

-----Original Message-----

**From:** John Craig @ CPDS [mailto:cpds@gargoyle.apana.org.au]

**Sent:** Tuesday, 2 August 2005 5:38 PM

**To:** FADT, Committee (SEN)

**Subject:** Australia's Relationship with China

Dr Kathleen Dermody,  
Committee Secretariat,  
Senate Foreign Affairs, Defence and Trade Committee

I should like to make a brief submission to the Committee in relation to its inquiry into 'Australia's Relationship with China'. This submission refers to a number of supporting documents on my web-site.

The key thrust of my submission is that Australia's economic and political relationship with China needs to be evaluated and developed in the light of recognition of the deep differences between China's cultures and those derived from Australia's Western and British traditions. There is a 'clash of civilizations' issue involved which is every bit as difficult as that with Islamist extremists, even though it is revealed in a different way.

The main dimension of those cultural differences are epistemological (ie related to the nature of knowledge), though these intellectual differences have profound practical implications, and also confer both strategic advantages and disadvantages. By way of example of the nature of those differences and their implications, I refer to brief notes on [Asia Literacy](#).

As background to my submission I note that:

- I was employed in a strategic public policy R&D role within central agencies of the Queensland Government for over 25 years (see [CV](#));
- During this period I made progress in 'reverse engineering' the intellectual basis of Japan's economic 'miracle' through study of: a system's approach to organisational and economic development; the relationship between intellectual traditions and Western economic progress; 1980's Western debates about economic strategy; and study of Japan's intellectual traditions as part of concept development for MITI's (so called) Multifunction Polis proposal. The products of this effort received positive responses from the very small numbers of persons who were positioned to understand the issues;
- This experience does not constitute expertise in relation to China - but it does provide insights into ways in which Western mindsets can make sense of developments in East Asia because: Japan provided leadership in the process of modernisation under neo-Confucian cultural traditions (ie those which combine Daoism with Confucianism); and Japan had inherited most of the ingredients of neo-Confucianism from China.

The Committee's terms of reference relate to Australia's economic and political relationship with China, and to Australia's response to China's emergence as a regional / global power.

In relation to this I would draw the Committee attention to an attempt to assess the rise of China from a viewpoint which tries (though undoubtedly inadequately) to take account of differences in cultural assumptions (see [China's Development: Assessing the Implications](#)). Key conclusions which emerge from this are that:

- China and other East Asian societies developed on neo-Confucian traditions are unlikely to be able to achieve economic success if this is defined in terms of financial profitability. This is basically because economic transactions are coordinated in terms of social relationships, rather than by calculation of financial outcomes. It can be noted that a consultant employed by the Chinese government to advise about reform of China's financial systems, indicated broad agreement with my conclusions about this matter when they were drawn to his attention;
- it would be most unwise to project China's recent progress into the indefinite future because:
  - a China-centred financial crisis is very likely (or alternately a clash between Western and East Asian styles of financial / monetary systems);
  - China faces rapidly growing environmental constraints that are largely being ignored; and
  - political instability could easily arise as a result of any economic disruption - as the existing authoritarian regime seems to be tolerated in the face of diverse competing forces because of its ability to achieve economic gains;
- a [regional \(or global\) order which emerged under China's dominant influence](#) would involve radically different values to those which Western societies have sought to globalize over recent centuries (eg individualism, individual freedom, a rule of law, coordination of economic activities through financial outcomes, democracy, and universal ethics which value all people rather than a limited group). Australia would simply not fit in to such an order, and would (for at least several decades) encounter the same sort of dislocation that has incapacitated other societies as a result of Western expansion.

It would be most unwise at this stage to make firm predictions about global and regional developments over the next 10-20 years. However irrespective of how events unfold, it will continue to be in Australia's interest to increase the community's level of 'Asia literacy' (ie the community's ability to understand, and relate constructively to, the important cultural traditions in Asia - including those in China). Furthermore it would be unwise to enter into closer economic or political relationships with China without community understanding of the character (as suggested above) of a regional order under China's dominant influence.

In conclusion I note that the need to take the practical implications of different cultural traditions into account in developing international economic and political relationships is not limited to Australia's relationship with China. Moreover failure

to do this seems to be a major factor in international conflicts. These points are developed further in:

- [\*Competing Civilizations\*](#) - which (amongst other issues) highlights (a) the critical importance of cultural assumptions to a society's ability to be materially successful (b) our inability to really help other societies who suffer disadvantage as a result of unwise cultural assumptions - if the practical implications of the latter are ignored; and (c) the lack of alternatives to blaming outside 'oppression' for their problems which societies who suffer those disadvantages may then have;
- [\*The Second Failure of Globalization?\*](#) - which (amongst other issues) highlights the way in which unrecognised differences in epistemologies may have contributed to the poor communication which has lead to centuries of conflicts in Europe.

Regards

John Craig

Centre for Policy and Development Systems

CPDS supports leaders developing enterprise, economic, community and governance systems

Visit [CPDS website](#) - which emphasises, but is not limited to, Queensland issues

Phone 07-3378-0374 / Address 5 Aurora Cr., Kenmore, QLD 4069