strategic Policy Institute
- P3 Mr Jon Cook
- P4 Mr Jarrad Clark, Edith Cowan University
- P5 Dr Thomas Alured Faunce, Australian National University
- P6 Mr Anthony James
- P7 Professor and Mrs N Ormerod
- P8 Mr Geoff Edwards
- P9 Senator Robert Hill, Leader of the Government in the Senate, Minister for Defence
- P10 Wollongong City Council, Mr Bob Doyle
- P11 Mr David Novy (Maitreya)
- P12 Mr Jonathan Schultz
- P13 Queensland Nurses' Union, Ms Gay Hawksworth
- P14 Federation of Ethnic Communities' Councils of Australia, Mr Abd-Elmasih Malak
- P15 Name withheld
- P16 Australian Fair Trade and Investment Network, Ms Jemma Bailey and Dr Patricia Ranald
- P16A Australian Fair Trade and Investment Network, Ms Jemma Bailey and Dr Patricia Ranald
- P17 Mr Francis Lee
- P18 The Asialink Centre, Ms Jennifer Conley
- P19 Department of Foreign Affairs and Trade, Mr Jeff Robinson
- P20 Dr Bill Lloyd-Smith

- P21 Asia Education Foundation, Ms Kathe Kirby
- P22 Dr Peter Van Ness, Contemporary China Centre, Australian National University
- P23 Australia Tibet Council, Mr Paul Bourke
- P24 Hunt & Hunt Lawyers, Mr Jim Harrowell
- P25 Department of Family and Community Services, Mr Lee Trainor
- P26 Mr Reg Little and Mr James Flowers
- P26A Mr Reg Little
- P27 Department of the Environment and Heritage, Mr Phillip Glyde
- P28 Tears of the Oppressed, Ms Elizabeth Scott
- P29 Professor John Hicks, Charles Sturt University
- P30 Department of Education, Science and Training, Ms Bici Byrnes
- P31 WTO Watch Qld, Ms Terrie Templeton
- P32 National Library of Australia, Ms Jan Fullerton
- P33 Northern Territory Government, Ms Clare Martin
- P34 Rio Tinto Australia, Mr Charlie Lenegan
- P35 AusAID, Mr Peter Callan
- P36 Australian Manufacturing Workers' Union, Mr Alister Kentish
- P37 Australian Customs Service, Ms Christine Marsden-Smedley
- P38 CSIRO Business Development & Commercialisation, Ms Mara Bun
- P39 Air Power Australia, Dr Carlo Kopp and Mr Peter Goon
- P40 Australia China Business Council, The Hon Warwick L Smith
- P41 Department of Agriculture, Fisheries and Forestry, Ms Felicity Moran
- P42 Australian Council of Trade Unions, Ms Sharan Burrow
- P43 Australian Film Commission, Mr Drew MacRae
- P44 Media, Entertainment and Arts Alliance, Mr Simon Whipp
- P45 WA Government, Department of the Premier and Cabinet
- P45A WA Government, Department of the Premier and Cabinet
- P45B WA Government, Department of Agriculture
- P45C WA Government, Department of Culture and the Arts
- P46 Department of Transport and Regional Services, Mr Nick Bogiatzis
- P47 Victorian Government, The Hon. André Haermeyer MP
- P48 Qantas Airways Limited, Mr David Hawes

- 
- P49 Business Council of Australia, Ms Melinda Cilento
- P50 Ingeus Limited, Ms Therese Rein
- P51 Department of Immigration and Multicultural and Indigenous Affairs, Ms Rosemary Greaves
- P52 Dr Rosita Dellios, Bond University
- P53 Professor David S G Goodman, University of Technology, Sydney
- P54 Professor Colin Mackerras
- P55 Minerals Council of Australia
- P56 Mr John Rogers
- P56A Mr John Rogers
- P57 China Business Focus
- P58 Australian Academy of Science; Australian Academy of Technological Sciences and Engineering
- P59 West Australian Symphony Orchestra
- P60 Dr Chen Jie
- P61 Mr Garry Woodard
- P62 Department of Communications, Information Technology and the Arts
- P62A Department of Communications, Information Technology and the Arts
- P63 Australian Industry Group
- P64 National Farmers' Federation
- P65 Asian Studies Association of Australia Inc (PDF 155KB) Attachment
- P66 Embassy of the People's Republic of China in Australia
- P67 Australian Local Government Association
- P68 Ali Abusalem
- P69 Department of Industry, Tourism and Resources
- P70 Mr Gary L Fellman
- P71 Australian Research Council
- P72 Professor John Fitzgerald
- P73 Mr Richard Opie
- P74 Dr Stephen L Morgan
- P75 Australia-China Council
- P76 Mr John Craig
- P77 Dr Anne Kent
- P78 Mr John C Massam

- P79 The Human Rights Council of Australia
- P80 The George Institute for International Health
- P81 Mr Tony Pratt

## **Appendix 2**

### **Public hearings and witnesses**

#### **Tuesday, 14 June 2005, Canberra**

BORTHWICK, Ms Hilary Jessie, Group Manager, Science Group, Department of Education, Science and Training

BUFFINTON, Ms Fiona, Chief Executive Officer, Australian Education International, Department of Education, Science and Training

BYRNES, Ms Bici, Assistant Director, International Cooperation Branch, Australian Education International, Department of Education, Science and Training

CALLAN, Mr Peter, Acting Assistant Director General, East Asia Branch, AusAID

DEANE, Ms Bronwyn, Assistant Director, International S&T Relations, International Science Branch, Science Group, Department of Education, Science and Training

PROCTOR, Mr Murray, Acting Deputy Director General, Asia and Corporate Resources, AusAID

TAYLOR, Mr Robin James, Director, North Asia Section, AusAID

VAN OMME, Ms Kristie, Acting Director, North Asia, Trade Agreements and APEC, International Cooperation Branch, Australian Education International, Department of Education, Science and Training

WHITTLESTON, Ms Shelagh, Branch Manager, International Cooperation Branch, Australian Education International, Department of Education, Science and Training

