

Australia-China relations in 2023: Beyond 'stabilisation'?

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Geraldine Doogue:

Right. Well, good evening everyone.

Geraldine Doogue is my name and I'm to be your moderator tonight. And this is the first event of 2023 as we all start to get back to something approaching normal, I think. And I'd like to pay my respects to the Gadigal people of the Eora nation on whose land this event sits, and pay my respects to their leaders past, present and those emerging, particularly at this time in our nation's life.

Now I'm going to don my glasses so I don't make mistakes in names. And look, I'm very pleased to be moderating an event that's posing the sorts of questions that are planned. What might this year broker, in terms of Australia-China relations? How will an emphasis on stabilisation unfold?

Now in itself, the fact that we're using that word is considerably more promising than it might have been at the beginning of last year. But is there a way, I'm hoping that we get to this too, to imagine more constructive developments beyond mere stabilisation? I think that's a very appropriate way to think about tonight. Is it prudent to chart some of the potholes, to name them in order to be more confident of forward momentum? Just when it did seem safe to enter the water, to use the cliché?

We had the very good moves around video meetings with the next week, I think is the plan, between our respective nations' trade ministers, and reminders of the huge, positively huge, economic interaction between us. And then we had tourists returning, not in group yet, but tourists returning. Then we also had the surveillance balloon story, the cancelled Tony Blinken visit. And then the issue that really did explode

this week, the issue of the Chinese company security cameras and monitoring that are installed in various federal government departments. And as you probably know, the Defense Minister, Mr Marles, has ordered that they all be removed. So whatever is occurring in terms of thickening relationships, it won't be linear. I think we all know that. Maybe it can't be, I mean maybe it can't be. And Australia will have its own roadmaps and characters involved in this. But I think the overriding tenor of relationships and interaction between the United States and China will play its very particular role, which probably should make us 'alert and alarmed', to quote John Howard.

So look, I think the thing that I was struck by in various commentaries trying to analyse the impact of particularly the balloon and people like CIA director William Burns suggesting last week that a matter of intelligence had indicated that President Xi had instructed the PLA [People's Liberation Army] to be ready to invade Taiwan by 2027. But what I really got out of the week is where are these big nations talking to each other routinely? I mean, it's just this extraordinary need I think to feel confident that there are structures in place that can broker good predictable talks. We'll find out, but it doesn't seem to me that they exist in the way that I thought they would, I have to admit, by now.

So we'll offer I think some good conversation this evening with our three panelists, Linda Jakobson, with her long experience of living in China, then setting up the consultancy China Matters. Thanks for being here in person, Linda. Professor Guanghua Wan is with us too, online, joining us from Shanghai where he's Director of the Institute of World Economy at Fudan University and an Adjunct Professor here at UTS:ACRI. Hello there, Professor.

Professor Guanghua Wan:

Hi, good evening.

Geraldine Doogue:

And Professor James Laurenceson, who's the ACRI Director. Thanks for being here, James, and convening all this.

Now, we're going to chat for about 45 minutes and then open the floor to questions. And could I just ask that you can lodge your questions online or you can lodge them in person and we'll have a couple of – I mean there aren't so many of us here, so I think you can probably just speak up, but we will have microphones available too if you'd like to put a question in person.

I mean, a lot has happened in China in the last three years and I'd like to ask all of you what's changed in China and what hasn't, if I can put it like that, inviting you all to address that however you care to. And I'm going to go to you first, Linda.

Linda Jakobson:

Thank you, Geraldine.

First of all, thank you for being our moderator. You're my favorite Australian moderator, so I'm very pleased that you're here.

Geraldine Doogue:

Pleasure.

Linda Jakobson:

And thank you, James, for the invitation.

I'm going to answer that question in my own way, probably looking not back three years but three months because a lot has happened in four months, if we can extend that three months to four months in China. And I'll start with the Party Congress and I'd like to talk a little bit about Xi Jinping.

Because Xi Jinping came out of the 20th Communist Party Congress having secured a third term, people called him 'president for life.' He certainly got all of his loyal colleagues into the Politburo Standing Committee. And in every way you would say Xi Jinping was in control and very stably so.

And this is a good reminder of how things change very quickly, as we have seen in the last 10 days with the balloon incident. But already early December, China does a complete turnaround and basically overnight stops the zero-COVID policy. Now we don't know enough about Chinese decision-making to know exactly what spurred Xi Jinping to make this decision, but it was a dramatic decision. There's no doubt in my mind if we think about the what – I don't know who – but I have a few thoughts about who perhaps persuaded him. But certainly what persuaded him was a faltering economy, a really drastically severe economic outlook. And I'm sure my colleague on this panel will speak more about that. And we all know that the legitimacy of the Chinese Communist Party rests on continued economic growth. And I think the data – and James will perhaps enlighten us on this – I think the data was probably much worse than ever in public was told about how really in dire straits that economy was.

So we have this complete turnaround without any preparation. So a very successful COVID policy for two years, very much in the name of Xi Jinping. He took a lot of credit and a lot of pride in that it was a good COVID policy. Then came Omicron and it didn't work anymore and he refused to let go until the first week in December when overnight they switched gear, but they hadn't prepared the hospitals and they hadn't prepared the people. And one can only wonder what else, except for the economy, pushed him. That I'm happy later to talk about, if you want to go back to it, Geraldine. But then that already, I think, shook in some ways his standing. He certainly did not look as secure after the about turn in the COVID policy.

And now fast-forward just a month and a half and we've got the balloon incident. And I'm sure we're going to talk more about this balloon incident, it seems to be everywhere at the moment. But my own personal opinion is that it was a Chinese intelligence gathering vehicle. Was it meant to be over the United States? We don't know. Was it perhaps supposed to only be above Taiwan and Japan and then it went astray? And whatever the truth is, and on that, we'll again, never know, it does tell you something about the decision making processes and the stovepipe nature of the bureaucracy in China that no one went to Xi Jinping and said, 'Sir, this balloon is over the United States and soon some civilians are going to look at it and it's going to blow up into a big crisis.' No one dared go there.

