
Australia's Asia White Paper Review and the Dilemmas of Engagement

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In a highly influential article published in *International Organization* in 1978, Peter Gourevitch argued that the inter-relationship between international and domestic level forces in world politics was so complete that it made little sense distinguishing between them at all.¹ In challenging the 'second image' of international relations—underpinned by an assumption that the extent of domestic-international interaction is how states' international behaviour is shaped by the nature of their governments—Gourevitch was making the broader point that domestic politics is in fact largely a consequence of international forces rather than simply being a relevant factor in explaining how states interact on the world stage.

How is this relevant to the White Paper review of *Australia in the Asian Century*? Today, what is occurring in Asia is having more of an impact on Australia's domestic political scene than at any other stage in history. That the vast majority of Australians are insular and lack 'Asia literacy' may be true, but it is difficult to find any hard evidence that this has actually inhibited Australia's ability to become engaged in the region over time. One of the more curious paradoxes is that while many Australians tend to be insular from a cultural perspective, they remain internationalist in appreciating the global forces impacting on Australia's national interests. More Australians travel, live, and work outside the country than ever before, and Australia's economic prosperity is more dependent on international (especially Asian) forces than at any time since Federation.² Australians may not be very interested in discussing the finer points of foreign policy—a common trait among democratic publics the world over—but this does not mean they do not understand the overriding importance of Asia to Australia's current and future well being.

Deeper engagement in Asia has had significant implications for Australia domestically. The impact on the Australian economy of the commodity-led trading relationship with Asia, which has been underscored by the China-led boom, is well known. But meaningful engagement in other spheres has had

¹ Peter Gourevitch, 'The Second Image Reversed: The International Sources of Domestic Politics', *International Organization*, vol. 32, no. 4 (Autumn 1978), pp. 881-912.

² For discussion, see Michael Wesley, *There Goes the Neighbourhood: Australia and the Rise of Asia* (Sydney: University of New South Wales Press, 2011), chapter 5.

equally striking impacts. Large-scale Asian immigration since the 1960s has been the single major variable shaping modern multiculturalism in Australia, and the massive influx of predominantly Asian students into Australia's tertiary institutions has contributed to reshaping the nation's higher education system in myriad ways. Although several of the key indicators of Asia literacy in Australia—most notably language training—make for unimpressive reading, as a nation Australia remains deeply engaged in Asia in spite of the prevalent cultural insularity among many Australians.

One of the more arresting features of the Gillard Government's announcement of the White Paper review is the extent to which economic opportunities are prioritised over other elements of regional engagement. The terms of reference for the review reflect this, with the word 'economic' preceding all other dimensions of engagement in the document. Indeed, the very purpose of the review is to

make judgments on: a high level strategy to enhance Australia's navigation of the Asian Century, including appropriate policy settings. *The focus will be on opportunities to increase the economic and other net benefits to Australia from the global economic and strategic shift to Asia in the short, medium and long term.*³

Confirming the economistic mission of the review is the composition of the review team itself. As former Secretary of the Australian Treasury, Ken Henry will chair the review and he will be advised by six panel members drawn from the public and private sectors; five hold economic-based appointments in the government, university, and corporate sectors, while the sole outlier (the Deputy Secretary of the Department of Foreign Affairs and Trade) has previously held predominantly economics-focused appointments in the public sector and holds a PhD in Economics.

There is nothing intrinsically wrong with adopting a strong economic focus in the review. Orienting a review of *Australia in the Asian Century* towards economic issues seems to make sense given that profits from trade and investment are the most obvious and tangible yield Australia gains from the region. Nevertheless, it does present some potential risks. The primary risk is that it will further promote the perception in Asia itself that Australia views the region mainly through the lens of short term economic opportunity, rather than through a lens focused on crafting a long term strategic approach that seeks to integrate economic, political (including geopolitical), and security considerations. In the words of the review's terms of reference, its "most important" focus will be "on opportunities to increase economic and other net benefits to Australia" to 2025.⁴ This conveys the impression that discerning

³ Department of the Prime Minister and Cabinet, *Australia in the Asian Century: Issues Paper* (Canberra: Commonwealth of Australia, December 2011), <<http://asiancentury.dpmc.gov.au/terms-of-reference>> [Accessed 29 January 2012], p. 16. My emphasis.