#### **Thursday, 16 June 2005, Canberra**

McCARTER, Ms Mary Louise, Acting Assistant Secretary, China Free Trade Agreement Task Force, Department of Foreign Affairs and Trade

MORTON, Ms Lydia, First Assistant Secretary, North Asia Division, Department of Foreign Affairs and Trade

NEUMANN, Mr Richard James, Executive Officer, East Asia Branch, Department of Foreign Affairs and Trade

ROBINSON, Mr Jeff, Assistant Secretary, East Asia Branch, North Asia Division, Department of Foreign Affairs and Trade

SAXINGER, Mr Hans, Director, China Economic and Trade, North Asia Division, Department of Foreign Affairs and Trade

**Monday, 20 June 2005, Canberra**

ALLEN, Mr Rodney John, Acting Director, Australian Antarctic Division, Department of the Environment and Heritage

BUN, Ms Mara, Director, Business Development, Commonwealth Scientific and Industrial Research Organisation

BURNS, Mr Craig Stuart, General Manager, Trade Policy, Department of Agriculture, Fisheries and Forestry

CARRUTHERS, Mr Ian, First Assistant Secretary, International, Land and Analysis Division, Australian Greenhouse Office, Department of the Environment and Heritage

FERRIS, Mr Jason Andrew, Assistant Director, Migratory and Marine Species Section, Department of the Environment and Heritage

GRINBERGS, Ms Helen Mary, Director, International Partnerships Section, Australian Greenhouse Office, Department of the Environment and Heritage

LEONG, Dr Ta-Yan, Senior Adviser, Commonwealth Scientific and Industrial Research Organisation International

MORRIS, Mr Paul Charles, Executive Manager, Market Access, Department of Agriculture, Fisheries and Forestry

SEDGLEY, Mr Simon Henry, Director, Executive and External Relations, Australian Research Council

SMITH, Ms Kerry Jayne, Director, International Section, Department of the Environment and Heritage

SMITH, Professor Andrew, Fellow of the Australian Academy of Science, Australian Academy of Science

THAPPA, Ms Nina Subhashree, Policy Adviser, International Section, Department of the Environment and Heritage

THOMAS, Dr Mandy, Executive Director, Humanities and Creative Arts, Australian Research Council

WILSON, Mr Ken, Assistant Director, Executive and International Affairs, Bureau of Meteorology of Australia

**Tuesday, 21 June 2005, Canberra**

BROWN, Ms Vicki, General Manager, International Energy Branch, Department of Industry, Tourism and Resources

DILLON, Ms Catherine Mary, Manager, Minerals Development Section, Department of Industry, Tourism and Resources

HUGHES, Mr Peter, First Assistant Secretary, Refugee, Humanitarian and International Division, Department of Immigration and Multicultural and Indigenous Affairs

HUTCHINSON, Mr Peter, Acting Branch Manager, International Branch, Department of Family and Community Services

JONES, Mr Barry, Executive General Manager, Invest Australia, Department of Industry, Tourism and Resources

KILLESTEYN, Mr Ed, Deputy Secretary, Department of Immigration and Multicultural and Indigenous Affairs

McMAHON, Mr Vincent, Executive Coordinator, Border Control and Compliance Division, Department of Immigration and Multicultural and Indigenous Affairs

MILEY, Mr Kenneth, General Manager, Trade and International Branch, Industry Policy Division, Department of Industry, Tourism and Resources

MORRIS, Mr Peter, General Manager, Tourism Division, Department of Industry, Tourism and Resources

MURTON, Mr Timothy James, Acting Assistant Section Manager, Capacity Building, Department of Family and Community Services

RIZVI, Mr Abul, First Assistant Secretary, Migration and Temporary Entry Division, Department of Immigration and Multicultural and Indigenous Affairs

STONE, Mr Geoff, Manager, Development Section, Offshore Resources Branch, Department of Industry, Tourism and Resources

TRAINOR, Mr Leonard Archer, Section Manager, Capacity Building, International Branch, Department of Family and Community Services

TUCKER, Dr Peter, General Manager, IP Australia, Department of Industry, Tourism and Resources

WILLIAMS, Mr Jim, Assistant Secretary, Unauthorised Arrivals and Detention Operations Branch, Department of Immigration and Multicultural and Indigenous Affairs

**Wednesday, 22 June 2005, Canberra**

FARGHER, Mr Ben, Chief Executive Officer, National Farmers Federation

HOOKE, Mr Mitchell Harry, Chief Executive, Minerals Council of Australia

MITCHELL, Mr Scott Anthony, Policy Manager Trade, National Farmers Federation

PEARSON, Mr Brendan, Director, Public Affairs, Minerals Council of Australia

**Monday, 27 June 2005, Melbourne**

APPLE, Mr William Nixon, Industry and Investment Policy Adviser, Australian Council of Trade Unions

FITZGERALD, Professor John Joseph, Private capacity

JACOBS, Professor Jeffrey Bruce, Private capacity

MACMILLAN, Mr Steven, Consultant, China Business Focus

McGREGOR, Ms Jennifer, Executive Director, Asialink

MORGAN, Dr Stephen Lloyd, Private capacity

MURPHY, Mr Edward Francis, International Committee Member, Australian Council of Trade Unions

TATE, Ms Alison Margaret, International Officer, Australian Council of Trade Unions

WELCH, Ms Maureen Joan, Director, Asia Education Foundation

WOODARD, Mr Charles Garrard, Private capacity

**Wednesday, 29 June 2005, Sydney**

ATISHA, Mr Tenzin, Representative of His Holiness the Dalai Lama in Australia and New Zealand

BAILEY, Ms Jemma Renee, Trade Justice Campaigner and Policy Officer, Australian Fair Trade and Investment Network

BARNETT, Ms Kate, National Director, Australia China Business Council

CAMERON, Mr Doug, National Secretary, Australian Manufacturing Workers Union

CONROY, Mr Pat, National Projects Officer, Australian Manufacturing Workers Union

