

## Australia's Chinese entanglement

*For all China's commercial charms, Australia still looks to America as Asia's sheriff.*



*Illustration by M. Morgenstern*

No country in Asia or the Pacific is more clearly a beneficiary of China's industrial revolution than is Australia. Its coal fuels the power stations that keep that revolution churning. Its iron is in the steel for every other new building. Chinese demand for Australia's mineral riches drove the long boom that ended last year. It still provides Australia's best hope of avoiding the worst of the slump that has followed.

Last November, when China announced its first big, 4 trillion yuan (\$586 billion) economic stimulus in response to the downturn, Kevin Rudd, Australia's prime minister, was among the foreigners cheering loudest, calling it "very good news". The sense of relief was understandable. Taking goods and services together, China is now Australia's biggest trading partner. The slump may slow this trend down, but not change its direction.

Yet on a recent visit to Canberra, a capital whose eerily empty streets and subterranean parliament suggest a Pyongyang without the dystopia, Banyan found politicians and policy pundits in a quandary over how to handle both China and the recent upwelling of popular Australian antipathy towards the Chinese government. For all that China is Australia's second-biggest export market, with huge potential for growth, it is also a dictatorial power whose policies anger many Australians. Moreover, its commercial expansionism is accompanied by growing military strength. Defence strategists, who are paid to think the worst, now see the biggest potential threat to Australian security not as an unstoppable influx of Indonesian boat people, but as China.

One by-product of the slump, a rash of Chinese companies snapping up stakes in Australian mining enterprises in response to tumbling share and commodity prices, has provoked a popular backlash. To the mining companies, the colour of China's money is dazzling. But, though the Chinese onslaught looks fractious and pell-mell, conspiracy theorists smell a state-driven attack on the commanding heights of Australia's economy. They have succeeded in whipping up an anti-China mood. In March Australia blocked China Minmetals' acquisition of OZ Minerals, a copper and gold producer, on security grounds. A ruling over an even bigger deal is pending, having been delayed until mid-June. This will cover the \$19.5 billion bid by Chinalco, an aluminium company, for nearly 20% of cash-strapped Rio Tinto.

The government's decision, on whether national security is at stake in this transaction, may be the hardest it has had to make since coming to power in late 2007. It seems certain that the prime minister wants the purchase to go through. If it does, it will lead to renewed charges in Australia and around the region that he is soft on China as it seeks to extend its tentacles. After all, Mr Rudd was once posted to Beijing for the foreign service. In 2007 Chinese diplomats at a reception nearly choked on their canapés when Mr Rudd, then leader of the opposition, made a speech in faultless Mandarin. The prime minister, John Howard of the (conservative) Liberal Party, looked on with ill-disguised fury. Then, in a speech at Peking University last year, Mr Rudd described Australia as China's zhengyou, its "true friend". Mr Howard had nailed his colours to the mast of Australia's alliance with the United States, and after September 11th relished being America's "deputy sheriff" in the Asia-Pacific region. Mr Rudd, by contrast, has urged world leaders to accept a greater role for China. The opposition sneers at him as China's "roving ambassador".

There is enough force in this accusation to unsettle Mr Rudd. In Britain for the G20 summit in early April, he was caught on camera squirming in embarrassment at being seated next to Fu Ying, China's sophisticated ambassador to Britain (and, before that, Australia). Yet the slur is misplaced all the same. Mr Rudd has few illusions about China. He once wrote a thesis on Wei Jingsheng, one of China's most persecuted dissidents. Briefly out of a political job a decade ago, he trudged around China alone trying in vain to collect unpaid debts for Western firms. Last year he watched the Chinese embassy in Canberra orchestrate squads of Chinese students in Australia to smother pro-Tibet demonstrations. It was, says one of Mr Rudd's friends, a crucial moment: the first time a foreign power had denied freedom of expression to Australians in their own homeland. When Mr Rudd spoke of zhengyou last year, he used it in the dictionary definition of the term, as a "friend who will give forthright admonition", as over China's handling of Tibet. China prefers lao pengyou, "old friends", preferably sycophantic ones.

#### A stake in Australia's heart

Indeed Mr Rudd appears to have a keener sense than Mr Howard of a growing strategic dilemma. On the one hand, Australia's crackerjack fit with the Chinese economy is reshaping Australia's trade and investment flows, drawing the country into a China-centred Asian orbit. On the other, Australia's security hangs on America's continued presence in the western Pacific. A long-awaited defence white paper that is soon to appear is expected to recommend heavily strengthened armed forces. A central question is what Australia should do as the primacy of the American sheriff fades and China's power grows. Worst of all for Australia would be if one day it had to choose between the United States and China—possibly over Taiwan.

The urge to avoid having to make such a choice partly explains Mr Rudd's idea of an Asia-Pacific community, a framework for regional co-operation that he mentioned last year. Misread as a vague expression of pan-Asian sentiment, this is in essence a possible plan of action. For a start, offer China a say in helping to build predictable economic and security norms for the region. As a Rudd adviser puts it of the Rio Tinto decision: what is the point of asking China to be a responsible stakeholder if it isn't offered a stake? But, if the attempt to tame China goes horribly awry, make sure America is still around to help sort out the mess.

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