China’s remarkable economic development has had profound domestic and international effects. Among the most important of these is China’s growing impact on the region of which it is an increasingly important and influential part. For countries such as Australia, which has rapidly become deeply economically integrated with – even dependent on – China, this presents a major and much-discussed challenge as it tries to balance economic and strategic priorities. Australia provides an important and revealing illustration of how China’s elites view key states in its region, which have assumed a growing economic and even strategic importance. This paper aims to develop a more comprehensive overview of the way the strategic, economic and political dimensions of the Sino–Australia relationship are understood in both countries. It also highlights the importance of realist thinking in both Australia and China.

Key words: China’s rise, Sino–Australian relations, realism, Chinese foreign policy, Australian foreign policy.

Introduction

Policy-makers everywhere tend to think of themselves as “realists” of one sort or another. Even if this way of describing their actions is not always informed by the theoretical assumptions that inform academic varieties of realist thinking, some of the claims realists make about the behavior of states can be seen in the way policy-makers act and the assumptions that they make about their counterparts elsewhere. In both China and Australia – the principal focus of attention in what follows – realist thinking has had major direct and indirect influence over policy. The impact of realist thinking can be seen in the policy traditions of both countries, and in their mutual interaction. Recognizing the impact of realist thinking helps to explain the way the bilateral relationship between Australia and China has evolved, and some of the difficulties and misunderstandings that have arisen as a consequence.
Whatever we may think about the merits of realist explanations of the international system, if policy-makers accept some of its basic assumptions and act as if its principal claims are valid, then such suppositions may become self-fulfilling. This is precisely what has happened in this increasingly important bilateral relationship we contend: Sino–Australian ties are characterized by a form of instrumental rationality born of necessity as economic interdependence has deepened.\(^1\) However, such interdependence has not transformed the relationship in the way that many liberals might have expected.\(^2\) On the contrary, strategic concerns – especially as a consequence of both China’s and Australia’s very different relationships with the United States – continue to complicate the overall relationship despite its economic importance to both countries. The election of Donald Trump has only increased the degree of strategic uncertainty about regional relations.\(^3\) Ideas, expectations, and beliefs are, contrary to what realist theory might lead us to expect, actually major influences on the way the relationship has evolved – a possibility that constructivists might have played a more prominent role in highlighting.\

One of the key objectives of this article is to highlight just how important realist thinking is in both Australia and China. Significantly, despite the apparent conceptual similarities that underpin realist thinking in both countries, policy-makers and scholars come to surprisingly dissimilar conclusions about possible foreign policy priorities for each country. Such differences reflect the very different positions Australia and China occupy in the evolving international system: Australia has always been a rather dependent power as a consequence of its geographical location and the concomitant geopolitical orientation of its policy-making elites.\(^4\) China, by contrast, is a revitalized and restored regional hegemon with a growing sense of national importance and ambition that reflects its own distinctive history and location, and which is creating a good deal of anxiety as a consequence.\(^5\)

This article aims to develop a more comprehensive overview of the way the strategic, economic, and political dimensions of the relationship are understood. For both countries, the bilateral relationship provides an important test of, and window onto, the capacity of policy-makers to manage an inherently unlikely relationship while simultaneously seeking to pursue other potentially incompatible goals. As we shall see, for a perennially subordinate power such as Australia, the

\(^1\) Alan Dupont, “China Wants What We Have, So it Won’t Risk a Spat,” *Australian* (30 August 2016).


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challenge is immense and growing. For China, Australia provides an especially important test of its capacity to have a good working relationship with a very different country, and one that is closely aligned with its own principal strategic rival: the United States. The first part of the article provides a few brief remarks on the conceptual underpinnings of scholarship in both countries.

Conceptualizing Sino–Australian Relations

Of the many consequences of the reemergence of China as Asia’s biggest economy, one of the most interesting and important has been the impact on not only China’s foreign and economic policies, but even on its “sense of itself.”6 This is, of course, a rather reified and generalized way of describing a highly complex, rapidly evolving society in which foreign and economic policies are increasingly subject to a variety of influences. But such a depiction has heuristic value, nevertheless. There is no doubt that one of the key driving forces of recent Chinese foreign policy has been a determination to (re)assume what many Chinese people and policy-makers see as the country’s rightful place at the center of international events.7 These sorts of ambitions are driven – in part, at least – by a particular sense of national identity, even exceptionalism.8 But as constructivists have long argued, a sense of self is inextricably linked to, and defined by, some “other.”9 In China’s case, one of the others with which it has developed an increasingly deep and complex relationship is Australia.