DAVIS, Dr Robert Brent, Director, Trade and International Affairs, Australian Chamber of Commerce and Industry

DOYLE, Mr Robert, Manager, Economic Development, Wollongong City Council



DYSART, Ms Dinah Mary, Deputy Chair, Australia-China Council

GOODMAN, Professor David Stephen Gordon, Private capacity

HARROWELL, Mr James (Jim) Geoffrey Fulton, Partner, Hunt and Hunt Lawyers

KENTISH, Mr Alister, National Projects Officer, Australian Manufacturing Workers Union

LUNGTOK, Mr Lobsang, Private capacity

PHELAN, Mr Liam, Policy Officer, Australia Tibet Council

RANALD, Dr Patricia, Convenor, Australian Fair Trade and Investment Network

**Monday, 1 August 2005, Perth**

BATH, Ms Vivienne Diane, Private capacity

BEACH, Mr Michael Ian, Principal Policy Officer, Trade and Services, State Development

Strategies Group, Department of Industry and Resources

BIDDULPH, Dr Sarah, Private capacity

CALDER, Mr Duncan Harvey, Council Member, Australia China Business Council, Western Australian Branch; and National Chairman, China Business Practice, KPMG

CASEY, Dr Dawn, Chief Executive Officer, Western Australian Museum

CHEN, Dr Jie, Private capacity

DELLIOS, Dr Rosita, International Relations Analyst, Centre for East-West Cultural and Economic Studies, Bond University

GUNNINGHAM, Mr Jeff, Managing Director, Education and Training International, Department of Education and Training

HART, Mr William Shelton, General Manager, Government Relations and Approvals, Rio Tinto Iron Ore

HOWARD, Mr Lyall James, Manager, Government and Corporate Relations, Rio Tinto Ltd

KELLY, Ms Valerie Priscilla, Trade Policy Analyst, Business Development, Department of Agriculture

LITTLE, Mr Reginald Eric, Private capacity

LUCAS, Ms Allanah, Executive Director, Culture and Arts Development, Department of Culture and the Arts

SATCHWELL, Mr Ian David, Executive Member, Australia China Business Council, Western Australian Branch

SIGLEY, Dr Gary, Director, Confucius Institute, University of Western Australia

TAN, Mr Richard Wah Chooi, President, Chung Wah Association

**Tuesday, 13 September 2005, Canberra**

BAXTER, Mr Peter, First Assistant Secretary, North Asia Division, Department of Foreign Affairs and Trade

BIRRER, Mr Chris, Director, North and South Asia, International Policy Division, Department of Defence

COTTON, Professor James, School of Politics, Australian Defence Force Academy

DIBB, Professor Emeritus Paul, Chairman, Strategic and Defence Studies Centre, Australian National University

HARRIS, Professor Stuart Francis, Department of International Relations, Research School of Pacific and Asian Studies, Australian National University

JENNINGS, Mr Peter, Director of Programs, Australian Strategic Policy Institute

NAPIER, Dr Mark Donaldson, Executive Officer, Human Rights and Indigenous Issues Section, International Organisations and Legal Division, Department of Foreign Affairs and Trade

ROBINSON, Mr Jeff, Assistant Secretary, North Asia Division, Department of Foreign Affairs and Trade

ROGGERO, Mr Peter James, Director, China Political and External Section, East Asia Branch, Department of Foreign Affairs and Trade

SADLEIR, Mr Michael, Executive Officer, China Economic and Trade Section, East Asia Branch, Department of Foreign Affairs and Trade

SARGEANT, Mr Brendan John, Head, Strategic Policy Division, Department of Defence

TAYLOR, Dr Brendan Kevin, Strategic and Defence Studies Centre, Australian National University

TOW, Professor William Terry, Department of International Relations, Research School of Pacific and Asian Studies, Australian National University

VAN NESS, Dr Peter, Contemporary China Centre, Research School of Pacific and Asian Studies, Australian National University



## Appendix 3

### Additional information, tabled documents and answers to questions on notice

*The following were tabled (10 November 2005) with the report titled Opportunities and challenges: Australia's relationship with China:*

#### Department of Education, Science and Training

- copy of "Memorandum of Understanding on Cooperation in Education and Training between the Ministry of Education of the People's Republic of China and the Department of Education, Science and Training of Australia", dated 2 December 2002 (in English and Chinese).
- "Arrangement on Higher Education Qualifications Recognition between the Government of Australia and the Government of the People's Republic of China", dated 24 October 2003 (in English and Chinese).

#### AusAID

- correspondence dated 17 June 2005—request to replace a document tabled at the hearing on 14 June 2005.
- "China–Australia Human Rights Technical Cooperation Program: Matrix of Activities 1997–2005".
- "A Summary of Australian Development Scholarships for China 2003 to 2005".

#### Asialink and Asia Education Foundation

- magazine: *AEF News* (Volume 14/No 1/June 2005)
- booklet: *Asialink; The University of Melbourne; An initiative of The Myer Foundation*
- booklet: 'The US, Taiwan and the PRC; Managing China's Rise: Policy Options for Australia' by Professor Hugh White, *Melbourne Asia Policy Papers* (Number 5, November 2004) published by The University of Melbourne
- booklet: 'Trade in Services; Policy Options and Implications for Australia-Asia Relations' by Professor Christopher Findlay, *Melbourne Asia Policy Papers* (Number 6, March 2005) published by The University of Melbourne
- CD: *Voices & Visions from China; Texts for the Senior English Classroom*

#### Embassy of the People's Republic of China

- Correspondence dated 24 June 2005 including reference materials
- Magazine: *Combat Cults and Protect Human Rights*
- Leaflet: 'Xiao Dengliang: I oppose fabricating rumors in my name'
- Leaflet: 'Fu Yibin hacked family members to death'
- Leaflet: "'Falun Gong" is a Cult; Fallacies of Li Hongzhi'

