Indo-Pacific immune systems to enable healthy engagement with the Chinese state and China’s economy

Michael Shoebridge

Introduction

This paper sets out three challenges to the creation of a future for Indo-Pacific states and peoples consistent with the visions of a ‘free and open Indo-Pacific’ (FOIP) expressed by Japan, India, the US and Australia, and now by the ASEAN outlook on the Indo-Pacific. It also describes a path for states to operate in an environment of coercive Chinese state power that seeks to influence how states relate and how they operate within their domestic boundaries.

The first of two main solutions is a protective one and involves Indo-Pacific states building national immune systems that resist coercion and protect against covert or coercive interference, as this enables healthy engagement with the Chinese state and economy. The other major path of work is for Australia and other Indo-Pacific states to strengthen their own domestic cohesion and policymaking so that they can operate in an environment in which intrusive powers seek to disrupt and fragment debate and decision-making.
Australia’s Foreign Policy White Paper says ‘No long-term foreign policy objective is more important to Australia than ensuring our region evolves peacefully and without an erosion of the fundamental principles on which the Indo–Pacific’s prosperity and cooperative relations are based.’ However, further development and implementation of the FOIP visions of India, Japan, the US and Australia faces three main problems. One involves China, one involves the US, and the other involves ASEAN.

Out of those, the main problem is that, measured by its actions and policies, the Chinese state has no intention of signing up to behave in ways that conform with this beautiful vision. In fact, the Chinese state is seeking to create an alternative vision for the region’s future—one centred on the ‘China Dream’.

The China Dream that General Secretary Xi Jinping offers to the peoples and governments of the Indo-Pacific is the same bargain Deng Xiaoping made with the Chinese people: economic liberalism and growth in exchange for silence or compromise on political directions that conflict with those of China, led by the Chinese Communist Party (CCP). This is consistent with the line of China’s then Foreign Minister, now senior member of the Central Committee of the CCP, Yang Jiechi, from 2010: ‘China is a big country and other countries are small countries, and that’s just a fact’.

Political leaders, officials, academics and businesspeople from Delhi to DC understand the implicit bargain General Secretary Xi is offering to regional states.

A revealing survey of more than 1,000 Southeast Asians from governments, academia, business and the non-government sector conducted by Singapore’s ISEAS shows this well. Despite reassuring language from Chinese leaders, Xi’s state is the least trusted major power, according to this broad sweep of informed ASEAN opinion. The prevailing understanding in Southeast Asia is that, while China’s growing strategic and economic power is acknowledged, over 45% of respondents see that the Chinese state seeks to be the regional hegemon, and only 9% think that it will be a benign hegemon.

Events in Hong Kong and statements from Beijing only validate this regional understanding.

This is simply not a free and open Indo-Pacific. It’s more of a ‘prosperous and deferential Asia–Pacific with Chinese characteristics’.

So, any FOIP concept needs a clear-eyed articulation of how the concept might still function in the face of Chinese power that operates very differently. We haven’t seen this articulated yet, although the bones of an approach are set out in this paper and draw on actions and responses that the Australian Government has put in place in recent years.

That brings us to the second main problem for further development and implementation of the FOIP concept. This is all about the reliability and consistency of US policy and action in the Indo-Pacific.

The underlying dynamic in American policy and business circles, crossing the otherwise toxic partisan Republican–Democratic divide, is one of growing determination to prevent the concert of Chinese government institutions, policies and practices and Chinese corporations from undercutting American strategic, technological and economic advantage.

This will outlast any particular administration or leader in the White House.

US Secretary of State Mike Pompeo has set out the overall US agenda on FOIP, including a rolling set of new measures and initiatives. A major part is US businesses investing in the Indo-Pacific, plus a new $60 billion International Development Finance Corporation to ‘catalyze flows of private capital towards development challenges’. The Pentagon is supporting key FOIP principles, such as freedom of navigation and a rules-based approach to US security relations.

The bad news for US proponents of a FOIP, though, is that the Trump administration’s foreign, security and economic policies have a strongly unilateral flavour. This makes it hard, because it means the US, while a primary contributor to and architect of this vision for the region, may act in ways that undercut the vision’s core ideas.
Another obstacle to an embrace of the FOIP is that it is identified (incorrectly) by several regional nations and policymakers and analysts as a US construct. Japan and Australia would note that the US has come to the FOIP party a bit late, while India’s Prime Minister Modi has also developed the concept.

The last of the three big challenges to the further implementation of the FOIP concept is the role of ASEAN. Individual ASEAN nations and ASEAN as a whole have been slow to embrace the Indo-Pacific as a working construct, let alone the FOIP.