So it took some civilians sitting in Montana, I think it was, looking with their binoculars, seeing this balloon. And this erupted into a huge bilateral crisis between the two countries. And Blinken, who I know that Xi Jinping really wanted to have visit, and he had already said that he would meet with Mr Blinken, now lost that opportunity. There's nothing that would indicate that China did not want Blinken to come. They definitely had welcomed this meeting. So I think his position today and then looking at foreign policy, which he is the absolute leader of, we have to look at the foreign policy in the light of his not weakened position, but certainly not a secure position as it was just four-and-a-half months ago.

And then parallel to this, like you said, nothing is linear, China has reached out wanting to have a better relationship with several countries, Australia among them. Wanting an end to the so-called warrior diplomacy, wanting a more constructive relationship everywhere really. And again, I think it's the economy that's driving

it. They need to get the economy back on track and they need good relations. But how long can this last? I'm sure this is going to be then the next round of discussion, but I'll stop there.

Geraldine Doogue:

Professor Wan, how would you help us understand what has changed and what hasn't in terms of trying to work something useful out?

Professor Guanghua Wan:

Thanks for getting me into this conversation. I hope you all understand: I've got to think a little before I really speak because I'm sitting actually in Shanghai in my home.

I think the really major, major change, of course we know are actually three things happening in the last couple of years. One of course is the Party Congress which made another round of leadership change. And we all know that every time, every 10 years this leadership change brings a lot of anxiety worldwide. Now that that's gone, that's done in October.

And then of course the second thing is the COVID policy, our previous speaker said. It was surprising because I got back from Australia – where I also did a talk in ACRI – in November and I was quarantined as well in a hotel. And suddenly on the 7th of December, they just got rid of it. And in the first few days, nobody knew what to do because nobody wanted to take responsibility by really removing all the restrictions. And as the time goes by, people realise it seems that is true. So it was a little chaotic. They had these 10, 20 rules and so on. But again, it's coming from State Council Ministry or whatever. Still we're not sure. So it lingered on for a while, then suddenly people realised it's gone. That's good for the economy in the longer run, but for the time period, was really chaotic. Itself it's good, but it created certain questions people are asking, 'What's happening with this such an important decision?' Yeah. So that's the second thing.

The third thing I want to mention is because in the opening remark, Geraldine, you mentioned the Taiwan Strait. I'm not into geopolitics, but it's something that has been in my mind for many, many years and I do have my thinking. And for many years I think I got it right. But in that context I want to mention, we're going to monitor what's happening with the Russia-Ukraine war. So you mentioned 2027, earlier people was talking about 2024, but I think this all actually changed a lot. And if you know what I mean, you know what I really mean, it changed the whole thing. And the outcome of that confrontation or whatever special military operation, will to some extent actually affect what will happen in the future regarding the Taiwan Strait.

Geraldine Doogue:

Would it be fair, because I've seen some interesting blogs on this, that it's a bit of a surprise to a lot of people in China who watch, the unity of the West certainly thus far has been a little bit of a surprise.

Professor Guanghua Wan:

Well, I mean I think James probably know, back in 2009 I already said, the geopolitics, this new century is coming and things were different. And it's not just United States, Sino-US relationship. And we see the up and downs and up and downs and we still seeing things sometimes improving, sometimes dropping. But in the long term, personally, I hope it's getting better. I'm not blaming any party who's at fault, but by and large in the medium run, I don't see long-run in improvement in this sort of confrontations on all fronts, Australia included. I'm sorry, I have to say it. But of course it doesn't mean we cannot try to improve particularly on the economic front, doing more when Australia and China can. China has certainly wanted to trade to push the economy with all countries, America included. But my point is there are many, many things more important than money and the economy. Decisions are not made by economists, these decisions are made by politicians.

Geraldine Doogue:

Yes, yes. This has been well observed in the past, that trade doesn't guarantee peace, much as we all imagine it does. Okay, I'll come back to you, Professor Wan.

So, James, how would you answer that vexed question?

Professor James Laurenceson:

Well, Geraldine, I'm not going to pretend to be a China expert like Linda or Professor Wan. My focus is on the Australia-China relationship. And what's changed? A hell of a lot. Let's not forget this time last year, bilateral relations were in their worst place since diplomatic ties were established in 1972. And the predicament for Australia was that we were an outlier in our own region, in terms of the state of our bilateral relationship with Beijing. Now I'm not going to go into whose fault that was, whether it was Beijing's or Canberra's, this is simply a statement of fact. Plenty of countries had problems with China, that's not unusual in our region. Some of them I would say are far more acute than the ones Australia has with China. India has a land border dispute. Plenty of countries in Southeast Asia have maritime disputes. And yet we were the country that had a complete breakdown in senior political dialogue for more than two years and we're facing an unprecedented campaign of trade disruption. China's disrupted trade before but not on at that level of breadth that we were experiencing. So not a good place to be. And yet here we are, or even by Christmas, so barely six months later we have the two leaders meeting. And then we had Penny Wong go to Beijing for a formal bilateral visit in December. And I think some of the significance of that meeting has been missed because it was actually the restart of this tripartite strategic dialogue that Australia used to have with China, it was put on ice for many years, that's begun. We've got the Trade Minister going to Beijing in the next few weeks. That'll be the economic side. And that's really setting up a meeting of the two leaders again later on this year.

So, look, we're not going back to 2015 and I'm not suggesting that that's where we're headed, but we've come a long way and maybe we can get back to this, Geraldine. I'll stop talking now. But I think there's actually a lot more ballast in the bilateral relationship than some people might think. Given that it is certainly true that Beijing's assessments of its interests and Canberra's assessments of its interests, they're certainly not perfectly overlapping.