- Leaflet: 'Expose the True Feature of Falun Gong'
- Leaflet: 'Falun Dafa; Peaceful Journey of truthfulness-compassion-forbearance'
- Information sheet: '"Falun Gong" Is a Cult; A Doctoral Student Breaks with "Falun Gong" (3 copies)
- Booklet: '"Falun Gong" Is a Cult VI' published by New Star Publishers 2000
- Booklet: '"Falun Gong" Is a Cult VII' published by New Star Publishers 2000
- Booklet: 'Li Hongzhi & His "Falun Gong", Deceiving the Public and Ruining Lives' published by New Star Publishers 1999
- CD: *Memorandum On "Falun Gong"*

**Anita Chan, Contemporary China Centre, Australian National University**

- 'Chinese Labour Standards, China's Trade Union Federation, and the Question of Engagement', paper presented at a symposium on 14 and 15 February 2005

**Department of Industry, Tourism and Resources**

- email dated 1 July 2005, providing clarification of evidence given at the hearing on 21 June 2005

**Department of the Environment and Heritage**

- correspondence dated 7 July 2005—answers to questions on notice from hearing on 20 June 2005 re climate change project and collaborative project on cultural heritage.

**Department of Education, Science and Training**

- correspondence dated 7 July 2005—answers to questions on notice from hearing on 14 June 2005 re:
  - number of visits to the 'Study in Australia' website
  - number of high school students studying Chinese
  - DEST's role in intellectual property rights in the context of FTA with China
  - 'Agreement between the Government of Australia and the Government of the People's Republic of China on Co-operation in Science and Technology' dated 8 May 1980
  - 'Memorandum of Understanding under the Agreement between the Government of Australia and the Government of the People's Republic of China on Cooperation in Science and Technology' dated 16 May 1989
  - 'The Management of a Special Fund: Memorandum of Understanding between The Department of Education, Science and Training of Australia and the Ministry of Science and Technology of the People's Republic of China for Scientific and Technological Cooperation' dated 4 July 2005

### **Australian Bureau of Agriculture and Resource Economics**

- correspondence dated 14 July 2005 including copy of report
- *Developments in Chinese Agriculture* Abare Report by Ivan Roberts and Neil Andrews dated July 2005

### **Department of Foreign Affairs and Trade**

- correspondence dated 18 July 2005—answers to questions on notice from hearing on 16 June 2005 re:
  - list of Australian participants at the June 2005 Human Rights Dialogue
  - summary of issues and participants at the Australia-China Human Rights Dialogues
  - internet links to copies of Australia's nuclear safeguards agreements with nuclear weapons states
  - specific measures that would be required of China to ensure that Australian-obligated uranium does not end up in nuclear weapons
  - confirmation of the Australian companies seeking to export uranium to China
  - confirmation that the issue of nuclear waste has not arisen in discussions with China
  - China's position on Japan's move to lift restrictions on whaling at the International Whaling Commission meeting in Ulsan, South Korea
  - brief history and copy of ASEAN's Treaty of Amity and Cooperation
  - Australia's relations with Hong Kong
  - Australia's relations with Macau
  - copy of the Australia-China MOU on the launch of FTA negotiations
  - details of AusAID's HIV/AIDS project in Xinjiang.

### **Department of Foreign Affairs and Trade**

- Correspondence dated 2 August 2005—further information on AusAID's HIV/AIDS project in Xinjiang, Western China following a recent field visit by Australia's Special Representative on HIV/AIDS, Ms Annmaree O'Keefe.
- Correspondence dated 11 October 2005 – answers to question on notice from roundtable hearing on 13 September 2005 re:
  - Background information on the Asia Pacific Partnership on Clean Development and Climate
  - Background information on negotiations towards a Nuclear Cooperation Agreement with China.

### **AusAID**

- correspondence dated 27 July 2005—answers to questions on notice from hearing on 14 June 2005 re:
  - number of people who travelled to China in the last year to provide development assistance or to Australia as recipients of assistance
  - breakdown of ODA expenditure to China

- example of a case study in development—Datong Cleaner Environment Project
- recording of AusAID financial commitments for future years
- copy of two documents by Fitzgerald Consulting:
  - *China 2001-2010: Political, Economic and Social Issues of Reform and Transformation*, December 2000
  - *China Country Strategy Review 2002-2005: Report and Recommendations to AusAID*, March 2001

**Mr Liam Phelan, Australia Tibet Council**

- correspondence dated 24 August 2005—additional information arising from hearing on 29 June 2005 re correspondence from the Australia Tibet Council to DFAT regarding the annual Bilateral Human Rights Dialogue between Australia and China dated:
  - 15 July 1998
  - 10 August 1999 (media release)
  - 4 August 2000
  - 8 October 2001
  - 5 August 2002
  - 16 July 2003
  - 12 October 2004
  - 20 May 2005

**Professor Stuart Harris, Department of International Relations, Research School of Pacific and Asian Studies, Australian National University**

- email correspondence dated 15 September 2005—additional information arising from the roundtable discussion on 13 September 2005.

**AusAID**

- correspondence dated 30 August 2005—answers to written questions on notice dated 19 July 2005 re:
  - China in the south west Pacific (6 questions)
  - good governance programmes/human rights (5 questions)

**Department of Immigration and Multicultural and Indigenous Affairs**

- correspondence dated 10 September 2005—answers to questions on notice from hearing on 21 June 2005 and answers to written questions on notice dated 19 July 2005 re:
  - staffing levels in DIMIA
  - staffing levels in multicultural affairs area
  - promotion of multicultural relations
  - Chinese–Australian community related activities undertaken by DIMIA
  - DIMIA actions to promote greater awareness of the Chinese–Australian community's contribution to Australian society



- recent reports from quality control codes and statistics in relation to processing various categories of risk
- visa categories that Chinese protection visa applicants arrive on
- copy of protection visa application form
- visa breakdown for 77 PRC national granted refugee status in 2003–2004

**Department of Education, Science and Training**

- correspondence dated 12 September 2005—answers to written questions on notice dated 19 July 2005 re:
  - Chinese studies in Australia (6 questions)
  - science and technology (4 questions)



## **Appendix 4**

### **Key issues for roundtable - Tuesday, 13 September 2005**

#### **Agenda**

This agenda provides points to guide the roundtable discussion and to give it focus. It is not meant to limit debate but rather to ensure that discussion does not dwell on just one issue. If speakers feel as though important matters have not been identified, the committee encourages them to say so.