So far, ASEAN seems only able to speak of an ‘Indo-Pacific outlook’—a term that makes ASEAN sound like a spectator of the larger region rather than an institution of key participants that will shape its future—although the fact that the Indo-Pacific is now an accepted ASEAN concept, and that ASEAN has identified considerable commonality with the underlying ASEAN connectivity agenda, is a positive development.

A larger issue for some ASEAN members, though, is the perception that embracing the FOIP will be characterised by Beijing as choosing the US over China. That perception is not crazy. While it’s hard for a state that professes to believe in the peaceful resolution of disputes and win–win outcomes based on mutual respect to criticise the foundational ideas of the FOIP, Beijing is critical of the Indo-Pacific and even more so of the FOIP concept, claiming that it’s about containing China’s rise. Beijing being able to portray the US as the lead in the concept helps.

How can the Indo-Pacific, and the collection of states within it, navigate these challenges?

Security and defence investments by partners and allies, combined with active presence from those working partnerships across the region, are fundamental.

A large part of the answer, however, needs to be about regional states working to develop the framework for an inclusive and open regional system of trade, security and economics supported by adherence to international law and norms that we all work to shape and develop in our collective interests over time. That can counter criticism that the FOIP is a US-led construct. The ASEAN Indo-Pacific outlook is an important step in this direction.

But central to our development work is the maintenance of individual states’ sovereignty, and that involves all of us establishing our own frameworks for ‘healthy engagement’ with China so that we can exist in a region with overt coercive Chinese power.

Australia has a $215 billion two-way trade relationship with the Chinese economy, and that trade is valuable to the people of China and Australia, so this is not about ‘containing’ China. It’s about being able to engage with the Chinese economy and, most importantly, the Chinese state, in ways that are beneficial and in ways that don’t undercut our own nation’s decision-making or sovereignty.

It’s doing what the former head of Australia’s Department of Foreign Affairs and Trade, Peter Varghese, has suggested—engaging with China while constraining the Chinese state from actions and behaviour that conflict with our own national interests.

That’s as much about individual regional states’ domestic policy and legal frameworks as it is about international relations, regional institutions and international security, economics and law.

Australia has taken some very clear steps here in the past few years and has put in place the foundations of a national ‘immune system’ that will let us better deal with the assertive, intrusive, covert and at times corrupting ways the Chinese state engages with Australian politics and domestic debate and seeks to use cyberpower to obtain information—corporate, government, personal and research.

As it develops and matures, Australia’s immune system will enable us to have continued economic engagement with China while mitigating and managing the risks to our sovereign decision-making and democratic cohesion that come from Xi’s authoritarian regime.
Our immune system has six main elements:

1. **Strong foreign interference laws** require transparency about funding and benefits received from foreign state principals by those who participate in debate in Australia. Knowing what motivates people, whom they may be speaking to and what might have influenced the views that they’re expressing allows us to make our own judgements about what they say.

2. **Banning foreign donations** to registered political parties, candidates and political campaigners is intended to ensure that political debate and policy formulation within Australia aren’t distorted by the influence of money from foreign state actors or entities.

3. **Strengthened national security reviews of foreign investment** mean that approvals of or restrictions on foreign investment proposals now better balance the economic, technological and security implications of particular proposals. This has led to a small number of high-profile rejections of proposed investments, particularly in critical infrastructure.

4. We’re paying increasing attention to the security issues involved in digital technologies, which are in many ways the digital equivalent of ‘traditional’ critical infrastructure. 5G networks and smart cities technologies, as well as the digital elements of big infrastructure projects, are all examples.

5. **Australia’s ‘Pacific step-up’** involves sharing these approaches with our South Pacific partners to help them remain open societies able to exert their own sovereign interests and promote an environment of open democratic debate domestically.

6. **Investment in growing cybersecurity capabilities** continues across Australian government institutions and in the corporate and research sectors. This makes those sectors more resilient, reduces the risk of coercion and also reduces losses of intellectual property and sensitive government information that could be used against Australia’s national interests. Attributing cyberattacks on public institutions, such as the parliament, or political parties is an important deterrent and transparency measure.

Three additional investments in our immune system are less mature but will need to grow in importance in coming years, and a whole different stream of positive work is needed to invest in the health of Australian democracy and debate.

**Three additional elements of a national immune system**

The first additional element is balancing security with collaborative research with Chinese entities, given conflicting national security interests in how the Chinese state is using its military and its security agencies internationally and domestically.

