

# Transcript



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Item: **NATIONAL PRESS CLUB ADDRESS BY PROFESSOR GARETH EVANS AND PROFESSOR HUGH WHITE.**  
**INTERVIEWEES: PROFESSOR GARETH EVANS, AUSTRALIAN NATIONAL UNIVERSITY; PROFESSOR HUGH WHITE, AUSTRALIAN NATIONAL UNIVERSITY**

<b>Audience:</b>	Male 16+ 10000	Female 16+ 7000	All people 17000
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**CHRIS UHLMANN:** Well, good afternoon and welcome the National Press Club and this Westpac Address, I'm Chris Uhlmann. I'd also like to welcome you to the first event in the inaugural Canberra Writers Festival and this is a joint effort between the Australian National University and the Canberra Writers Festival and we're very grateful today to day to have two of the ANU's finest here. And that is the Chancellor of the ANU and former Foreign Minister Gareth Evans and Hugh White, Professor of Strategic Studies at the ANU. Would you please make them welcome.

[Applause]

And if you're following us online and would like to join the conversation today, then our hashtag's #NPC and our Twitter handle is @pressclubaust. I can think of no better way to start today than to read a short extract from Hugh White's book, *The China Choice* where he says Australia's future depends on America and China.

They are now the world's two richest and strongest countries and they are by far the two most important countries in the world to us. If they get on well, Asia's is bright and Australia has a good chance of peace and prosperity. If they get on badly, our future is bleak. Well, on those cheery words we're going to begin today's topic which is the US and China in Asia: How Should Australia Respond. And Hugh White is going to kick off.

[APPLAUSE]

HUGH WHITE:

Well thanks very much Chris. It's a great pleasure to be here with you. It's a great pleasure, of course, and an honour to appear with Gareth back at the Press Club and to do my little bit to help launch the Canberra Writers Festival, which is a great initiative. I want to make four quick points in the next 12 minutes. The first is that, as was foreshadowed in that quote that Chris was kind enough to read, US-China, the US-China relationship is getting worse, it's becoming characterised by strategic rivalry and that is getting worse. The second point is that that rivalry itself is very dangerous, more dangerous, I think, than we yet understand. The third point is that Australia is still in denial about the reality of that rivalry and how risky it can be for us and we're not doing enough, we're doing almost nothing, to effectively manage it. And [indistinct] there are some things we can do. This is a very difficult challenge for us, but there are some things we can do to approach, to manage those issues better than we have.

So the first point. The escalating strategic tense between the US and China in the South China Sea is not about the South China Sea. It is a confrontation over their respective roles in Asia and the nature of their relationship with one another. For the last 40-odd years, until somewhere around about 2008 or 2009, China accepted America as the primary power in Asia and that provided the foundation for remarkably stable era. China no longer accepts that. So they now have different and incompatible views of their relationship with one another and their roles in Asia. America wants to remain Asia's primary power and China wants to replace it as Asia's primary power. It's as simple as that.

Now we might regret that. I certainly regret it. The era in which China has accepted US primacy has been for Australia and for Asia a golden age, but we can't be surprised by it. We can't be surprised by a country whose economy has grown to be one on measure, at least, the biggest in the world and it'll likely to become on any measure the big in the world over the next few years or decades, should seek to play at least a primary role in our region. And so this is a reality we're going to have to come to terms with. What's more, we're going to have to come to terms with the fact that this reality poses a very significant risk to Asia and to Australia. War between the United States and China is not inevitable. It's not inevitable. There's no Thucydides Trap which means that the law of history automatically means that a rising power confronting an established power goes to war. They can build a new relationship with one another without going through the tragedy of war to get there. But the risk is very real.

Both sides, both the US and China, over the last few years increasingly and even over the last few months have sought by word and deed to signal their willingness to use force in the South China Sea to assert their position and to counteract the position of the other. And that in itself creates a very dangerous situation. Because both therefore face a potential choice between backing down from having expressed a willingness to use force or not backing down and in a crisis walking into a confrontation. Now let's be clear, neither side wants a conflict. Absolutely not. But both believe they can get what they want without a conflict because both believe the other side will back down. America believes it can remain the primary power in Asia without the conflict with China because it believes the Chinese will back off. The Chinese, I believe, think that they can become the primary power in Asia and displace America without an conflict because America will back off.

The risk for us is that both may be wrong. And in particular the risk is that in a crisis the temptation of wishful thinking will prove irresistible. They that will each move into a crisis, say over the Scarborough Shoals, believing that they can fulfil those symbols of word and deed of their willingness to use force without risking a confrontation with the other, because the other will back off first to avoid a confrontation. That is a very dangerous illusion. That is the illusion that pushed Europe to war in 1914, and without wanting to overstress the analogy there is more than a whiff of 1914 about this situation.

One of the reasons for that is that the stakes for both are very high. This is, as I have said, not just about who controls the rocks and reefs of the South China Sea. It's not even about Freedom of Navigation, though that's an important issue. It's about the status of each power in the world's most important and fastest growing region. It's about who plays the leading strategic role in that region. It's about therefore their identity, the way they see themselves as countries, and both are countries who see themselves as leaders in a way that is very deeply embedded in their national sense of themselves. And it's now, because they've both put their credibility on their line, about their credibility and the credibility of their leaderships.