At the outset, it is important to emphasize just how novel and even unlikely the growing relationship with Australia is as far as China is concerned. For most of recorded human history, China’s principal relations were with its immediate neighbors in Asia. Now, however, China’s economic impact and reach is forcing it to develop foreign and economic relationships with countries around the world; often countries with which it has formerly either never had relations, or only interactions of the most perfunctory sort. One such partner is Australia, a country with very different social values, political institutions, and economic structures. Equally importantly, Australian policy-makers subscribe to a strategic outlook that sees China as a potential threat, and which consequently places great emphasis on the primacy of China’s great strategic rival, the United States. Understandably enough, this is not something that goes down well in China.10


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The Realist Perspective

Theoretical fashions come and go, both as ways of interpreting the world and, as Marx might have said, as blueprints for changing it. There is no doubt that “China” – or more accurately, perhaps, the people and policy-makers of what is still known as the People’s Republic of China (PRC) – has changed very significantly over the last 50 years or so. One of the more surprising and noteworthy features of this change has been the steadily declining influence of Marxist ideas and the ascendancy – or more accurately, the re-ascendancy – of realist ideas as the dominant paradigm in Chinese foreign policy thinking. As we shall see, realist thinking has always been the predominant paradigm in Australia’s comparatively short history and this shows little sign of changing, despite the fact that such thinking may make cordial relations with China inherently difficult.

The sheer material importance of China’s rise is something that is widely recognized and acknowledged by realists as well as Marxists. Indeed, realist theorists have long argued that material distributions of power and resources are the key determinant of the relative standing of different states in what is now a global interstate system. Such factors are potentially crucially important determinants of the strength and weakness of individual states. The autonomy – even the survival – of states is largely determined by their ability to provide for their own security in what is conceptualized as an anarchical system. The possible importance of self-reliance and state strength are the well-known corollaries of these assumptions. Asian states in particular have been especially enthusiastic students of the Westphalian model and much of the region’s post-colonial diplomacy can only be understood by considering their development in the context of Asia’s distinctive, relatively recent history.

Realist assumptions about the self-help nature of the system, the importance of national economic and military strength, and the fundamentally competitive nature of international relations have potentially major implications for state policy and standing. Any change in the relative power of different states is potentially threatening to the extant order and the security of individual states. It is for this reason that a number of prominent realist scholars argue that conflict between rising and declining powers is virtually certain as the rising power seeks to redefine

the system to reflect its interests and values. This is, the argument goes, precisely the sort of situation we are seeing emerge in the growing rivalry between the United States and China. The recent interest in the so-called “Thucydides trap,” which draws parallels between Sino–US ties and the ancient rivalry between Sparta and Athens is a reflection of realism’s core beliefs and claims about the supposedly unchanging nature of the international system and the dynamics that drive state behavior.

Interestingly, this debate and these essentially realist assumptions have been embraced by China’s leadership. According to Xi Jinping, “we all need to work together to avoid the Thucydides trap – destructive tensions between an emerging power and established powers, or between established powers themselves.” This kind of realist thinking actually underpins assumptions about the nature of great power politics, and has led to the call for a “new type of great power relations” to manage Sino–US relations. Rather ironically, in the Chinese discourse about a new type of great power relations, realist theory has a prominent role, but as something to be argued against rather than necessarily endorsed. As we shall explain, most Chinese commentators writing on this specific topic do so to dismiss the sorts of ideas that have emerged from the United States.

It is not necessary to accept any of these claims or believe in the inevitability of state behavior to recognize a number of important things about realism and its influence. First, if policy-makers think like realists, which most of them do, as we shall see, then certain possibilities become more likely. The so-called “security dilemma” is perhaps the most prominent example of this possibility: the belief that a neighbor’s military modernization is potentially offensive and threatening is likely to trigger a similar (if ultimately futile) counter-response by policy-makers in an adjacent territory. In an era of enhanced “power projection,” these threats are no longer as geographically constrained either, which is why the rivalry between the United States and China is so consequential.