⁴ Department of the Prime Minister and Cabinet, *Australia in the Asian Century*, p. 16.

new trade and investment opportunities will trump any meaningful analysis of Asia's evolving geo-strategic environment and its impact on Australia or what the changing nature of Asian societies themselves means for Australia's engagement in the region. In announcing the White Paper, Julia Gillard observed that "for Australia, the economic opportunities are how the Asian century begins".⁵ If other aspects of the region are overlooked, there is a risk that this statement may be completed by the phrase: 'and ends'.

A second risk is that examination of Australia's economic relationships in Asia will proceed without a sufficiently broad appreciation of the regional security context. The Gillard government made it clear that it would not be revisiting any of the key judgements made in the 2009 Defence White Paper, implying that regional security issues would be effectively quarantined from the Asia White Paper process. But how realistic is this? It makes little sense to consider the future of Australia's economic relationship with China without substantial attention to how Australia views the US-China relationship in the politico-security domain. While stable relations currently between Washington and Beijing provide Australia with reasonable short term certainty about the China market, what sorts of issues are Australian business likely to confront in the event that US-China relations deteriorate? Would it be wise for Australia to seek to maintain a close relationship with Beijing independent of security alliance considerations if US-China relations take a turn for the worse?

An additional risk is that the review will lack a detailed understanding of the highly diverse nature of Asian states themselves. Like Australia's domestic political scene, the political scene within Asian states is shaped ineluctably by international forces. Even North Korea's unique authoritarianism has been shaped critically by how its elites perceive the external threat environment in Northeast Asia. The issues paper prepared by the Department of Prime Minister and Cabinet is in many respects comprehensive, but it tends to endorse a somewhat monolithic view of the region, one that is at odds with the reality of widespread diversity across Asia's states and societies. The review's promise to engage in a process of "public consultation with the Australian community, business, academia and international partners" is welcome, but it is to be hoped that special attention is paid to consulting with country level experts and those with a deep knowledge and understanding of how individual Asian societies are evolving.

Using the term 'Asian century' itself is probably ill-advised. Initially coined by Chinese and Indian elites in the 1980s, the concept of the 'Asian century' has been embraced by a range of policy makers and pundits in recent times to capture what they characterise as a major shift of power from west to east

⁵ 'Speech to the AsiaLink and Asia Society Lunch, Melbourne, 28 September 2011', <<http://www.pm.gov.au/press-office/speech-asialink-and-asia-society-lunch-melbourne>> [Accessed 11 January 2012].

in the international system, typified most dramatically by the rise of China. Enjoying increasing popularity in a period where European economies have struck major turbulence, the term nonetheless has a strong smell of hubris about it. China's continuing meteoric rise is by no means preordained and it confronts enormous domestic challenges in wealth distribution that may well contain the seeds of future popular unrest. India's rapid rise is no doubt underway, but its state and society confront massive hurdles, not the least of which is deeply ingrained poverty reinforced by a formal caste system.

Perhaps more importantly, the generalisation of an 'Asian century' is rather misleading because it encourages a view that the region is somehow homogenous. Yet, in many ways, Asia remains the most heterogeneous of all regions in the international system. This is not just a question of inserting appropriate acknowledgements in analysis about cultural or historical differences between countries (although this is important). More fundamentally, the term 'Asian century' overlooks what are in some cases quite radical differences in the region. This is particularly evident in the economic domain—a stated priority of the White Paper review—where uneven development between Northeast, Southeast, and South Asia is particularly conspicuous, a point actually acknowledged in the fine print of the issues paper produced by Prime Minister and Cabinet.⁶

In addition to canvassing the opportunities for Australia in Asia, it is important that the review also confront, and propose possible solutions for, the various obstacles to deeper Australian engagement in the region. In the economic realm, the significant imbalance between large scale trade flows and modest investment relationships is striking. Unlike trade, which is essentially transactional and requires little understanding of the state or society with which the relationship is conducted, investment is a more intimate form of economic interaction, which does necessitate a detailed grasp of the target state and society. The fact that Australian companies—from small and medium enterprises through to the largest corporations—rely to a far greater degree on transactional relations in Asia for profit than on relations requiring deeper engagement with states and societies says something about the nature of Australia's relationship with Asia. This, of course, is not a one-way street: the well documented serious problems confronting Australian small and medium enterprises in particular investing in China (even in joint ventures with Chinese state owned enterprises) are creating a rising disincentive to risk-taking among Australian firms. These sorts of issues should be addressed squarely and openly in any comprehensive White Paper review.