Geraldine Doogue:

Okay. So if I were to say, now maybe we'll come back to fault lines, so where might the fault lines develop in your sketching now?

But I think I will go back to Professor Wan. Let's talk about the economy then. Where do you see the economy heading next? What are the plans that you can see unfolding? That shock that Linda described, how deep was that shock, do you discern, of the impact of COVID?

Professor Guanghua Wan:

Right, regarding the growth prospect, I wanted to make three points.

I wanted first to state that, so the five percent is something more or less achievable. There are many forecasts. I will come back to that.

Geraldine Doogue:

What was the biggest one again?

Professor Guanghua Wan:

Five percent growth rate.

Now to actually see this in the bigger picture, we got to go back before the pandemic. So China had double-digit growth before 2010 for many, many years, we know that. Since 2010, still double-digit. And since then it's been dropping. And 2019 of course was a year just before pandemic, it was six percent. And before 2019 it was hovering around six, seven percent. So in other words, without this pandemic, China could probably grow around six percent, above or below. Now of course pandemic is something unfortunate.

So we are talking about if we look forward, we got to look at three years of pandemic, the average growth rate all pointing to a simple average, we don't want to make complicated, it's over four percent. China, the official says it's 4.5 percent. And 2020 was only 2.1 percent. And 2021, China was recovering and they reached over eight percent. So first two years actually average about five percent. Now last year was three percent. So you got to see this in this picture, I mean, China can bounce back because of the low base. So China to reach five percent, would mean last year and this year will be averaged about four percent. And that's why I don't see downwards pressure. It might get upward. Now that doesn't mean for certain, if you want to ask what's going to drive the trend, there are two things we know.

One of course is uncertainty. The handling of COVID now left a lot of things in people's mind, investment and consumers. And of course the geopolitics also impacts people's investment and consumption decisions. So in the end, it really going to be depending on the confidence of investors, entrepreneurs and consumers to spend, because China has been relying on the international market for its huge production for many, many years.

And now the geopolitics is going to have impact, of course hurting the Chinese economy since 2008, more than 10 years ago. So they want to start the mass consumption, but to make sure that starting can be realised you need really make sure consumers are willing to spend, and that's not happening. Despite last few years, we still had growth, but consumption has been coming down. And people make consumption decisions not only depending on what happen in the past, now they're actually looking forward, try to see what's going to happen in the Chinese economy.

Geraldine Doogue:

And I wonder what you speculate about the impact on Chinese domestic people's confidence to spend. I was hearing today that actually one of the impacts of watching their older people suffer and have all sorts of issues with COVID was a desire to ensure that you protected your healthcare for instance, and you're prepared to pay whatever it took to have healthcare that wasn't necessarily just reliant on the usual areas of production. So I wonder whether you think COVID is having a subtle – whereas here in Australia people allegedly exploded out and consumed with all of that stored up money. I get the impression that's not quite happening in China.

Professor Guanghua Wan:

Look, I just had a look couple of years ago, by coincidence, the growth outlook for Australia is 1.5 percent, it may reach even two percent, by projection. And that's a positive growth. But for China in the past, we've been growing 10 percent and then we dropped to seven, eight percent. Now looking forward, if even we reach five percent this year, I'm talking about average was four percent, in the even longer run, we don't really know.

So, two things. One is how secure are their lives right now in terms of social protection and so on. Second is once the future income stream is coming. And their consumer behaviours are heavily affected by these two assessments.

And looking forward, people are uncertain. We don't really know. I'm talking about five percent, but World Bank is still sticking to a bit over four percent. There are companies saying 5.7 percent. There's uncertainty there. The other thing of course is the mass policymaking. The leadership change I mentioned a bit earlier, we had a successful leadership transition and the new cabinet is coming in office and they are already involved in some decision-making, I think. But the formal handover is not going to happen until March. So whenever I talk to the business community, I will see, let's wait until May and June to see this new cabinet, whether it'll work better.

Geraldine Doogue:

Let me just ask Linda, does this surprise you? That's quite a while isn't it, of a transition? There's uncertainty everywhere, but that has a little extra edge I think, maybe.

Linda Jakobson:

Absolutely. I agree with you. It has a big extra edge. The fact that we, in October, know who are going to be the next leaders of China for next five to 10 years. It's only in March that they are anointed to their government positions because this was only a party position they were anointed to. During this period, by the way, there has been two centers of power and it's been very interesting to watch. You've got the incoming who we presume Li Qiang is going to be the prime minister, but we've still got Li Keqiang who is the prime minister, and they allegedly don't communicate all that well. So we have two centers of power directing economic recovery.

And then I fully agree with Professor Wan, it's going to be May or June or even maybe July before we see some concrete policies coming out of, it's called the two meetings, in March. So it is a very prolonged process, especially when you think of the global economic situation at the moment.

Geraldine Doogue:

And can you detect tendencies of power? I mean, can you discern who you think will have more of a sense of directing the course of events?

Linda Jakobson:

Well, like I've said now already once tonight, and I'll probably say it many times, decision-making in China remains a black box. But we do know that Liu He has a lot of influence. He is, I think, one of the factors of stability from the previous five years going forward to the next one. And obviously Li Keqiang's power is very much waning. In fact he's only got about a month left, or not even a month, two weeks. So we do know that Li Qiang will be looked upon to lead economic recovery.

Geraldine Doogue:

Right. I wonder if we should at this point move on to the Australia relationship, James, because we've hinted at it, in terms of whether there are any, in all this uncertainty, how does Australia position itself so that it's a useful positioning, it doesn't trigger destabilisation it hardly sees coming?