Second, a belief in the possibility or even the inevitability of hegemonic competition and transition is likely to influence the behavior of individual states thought to be rising and declining. The debate about possible US decline and the

prospects for a transition to greater Chinese influence, or even dominance, is the principal manifestation of this belief.\textsuperscript{20} Again, it is not necessary to believe that such a thing is inevitable or even likely to recognize that such beliefs might exert a powerful influence over policy-makers who do subscribe to such beliefs. The growing debate about how to counter “Chinese aggression” is the most important manifestation of this possibility,\textsuperscript{21} and not just in the United States. On the contrary, Australian policy-makers are also increasingly preoccupied with resisting what is seen as China’s growing regional presence and national assertion, something that was reflected in the recent White Paper on defense.\textsuperscript{22}

Having said that, we ought to make it clear that our intention is not to dismiss the possible insights and claims that emerge from the realist tradition out of hand. On the contrary, realist thinking, or more specifically critical realist thinking,\textsuperscript{23} actually offers an important corrective to some of the less grounded accounts of regional transformation.\textsuperscript{24} There is, indeed, a clear “structural” or ontological reality to extant social relations, economic practices, and even military relationships, which impart a degree of path dependency to the course of development and which constrains the possible outcomes that are possible. Australia really is less powerful than China; China really does organize capitalism differently; the United States really is still the most powerful country in the world. These “social facts” have an importance that is to some extent independent of what we may individually think of them.\textsuperscript{25} Nowhere is this reality more evident than in the policy choices that are made in countries as different as Australia and China.

**Strategic Thought in Australia**

Some ideas and ways of thinking about particular issues often become what J. K. Galbraith famously called the “conventional wisdom.” A similar, if more elaborate, claim has been made by Pierre Bourdieu about the importance of “habitus,” or the structurally embedded influence of factors such as culture, class, gender, and race in determining social practices ideas and values.\textsuperscript{26} Again, it is not

\textsuperscript{20} Steve Chan, *China, the US, and the Power-Transition Theory* (London: Routledge, 2008).
necessary to subscribe uncritically to such ideas to recognize their potential utility in accounting for the very different ways ostensibly similar public policy challenges are approached in different countries. If nothing else, the existence of such sociological approaches is a refutation of the pared back, highly abstract formulation of neorealism in particular.\textsuperscript{27} The point to reemphasize at the outset, therefore, is that contingent historical circumstances are critically important determinants and explanations of different policy traditions.

Just how difficult it may be to manage simultaneously economic and strategic priorities is evident from Australia’s strategic history and the continuing reliance on what Robert Menzies famously called “great and powerful friends.” From its inception as a British colony to the present day, Australian policy-makers have suffered from an acute strategic anxiety about the country’s supposed vulnerability that has caused them to rely on another state to underwrite its security.\textsuperscript{28} Revealingly, Australian policy-makers demonstrated a remarkable pragmatism when they abruptly switched their loyalties from Britain to the United States during World War II when the former colonial power was revealed to be incapable of defending Australia in the way so many had believed. The key point to emphasize is that this dependency on a foreign power endures and continues to form the bedrock and strategic rationale for Australia’s defense policy and, by extension, much of its foreign policy, too.\textsuperscript{29}

The most visible and consequential manifestation of Australia’s strategic reliance on and perceived obligation to the United States can be seen in its willingness to fight alongside the United States in all the major conflicts since World War II. At the very least, it is striking that Australia has chosen to “bandwagon” with the United States, rather than “balancing” against the rise of such a dominant power, as some realist theory might lead us to expect.\textsuperscript{30} The choices of Australian policy-makers have been informed by an assumed commonality of interests, beliefs, and values that has given an ideational underpinning and legitimacy to the alliance with the United States. At times, such beliefs have been given expression in the form of a notional “Anglosphere” of like-minded nations, such as the United States, Canada, Britain, Australia, and New Zealand.\textsuperscript{31} This phrase has fallen out of favor as Asia’s importance to Australia grows, making even its most ardent admirers more cautious in using such terms. Nevertheless, it is also important to recognize that it continues to find a strategic

\textsuperscript{28} Anthony Burke, \textit{In Fear of Security: Australia’s Invasion Anxiety} (Sydney: Pluto Press, 2001).
\textsuperscript{29} Michael J. Green, Peter J. Dean, Brendan Taylor, and Zack Cooper, \textit{The ANZUS Alliance in an Ascending Asia} (Canberra: Australian National University, 2015).
expression in the so-called “Five Eyes” intelligence gathering and sharing arrangements that exist between Anglosphere states.32

Plainly, Australia’s relationship with China enjoys none of this intimacy or cultural heritage. On the contrary, relations with China are still a comparatively novel work-in-progress and subject to frequent misunderstandings and tensions ever since Gough Whitlam’s pioneering rapprochement. Indeed, China is still seen as a very different, potentially threatening force in the region, especially since its remarkable economic transformation has underpinned a concomitant increase in its military presence and ambitions.33 Australia’s perennial anxiety about its geographical location adjacent to Asia has been reinforced by China’s rise and has generated an increasingly high-profile military response in Australia. Significantly enhanced military spending and modernization on Australia’s part has further entrenched the importance of the alliance partnership with the United States.34

