

Mr Chairman, Senators.

Thank you for this opportunity to appear before the Committee.

I served as Deputy in 1976 and 1977 for periods under both of Australia's first two Ambassadors in Beijing, Stephen Fitzgerald and Gary Woodard, the latter of whom has appeared before this Committee. In two important respects, I had robust debates with both over:

- the importance of tradition and culture in East Asian economic development
- the consequent inevitable economic rise of China, following Japan and others.

Since the late 1980s, I have regularly participated in China and elsewhere in East Asia in conferences that have addressed these two issues.

Gary Woodard said in his testimony that 'the pace of advance in China was unforeseeable when I was there'. Even so, his predecessor, Stephen Fitzgerald said in 2002 in "Openings: A Celebration of the 30th Anniversary of Diplomatic Relations with China" that:

"In a number of major reports that year (1976) we suggested that Chinese politics would stabilize and that China would become the major political power and influence in our region.....and would become a major economy and economic influence in our region....."

In fact, I tended to be the subject of some gentle ridicule from both Ambassadors for advancing this position strongly, succeeding only in persuading Stephen to allow reporting along these lines. Such issues attract differing judgements.

Indeed, in 1989, when I co-authored "The Confucian Renaissance", which foreshadowed China overtaking Japan in economic importance, many again responded with ridicule. Yet this happened even sooner than I had expected when the 1997 Asian Financial Crisis backfired on financial interests in the West and catapulted China towards assuming a predominant position in the region, and potentially the world.

The history of the past forty years of economic and political change in Asia and the likely prospects for the next forty years and beyond must, I believe, be approached as the discreet, but powerful, renaissance of a Confucian-Daoist civilization. In China, this tradition has an unbroken record over three thousand years – of recovery after decline. The past thousand years are deceptive as two of the last three Chinese dynasties had foreigners on the imperial throne and the other, despite discovering America and Australia at least a hundred years before Europeans, turned its back on expansionism.

Since my first posting in Japan in 1964, I have observed the people of Confucian-Daoist tradition increasingly manoeuvre to advantage in a wide range of competitive activities, including commerce, finance, technology, medicine, diplomacy, strategy, education and institutional organization. In contrast, Anglo-American defined global order has become increasingly dependent on the risk-taking, profit-seeking corporation, often displaying an inability to develop coherent conceptual and strategic frameworks that integrate these areas of activity and competition. The last decade has seen consistent Chinese advance matched by recurring American difficulties across these areas.

Dismay at this situation appears to have undermined American confidence in the use of soft and discreet power and forced it to resort, not always successfully, to the deployment of hard and demonstrative power.

Gary Woodard referred to Sunzi's "Art of War". Another strategic work, the "Twelve Civil Offensives" of Zheng Taigong, who lived three thousand years ago, is most enlightening about the strategic character of East Asian progress in recent decades. This offers a simple formula of **conquest through service**, before which the spirit, strategies and organizational character of Anglo-American order appears to be increasingly ineffective.

From a hurried reading of other testimony before this committee, it is hard to discern much awareness in relevant Australian leadership circles about the character of the challenges and opportunities posed by the Chinese and other Confucian-Daoist peoples. Rather, despite the success of Australian diplomacy and the finely judged balance of our present foreign policies, Australians generally seem to be constrained by forms of **intellectual apartheid**. These helped build Anglo-American empire but may now be a cause of its decline – through inhibiting the exploration of a rival civilization.

The Australia China Council, which I played a role in initiating in 1976 and was Executive Director of from 1985 to 1988, faces many challenges and opportunities. These include:

1. reviving its original purpose of raising Chinese language and cultural literacy and addressing strategic needs in the relationship
2. developing a policy to produce a community of Australians capable of exploring and explaining Australia's region in terms of its dominant Confucian-Daoist civilization, with its contrasting customs of law, spirituality and much else
3. addressing the important strategic area of the rise of Chinese medicine, the key texts of which act as a touchstone for the increasingly conspicuous failures of Western medicine and science and offer an insight into the Chinese understanding of dynamics that are common to the cosmos, the state and the human body
4. equipping Australians to follow the Chinese talent of addressing issues at multi-dimensional levels, where the face carefully presented to the outside world disguises calculations conducted with correlative thinking and with concepts little utilized by most Westerners, such as *dao*, *qi* and *yin* and *yang*
5. equipping Australia to follow Chinese and regional flexibility and mobility, which facilitate, for instance, a capacity to transform the landscape of health care as part of a transformation of international politics and economics.

In conclusion, as the appendix to my submission seeks to make clear, Chinese civilization has produced many distinctive qualities. An understanding of these helps explain European agrarian and industrial revolutions and the Enlightenment as well as China's past, present and likely future success. An Australia China Free Trade Agreement should be viewed less in the context of a range of commercial opportunities and more in the broader context of deepening relations with the power likely to be decisive in shaping the future of Australia's region, and important aspects of the broader global community.