

## **Appendix 4**

### **Key issues for roundtable - Tuesday, 13 September 2005**

#### **Agenda**

This agenda provides points to guide the roundtable discussion and to give it focus. It is not meant to limit debate but rather to ensure that discussion does not dwell on just one issue. If speakers feel as though important matters have not been identified, the committee encourages them to say so.

The overarching theme of the roundtable is China's emerging influence across East Asia and the South Pacific, and Australia's responses to this growing dominance. The following topics are listed for discussion.

#### **China-Taiwan and the one-China policy**

One of the great dangers to international security is the possibility of a military confrontation between China and Taiwan.

In March 2005, Premier Wen told the Tenth National's People's Congress that:

We will adhere to the basic principle of 'peaceful reunification and one country two systems', and, during this current stage, to the eight-point proposal for developing relations across the Taiwan Straits and promoting the peaceful reunification of the motherland. We will vigorously expand visits of individuals across the Straits and economic and cultural exchanges and energetically promote establishment of the 'three direct links' between the two sides. We will protect the legitimate rights and interests of our Taiwan compatriots on the mainland in accordance with the law and continue to pursue the resumption of dialogue and negotiations between the two sides on the basis of the one-China principle. With the utmost sincerity, we will do everything possible to bring about the peaceful reunification of the motherland. We stand firmly opposed to any form of separatist activities aimed at 'Taiwan independence' and will never allow anyone to split Taiwan from China by any means.<sup>1</sup>

DFAT told the committee that on competition between China and Taiwan, Australia has chosen to follow a one-China policy which has enabled it 'to develop a strong relationship with China and, simultaneously, to maintain unofficial relations with Taiwan, focused on economic, cultural and other people-to people links'. On a number of occasions, the Prime Minister has reaffirmed the government's commitment to the one China Policy and stated the view that 'differences should be resolved in a peaceful

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1 Report on the work of the Government, March 2005.

way. This clear statement raises questions about Australia's position should tensions escalate between China and Taiwan. The US response to such a conflict may place Australia in a position of having to decide between support for the US or maintaining friendly ties with China.

*The committee would like your thoughts on the tension that exists between China and Taiwan over Taiwan independence and some insight into what sits behind the rhetoric coming out of both China and Taiwan and the potential for miscalculation. It would also like to hear your views on where the US stands on the cross-strait relations and how ready it is to support Taiwan in a conflict with China. Finally, the committee would like to explore the options that Australia should be considering in light of the potential for military conflict across the straits. The significance of the ANZUS Treaty in the context of this conflict is another matter that interests the committee.*

### **China—US tensions**

Australia faces a serious dilemma should tensions mount between Australia's closest ally, the US, and one of its most important trading partners, China. The roundtable has examined the possibility of confrontation between China and Taiwan which could draw the US into the conflict. There are other areas under strain in the relationship between China and the US that could affect Australia. For example, the bilateral trade deficit of the US with China is one factor that places strain on the relationship. The deficit stood at US\$12.9 billion in March 2005, the largest the US has with any single trading partner.<sup>2</sup>

In March this year in an address to the Lowy Institute, the Prime Minister, Mr John Howard, stated:

Australia does not believe that there is anything inevitable about escalating strategic competition between China and the US. In recent years, both sides have shown themselves keen to co-operate on common interests and to handle inevitable differences in an atmosphere of mutual respect, a point stressed repeatedly by US secretary of State Condoleeza Rice on her visit to China earlier this month.

Australia is encouraged by the constructive and realistic management of this vital relationship. We see ourselves as having a role in continually identifying, and advocating to each, the shared strategic interests these great powers have in regional peace and prosperity.<sup>3</sup>

*The committee would like your views on the tensions that exist between the US and China, the nature of tensions, the likelihood for them to escalate and the implications*

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2 , *Australian Commodities: forecasts and issues*, vol. 12, no. 2, June quarter 2005, p. 275.

3 Address by the Prime Minister, the Hon. John Howard MP, to the Lowy Institute for International Policy, Sydney, 'Australia in the World', Thursday, 31 March 2005, p. 15.