Whatever the merits and justifications of such initiatives, either strategically or fiscally, there is a certain inevitability about Australia once again demonstrating its reliability as an alliance partner. When asked to define a theoretical paradigm that best described their view of the world, nearly 70% of officials in the Department of Foreign Affairs and Trade described themselves as “realists.”35 It is not unreasonable to assume that the proportion would be even higher in the Department of Defence (DoD). Indeed, it is difficult to imagine that people without such beliefs might actually be employed within the defense establishment. The net effect of the DoD’s internal policy ruminations is clear, however: Australia’s regional strategic environment will be defined by the interaction between the United States and China. In such circumstances:

A strong and deep alliance is at the core of Australia’s security and defense planning. The United States will remain the pre-eminent global military power and will continue to be Australia’s most important strategic partner.36

Strategic dependence is, therefore, hard-wired into Australian policy. The alliance with the United States consequently enjoys significant bipartisan political support, as well as high levels of public approval.37 This political and ideational context makes any change in this situation highly unlikely in the foreseeable future.

35. Allan Gyngell and Michael Wesley, Making Australian Foreign Policy (Melbourne: Cambridge University Press, 2007).
36. Department of Defence, op. cit., p. 15.
future. The question is how feasible it will be to reconcile this non-negotiable aspect of Australia’s strategic policy with China’s growing influence over the economy.

**Economic Contradictions with Australian Characteristics**

China is now Australia’s largest single trade partner, and source of direct foreign investment.\(^{38}\) The growth and intensification of this economic relationship reflects China’s remarkable economic development and the more general reorientation of the Australian economy toward Northeast Asia in particular. There is no doubt that China’s growth and the expansion of bilateral trade has had a major impact on economic growth and Australia’s terms of trade – even if the benefits of such activities have been very unevenly distributed.\(^{39}\) While this outcome may be the intentional outcome of a concomitant restructuring of the domestic economy as first Japan and now China have driven growth generally and the development of the resource sector in particular, it is a remarkable turn of events for a nation that has been ambivalent about its ties with Asia. As we have seen, however, it is still not clear whether Australian policy-makers regard “Asia,” and more particularly China, as more of a threat or an opportunity.

Part of this ambivalence can be explained by the fact that there is arguably no longer any self-evident “national interest” when it comes to formulating policy toward the outside world. This possibility was starkly apparent when Western Australian premier Colin Barnett accused two major multinationals of “colluding” in fixing commodity prices.\(^{40}\) Equally problematic for the federal government in particular is the reality that the economic opportunities offered by closer ties with China are often at odds with strategic priorities. Prominent business leaders may urge closer ties and a “level playing field” when it comes to dealing with China.\(^{41}\) But defense analysts and even parochial political interests may see things differently and highlight how such arguments are not widely accepted and occasionally manifest in contradictory and inconsistent public policy initiatives. A few recent examples highlight the tensions.

First, many Chinese investors claim they are discriminated against by the actions of the Foreign Investment Review Board and associated policies that are designed to scrutinize and/or limit the impact of foreign acquisitions or investment. A number of proposed Chinese investments in agriculture and real estate have been

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blocked on dubious national interest grounds. The decision to block the bid of Chinalco, a prominent state-owned enterprise (SOE) with close links to the government, from becoming a major shareholder in Rio Tinto was one of the most prominent and controversial examples of this policy. The Australian government was worried about both the “strategic” nature of Chinese investment and the possibility of Chinese interests exerting control over the price of iron ore, and about the non-transparent links between SOEs and the state in China’s very different form of “state capitalism.” Despite the fact that China’s SOEs have not been able to exert this sort of influence, it is indicative of the Australian government’s priorities in an area it deems to be of national strategic importance.

An even more controversial and revealing episode of the possible contradictions between economic and foreign policy occurred when Landbridge, a Chinese company with links to the People’s Liberation Army, was allowed to lease the Port of Darwin for 99 years. Darwin has assumed a particular strategic significance as it is to become an American base as part of the United States’ “pivot” or “rebalance” to the Asia–Pacific. Although the polite fiction is that US troops will “rotate” through Darwin, a permanent and expanding presence appears inevitable.

In what has proved a highly embarrassing episode for the newly installed government of Malcolm Turnbull, it has become apparent that not only was there very little coordination between the Northern Territory government, the DoD, and the Federal government, but that the United States was also not informed about this possible decision. The United States has subsequently made its displeasure known to its junior ally but as yet this has not reversed the original decision.