The overarching theme of the roundtable is China's emerging influence across East Asia and the South Pacific, and Australia's responses to this growing dominance. The following topics are listed for discussion.

#### **China-Taiwan and the one-China policy**

One of the great dangers to international security is the possibility of a military confrontation between China and Taiwan.

In March 2005, Premier Wen told the Tenth National's People's Congress that:

We will adhere to the basic principle of 'peaceful reunification and one country two systems', and, during this current stage, to the eight-point proposal for developing relations across the Taiwan Straits and promoting the peaceful reunification of the motherland. We will vigorously expand visits of individuals across the Straits and economic and cultural exchanges and energetically promote establishment of the 'three direct links' between the two sides. We will protect the legitimate rights and interests of our Taiwan compatriots on the mainland in accordance with the law and continue to pursue the resumption of dialogue and negotiations between the two sides on the basis of the one-China principle. With the utmost sincerity, we will do everything possible to bring about the peaceful reunification of the motherland. We stand firmly opposed to any form of separatist activities aimed at 'Taiwan independence' and will never allow anyone to split Taiwan from China by any means.<sup>1</sup>

DFAT told the committee that on competition between China and Taiwan, Australia has chosen to follow a one-China policy which has enabled it 'to develop a strong relationship with China and, simultaneously, to maintain unofficial relations with Taiwan, focused on economic, cultural and other people-to people links'. On a number of occasions, the Prime Minister has reaffirmed the government's commitment to the one China Policy and stated the view that 'differences should be resolved in a peaceful

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1 Report on the work of the Government, March 2005.

way. This clear statement raises questions about Australia's position should tensions escalate between China and Taiwan. The US response to such a conflict may place Australia in a position of having to decide between support for the US or maintaining friendly ties with China.

*The committee would like your thoughts on the tension that exists between China and Taiwan over Taiwan independence and some insight into what sits behind the rhetoric coming out of both China and Taiwan and the potential for miscalculation. It would also like to hear your views on where the US stands on the cross-strait relations and how ready it is to support Taiwan in a conflict with China. Finally, the committee would like to explore the options that Australia should be considering in light of the potential for military conflict across the straits. The significance of the ANZUS Treaty in the context of this conflict is another matter that interests the committee.*

### **China—US tensions**

Australia faces a serious dilemma should tensions mount between Australia's closest ally, the US, and one of its most important trading partners, China. The roundtable has examined the possibility of confrontation between China and Taiwan which could draw the US into the conflict. There are other areas under strain in the relationship between China and the US that could affect Australia. For example, the bilateral trade deficit of the US with China is one factor that places strain on the relationship. The deficit stood at US\$12.9 billion in March 2005, the largest the US has with any single trading partner.<sup>2</sup>

In March this year in an address to the Lowy Institute, the Prime Minister, Mr John Howard, stated:

Australia does not believe that there is anything inevitable about escalating strategic competition between China and the US. In recent years, both sides have shown themselves keen to co-operate on common interests and to handle inevitable differences in an atmosphere of mutual respect, a point stressed repeatedly by US secretary of State Condoleezza Rice on her visit to China earlier this month.

Australia is encouraged by the constructive and realistic management of this vital relationship. We see ourselves as having a role in continually identifying, and advocating to each, the shared strategic interests these great powers have in regional peace and prosperity.<sup>3</sup>

*The committee would like your views on the tensions that exist between the US and China, the nature of tensions, the likelihood for them to escalate and the implications*

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2 , *Australian Commodities: forecasts and issues*, vol. 12, no. 2, June quarter 2005, p. 275.

3 Address by the Prime Minister, the Hon. John Howard MP, to the Lowy Institute for International Policy, Sydney, 'Australia in the World', Thursday, 31 March 2005, p. 15.

*for Australia. It is particularly interested to hear opinions on the policy stance that Australia should adopt to ensure that its interests are best protected.*

*Your views on the Prime Minister statement would also be welcomed.*

### **China–Japan tensions**

In April 2005, strong anti-Japan sentiment gave rise to angry public demonstrations in Shanghai, Beijing and other Chinese cities. They were sparked by the Japanese Ministry of Education's approval of another textbook that the Chinese say glosses over Japan's Pacific war atrocities. Some commentators have identified other areas of friction between the two countries such as Japan's campaigning for permanent membership of the United Nations and territorial disputes with strategic overtones particularly in the East China Sea.

*The committee would like to know more about the cause of this public display of anger in April 2005 and whether there are other deeper underlying tensions between the two countries likely to ignite further demonstrations or cause serious rifts in the relationship. The committee is interested in identifying the matters most likely to damage the relationship and to learn more about the ability and willingness of both countries to resolve their differences. It would like your views on what policies Australia should adopt and what actions it should take in light of the potential for friction between China and Japan.*

### **The Korean Peninsula**

The issue of nuclear proliferation on the Korean Peninsula is potentially the most serious security problem confronting the Asia-Pacific region and the defining issue when discussing China's relations with the divided Korean Peninsula. There is the obvious, inherent danger in North Korea using or trading nuclear weapons and the risk that their possession may trigger a nuclear arms race amongst neighbouring countries. From China's perspective, this would be detrimental to the regional security they require to ensure continued economic growth. Alternatively, China is disinclined to precipitate the demise of the ruling North Korean regime, leaving it in a potentially difficult position in its relations with Australia's closest regional allies, Japan and the US.

The committee notes the important mediating role China has played since the most recent North Korean nuclear crisis emerged.

*The committee would like to have your views on the developments on the Korean Peninsula, their implications for China and the region and what role Australia should take to help minimise the dangers of nuclear proliferation in the region.*

## China and its neighbours in South East Asia

The ASEAN countries recognise that their relationship with China has not been easy over the past decades.<sup>4</sup> Mr H.E.Ong Keng Yong, Secretary General of ASEAN, noted that the relationship has had 'its ups and downs'. He stated:

Before ties between ASEAN and China were formally established in 1991, they were marked by mutual suspicion, mistrust and animosity largely because of China's support for the communist parties in ASEAN countries.