*for Australia. It is particularly interested to hear opinions on the policy stance that Australia should adopt to ensure that its interests are best protected.*

*Your views on the Prime Minister statement would also be welcomed.*

### **China–Japan tensions**

In April 2005, strong anti-Japan sentiment gave rise to angry public demonstrations in Shanghai, Beijing and other Chinese cities. They were sparked by the Japanese Ministry of Education's approval of another textbook that the Chinese say glosses over Japan's Pacific war atrocities. Some commentators have identified other areas of friction between the two countries such as Japan's campaigning for permanent membership of the United Nations and territorial disputes with strategic overtones particularly in the East China Sea.

*The committee would like to know more about the cause of this public display of anger in April 2005 and whether there are other deeper underlying tensions between the two countries likely to ignite further demonstrations or cause serious rifts in the relationship. The committee is interested in identifying the matters most likely to damage the relationship and to learn more about the ability and willingness of both countries to resolve their differences. It would like your views on what policies Australia should adopt and what actions it should take in light of the potential for friction between China and Japan.*

### **The Korean Peninsula**

The issue of nuclear proliferation on the Korean Peninsula is potentially the most serious security problem confronting the Asia-Pacific region and the defining issue when discussing China's relations with the divided Korean Peninsula. There is the obvious, inherent danger in North Korea using or trading nuclear weapons and the risk that their possession may trigger a nuclear arms race amongst neighbouring countries. From China's perspective, this would be detrimental to the regional security they require to ensure continued economic growth. Alternatively, China is disinclined to precipitate the demise of the ruling North Korean regime, leaving it in a potentially difficult position in its relations with Australia's closest regional allies, Japan and the US.

The committee notes the important mediating role China has played since the most recent North Korean nuclear crisis emerged.

*The committee would like to have your views on the developments on the Korean Peninsula, their implications for China and the region and what role Australia should take to help minimise the dangers of nuclear proliferation in the region.*

## China and its neighbours in South East Asia

The ASEAN countries recognise that their relationship with China has not been easy over the past decades.<sup>4</sup> Mr H.E.Ong Keng Yong, Secretary General of ASEAN, noted that the relationship has had 'its ups and downs'. He stated:

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

The normalisation of relations with China in 1990 by Indonesia and then Singapore and Brunei Darussalam acted as a catalyst to set the path for China's admission into the ASEAN Regional Forum (ARF) in 1994 and eventually the granting of ASEAN dialogue partnership in 1996. Since then, the partnership grew from strength to strength resulting in the expansion and deepening of cooperation in the economic, political and security, social and cultural and development cooperation areas.<sup>5</sup>

He also stated on another occasion that:

While it is easy and tempting to see China's rise as an economic threat, it would be a mistake to do so. A rapidly growing China is the engine which powers regional economies and the global economic train. ASEAN member countries will benefit greatly, provided they adapt fast enough to ride on train. Indeed, increased trade with China was one reason why many of the crisis-hit economies in ASEAN recovered as quickly as they did.<sup>6</sup>

*The committee would welcome your views on China's growing influence in South East Asia, the coming East Asia Summit and its significance for Australia.*

## China's expanded activities across the Southwest Pacific.

In the earlier part of this year, a number of articles in the media reflected on China's interest in the Pacific region particularly the island states of Melanesia. Some noted China's competition within Taiwan in this area referring to dollar or chequebook diplomacy. The assumption is that China has been courting island governments and extending its network of diplomatic missions to thwart countries switching their allegiance to Taiwan. Professor Ron Crocombe, emeritus professor at the University of the South Pacific stated on Radio Australia that:

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

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

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

[China] wants to be the major influence in the Pacific, there's no doubt about that; it's aiming to be that in a fairly short time.

It has to be carefully planned, [there's been] very strategically placed aid. You'll notice Chinese aid is quite different from other patterns: China is heading straight for the jugular.

It goes for firstly for trips and favours for the politically powerful and very lavish receptions that are on a broader scale than most.<sup>7</sup>

According to DFAT, China has a strong diplomatic presence in the South Pacific, with more diplomats—though not more missions—than any other country. Taiwan also has six embassies in the region. A priority for China's six embassies is competition from Taiwan for diplomatic recognition.