More recently and controversially, the Australian government has chosen to block bids from two “Chinese” entities that were attempting to buy the Ausgrid electricity network in New South Wales, which the state government wanted to privatize. Two points are worth highlighting about this episode. First, only one of the bidders – State Grid – was actually an SOE with connections to the Chinese state; the other was a Hong Kong-listed private company (Cheung Kong Infrastructure) with an established, uncontroversial track record in similar developments. Second, the specific basis of the rejection – “national security concerns” – was never revealed, leading some to conjecture that the Australian government...

government was either ignorant or duplicitous or both.47 Whatever the “real” reason for the decision, the reputational damage to Australia as a predictable, safe, transparent investment location was, according to prominent voices in the business community, significant and is likely to be lasting.

The point to emphasize about these decisions is that Australian policy thinking about China is contradictory and occasionally highly inconsistent. In some ways, this may reflect Australia’s rather archaic federal system, but in others it illustrates a more fundamental ambivalence about relations with China. As Wesley points out,48 this may also reflect the diminished significance of the Department of Foreign Affairs and Trade in determining ostensibly foreign-policy decisions – a possibility that helps to explain China’s recent policy, too, as we shall see. In Australia’s case, however, it is a reminder that no matter how prevalent and taken for granted the conventional wisdom may be, it still needs to be acted upon effectively. In other words, no matter what the relative merits of a particular policy paradigm may be, without effective implementation, confusion and contradiction may result.

**Strategic Thought in China**

The dominance of realist ideas in Chinese strategic thinking is just as prominent as it is in Australia. Realist thinking is very common and influential within the Chinese army, universities, and think tanks.49 This is particularly obvious in China’s strategic studies community.50 This contemporary dominant paradigm contrasts with China’s strategic thinking in the past.

During Mao Tse-tung’s rule, realism played a much more limited role in shaping Chinese foreign policy. Rather, Marxism was much more important at the time when national interests were not the ultimate goal of Chinese foreign policy. Mao’s idealistic foreign policy was willing to sacrifice China’s national interests for greater good of the third world and the communist camp against the American hegemony. After Mao, Deng Xiaoping adopted a much more pragmatic approach in dealing with both domestic and foreign affairs. The pursuit of national interests gradually returned to the core of Chinese foreign policy. In the meantime, Deng’s “reform and open up” led to the rapid rise of liberalism within China and the decline of communist and Marxist ideas. As a result of this ideological shift,
China had witnessed nation-wide pro-liberal student protests, which almost threw the one-party rule in 1989.

Following the end of the protest of 1989, the Chinese Communist Party (CCP) immediately launched a nation-wide campaign to purge pro-liberal views. This included removal of the then nominal top leader, Zhao Ziyang, who was considered as the leading figure of pro-liberal reforms. It also marked the inevitable decline of liberalism in China despite the fact that the CCP had reawakened its market reform agenda due to the collapse of the Soviet Union.

Subsequently, in the mid- to late-1990s, within the Chinese IR community, the import of Western IR theories to develop China’s strategic thinking reached a peak. Indeed, at the time, the Chinese IR community had the “misconception that realism was the [international relations theory].” Despite the recent growing interest in, and importance of, liberalism and constructivism, as well as the active search for a Chinese IR theory or IR theory with Chinese characteristics, realism continues to dominate Chinese strategic thinking. According to Yan Xuetong, a noted realist himself, “realists are so influential in the Chinese IR community that they can simply ignore other IR approaches, such as constructivism.” Likewise, prominent American realist John Mearsheimer claims that he feels more intellectually comfortable in China as it has many more realists and fewer liberals compared with the United States.

The dominance of realism in contemporary China is also evidenced by empirical research. A survey study suggests that the number of realists is almost equal to the total of constructivists and liberals among Chinese academics. The influence of realism is also obvious in strategic studies. Based on a survey of Chinese journal articles concerning “core interests,” an empirical study finds that realism is the most cited theory and a prominent realist (in this case, Yan Xuetong) is the most cited scholar in Chinese debates. Even on other, less security-oriented topics...


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Importantly, realism does not only influence China’s strategic studies by providing an analytical framework, it also plays a key role in agenda setting because of its pessimistic view about China’s rise. Power transition theory and Mearsheimer’s offensive realism, for example, argue that China is unlikely to rise peacefully. This is a major challenge to both realist scholarship in China and – more importantly, perhaps – to actual foreign and strategic policy. In order to defend its “peaceful rise” discourse and to undermine negative perceptions about China’s growing importance, China’s academic and policy communities have directly engaged with the implications of realist ideas.