The normalisation of relations with China in 1990 by Indonesia and then Singapore and Brunei Darussalam acted as a catalyst to set the path for China's admission into the ASEAN Regional Forum (ARF) in 1994 and eventually the granting of ASEAN dialogue partnership in 1996. Since then, the partnership grew from strength to strength resulting in the expansion and deepening of cooperation in the economic, political and security, social and cultural and development cooperation areas.<sup>5</sup>

He also stated on another occasion that:

While it is easy and tempting to see China's rise as an economic threat, it would be a mistake to do so. A rapidly growing China is the engine which powers regional economies and the global economic train. ASEAN member countries will benefit greatly, provided they adapt fast enough to ride on train. Indeed, increased trade with China was one reason why many of the crisis-hit economies in ASEAN recovered as quickly as they did.<sup>6</sup>

*The committee would welcome your views on China's growing influence in South East Asia, the coming East Asia Summit and its significance for Australia.*

## China's expanded activities across the Southwest Pacific.

In the earlier part of this year, a number of articles in the media reflected on China's interest in the Pacific region particularly the island states of Melanesia. Some noted China's competition within Taiwan in this area referring to dollar or chequebook diplomacy. The assumption is that China has been courting island governments and extending its network of diplomatic missions to thwart countries switching their allegiance to Taiwan. Professor Ron Crocombe, emeritus professor at the University of the South Pacific stated on Radio Australia that:

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4 H.E.Ong Keng Yong, Secretary General of ASEAN, 'Developing ASEAN-China Relations: Realities and Prospects', Keynote address at the ASEAN-China Forum 2004, Singapore, 23 June 2004.

5 H.E.Ong Keng Yong, Secretary General of ASEAN, 'Developing ASEAN-China Relations: Realities and Prospects', Keynote address at the ASEAN-China Forum 2004, Singapore, 23 June 2004.

6 H.E.Ong Keng Yong, Secretary-General of ASEAN, 'The Chinese Business Leaders Summit Global Entrepolis, Singapore 2004, Keynote address, 11 October 2004.

[China] wants to be the major influence in the Pacific, there's no doubt about that; it's aiming to be that in a fairly short time.

It has to be carefully planned, [there's been] very strategically placed aid. You'll notice Chinese aid is quite different from other patterns: China is heading straight for the jugular.

It goes for firstly for trips and favours for the politically powerful and very lavish receptions that are on a broader scale than most.<sup>7</sup>

According to DFAT, China has a strong diplomatic presence in the South Pacific, with more diplomats—though not more missions—than any other country. Taiwan also has six embassies in the region. A priority for China's six embassies is competition from Taiwan for diplomatic recognition.

It noted that China has greatly increased its aid to the Pacific in recent years, with one study suggesting that Chinese aid could total up to \$300 million annually. It suggested that both China and Taiwan use economic assistance as a lever in their competition for diplomatic recognition. Australia opposes such chequebook diplomacy, because it works against regional countries' efforts to improve governance and political stability.

DFAT further noted that China has a strong and growing business presence in the Pacific, supported actively by its diplomatic missions. Over 3,000 Chinese state owned and private enterprises have been registered in the Pacific region, with investments of about \$800 million. Increased economic activity has been accompanied by an increase in ethnic Chinese populations in the Pacific island countries.

It stated that Australia welcomes China's constructive engagement in the South Pacific and encourages China to increase the accountability and transparency of its aid programs.

*The committee did not receive many submissions on China in the Southwest Pacific. It is looking to gain a better understanding of the activities of China in the Southwest Pacific, the motives behind its growing presence in this area, and the implications for the region. It would like your views on the approach being taken by China in the Southwest Pacific, whether it should be of concern to Australia and if so, what Australia should be doing.*

### **China's military modernisation**

An important facet of China's emerging influence across Asia is the modernisation of the People's Liberation Army (PLA). The Commonwealth Department of Defence submitted to the committee that China was intent on further exerting its security influence in the region:

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7 Transcript, 'Pacific: Minister's concerns over Chinese presence', Pacific Beat, 15 June 2005.

China will continue to view military strength as a key component of comprehensive national power, vital to securing its territorial claims, protecting its economic interests and building political influence.<sup>8</sup>

As military strength is no longer measured by the size of a country's ground force, the PLAs 'military modernisation program' is primarily aimed at improving the technological and strike capabilities of their navy, air and missile forces. Other aspects of this program include organisational, strategic and logistics reform, improved training and education for military personnel and a growing emphasis on the commercialisation of support functions.<sup>9</sup>

According to the Department of Defence, China's expanding military capabilities are likely to be reflected in its level of cooperative international engagement with foreign forces and even possible participation in UN peacekeeping activities.<sup>10</sup> However, the PLA's increasing strength is also likely to place strains on China's relationships with the US and Japan.

*The committee would like to hear your views on China's military influence.*

### **ASEAN, China and Australia**

Economically and strategically, China has become closer to the 10 members of the Association of South East Asian Nations (ASEAN). It has completed a merchandise free trade agreement with ASEAN and is currently negotiating an FTA in services. Since the late 1990s, China, Japan and South Korea have been included in ASEAN as part of the ASEAN+3 grouping. Separate summits are convened for ASEAN and ASEAN+3.

On 13 July 2005, Australia signed the ASEAN Treaty of Amity and Cooperation. Australia had long taken exception to the terms of this Treaty, particularly its clause rejecting security with a great power. The treaty also prohibits signatories from involvement in other nations' internal affairs and leaves dispute resolution to a high council composed of ASEAN members.

Despite its reservations, Australia's decision to sign the treaty led to its admission to the inaugural East Asia Summit to be held in Malaysia later this year. Australia joins with India and New Zealand to make a membership of 16.