Professor James Laurenceson:

Look, I'm not trying to be party political here, but I think the Albanese government is doing a pretty good job. And in particular, Penny Wong, I'd give her an A grade. We always knew that one of the big problems in the bilateral relationship, both sides were contributing problems, but the complete abandonment of professional diplomacy under the Morrison government did not help. Now that has been restored. Now of course, Beijing had its own reasons to come back to the party as well. It's economic problems and the reputational blowback the state of affairs with Australia was having. But that restoration of diplomacy certainly has helped. I think

the other reason I'm cautiously optimistic is that I think both sides now are re-engaging with each other with realistic expectations. I don't think either side expects we're going back to 2015.

I remember two weeks ago we had the Chinese Ambassador in Australia, Xiao Qian, he said, 'Look, we have differences.' And he even said, 'We even have disputes.' But then he quickly followed up by saying that these disputes do not need to overtake the entire relationship. And I think the Albanese government is in that same position. So you're re-establishing connections with realistic expectations. And then we're starting to see some actions follow the dialogue. The first shipment of Australian coal in more than two years landed in China yesterday. There's every indication that lobster trade is going to start up again next month. So there's progress there.

And finally, the broader relationship, I think it's going to get a shot in the arm, because Australia-China relations, and goodness knows we've seen this over the last few years, has always been more than just Beijing and Canberra. For example, throughout this entire period of a complete breakdown in political dialogue and trade disruption, I don't think it's appreciated well enough that in 2020, '21, and I just got the figures for 2022 yesterday, every single year two-way trade between Australia and China has hit a new record high. So all those economic fundamentals, the desire for Chinese households and Chinese businesses and Australian businesses and Australian households to engage with each other, they remain there. And the relaxation of COVID border controls is certainly going to help turbocharge that engagement.

Geraldine Doogue:

Linda?

Linda Jakobson:

I don't think I'm quite as cautiously optimistic as James.

I agree with everything James said on the economic front. I think both Beijing and Canberra want the robust relationship as James just noted. The numbers just keep going up. They both want this robust economic relationship to continue and will work towards that. So there I am more than just cautiously optimistic, I am optimistic that that will happen.

But politically, and looking at Australia as a player in the region, I think we have to think about the US-China relationship. And that strategic competition has become much more fierce just over the last three to four months.

If we think of all the controls that United States has implemented as far as export controls are concerned, the chip war, we're now going to see some of those new regulations and controls be expanded to other technologic areas. We're looking at a very intensive strategic competition and there's no doubt that Australia will get entangled in it, and it won't be smooth sailing for the bilateral relationship because Australia will stand by the United States in crisis situations. I would agree with the cautious optimism of James that this government, the Albanese government, wants to be able to isolate itself, insulate itself from those big whirlwind tensions which exist between Washington and Beijing. But I don't think it's going to be possible in the long run to do so. So there will be a lot of pressure on the bilateral relationship in everything else except for the economy and trade.

Geraldine Doogue:

Well, how will AUKUS play into that in your view? Because that's imminent and that's a classic example of how he manages it.

Linda Jakobson:

Exactly. And it will just raise tensions.

Geraldine Doogue:

Well, will it necessarily? I suppose let's just wrestle with that a little bit. Because it's slightly mixed messages coming, I think, from Beijing. It's almost like a sense that... they do say that the talk about the Quad expanding is something that they find distinctly concerning, but in a way I thought they might say a bit more about AUKUS than they have.

Linda Jakobson:

I would put it in the same basket as the Quad. It is something that Beijing really does not want to see flourish. And we haven't yet talked about Taiwan at all here, well it's been mentioned. But I think obviously a lot depends on the relationship between Washington and Beijing going forward. And in the short term it's rather dire, explicitly because of the balloon incident. But then further along when I think this balloon incident will somehow fade into the background, the unresolved future status of Taiwan will remain the biggest sore point between these two countries for the mid and long term.

Geraldine Doogue:

Yes. Do you agree with that, James?

Professor James Laurenceson:

Yeah, but see this is an example of where I think Albanese or Penny Wong to be specific has done a very good job. I thought one of the most telling weeks of 2022 was when Nancy Pelosi went to Taiwan, the US-China relationship was blowing up, and it was fascinating watching Penny Wong that week. Because she started off the week, she was calling for both sides to deescalate. And I remember the *New York Times* wrote a piece making clear that they understood that this message was not just to Beijing but it was to Washington as well.

And you looked at the Chinese response, it was very calm towards Australia. Even on the Friday at the end of the week, Penny Wong basically maintained that position of not laying blame on either side until the missiles started flying. Then she said something critical. But even then the response of the Chinese embassy in Canberra was pretty pro forma. And it was only once Australia put out a statement with Japan and the United States, that's when we got a Chinese government response. So I was speaking to some Chinese diplomats that week and they made it very clear to me that they understood that the Albanese government was handling that visit with a fair bit of caution.

Geraldine Doogue:

Interesting.

Well, of course [Speaker of the US House of Representatives] Kevin McCarthy says he's going to go soon as Speaker, which we don't need, I would have thought. But that'll be another example, won't it? That'll be another challenge to the wording that is used and the equanimity with which I suppose Australia's diplomats can proceed. They'll get quite a bit of practice unfortunately in this. And quite clearly, would you agree that the Ambassador's whole demeanor towards Australia, the choices he makes have altered the relationship or have altered the tone quite considerably?

Professor James Laurenceson:

Yeah, they've altered the tone. Of course his job is to represent the Chinese government in Australia, so we shouldn't expect him to do anything other than that. But he's been quite explicit, including when he spoke at the University of Technology Sydney last year, that he was sent with a charter to improve the relationship. And I think certainly on tone he's been quite consistent in doing that. And somewhat brave too. I can't think of too many Chinese ambassadors who've given public talks and jumped on the [Australian Broadcasting Corporation's] *7.30 Report* and spoken at the National Press Club. So he knows he's going to be in for a tough time at those venues, but he does it anyway.