Xi Jinping’s direct reference to the “Thucydides trap” is an obvious example. The Chinese-coined concept of a “new type of great power relations” is also a product of pessimistic realist thinking. “New types of relations” and “great powers” are the two key pillars of this concept. Implicit in the development of new relationships is a contrast with the traditional view that posits an inevitable clash between a rising power and existing powers of the sort that power transition theory describes. By proposing this concept, China’s leaders hope to establish a new bilateral relationship with the United States and thus avoid the so-called “Thucydides trap.” And yet while avoiding conflicts is important, the second pillar of the proposed new relationship represents China’s underlying strategic intention: the goal of ultimately achieving equal relations with the United States. This might be thought of as a “G2 with Chinese characteristics” in which China has a larger say and shares equal power status with the United States in international system.

Some American analysts argue that by promoting a “new type of great power relations,” China has been exploiting fear about the realist pessimism underpinning the “Thucydides trap” in order to maximize its own interests. In this reading, the proposed basis for the new relationship is actually a “trap” for the US government. Paradoxically, there is also concern about this concept within China’s own strategic studies community. Some Chinese analysts are worried that China will be constrained by its own concept. It is argued that if China fails to provide a convincing discourse to elaborate this concept, American analysts will interpret the idea in ways that suit their own interests, not China’s. Indeed, there

57. Yihu Li, op. cit.
60. Ibid.
is a huge disagreement over this concept among the Chinese strategic studies community and thus a coherent predetermined grand strategy based on its precepts is unlikely to develop.62

Nevertheless, it is evident that realist ideas have played an agenda-setting role and an inherently pessimistic outlook has influenced China’s strategic thinking. Based on 141 Chinese articles that include “new type of great power relations” in their titles, an empirical study finds that realism is the most cited theory and far more influential than any other.63 Interestingly, however, realism is not used as an analytical framework, but in order to highlight how foreign observers misinterpret China’s intentions. Such articles often outline pessimistic realist thinking about China’s rise, and then explain why such a view is wrong. John Mearsheimer is widely cited as the most prominent Western scholar holding such pessimistic views. Significantly, almost all Chinese scholars reject the supposed inevitability of realist claims about China’s rise. Despite this, it is clear that the impact of the realist paradigm continues to influence the way scholars and policy-makers in China think about the world and China’s place in it.

More encouragingly, perhaps, from the perspective of both external actors and the quality of China’s own scholarship, there has also been a good deal of internal self-reflection about the implications of the dominance of realism in China. It is argued that the overwhelming importance of realist thinking may limit the ability of Chinese strategic studies to actually develop an accurate picture of the complexity of contemporary international politics. Niu Xinchun, a director of the Middle East center at the China Institutes of Contemporary International Relations, for example, has analyzed over 400 articles by Chinese scholars of the Afghanistan war and the Iraq war and finds they are almost all underpinned by realist theories, especially offensive realism and defensive realism.64 More importantly, China’s strategic judgment and predictions are almost all wrong.65 Chinese analysts and experts tended to use offensive realism to explain US strategic intentions over the Afghanistan war and the Iraq war and thus misleadingly predicted that the United States would retain permanent military bases in Afghanistan and Iraq.66

As a result of the dominance of realism in China, many Chinese scholars believe that American foreign policy is also dominated by realism of a fairly narrow and traditional sort.67 The idea that “realism dominates the United States’ China policy” or “anti-terrorist strategy is based on Cold War mentality and for geopolitical strategic purposes” are widely held beliefs within Chinese strategic thinking.68 This pattern has no doubt undermined the accuracy of China’s strategic

63. Ibid.
64. Xinchun Niu, op. cit.
65. Ibid.
66. Ibid.
67. Ibid.
68. Ibid.
understanding and analyses on international politics. Significantly for our purposes, it also shapes China’s strategic thinking over Australia.

**Australia in China’s Strategic Thinking**

As we point out elsewhere, there is an “asymmetry of interest” in China and Australia over their bilateral relations: Australia occupies a far less prominent place in Chinese policy discussions than China does in Australia. While China is the center of policy discussion in Australia, Australia has never attracted the same sort of interest in China. While there are significant disagreements about appropriate policy toward Australia, there is a general consensus that Australia is at best a middle ranking middle power and consequently not one of China’s diplomatic priorities.

Although the term “middle power” has positive connotations and creative possibilities in Australia’s policy and academic community, in China, the concept does not have a similar status. On the contrary, it is generally linked with secondary states and consequently seen as unimportant. As realist ideas dominate China’s strategic debate, the focus has always been great power politics, especially with the United States and, to a lesser extent, the EU and Russia. This is quite understandable as realism tends to focus on the material distribution of power in a world order where great powers are much more influential actors, an idea that is reflected in influential realist analyses in both China and the United States.