- China was initially reluctant to have Australia or India included in the Summit given their strategic relationship with the US.
- The US has never wanted an East Asian body to develop without American inclusion. On the other hand, it has been noted that the inclusion of Australia

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8 Department of Defence, *Submission 9*, p.

9 Department of Defence, *Submission 9*, p.

10 Department of Defence, *Submission 9*, p.



and India should appease US concerns over growing Chinese leadership in the new grouping.<sup>11</sup>

- The Australian Department of Foreign Affairs and Trade foresees that the emerging three tier structure (ASEAN, ASEAN+3, 16 member summit) will eventually merge to form a single East Asia diplomatic and economic community.

*The Committee would like to hear your views on the merit of Australia's decision to sign the Amity and Co-operation Treaty, the extent to which the US may feel threatened by growing Chinese influence in the East Asian Summit, and the likelihood of a more cohesive East Asian bloc (including both China and Australia).*

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11 G. Sheridan, 'Regional Overview', *The Australian*, 25 August 2005, p.2



## **Appendix 5**

### **Senior PLA visits to Australia and senior Australian Department of Defence visits to China**



**SENIOR PEOPLE'S LIBERATION ARMY VISITS<sup>5</sup> TO AUSTRALIA  
1999 - 2004**

<b>Senior Officer</b>	<b>Purpose of Visit</b>	<b>Dates of Visit</b>
General Liang Guanglie Chief of the General Staff Central Military Commission (CMC) Member	Counterpart visit	3 – 8 November 2004
Lieutenant General Wang Wenrong Vice President PLA National Defence University	Staff College	24 – 30 October 2004
Major General Li Tiance Head of the Department of Management and Service Support General Staff Department	Functional Visit	22 October 2004
General Xiong Guangkai Deputy Director General Staff Department	To attend the 8 <sup>th</sup> Annual Australia – China Strategic Dialogue (military to military) talks	17 – 19 October 2004
Air Vice Marshal Lin Hongsong Deputy Commandant PLA Air Force (PLAAF) Command College	To attend biennial Air Power conference	15 – 17 September 2004
Rear Admiral Li Guang Director General Security Department General Political Department	Functional Visit	23 – 28 May 2004
General Ge Zhengfeng Executive Deputy Director General Staff Department	Counterpart Visit	30 November – 5 December 2003
Vice Admiral Yao Xingyuan Deputy Commander PLA Navy (PLAN)	Navy training delegation visit	23 – 28 November 2003
Lieutenant General Xu Genchu Vice President Academy of Military Sciences	Staff College Visit	27 September – 3 October 2003
Major General Li Erbing PLA Nanjing University of Science and Engineering		13 - 15 April 2003
Major General Sun Junzhe Director Political Command PLAAF Major General Ruan Chaoyang Director General Equipment Department of the PLAAF	To attend Avalon Air Show	10 – 13 February 2003
General Xiong Guangkai Deputy Chief General Staff Department	To attend 6 <sup>th</sup> Annual Australia – China Strategic Dialogue (military to military) talks	21 – 26 October 2002
Major General Du Yunsheng Chief of Construction and Housing, General Logistics Department	Functional Visit	14 – 19 October 2002
Major General Yang Wenxiu Major General Liu Jinlong Deputy Political Commissar Guangzhou Regional Air Command	Visit to attend RAAF Aerospace Conference	24 – 30 May 2002
General Qian Shugen Deputy Director General Staff Department	Counterpart Visit	1 – 6 April 2002
Admiral Shi Yunsheng Commander of PLAN	Counterpart Visit	5 – 7 March 2002

<sup>5</sup> This table includes official visits only and does not incorporate transits through Australia by Senior PLA Officers.

General Liu Shutian Political Commissar Guangzhou Military Region	Headquarters Joint Operations Command – Guangzhou Military Region relationship	3 – 9 February 2002
Rear Admiral Yang Fucheng Deputy Commander South Sea Fleet	Visit to accompany port visit by PLAN Ships YICHANG and TAICANG	2 – 7 October 2001
Lieutenant General Zhou Youliang Deputy Chief General Logistics Department	Guest of Inspector General	19 – 26 August 2001
Lieutenant General Jing Xueqin Deputy Commander of PLAAAF	Visit to attend RAAF Aerospace Conference	15 – 22 July 2001
Major General Qu Guifu Deputy Director of Research National Defence University	Visit to attend Centre of Defence and Strategic Studies Conference	17 – 20 May 2001
Major General Luo Yudong Chief of Military Intelligence Department	Intelligence Liaison	3 – 7 May 2001
General Zhang Wannian CMC Vice Chairman	Counterpart Visit	29 March – 5 April 2001
Major General Tan Shi Lu Deputy Chief of Staff Chendu Military Region	Visit to attend Higher Defence Management Seminar	18 – 25 November 2000
General Yuan Shoufang Deputy Director- General General Political Department	Functional Visit	12 – 18 November 2000
General Xiong Guangkai Deputy Chief General Staff Department	Visit to attend 4 <sup>th</sup> Annual Strategic Dialogue talks	6 – 11 November 2000
Major General Zhan Yongsheng Chief of Armament Department	Functional Visit	26 October – 2 November 2000
General Xing Shizhong President PLA National Defence University	Staff College Visit	30 April – 6 May 2000
General Liu Shun Yao Commander of the PLAAF	Counterpart Visit	8 – 14 March 2000
General Yu Yongbo Director General General Political Department CMC Member	Counterpart Visit	11 – 18 November 1999
Major General Xu Xinde Deputy Chief General Staff Department	Staff College Visit	29 May – 7 June 1999
Lieutenant General Song Wenhan Chief of Staff Guangzhou Military Region	Headquarters Joint Operations Command – Guangzhou Military Region relationship	23 – 28 February 1999.
General Fu Qanyou Chief General Staff Department	Counterpart Visit	20 – 24 January 1999