Geraldine Doogue:

What about the fact that we've still got two citizens in prison in China now, that I think Cheng Lei's case has been put for three months on? So this is not helping, is it?

Professor James Laurenceson:

No, absolutely not. And so this is where you get up to some hard limits of how far any improvement in the relationship trajectory can go. I mean, as long as those two Australians are detained, including one who is a UTS alumni, by the way, Yang Hengjun, that will affect Australian public perceptions of China, and that's going to feed into the political process. So yeah, that's a constraint.

And we've got some progress on coal and lobster it looks like, but there's still a dozen other goods that are still being restricted. So yeah, there's a long way to go.

Geraldine Doogue:

And maybe I could come back to you, Professor Wan, I listened to an interesting webinar, the 'Chinese Whispers' that *The Spectator* does, and there was quite an interesting discussion that they just had about what collectively the Chinese people make of this extraordinary time they've been through with this COVID. And you described so beautifully, I think, the somewhat chaos that descended. And the role of social media encouraging expression of emotion and attitudes that really have not been experienced before in other huge times of Chinese crisis. And they were looking right back to the Great Leap Forward and to the Cultural Revolution, lots of lives lost. And that this was a very interesting shift in what you might call the Chinese collective make sense of this time in Chinese life.

And I wonder what you think about that, whether you think that here we are in 2022, 2023 with an altogether different buy-in by average Chinese people in this trauma that they've been through, by comparison with previous times in Chinese life. I know this is not about the economy strictly, but it could relate to attitudes and attitudes to government, attitudes to their own agency, attitudes to politics. I wonder what you think about that. Because these people certainly felt it had made a lot of people who were determinately apolitical, political, even for the moment.

Professor Guanghua Wan:

Well, first of all, the culture plays huge roles in this context.

And second of course is the environment, the big environment where nowadays you have this high-tech, and there are certain things you know you can see, there are certain things you cannot see. If you want to get to know what's beneath, you really need to go around and talk to not just strangers, but really talk to those close who are willing to talk. I spent three months after the lockdown of Shanghai, you all know Shanghai was locked down April, May, fully two months. And I was among the very first who actually escaped through certain means

out. And I spent three months outside and I've been asking people about their opinions and what's chewing their mind, which I presume is something different from what you will see or you were read and you hear.

So culturally, Chinese community tend to look beyond their own benefits or interests to some degree. That's the culture for thousands of years. But in the end, personal interests are more important than other interests. So they do have their interests. But when the common interests are not consistent with own interests, of course there are complaints, but it's a matter whether and how you're going to express that. And whether that would occur.

Geraldine Doogue:

What was interesting, I think, in this discussion was that there was a view among these three Chinese speakers that the foreign media coverage did tend to emphasise the nature of the authorities' involvement in maintaining the COVID lockdowns. Whereas they believed, and I'd wonder how you feel, that actually there was a great deal of personal involvement and personal decision making, bottom up as well as top down, in China. And that had been somewhat overlooked in the foreign media coverage. Do you agree with that?

Professor Guanghua Wan:

Oh, yeah.

See, that's the problem Linda mentioned, this decision-making, also implementation of policies has a lot of room for maneuver from top to the bottom. We all know that up to the street level, up to a particular gate, personally I experienced that, they're completely different or opposite to what the central government says, but what can you do?

I personally experienced that multiple times on my three-month trip, try to avoid the COVID in one place. And you do this test and whether you are allowed to enter a particular area is not – see, even when I come out of Shanghai, to Hangzhou, beforehand it's because the provisional government said, 'It's fine for certain people to come to our province.' But once I got there, you know what happened? Because it's not the provincial government, it's Hangzhou city controlling their fast train station. So I spend whole day, from morning until afternoon. And fortunately, I have some friends in the central government and in the end they let me go after I got hold of my passport with my photo and whoever come to the station, pick me up and taking photos. I know what my feeling is that time. So eventually, they let me go. So the central government certainly did not want that kind of total banning travel and the Zhejiang already allowed people from Shanghai to come with certain conditions. And depending on your area, where you live, you were locked down, right? We restrict to this small community here about a thousand people [in] five, six buildings. And we never had COVID.

Geraldine Doogue:

Well, yes. That was one of the things that was said, that actually, it changed depending on who was on the gate, in the morning and night, and whom you could negotiate with.

And particularly in Shanghai, I think the word we had was that it was particularly tough in Shanghai and it was all absolutely rock solid. And they just said 'No. No. Not so.' Now that's got an element of an uncertainty too. That's a double-edged sword, isn't it? That suggests there might not be people in charge. I don't know whether that encourages, Linda, confidence or otherwise in the authorities.

Linda Jakobson:

Well, I think as Professor Wan said, implementation is very, very uneven on any given policy in China.

A) because it's such a huge country, but B) because of the stovepiping between bureaucracies, you just have never any idea who is actually in charge of the final implementation, even though a completely different bureaucratic entity might have made the decision and a third might have been in charge of the planning of that policy. So yes, it is a society which learns to live with uncertainty. It's part of living in China, that there is that uncertainty element to anything you do.

Geraldine Doogue:

Now, I actually think it's time, because I'm going to have questions sent into my phone, so I had to pick it up.

So look, do feel free, I think we can probably now invite your questions online and in person here to any of our guests. So would anybody like to kick off? I can keep going, beautifully, but would anybody like to kick off with a question? Yes, please. Yes, sir.

Audience question:

Yes. Oh, thank you. My name's Tom Wheelwright.