China’s strategic thinking over middle power is based on a perspective of great power politics that does not attach real importance to middle-power studies. While there is an increased interest in middle-power studies in China, it is from a low base and a recent phenomenon during Xi’s term, a point we shall return soon. Unlike Australian policy thinking about China, which as we have suggested can be contradictory and inconsistent, Chinese contemporary strategic thinking about Australia is more consistent and coherent. In large part, however, this is

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simply because Australia has never been a central focus of China’s strategic debate.

During Jiang Zemin’s presidency, China was recovering from the shock of the Soviet Union’s collapse and the protest of 1989 that almost overthrew the communist regime. The CCP in particular was worried that it would meet the same fate as the Soviet Union and other communist regimes in Eastern Europe. Thus, the fundamental goal of the CCP was to maintain a favorable international environment during the transition from a bipolar to a unipolar world and thus to stay in power domestically. In this context, great-power-oriented diplomacy was the principal feature of Chinese foreign policy. The United States, in particular, remained the core preoccupation, although there were some discussions over whether China should also put more emphasis on other great powers, such as the EU and Russia.

During Hu Jintao’s term (2002–2012), as China further integrated into the world, its strategic focus became more diverse. The United States was no longer the exclusive priority of Chinese foreign policy. Nonetheless, this did not change Australia’s marginalized role in China’s strategic debate. China’s diplomatic deployment under Hu Jintao consisted of four principles: “big powers are the key; China’s periphery is the priority; developing countries are the foundation; multilateral platforms are the stage.” The first principle’s focus on great powers clearly explains the limited place of middle powers in China’s strategic thinking.

In the case of Australia more specifically, there was some truth in this Chinese view. Australia is largely seen as a vassal of the United States and thus its foreign policy is simply a compliant and entirely predictable extension of America’s. In this sense, it is the United States rather than Australia that is seen as the key to managing China–Australia relations. In other words, China–Australia relations are simply an extension of great power relations between China and the United States. Even more gallingly from an Australian perspective, among the relative handful of scholars and policy-makers who

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74. David Shambaugh, *op. cit.*
pay attention to middle-power diplomacy, Australia is often regarded as less important than other middle powers that are also US allies or potential allies. Korea, Japan, and India, for example, attract far more attention than Australia does, which is regarded as predictable and comparatively unimportant by comparison.

This is quite understandable given that Korea, India, and Pakistan are part of China’s immediate and historically unstable periphery. By contrast, Australia did not fit any of four key priorities of Chinese diplomacy as outlined under Hu’s presidency, at least. This might explain Australia’s comparative insignificance on its own, perhaps, but for many Chinese observers, it is Australia’s commitment to alliance solidarity with the United States that has deprived it of any real significance as an independent “swing state” between the great power rivalry of China and the United States.79

Since Xi Jinping took power in 2012, however, China’s foreign policy has witnessed an important change of direction in priorities and style. Its grand strategy has changed from “keeping a low profile” towards “striving for achievement.”80 Australia, and middle powers in general, have become more important in the process as China seeks to play an expanded regional and global role. Indeed, it is important to recognize that this potential change in Australia’s importance is a reflection of China’s expanding interests and ambitions, not as a consequence of Australia’s middle-power diplomacy. From a Chinese perspective, the support of middle powers such as Australia for the Asian Infrastructure Investment Bank (AIIB), especially given Australia’s reputation as a reliable supporter of the United States, was an important diplomatic victory for China.81 In this regard, initiatives such as the AIIB can also be read as a sophisticated, essentially realist exploitation of China’s growing economic leverage in pursuit of its own national interests.82

Nonetheless, this has not brought fundamental changes to Australia’s role in China’s strategic thinking. Great power politics continue to define China’s strategic focus. Its grand strategy is still primarily about how China should deal with other great powers, especially the United States. Australia still remains a close ally of the United States and an opponent of China’s expansion. Not surprisingly, under Xi Jinping’s leadership, Australia continues to be a limited diplomatic priority. Revealingly, however, some Chinese scholars argue that Indonesia and even the Philippines may potentially fit in China’s great-power relations framework, because of their possible strategic significance.85 By contrast, Chinese strategic studies of Australia see it primarily as a minor subset of US–China power

79. Mark Beeson and Jinghan Zeng, op. cit.

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competition.84 Despite some wishful thinking,85 Australia’s geo-location also means that it does not play a direct role in the new centerpieces of China’s grand strategy, the “one belt, one road” (OBOR) – “new silk road economic belt” or “new maritime silk road” – a reality that again confirms its marginal importance in the minds of Chinese policy-makers and scholars.