It may well be necessary to establish a clear government policy setting for research interaction that says simply and clearly that it isn’t in Australia’s national interests to have research collaborations with Chinese entities—whether government or corporate—that directly advance the capabilities of the People’s Liberation Army (PLA) or security agencies such as the Ministry of State Security and the Ministry of Public Security. This would be reciprocating existing Chinese state practice, which clearly does not seek to advance Australian military or security capability through research relationships.

The second additional protective investment is in growing knowledge of the CCP and its militarised branch, the PLA. This will be a vital part of the internal diagnostic process needed for a national immune system to work when dealing with the Chinese party-state. Euan Graham has proposed that the Australian Government redirect the funding for the National Foundation for Australia–China Relations to develop homegrown expertise on Chinese elite politics and strategic policymaking. However, Graham has simply identified a gap in Australian Government capacity that needs to be closed, and that will require resources. Without our own cadre of CCP and PLA experts, Australia will be unable to tell the difference between benign and malign engagement with the Chinese party-state.
The third new measure is strengthening Commonwealth and State and Territory engagement on the implications of foreign – notably Chinese — investment and political relationships. Foreign investment in Australia is an area in which the federal government’s responsibilities—foreign affairs, defence and national security, including the intersections between them—equip it with agencies and insights that the States and Territories just do not have. And those constitutional responsibilities weigh heavily when considering critical issues in Australian political and economic engagement with the Chinese state and corporate entities – as in the case of the Belt and Road Initiative—because acting in Australia’s national interests requires a wholistic perspective that states and territories don’t naturally have, given their different roles and responsibilities.27

The BRI is not simply a set of economic investments and projects. It’s also a strategic and technological path to assert the Chinese digital authoritarian state’s power and influence. Australian states or territories signing up to participate in the BRI, as the current Victorian government has, undercuts the national government’s position on this signature initiative of General Secretary Xi Jinping in a way that advances Beijing’s strategic interests at the expense of Australia’s. It also neglects the fact that any infrastructure built in partnership with Chinese entities isn’t just about physical infrastructure. Modern infrastructure runs on digital technologies, so states like Victoria, if they continue to diverge from the Commonwealth’s approach to the BRI, are likely to also be bringing Chinese communications, control and collection technologies as part of any physical infrastructure projects. That is a matter that involves national security.

The federal and state and territory governments will need to consider any such proposals, not just from the economic perspective that seems to be driving Victoria, but as a package of security, technology and economic issues—as the federal government did in making its decision on the nation’s 5G network. This will require both an acknowledgement by the States and Territories of the federal government’s foreign affairs and national security equities in these State activities, as well as much deeper engagement with State and Territory politicians, parliaments and agencies by Commonwealth parliamentarians, ministers and officials than seems to be the case now. A good start would be putting this issue into the Council of Australian Governments work program as a priority.

Positive measures for strengthening sovereignty and domestic debate

Given the global rise of authoritarian powers with very active repressive security and intelligence regimes that, as the European Commission noted in March this year, pose a systemic challenge to the liberal democratic model, it’s more important than ever that nations invest in the functioning of their own polities and public institutions. For Australia, that means investing in our open democratic system.

The steps taken on foreign interference laws and foreign political donations are protective measures; however, it’s increasingly obvious that the best protection of our democratic institutions and public environment will come from positive investments in their health and operation.29

So, Australia needs to model the values and principles we see as important—and open debate and accountability before parliament, the law and the public are key here, as is a strong, independent media sector with capable and enquiring journalists.

Following the immune system analogy, a democracy requires nutrition and exercise to remain in good health, particularly when operating in an environment that poses risks. Open government that prioritises transparency and disclosure is an element here, as is education on the principles and operation of our democratic society and institutions.

Done well, national security enables democracy, as it protects our people and our democratic institutions from coercion and allows us to operate a free and open society governed by parliament and law in an environment of healthy, open debate.

However, at a time of decreasing public trust in most institutions, public and private, there’s the risk of a gap opening between the Australian public and government ministers and agencies on national security. To address this, it’s becoming increasingly important to take a more open approach to public disclosure by Australia’s national security agencies. This is about information leaving through the front door, not being leaked out the back door.
Growing public understanding of and trust in the measures needed to ensure national security can be achieved through a number of simple steps. Reinvigorating the implementation of freedom of information processes to ensure that the default setting is ‘release’ unless strong security grounds exist requires only a clear policy statement from ministers. More statements on policy and the operations of national security agencies by ministers will revitalise parliamentarians’ understanding of national security and result in wider media reporting and analysis. And a more public presence by senior officials able to explain policy and implementation activities will raise the level of available public information.

