

# Foreign policy dilemmas over China confront new Australian PM

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Newly-installed Australian Prime Minister Malcolm Turnbull has signalled the importance he attaches to economic relations with China by fast-tracking legislation on the China-Australia Free Trade Agreement.

Despite the fact that a parliamentary report on the agreement is not due for another month, his Liberal-National Coalition government introduced the legislation into federal parliament on Wednesday, declaring that the bill must be passed before the end of the year in order for the agreement to come into operation by the start of 2016.

In his pitch for leadership and subsequently, Turnbull, a former investment banker with close connections with business leaders anxious to seize new opportunities in the Chinese market, made clear he considers stronger economic ties with China to be vital for the future of the Australian economy.

The trade deal has again raised the potential for a conflict between Australia's economic relations with China and its strategic commitment to the Obama administration's increasingly militarist orientation toward China under Washington's strategic "pivot" to Asia. Over the past months, US has waged an aggressive campaign against Chinese island reclamation projects in the South China Sea as supposed evidence of Beijing's expansionist intentions.

However, in his most recent major speech on China, Turnbull struck a very different tone. The speech was delivered to the Australia-China Business Forum on August 6, the anniversary of the US dropping of the atomic bomb on Hiroshima and just one week before the 75th anniversary of the end of World War II in the Pacific.

By that date, Turnbull's preparations for this week's coup to oust Prime Minister Tony Abbott were already well advanced, even if the final steps had yet to be taken. With the expectation that he could soon be prime minister, Turnbull's choice of words was significant.

Turnbull opened his remarks by emphasising the decisive importance of the struggle waged by China against Japan in World War II. He spoke both of the number of Chinese people killed—some 10 million—and that fact that China held down 680,000 Japanese troops, four times the number deployed during Japan's sweep through South East Asia. Without China's endurance "our war history may have ended very differently indeed," he asserted.

"It is vitally important for Australians and Chinese, not to forget

that in an epic struggle for the survival of our nations, our own sovereignty, we were allies," Turnbull continued. "It is important for Americans and Chinese to remember that too."

Pointing to the significance of China's economic development, Turnbull said it was not possible to imagine "modern Australia" without its contribution to "our people, our culture, our prosperity." He noted that "perhaps above all in our darkest hour, when our foes were literally on our doorstep, when our cities were under direct military attack—then at that tipping point in our history, China was our staunch, indefatigable ally."

Significantly, Turnbull's comments were in line with the official positions of the Chinese government, which commemorated the 75th anniversary of the end of World War II by emphasising the sacrifices of the Chinese people in the main military theatre in the East.

Historical issues are, of course, never simply about history, but always indicate an orientation to contemporary political events. So it is in this case. Turnbull's approach is a far cry from the rhetoric of the US political, military and intelligence establishment, echoed in sections of their Australian counterparts, which insists that China's activities in the South China Sea constitute a threat to "freedom of navigation" as Beijing attempts to assert its regional power.

According to a report in the *Australian Financial Review* yesterday, Turnbull's remarks are being cited in Beijing as providing the basis for "improved relations between Australia and its biggest trading partner."

Wang Zhenyu, an academic with the Chinese Foreign Ministry, told the newspaper that Turnbull's election should "boost" the relationship between the two countries. It would be positive for "trade and investment." Turnbull understood "very well that the two economies are complimentary."

Last month's speech was the latest in a series over the past several years in which Turnbull has varied somewhat from the official line on the "pivot to Asia" emanating from the US as well as from Australian governments, both Liberal-National and Labor.

In an address delivered in the immediate aftermath of Obama's announcement of the pivot on the floor of the Australian parliament in November 2011, Turnbull warned that Australia must be careful "not to allow a doe-eyed fascination with the leader of the free world to distract from the reality that our national interest requires us truly (and not just rhetorically) to maintain both an ally in Washington and a good friend in Beijing."

Six weeks earlier, Turnbull noted in another major speech that it was “important to note that China’s growth in power, both economic and military, has not been matched by any expansionist tendencies beyond reuniting Taiwan. The central role of trade in China’s prosperity also argues for its rise to remain peaceful. China has more to lose than most from any conflict that disrupts global economic flows.”