Since OBOR was proposed, its specifics and strategic narratives have gone through three stages.86 Australia was only included at stage three. However, the value of being a part of this plan was significantly undermined if not completely meaningless by then. In late 2013, when OBOR was proposed (stage 1), it was principally about China’s periphery diplomacy and had nothing to do with Australia. At the second stage, in 2014, OBOR was expanded to include Africa and Europe – Australia remained out of the plan. Only at stage three, after late 2015 when Xi Jinping publicly announced that all countries that were interested could join OBOR, did Australia (and also Brazil) finally find a place in China’s plan. The inclusion of Australia and Brazil has led to many criticisms within China over whether OBOR has become so broad to be meaningless.87 Does Australia have anything to do with China’s ancient Silk Road? If it is open to all, could the United States become a part? If so, what is the meaning of this strategic plan? All these critical questions have challenged the core narratives of China’s OBOR. In this regard, OBOR has become a global strategy with little exclusiveness and thus its strategic impact and the value of being included are not clear. This again shows the marginalized role of Australia in China’s new grand strategy under Xi Jinping.

In short, as realist thinking dominates China’s policy and strategic discussion, the primary focus is on great powers. In this regard, middle powers, including Australia, have always been secondary. The already limited role of Australia in China’s policy discussion is further marginalized due to (at least the Chinese perception of) Australia’s position as a close US ally without its independent foreign policy during the Sino–US great power rivalry competition.

87. Xuetong Yan, “外交概念泛化有损世界理解中国 [Generalization of Diplomatic Concepts will Harm the World’s Understanding of China],” 国际先驱导报 [Herald Leader], (2015).
Concluding Remarks

Ideas and perceptions drawn from realism influence policy and scholarship in both China and Australia. In China’s case, this has reinforced the perception that relations between the great powers are what count in international affairs. This means that the primary focus of China’s scholarly and policy-making communities is on the United States. Middle powers such as Australia are inevitably less important as a result. In the case of Sino–Australian ties and perceptions, however, Australia’s relatively marginal position is reinforced by the fact that it is seen as a rather predictable and subordinate extension of US grand strategy. Given that China is actively trying to assert itself in the region it considers a “core” interest, it is equally inevitable that this will not make relations easier with Australia – the importance of the economic core–periphery relationship notwithstanding.

One might expect that the rapidly evolving geopolitical environment in the region of which Australia is a part would lead to a similar evolution in and recalibration of the policy calculus in Australia, too. Far from it. Rather than triggering the sort of rethink about strategic policy options that some have called for, Australian policy-makers have chosen to reinforce their commitment to the alliance, despite the obvious material costs and impact on Australia’s policy autonomy. Even the recent election of Donald Trump and an inauspicious start to relations with the new regime, has not caused the Australian government to consider changing its policy settings. Whether this business-as-usual approach is a “realistic” response to a changing geopolitical landscape is debatable. What is clear is that the Australian brand of realist thinking has a significant ideational and even normative component that is reinforced by extensive institutionalized connections between the United States and Australia.

In such circumstances, Chinese analysts may be correct in expecting little change in Australia’s overall policy position. They may be equally justified in not spending a great deal of time in trying to analyze Australian foreign and strategic policy. This may be a “realistic” view that recognizes both Australia’s relatively limited geopolitical significance and its commitment to the ANZUS alliance, but it is regrettable, nonetheless. The reality is that China’s and

89. Malcolm Fraser, Dangerous Allies (Melbourne: Melbourne University Press, 2014); Hugh White, “China is Rising, Yet we Cling to the Old Asian Order,” Age (4 February 2014).
90. Paul Kelly, “Trump Presidency will Test Australia’s Alliance with America,” Australian (30 November 2016).
Australia’s fates are intertwined to a significant and surprising degree given their striking differences. Understanding quite what those differences are and how they might matter ought to matter just as much to Chinese policy-makers as it does to their Australian counterparts.

In this regard, China’s relationship with Australia has important lessons for the region more generally. Australia epitomizes a widespread problem facing much of Southeast Asia, as well as Japan and South Korea, as regional states seek to balance and/or reconcile potentially competing economic and strategic priorities. There are signs that other states in the region are beginning to reassess where future power may lie in the region as the United States becomes more unpredictable strategically, and China becomes more important economically. In such circumstances, even Australia’s perennially anxious strategic elites may be forced to think again about quite what being “realistic” actually means.

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92. Amanda Hodge, *op. cit.*
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