My question to the panel, and this is something that puzzles me deeply, is why was it that the Australian government or the last Australian government completely ignored the concept of face in dealing with the Chinese government for the whole of its tenure? I say this because I spent the best part of 16 years living and working in Asia. I was visiting China for every six weeks or so. I have a Chinese wife and Chinese family in both places, but face is so important, most Australians don't realise this, but it's more than respect. It's certainly more than etiquette. I can give someone else face, which is greatly appreciated. I can also cause them to lose face for which I may never be forgiven.

But it is so important to most Asian people's sense of themselves and their worth that you must respect it. And Gough Whitlam gave China so much face when he decided to recognise the government in Beijing as the legitimate government of China before the United States, that 50 years later, Xi Jinping still mentioned it when he had his meeting with Anthony Albanese. But it seemed to me that the Australian government brought all of this on itself. They were repeatedly warned by the Chinese about their behaviour, and yet still, they publicly criticised China instead of doing it privately. And to me, I just find that incomprehensible. Could anyone explain that to me?

Professor James Laurenceson:

I'm happy to say something.

I'd just push back. I understand the general nature of the question. Brought it on themselves, I think is probably a step too far. In the end it was Beijing's decision to disrupt trade, right? No one forced Beijing to do that. So I just want to get that clear.

But I certainly agree that rather than talking about face, I would just talk about straight-out diplomacy. That just got sidelined. And one of the ways it got manifest was in some extraordinary rhetoric. Just remembering back to Taiwan, we had Peter Dutton say last November that he found it inconceivable, that Australia wouldn't line up in support of the United States in a war over Taiwan, where the long-standing Australian government position, which Penny Wong has now returned to, is that she refuses to engage in those sorts of hypotheticals because of course it all depends.

I think there became a mood in the Morrison government that all that mattered was the fact that Australia and China had different interests, so that means we were going to be caught up in strategic competition. That's

what we needed to keep our eyes focused on. Diplomacy really didn't matter. I think that's the basic gist of it. Now, I think there's a lot of other people who just found that extraordinary because of course every country at all points in time, all relationships will have their areas of difference. And that's what diplomacy is created for, to manage those areas of difference. But look, the good news is I think the present government gets that. Linda, I'm not sure if you want to expand.

Linda Jakobson:

No. In some ways, sir, you answered your own question. It is incomprehensible what happened during the previous government and we don't really know why. But I would definitely agree with what James said about megaphone diplomacy and the complete lack of normal diplomacy.

Geraldine Doogue:

Was it not also an inability to handle ambiguity? Ambiguity is about face too, isn't it? And I felt that change. There was something about almost a decision that ambiguity was not serving us well and that it was really possibly compromising us, actually. And so there was much more of a sense of leaving that aside, which is code for diplomacy, but it's deeper than that. Actually, I think it's a bit deeper than that. I think there was something about that sense of us almost having to work out and articulate very clearly. I wrote this recently in a speech I gave in Canberra, that I think we are very unsure these days about enunciating ambiguity and seeing it as anything but some sort of terribly second rate thing. I think it's quite a psychological issue actually. I'm quite fascinated by it, why we seem to find that as a bit of a trade-off that we're not prepared to do. Yeah. That's how I've been wrestling with it anyway.

Professor James Laurenceson:

Well, Geraldine, I think you saw that bluntly in the statements by our Prime Minister. I mean, it's extraordinary going back to 2019 and 2020 and reading Scott Morrison's statements then. At the end of 2020, Scott Morrison went to Japan and he did a doorstep. And one of the things he said explicitly was that Australia did not see itself in strategic competition with China. And he said, 'Nor does Japan. Some countries see themselves in strategic competition with China, i.e., the United States. We do not.' Right? Less than 18 months later, he's standing up talking about an arc of autocracies, and actually less than a year later, he's talking about a balance of power that favors freedom, getting back to your abandonment of ambiguity and just going straight for simplistic black and white terms that don't actually match up to reality.

Geraldine Doogue:

So yes, why did that happen? It is such a fascinating trajectory. Okay. We'll just leave that sitting there.

Yes, please. Over here. I'll just look. Do tell me, Amy. Oh, we have got some online. Go ahead, please.

Audience question:

Okay. Thank you. I'm a Chinese journalist. I'm Yalin.

Just now, Linda talked about that given the severe strategic competition between the United States and China, it might be a trouble for Australia if it is involved in. And there is an opinion that it's quite inevitable for Australia to avoid getting involved in this – such strategic competition between China and United States. So, given Australia always claims that it has an independent foreign policy, it's not just simply following the US foreign policy, and given the strategic competition or maybe conflicts between China and United States, not in the interest of the Australia. So as a close ally of the United States – this one is not just a question for Linda,

sorry – so any role can Australia play to help China and the United States, especially United States, to mitigate their conflicts to avoid maybe more severe conflicts or maybe disputes?

Linda Jakobson:

I would never use the word ‘mediator’ about any country when it comes to the, at the moment, like I said, evermore sharp strategic competition between the United States and China.

But of course, in any dispute or in any situation where there is tension, allies, friends can have an impact. If all of the United States allies and friends are saying, ‘A, A, A, A, A’ then in some ways I’m sure it can be taken into account. The same applies to Beijing, of course. If Beijing listens to Southeast Asians telling them ‘B, B, B, B, B’, it could have an impact on the decisions that Beijing makes. So I do think we live in a world where there are the interests of many countries to be considered, but the word ‘mediator’, I think, is one that I wouldn’t use when it comes to US-China competition, but certainly an impact or an effect other countries can have, and Australia included, of course.

Geraldine Doogue:

What do you think about that, James?

Professor James Laurenceson:

Yeah. How far will Australia line up with the United States?

So, look, I’m probably giving away a bit of my discipline bias here, being an economist, and I’ve got my doubts. There is this view that because we’re a security ally, we’re going to, and in a crisis moment – I think you mentioned that term, Linda, or perhaps it was you, Geraldine – that we would line up with the United States. Yes, okay. But in the economic realm, I would argue that right now, Australia is heading in a very, very different direction to Washington, at least in the economic space.