Turnbull has not since repudiated those remarks but events, above all the escalation of the US drive against China over the past four years, have forced him to tack and shift somewhat. Last January, as speculation over the stability of Abbott’s leadership mounted and the prospect of his removal increased, Turnbull delivered a carefully crafted speech to the US/Australia Dialogue in Los Angeles. In the presence of former US ambassador to Australia, Jeffrey Bleich, Obama’s point man in Australia for the pivot, Turnbull explained that the pivot was a “vitality stabilising, reassuring factor in the peaceful development of our region.”

However, there were aspects of Turnbull’s remarks that would not have gone down well in Washington. He referred to the “speed of Asia’s rise” and spoke of a transition in global power where there would be a “very different hand-off from Britain to the US a century or so earlier.” The US has no intention of handing off to any rival, least of all China, as the pivot exemplifies.

Turnbull’s deep concern with the “China question” and its significance for Australian capitalism is an expression of the most vital interests of considerable business and financial interests, with which he is personally associated. Their views were summed up by gambling and casino mogul, James Packer, the son of the late media magnate Kerry Packer, with whom Turnbull had a long association. Praising Abbott for securing the China-Australia trade deal, Packer said Turnbull would take it to “the next level.”

In fact, securing the deal, which offers concessions to Australian firms in agriculture and vital areas such as services and finance, had little to do with the labours of Abbott and his trade minister Andrew Robb. It was much more bound up with efforts by the Chinese regime to draw Australia away from the anti-China pivot and the associated US-led Trans Pacific Partnership, which excludes China.

These very circumstances of the China-Australia trade pact make clear that far from being separate issues, trade and economic deals are inextricably bound up with military questions.

That connection was underscored by the conflict over the China-backed Asia Infrastructure Investment Bank (AIIB) earlier this year. After initially giving in-principle support for the bank because of the economic opportunities it could provide, the Abbott government pulled out, following a recommendation from the cabinet’s National Security Committee. There was heavy lobbying from the top levels of the US administration, including Obama personally, insisting that the AIIB represented a security risk.

However, the British government then decided to join the new bank, undermining the Obama administration’s stance. In response, the Australian government again reversed its position, and decided to become a founding member of the bank.

Turnbull has made the China-Australia agreement, and the deepening of the economic ties between the two countries central to his whole economic agenda.

Once again, however, strategic questions, centring on the pivot and Australia’s place within it, are set to re-emerge. In a few weeks’ time, the government is set to bring down a Defence White Paper in which it will define its attitude to China, especially in regard to the issues in the South China Sea. If the White Paper casts China in the role of an aggressive and expansionist power that must be confronted by military preparedness, this will certainly sour relations with Beijing, and possibly have economic repercussions.

On the other hand, if Turnbull were to intervene and seek to at least tone down the language, this would set off a conflict with powerful sections of the Australian military and intelligence apparatus as well as the media and political establishment, not least within the Liberal-National Coalition, and bring intense hostility from the US.

Washington’s determination to brook no opposition to what it considers its vital objectives was seen in the ousting of Labor Prime Minister Kevin Rudd five years ago. Rudd was removed by a handful of Labor Party and trade union faction leaders, with close ties to the US, because of his belief that the US must make some concessions to China in the Asia-Pacific region.

However, five years on, China has become more, not less, significant for Australian capitalism. When coal and iron ore were the major exports, it was considered that China had no choice but to continue its purchases. That is not the case in the sphere of services and finances, which are regarded as the possible growth areas of the future, where Beijing’s political decisions have an impact.

Amid a worsening global economic outlook, slowing growth in China and a sharp downturn in Australia, key corporate and financial interests, faced with an intensified struggle to maintain existing market and open up new ones, will be anxious that the government does not jeopardise those opportunities.

The conditions are being created for the tensions and contradictions between the economic interests of Australian capitalism and the strategic orientation of the political and military establishment to come to the surface in fresh political crises.



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