This involves recognising that the benefits of transparency are high. While risks need to be understood, so do the benefits of strong public understanding and trust in government institutions and their operation.

There’s one other obvious practical area where this strengthening of the quality of our civil society and its debates is directly related to the future of Sino-Australian relations. This is the opportunity the government has to use the new National Foundation for Australia–China Relations to go beyond simply setting up an organisation that cheerleads the relationship and adds little to how our two nations and our peoples relate.

Instead, it should do what our current government-to-government, business and university connections don’t. This principle would also mean that it should avoid having its main engagement with groups that are already strongly connected to the official institutions of either government (friendship associations with connections to Chinese embassies and consulates being good examples) because those voices are already prominent and don’t need amplification.

That means the foundation’s focus should be on broadening the voices in our public debates and discussions on China, the Chinese state and the relationship between our peoples and our governments. A primary objective would be to improve our domestic understanding and debate on the multi-ethnic and diverse Chinese peoples, giving voices other than those enabled by our respective embassies and consulates a place to speak and have their views affect policy and decision-making (including Uygurs, Tibetans, Hong Kongers, Cantonese and other language speakers, as well as other ethnic groupings within China and our Australian Chinese population). No one ‘Chinese-Australian’ can speak for this diverse community within Australia or build the understanding of the broad population within China that the Australian Government and public need to navigate this relationship into the future. The foundation also needs to bring a national security perspective to the relationship if it’s to be credible.

Investments in the strength of our democracy are much broader than the focus on China, although equally relevant to a stronger civil society that’s resistant to coercion and foreign interference. A parallel area in which such civil society connections can be useful in strengthening the quality of democratic participation and debate is Australia’s relationships with Papua New Guinea and South Pacific nations. A foundation similar to that proposed for Australia–China relations could be designed to empower the diverse voices of Pacific and Papua New Guinean communities in Australia. This would strengthen the people-to-people connections between our nations and improve policy and decision-making in Australia’s Pacific Step-up.
Conclusion

Australia is not alone in facing covert interference and punitive economic measures used by the Chinese state as means of expressing disagreement and also influencing policy directions and decisions.

Individual states’ approaches to operating in an environment of increasingly coercive Chinese state power with international and domestic aspects can be enabled by the experience and actions of others operating in that same environment. An international community of interest can emerge that, like software vendors and cybersecurity firms, exchanges information on security vulnerabilities and ‘patches’ that respond to changes in the threat environment.

And the communities of interest that connect the various democratic groupings, societies and institutions across the region and the globe must be reinvigorated and used with a new purpose of understanding and responding to the systemic risk posed by authoritarian models of governance.31

Getting the Australian Commonwealth, State and Territory house in order is an essential protective measure to ensure that Chinese state and corporate engagement does not split our own system of government in a way that undercuts our national interests.

While protective measures are essential, the best protection of our government and democratic institutions and public environment will come from positive investments in their health and operation.

The Indo-Pacific concept, and its accompanying FOIP vision, will both work best when they’re combined with individual nation-states’ policy frameworks that build national immune systems and healthy domestic polities—and so allow healthy engagement with both the Chinese economy and the Chinese state.
Notes

6. ‘The Indo-Pacific: Australia’s perspective’, speech by Secretary of the Department of Foreign Affairs and Trade Frances Adamson, Australian High Commission, Kuala Lumpur, 29 April 2019, online.
10. Michael Shoebridge, ‘Beijing is manufacturing the circumstances to justify brutal intervention in Hong Kong’, *The Strategist*, 26 August 2019, online.
11. Michael Shoebridge, ‘How Hong Kong plays out will define both China and our world’, *The Strategist*, 7 August 2019, online.
16. See, for example, ‘China’s countermeasures to US Indo-Pacific strategy, August 2018’, *China Daily*, 23 August 2018, online.
17. Department of Foreign Affairs and Trade (DFAT), *Australia’s trade statistics at a glance*, Australian Government, online.
19. Attorney-General’s Department, *Foreign Influence Transparency Scheme*, Australian Government, no date, online.
30. For more information, see DFAT, *National Foundation for Australia–China Relations*, Australian Government, 5 June 2019, online.
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Acronyms and abbreviations

ASEAN Association of Southeast Asian Nations
CCP Chinese Communist Party
FOIP free and open Indo-Pacific
ISEAS Institute of Southeast Asian Studies
PLA People’s Liberation Army

About the author

Michael Shoebridge is the Director of the Defence, Strategy and National Security Program at ASPI.

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Tel +61 2 6270 5100
Fax +61 2 6273 9566
Email enquiries@aspi.org.au
www.aspi.org.au
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