Penny Wong was in Washington last December, she gave an incredibly pointed speech at the Carnegie Endowment where she said that Australia was still all in on regional economic integration because we considered that to be in our interests. Unavoidably, that includes economic integration with China as well. We’re not heading down the protectionist route.

I think those chip controls that the Biden administration put in place in October last year, I think that was an utter step change in the US approach to China. I have no hesitation in saying now my assessment is that the United States is committed to containing China’s rise, but I don’t think that’s the position of the Australian government. So there’s an example of where I think an independent foreign policy is still in evidence.

Geraldine Doogue:

Professor Wan, you don’t have to, but do you want to buy into this?

Professor Guanghua Wan:

I just want to add, what the public thinks, the voters think is very important. So of course we know what is US’ position, and the China-US relationship and affects the China-Australia relationship. But also don’t forget, the politicians were looking to what voters think. That’s where I think actual media in Australia plays a role as well. And I agree with James, you can take a position, but how would you express your position is so important for Chinese. And that’s a huge culture difference.

That's why in China you have all sorts of people specialising, making their living on doing interpretation or reading between lines, which even myself, I can't understand it, but I find it so different between China and other countries. When the government do a policy, every time you have a Party Congress, they release a document or release a major law change, then you have a lot of people do their tour around in China and they try to tell people what that really means. And that's not the case in other countries.

Geraldine Doogue:

Yes.

Professor Guanghua Wan:

So it's a matter of how you express. I can understand Australia traditionally, politically, geopolitically, I guess it's difficult to get away from these ties between Europe, US and Australia. But how we going to express it? And we can express in public and you could differ, you don't have to be consistent in what you say in the public and in privately. So subtlety is a huge thing in China. Even I talk to my staff or talk to friends, depending if there are important issues. You've got to really think very carefully before you talk.

Geraldine Doogue:

Yes. Look, I think this is a very interesting point of cultural challenge and it will be fascinating to watch how someone like, say, the Foreign Minister, the confidence with which she articulates this type of ambiguous approach, which is what I think that she probably will have to do a bit.

So look, I think this is really at a cutting edge. I think what you've just said then is actually very helpful in terms of letting us know. And it's amazing if you see think tank discussions in China. My God, they're very different to the ones that you see here, I think.

Look, we've got an interesting question from Caitlin McDonald: 'How will the expansion of the Belt and Road Initiative to the Pacific, around Chinese-Solomon relations affect Australia-China relations?' Now, who would like to tackle that? And there seem to be some more movement on that this week, if you've noticed, with Malaita and there's some trouble coming there, I suspect.

Linda Jakobson:

I think this is a very complex issue and Australian media especially often approaches this through the lens that it's, the Pacific Island nation in question, whether it's the Solomon Islands or any of the other Pacific Islands, oh, now they're going to choose China or now they're going to turn their backs on Australia/the United States. Forgetting that actually the island itself has a lot of agency in this question. And they would like the best of both worlds. They are very welcoming of a new big power in their region because it means they will get more financial aid, they'll get more help in education, social issues, et cetera. And of course they would like their old support to remain and increase [from] Australia, New Zealand and the United States. So we see this as a geopolitical tug of war going on. But if you look at it from the point of view of the islands, they're actually often quite pleased to be a point of interest because the last thing they want is to be –

Geraldine Doogue:

They get leverage.

Linda Jakobson:

Exactly. They don't want to be sidelined and of no interest to anyone.

Geraldine Doogue:

No. But there are some things bubbling there that I think are concerning.

Linda Jakobson:

Oh, absolutely. Absolutely.

And obviously, in a strategic sense, it's very understandable that Australia's worried. What are the strategic intentions of China in the Pacific Islands, generally speaking? We really don't know. But I do think we need to always bear in mind the people who live there and the way they see this.

Geraldine Doogue:

They're not just complete pawns.

Linda Jakobson:

Yes.

Geraldine Doogue:

James, do you want a buy-in?

Professor James Laurenceson:

No. I'll just quickly give a shout-out to two of my colleagues, Elena Collinson and Corey Bell. They've actually written quite a lot on this topic and I know particularly Corey Bell is just about to publish a new piece looking at the issues in Bougainville, which is another thing that's just gone way under the radar. And that's co-authored with Elena Collinson as well. So look out for that in the coming weeks.

Geraldine Doogue:

Sophie Boris: 'Regarding the UN report on Xinjiang, it seems as though this issue has had a massive impact on international relations?' And I think the implication is, it's still doing so? I think this is a very interesting discussion. What do you think, James?

Professor James Laurenceson:

Yes. No doubt it's been front page news. My area is the Australia-China relationship. I'm not going to pretend to be an expert on, you know, the domestic –

Geraldine Doogue AO:

But in terms of the formation of the Australian citizens' minds, which is what Professor Wan was talking about.

Professor James Laurenceson:

Yeah. That's right. But this is an area where it looks me that the Albanese government is being quite deliberately cautious. They do have a legal basis now if they wanted to put in place sanctions against certain Chinese officials for those human rights abuses in that area. But they have held their fire on that. So it does seem to me that the Australian government's not looking to make a bigger issue out of that than they need to.

That's not to say they're not issuing statements about it, they still are. But again, they've sort of put away the megaphone.

Geraldine Doogue:

Yes. Linda?

Linda Jakobson:

This reminds me about something I'd like to bring up, because obviously that report was instrumental and extremely important and was, I think, justifiably, headline news for quite a while. But having now watched China for about 37 years and seeing the waves of human rights abuses come and go as a big issue in relations between China and Western countries, I'd like to point out something as a European having now spent quite a bit of time, because of COVID, in Europe. The issue that has soured Europeans views of China is not human rights abuses. Because ever since anyone knew anything about modern China, there has been that issue of grave human rights abuses, at different times, there have been these excellent reports.