⁶ Citing World Bank data, the paper notes that "living standards in China, India and ASEAN on the whole remain considerably lower than those found in Australia, the US, Japan and the Republic of Korea. South Asia, in particular, has the world's largest concentration of poor people, with more than 1 billion people living on less than \$2 a day". See Department of the Prime Minister and Cabinet, *Australia in the Asian Century*, p. 6.

However, the single greatest challenge facing Australia in Asia is how it hedges against China's rise in the security sphere while avoiding entrapment in a US-led containment strategy.⁷ As Glenn Snyder argues, from the vantage point of weaker allies, alliances are characterised by the dual fears of abandonment and entrapment. The client state is consistently focused on avoiding being abandoned by its major power protector—which may include the latter “failing to make good on explicit commitments”—or being entrapped in an alliance, when the client state is “dragged into a conflict over a [major power] ally's interests that the client state does not share, or shares only partially”.⁸ Historically, Australia's signal apprehension in its alliance relationship with Washington has been fear of abandonment. Today, Australian strategic policy makers have every reason to feel at least some apprehension about entrapment. The situation Australia faces in the contemporary context may not be a textbook case of potential entrapment, but it comes fairly close.

As hundreds of billions of dollars in defence cuts take effect over the next decade to ameliorate America's fiscal crisis, US administrations will increasingly seek to shift the burden to allies to promote America's strategy of preventing China from emerging as a great power challenger. Washington's closest Asian allies will feel the pinch to contribute bases or forces (or both) to counter China's ambitious asymmetric strategy of raising the costs for the US military challenging the People's Liberation Army inside the first island chain and across maritime Southeast Asia more generally. Mirroring the classic symptoms of the security dilemma, what looks to the United States and its allies like a defensive strategy will look like an offensive strategy in Beijing's eyes. America's alliance partners will try to reassure China that they are not party to containment in order to preserve sound economic relations, but it will be too late: they will already be part of a strategy with the express purpose, in Washington, of containing China's great power ambitions.

If this scenario sounds realistic, it is because it is probably already occurring in Asia, albeit gradually. Evelyn Goh has noted that “as the US-Japan alliance risks tipping over into becoming an overt front for containing China, Tokyo needs to reassess this perhaps unintentional entrapment”.⁹ Like Japan, Australia has a strong economic relationship with China and a long-standing security alliance with the United States. But, unlike Japan, Australia will pay a much higher price economically if the relationship with China turns sour. According to the Australian Treasury's own estimates, as

⁷ On the place of hedging in Australia's strategy towards China, see James Manicom and Andrew O'Neil, 'Accommodation, Realignment, or Business As Usual? Australia's Response to a Rising China', *The Pacific Review*, vol. 23, no. 1 (2010), pp. 32-6.

⁸ Glenn Snyder, 'The Security Dilemma in Alliance Politics', *World Politics*, vol. 36, no. 4 (1984), pp. 466-7.

⁹ Evelyn Goh, 'How Japan Matters in the Evolving East Asian Security Order', *International Affairs*, vol. 87, no. 4 (2011), p. 896.

structural weaknesses in the US, European, and Japanese economies begin to bite in the coming years, Australia will become even more dependent for its economic well being on maintaining close economic relations with a rapidly growing China.¹⁰ Being part of an anti-China containment strategy will potentially damage Australia's economic prospects, but refusing overtly to be part of it will potentially damage the alliance relationship with the United States and resurrect traditional Australian fears of alliance abandonment. Intellectually as well as diplomatically, these will be a tricky set of issues for the White Paper review panel to address, but they go to the very heart of Australia's engagement with Asia over the next fifteen years.

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¹⁰ See Annabel Hepworth, 'Volatile Economy the Norm: Treasury', *The Australian*, 2 January 2012.