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Torn between the panda and Uncle Sam
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Two big anniversaries this year mark turning points in Australia's strategic history. Two hundred years ago, Nelson destroyed Napoleon's navy at Trafalgar. For nearly a century afterwards, Britain's naval supremacy made Australians secure from the European rivals that seemed, back then, our only potential threats.

Then in 1905, 100 years ago, in the straits of Tsushima, the Russian fleet was destroyed by Japan's new navy. It was the first time an Asian power had defeated Europeans at sea. Australia was shocked.

We might in future face threats from Asia. Britain, now challenged by Germany, might not be there to help. Ever since, Australia's strategic priority has always been to support Britain and America — especially America — to dominate Asia so they could prevent such threats materialising.

1805, 1905, 2005? I'm not a numerologist, but you have to wonder whether we might face another strategically transforming naval battle this year.

And there are no prizes for guessing what it would be: a Battle of Taiwan between the US and Chinese navies, ostensibly over the independence of Taiwan, but in reality over which power would emerge strategically pre-eminent in Asia in the 21st century.

The battle probably will not happen. But in a way it's not needed. The strategic competition is happening anyway. And China is already effectively challenging America as the pre-eminent power in Asia. Even Australia is being drawn into its sphere of influence.

Last week Alexander Downer made it absolutely clear that if the US and China went to war over Taiwan, Australia would prefer to stay on the sidelines.

Last year, when he said the same thing in Beijing, the Americans probably assumed it was just a mistake. Now there is no doubt.

This is good news for China. It is exactly what President Hu Jintao asked for when he addressed the Australian Parliament in October 2003 — for Australia to play "a constructive role" on Taiwan.

Beijing will also have been pleased a few weeks ago when the Howard Government declined America's request to urge the Europeans to maintain their arms embargo against China.

How far John Howard's Government has come since March 1996 — just a few weeks after it won office — when the US and China last went toe to toe over Taiwan. Then Australia gave America swift and unconditional support. Now we are closer to Beijing than to Washington.

This tells you something about Howard. He supported George Bush over Iraq, but history will say Howard's biggest legacy in foreign policy has not been to move us closer to the US, but to move us closer to China.

Of course we all know why.

China is seen as the key to Australia's economic future, and Beijing has made it clear that economic opportunities are conditional on strategic and political alignment. China is using its economic potential to build a sphere of influence, and we are being drawn in by our purse strings.

They are watching in Washington. They will not be happy. Downer's view that we might not help the US against China directly contradicts American doctrine.

For them, ANZUS is not an "a la carte" alliance: you can't pick and choose. Or as Bush says, you are either with us or against us. So they must be wondering where on earth Australia is heading.

America has recently been shoring up support among other Asia-Pacific allies. Last month it persuaded Japan to formally affirm its support for the US over Taiwan.

But as they watch the way Australia and other regional countries are going, American policymakers must start to ask themselves whether they are not already losing the race with Beijing for regional influence.

In fact America, preoccupied with terrorism, has underestimated China. With unchallenged global power, Washington has assumed that it could dictate the pace and terms of China's engagement with its Asia-Pacific neighbours. But the Chinese have proven better than the US at using the "soft power" of trade and diplomacy, which was supposed to be an American strong-point.

China is using this soft power to build a new regional political order with China itself at the lead. And as long as China's economy stays on track, there does not seem to be much that the US, for all its power, can do to stop the process.

In Australia's case, for example, would we accept a Chinese invitation to join the new "ASEAN Plus Three" regional political grouping that excludes the US? Of course we would.

This tells us how far we have come already from our post-Tsushima strategic policy paradigm. For 100 years we have supported American primacy in Asia. Now we seem happy to be drafted into a Chinese sphere of influence that directly challenges that primacy.

This is not necessarily a mistake. Australia has no choice but to adjust our policies to the raw facts of China's growing power. But we need to be careful how we do it. In particular, we need to be careful to make sure that America does stay effectively engaged on our region, if not in a position of outright primacy, then at least as an influential member of a sustainable regional power structure.

If America cannot dominate Asia, it can help to maintain a strategic balance among the major powers. That would be overwhelmingly in Australia's interests. But this is a new role for America — different from the kind of role it has played in the past, and the role it has been expecting to play since it won the Cold War. Washington will need to start thinking about its power in different ways.

We will need to think about our alliance with the US in new ways, too. And we had better start a serious, frank, private dialogue with them about these new realities, if we want our alliance to adapt to the new circumstances.

Washington will need reassurance and new ideas. This is a major priority for Australian diplomacy. If we can make headway on that in 2005, we might just enjoy a happy anniversary.

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