It noted that China has greatly increased its aid to the Pacific in recent years, with one study suggesting that Chinese aid could total up to \$300 million annually. It suggested that both China and Taiwan use economic assistance as a lever in their competition for diplomatic recognition. Australia opposes such chequebook diplomacy, because it works against regional countries' efforts to improve governance and political stability.

DFAT further noted that China has a strong and growing business presence in the Pacific, supported actively by its diplomatic missions. Over 3,000 Chinese state owned and private enterprises have been registered in the Pacific region, with investments of about \$800 million. Increased economic activity has been accompanied by an increase in ethnic Chinese populations in the Pacific island countries.

It stated that Australia welcomes China's constructive engagement in the South Pacific and encourages China to increase the accountability and transparency of its aid programs.

*The committee did not receive many submissions on China in the Southwest Pacific. It is looking to gain a better understanding of the activities of China in the Southwest Pacific, the motives behind its growing presence in this area, and the implications for the region. It would like your views on the approach being taken by China in the Southwest Pacific, whether it should be of concern to Australia and if so, what Australia should be doing.*

### **China's military modernisation**

An important facet of China's emerging influence across Asia is the modernisation of the People's Liberation Army (PLA). The Commonwealth Department of Defence submitted to the committee that China was intent on further exerting its security influence in the region:

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7 Transcript, 'Pacific: Minister's concerns over Chinese presence', Pacific Beat, 15 June 2005.

China will continue to view military strength as a key component of comprehensive national power, vital to securing its territorial claims, protecting its economic interests and building political influence.<sup>8</sup>

As military strength is no longer measured by the size of a country's ground force, the PLAs 'military modernisation program' is primarily aimed at improving the technological and strike capabilities of their navy, air and missile forces. Other aspects of this program include organisational, strategic and logistics reform, improved training and education for military personnel and a growing emphasis on the commercialisation of support functions.<sup>9</sup>

According to the Department of Defence, China's expanding military capabilities are likely to be reflected in its level of cooperative international engagement with foreign forces and even possible participation in UN peacekeeping activities.<sup>10</sup> However, the PLA's increasing strength is also likely to place strains on China's relationships with the US and Japan.

*The committee would like to hear your views on China's military influence.*

### **ASEAN, China and Australia**

Economically and strategically, China has become closer to the 10 members of the Association of South East Asian Nations (ASEAN). It has completed a merchandise free trade agreement with ASEAN and is currently negotiating an FTA in services. Since the late 1990s, China, Japan and South Korea have been included in ASEAN as part of the ASEAN+3 grouping. Separate summits are convened for ASEAN and ASEAN+3.

On 13 July 2005, Australia signed the ASEAN Treaty of Amity and Cooperation. Australia had long taken exception to the terms of this Treaty, particularly its clause rejecting security with a great power. The treaty also prohibits signatories from involvement in other nations' internal affairs and leaves dispute resolution to a high council composed of ASEAN members.

Despite its reservations, Australia's decision to sign the treaty led to its admission to the inaugural East Asia Summit to be held in Malaysia later this year. Australia joins with India and New Zealand to make a membership of 16.

- China was initially reluctant to have Australia or India included in the Summit given their strategic relationship with the US.
- The US has never wanted an East Asian body to develop without American inclusion. On the other hand, it has been noted that the inclusion of Australia

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8 Department of Defence, *Submission 9*, p.

9 Department of Defence, *Submission 9*, p.

10 Department of Defence, *Submission 9*, p.

and India should appease US concerns over growing Chinese leadership in the new grouping.<sup>11</sup>

- The Australian Department of Foreign Affairs and Trade foresees that the emerging three tier structure (ASEAN, ASEAN+3, 16 member summit) will eventually merge to form a single East Asia diplomatic and economic community.

*The Committee would like to hear your views on the merit of Australia's decision to sign the Amity and Co-operation Treaty, the extent to which the US may feel threatened by growing Chinese influence in the East Asian Summit, and the likelihood of a more cohesive East Asian bloc (including both China and Australia).*

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11 G. Sheridan, 'Regional Overview', *The Australian*, 25 August 2005, p.2