What has soured the mood in Europe is China's refusal to condemn Putin's invasion of Ukraine. So even the country I come from, Finland, who's always, among European nations, had a very benign relationship with the PRC. The public mood in Finland has definitely become quite critical, negative. And it's because of China's policies towards Russia in this situation when Russia has invaded Ukraine, obviously a traumatic experience for all small countries in Europe, especially the Nordic countries, and [China] refuses to condemn it.

Geraldine Doogue:

Yes. I did want to ask you, just James, before – somebody's waving at me. No?

Yes. Actually, I will ask this question first because I just thought it was a fascinating little byplay in a way, this little spat that occurred, verbal spat between the Japanese Ambassador to Australia and the Chinese Ambassador in January, which was a bit of a surprise to be candid. And I wonder if you could just quickly go over it and then give us some context please. Because I think we got a bit of an insight into some of the tensions in Asia that don't bubble to the surface at that level.

Professor James Laurenceson:

Yeah. Look, I'll keep this quick. I can see my colleague, Amy, we need to wrap things up soon, I know.

But what we had there was, I think, a – Japan, China tensions, of course, are a constant, but we had that bubbling up in the Australian domestic setting. And it was quite extraordinary that the Chinese Ambassador had a scheduled media briefing planned. And then that morning, the Japanese Ambassador chose to deliver an exclusive with a national newspaper having a crack at China. So I'm not surprised and I think it was quite reasonable that the Chinese Ambassador was upset.

Geraldine Doogue:

He hit back.

Professor James Laurenceson:

Yeah. Now look, some of those comments I think went way too far, in terms of suggesting to Australians that Japan might invade Australia again. That wasn't, I don't think, a wise diplomatic choice, but I think the Japanese Ambassador did go too far, and simply making that point was a reasonable thing to do.

Geraldine Doogue:

Linda, were you aware of this sitting there in the Northern Hemisphere as you were, this –

Linda Jakobson:

I remember reading about it, but to me this just reflects, really, how Australians don't realise the tensions that exist between many Asian countries among themselves. It's not only Japan and China, it's Korea and Japan, for example, really fierce tensions. And I could name several others.

As James said, it's suddenly bubbled up into domestic politics and into the domestic scene. But this is kind of standard fair for anyone living in Beijing. The Japanese will say something that hurts the feelings of the Chinese people and the Chinese official will say something that hurts the opinions of the Japanese and then they'll argue. Has an apology ever been issued? Because the word 'apology' –

Geraldine Doogue:

The Japanese apology.

Linda Jakobson:

Yeah. The Japanese apology, because the word 'apology' has not been used by the Japanese. They have shown deep remorse but not used the word 'apology'. For people who have lived as long as I have in Northern Asia, this is really very normal diplomatic spatting.

Geraldine Doogue:

Well, it was certainly not ambiguous, shall we say? I think that gave us quite a shock. Just a very quick final question to you and then we'll –

Audience question:

Am I allowed to ask two questions actually?

Geraldine Doogue AO:

Oh, very fast. If they're extremely economical with words.

Audience question:

Of course, of course. I have a specific question for Professor Wan. So you talked about the numbers, economic growth, you were talking about 2021, two percent, 2022, eight percent, so forth. And you were saying the government is aiming to reach five percent of growth in the coming years. A simple question from me, how trustworthy these numbers are? Can I finish? Because my big question is actually linked to this question. During COVID, as you're probably aware of this as well, people find it harder and harder to put their full trust on any information coming from official sources. A very simple example, when China is having zero-tolerance policy, they overstate the symptom of Omicron. When the zero-tolerance policy is gone, Omicron become nothing. So they understate the symptom of Omicron. So with that in mind, when the government is saying they are aiming to encourage people's life and recover economy, can we really put a trust on that?

Geraldine Doogue:

Yeah, well, that's the issue. Did it undermine the fundamental authority?

Audience question:

Exactly. So how are we sure China is not aiming to achieve a style of government like in North Korea? A lot of people start to call China 'West Korea' already on the website. So this is a bigger question. How do we know where is this country moving forward?

Geraldine Doogue:

Okay. Well let me put that to Professor Wan.

Professor Guanghua Wan:

Well, if you talk about reliability of data, I think you probably asking the right person because I'm an economist, I think James will share that. With the number crunching, I'm actually an applied econometrician. I do lot of number crunching. I don't do very often this kind of talk. I do what we call scientific rigorous research where accurate and reliability of data is so important. Well, the bottom line is I'm not denying that there could be misinformation, but the five percent growth rate is not something the government is actually saying. If you really want to know the government target, you got to wait until March, after the major meeting, the formal transition. But the five percent is really worked out by the professional, by different organisations, including the World Bank and the IMF [International Monetary Fund].

And I can talk for long why five percent is possible, but to answer you, I think in my term, when I did a talk in UTS, I actually have a fairly optimistic view about the Chinese economy in the long run. But in the short run, really China faced a lot of problems. And that's where I want to refrain myself. I don't really want to talk about the third keyword, a part of uncertainty in the government is reform, where reform is not necessarily limited to the economic context. So I want to just stop there.

Geraldine Doogue:

Yep. Okay. Thank you very much indeed.

Look, I think that we probably will thank everybody. And it's very much the start of a 2023 conversation, I think. As we said, it's dramatically different to the one we were having. So we're learning about this new phase really. I think it's fair to say, certainly that's how I feel.

But I thank you all very much for being here tonight and I thank ACRI for hosting us. And would you please thank Linda Jakobson, Professor Guanghua Wan, and Professor James Laurenceson for being our guests today. And you might hear one or all of them on *Saturday Extra* at some point in the very near future at Radio National.

Thank you indeed for your time tonight.