**SENIOR AUSTRALIAN DEFENCE ORGANISATION VISITS TO CHINA  
1999 – 2004**

<b>Senior Officer</b>	<b>Purpose of Visit</b>	<b>Dates of Visit</b>
Air Marshall Angus Houston Chief of the Air Force	Counterpart Visit	5 –9 December 2004
Mr Shane Carmody Deputy Secretary Strategy	To attend the ASEAN Regional Forum Defence Officials' Dialogue	3 -6 November 2004
Rear Admiral Rowan Moffitt Maritime Commander Australia	In conjunction with HMAS ANZAC visit to Qingdao	8 – 14 October 2004
Rear Admiral Marc Bonser Commander Australian Defence College	Staff College Visit	16 – 23 September 2004
General Peter Cosgrove Chief of the Defence Force	Counterpart Visit	27 – 31 August 2004
Mr Ross Bain Assistant Secretary Governance and Counter Proliferation	To attend Department of Foreign Affairs/ Ministry of Foreign Affairs Australia – China Regional Security and Arms Control (political to military) talks.	21 – 24 March 2004
Rear Admiral Marc Bonser Deputy Chief of Joint Operations	Headquarters Joint Operations Command – Guangzhou Military Region relationship	27 February - 3 March 2004
Mr Ben Coleman Assistant Secretary Asia	To attend ASEAN Regional Forum Defence Officials' Dialogue	17 – 22 November 2003
Vice Admiral Russ Shalders Vice Chief of the Defence Force Ms Myra Rowling First Assistant Secretary International Policy	To attend the 7 <sup>th</sup> Annual Australia - China Strategic Dialogue (military to military) talks	15 – 18 October 2003
Senator Robert Hill Minister for Defence	Counterpart Visit	23 – 29 September 2003
Mr Paul Varsanyi Principal Centre for Defence and Strategic Studies	Staff College Visit	14 – 17 September 2003
Lieutenant General Peter Leahy Chief of Army	Counterpart Visit	28 –31 May 2003
Mr Claude Neumann Inspector-General	Counterpart Visit	30 March – 6 April 2003
Major General Jim Molan Commander Australian Defence College	Staff College Visit	9 – 17 October 2002
Rear Admiral Raydon Gates Maritime Commander Australia	In conjunction with HMAS SYDNEY visit to Qingdao	23 – 27 September 2002
Mr Frank Lewincamp Director Defence Intelligence Organisation	Intelligence Liaison	3 – 6 June 2002
Lieutenant General Des Mueller Vice Chief of the Defence Force Dr Richard Brabin-Smith Deputy Secretary Strategy	To attend the 5 <sup>th</sup> Annual Australia – China Strategic Dialogue (military to military) talks.	21 – 27 October 2001
Rear Admiral Raydon Gates Commander Australian Defence College	Staff College Visit	4 – 11 September 2001
Mr Peter Reith Minister for Defence	Counterpart Visit	1 – 3 March 2001
Mr Frank Lewincamp Director Defence Intelligence Organisation	Intelligence Liaison	6 – 12 October 2000

Air Vice Marshal Treloar Deputy Chief of Joint Operations (formerly Commander Australian Theatre)	Headquarters Joint Operations Command – Guangzhou Military Region relationship	5 –9 June 2000
Admiral Chris Barrie Chief of the Defence Force	Counterpart Visit	19 – 28 April 2000
Mr Allan Behm Head International Policy	To attend Department of Foreign Affairs/ Ministry of Foreign Affairs Security and Disarmament talks.	December 1999
Air Vice Marshal Brendan O’Loughlin Commander Australian Defence College	Staff College Visit	30 October – 16 November 1999
Rear Admiral Jonathan Lord Maritime Commander	In conjunction with HMAS ADELAIDE visit to Shanghai and Hong Kong	26 October – 3 November 1999
Air Marshal Doug Riding Vice Chief of the Defence Force	To attend the 3rd Annual Australia – China Strategic Dialogue (military to military) talks	12 – 18 October 1999
Mr Claude Neumann Inspector General	Visit at the invitation of the Deputy Auditor-General of the People’s Liberation Army Audit Office.	24 June – 1 July 1999
Mr John Moore Defence Minister	Counterpart Visit	20-25 May 1999



**ROYAL AUSTRALIAN NAVY SHIP VISITS TO CHINA AND  
PEOPLES' LIBERATION ARMY NAVY SHIP VISITS TO AUSTRALIA  
1999 – 2004**

<b>Ship (s)</b>	<b>Port Visited</b>	<b>Dates of Visit</b>
MV XUE LONG	Hobart	26 – 29 March 1999
HMAS PERTH	Hong Kong	18 – 21 April 1999
HMAS ADELAIDE	Hong Kong	24 – 28 October 1999
HMAS ADELAIDE	Shanghai	30 October – 2 November 1999
YUAN WANG No 4	Fremantle	2 – 9 November 1999
MV XUE LONG	Fremantle	20 – 24 November 1999
MV XUE LONG	Fremantle	10 – 14 March 2000
HMAS BRISBANE HMAS CANBERRA HMAS DARWIN	Hong Kong	15 – 21 September 2000
HMAS SUCCESS	Hong Kong	18 – 21 September 2000
HMAS BRISBANE HMAS SUCCESS	Shanghai	24 – 29 September 2000
YUAN WANG No 4	Fremantle	22 – 27 December 2000
HMAS ARUNTA HMAS MELBOURNE HMAS NEWCASTLE HMAS SUCCESS	Hong Kong	11 – 16 April 2001
YICHANG	Sydney	2 – 7 October 2001
MV XUE LONG	Fremantle	11 – 16 March 2002
YUAN WANG No 4	Fremantle	12 – 17 March 2002
YUAN WANG No 4	Fremantle	15 – 18 December 2002
MV XUE LONG	Fremantle	2 – 3 March 2003
HMAS Sydney	Qingdao	25 – 29 September 2002
YUAN WANG No 4	Fremantle	18 – 23 October 2003
YUAN WANG No 1	Fremantle	30 July – 5 August 2004
HMAS ANZAC	Qingdao	10 – 14 October 2004
XUE LONG	Fremantle	10 – 15 November 2004