In this situation a conflict, even a terrible conflict, can easily look like a less bad option than backing down and letting a lot- letting those very high stakes go. It's just worth bearing in mind as we think about that possibility that nobody wins a war between the US and China. There's a very interesting and important report put out by the RAND Corporation just a couple of weeks ago which, in the way the RAND Corporation does, in great detail goes through the scenarios. And the long and short of it is this: that neither side can win a contained war, a conflict that's contained around a particular maritime feature, like the Scarborough Shoals, and both sides would therefore be tempted to escalate. And neither side would win an escalated war. Both sides would lose a lot of platforms, both sides would pay almost unimaginable economic costs, and so would the rest of us, as the global economy was disrupted. And the best they could hope for would be an inconclusive draw, probably leaving a sustained and

unimaginable sense of rivalry between them. There is a possibility, of course, of escalating even further.

And the consequence of course for Australia of that are, well, almost unimaginable. That means the stakes for us are very high. Even if the risk of a conflict is just a few per cent, and I think it could be higher than that, this constitutes one of the most serious risks Australia's faced in a very long time. And if it happens, no-one will be able to look back at today and say, we didn't see that coming. No, no. What we're seeing today, the pattern of rivalry we've seen over the last few years and months, even weeks, is precisely what, from a study of history, you would expect to see in the lead-up to a major power conflict. So I'm not saying I'm sure what's coming, but if it does come, we'll say this is how wars start.

And we in Australia, my third point, are in denial about this. We assume the United States will fix it. That's a big mistake, because the United States itself is in denial about the seriousness of this challenge. The heart of US approach to China is an assumption that the Chinese in the end will back off from their challenge to US rivalry-to US primacy, rather than risk a confrontation with the United States. And that's the idea that's underpinned the pivot, and that's why the pivot has failed, because China has not backed off. And we too in Australia also assume that China will back off. It's clear, for example, from the Defence White Paper published by this Government a few months ago that it believes, in all its talk of the rules based global order, that somehow the Chinese will be persuaded to step back and accept US

primacy as a foundation for the Asian order indefinitely. And that if we can buy 12 submarines we'll somehow help to persuade the Chinese that even though they've got the world's biggest economy they should accept US primacy indefinitely. Don't bet on that.

There is in fact no escaping the reality that China is going to play a much bigger strategic role in Asia than it has hitherto. The old US-led uncontested order in Asia, which we know and love, has gone. We're going to have to learn to live with a different order and do whatever we can to try and shape it to our advantage.

So that's the fourth point. What can we do? Well here's a few suggestions. Let's agree that Australian political leaders should stop saying we don't have to choose between America and China, because it's not true. We're making choices all the time. We face pressure from America to align against China and we have done ever since Barack Obama's speech in Parliament in 2011. We face pressure from China not to align with America against China. We walk a fine line between those pressures, making choices all the time about how far we go one way or the other. You can see that in the Government's- successive governments' manoeuvrings on the question of whether we should do Freedom of Navigation operations in the South China Sea, for example. And that's because both the US and China now judge Australia as a strategic and political partner primarily in terms of how close we appear to be aligned with the other. This is a zero sum game which

Australia is playing, and we'd better start admitting that to ourselves.

The second thing we should do is to stop making it worse. The diplomatic ambiguity which Australian-some Australian policy-makers pride themselves on, neither one side or the other, is more like duplicity and weakness. That is, we're telling the Americans or encouraging the Americans to believe that we will support them in a conflict with China, and we're encouraging the Chinese to believe that we won't. And that's encouraging both of them to be more assertive towards the other. And making it more likely, not less likely, that we end up dealing with a catastrophic outcome.

The third thing we should do is to recognise that there will be a new order in which China plays a bigger role, and that we cannot take for granted what kind of role the United States will play in that order or even whether it will play a significant role at all. And I don't say that just because of a careful study of Donald Trump's Foreign Policy, though it's- you know, we'd better pay attention to that. Or even of Bernie Sanders' Foreign Policy. But the broader trends which suggest that for America to continue to play a strategic role- a major strategic role in Asia, it is going to have to pay much higher costs and accept much higher risks than it has done hitherto because it faces an adversary of China's power.

And the fourth thing we should do is that if we want a substantial US role in Asia, and I think we should, and if

we want that role to be so designed that it does not drive escalating strategic rivalry with China, and we should certainly want that, then we'd better help build that order, because that's not where we're heading at the moment. We should be looking for a way to help encourage the evolution of the regional order which suits our interests best, which is going to be one in which the United States plays as big a possible role consistent with a stable relationship with Asia, that is not something which is going to happen easily. It's going to require Australia to do some very active and agile diplomacy. The kind of, well, let's call it activist middle power diplomacy, which the person I'm honoured to share the platform with has demonstrated is so possible for Australia to do, but it's really hard work, as Gareth has demonstrated. And you've got to work with others, you've got to work with other countries.

We all want- there's a scope for Australia to build a coalition in Asia of the other countries, the non-great powers, because we all want the same thing. None of us want to live under China's shadow. We all know that a strong US role in Asia is essential to avoid that. But none of us want escalating rivalry between the US and China. We all want them to get on, so we all want America to stay in Asia on the basis that China is willing to accept. And that is going to mean big compromises on both sides.

We should be pushing for that, we shouldn't underestimate our capacity to do that, but we won't don't do that internationally until we've had a debate

in Australia itself about this, until we've acknowledged the problems and worked out for ourselves what kind of solution we need. That is going to need real political leadership on these issues of the sort that we haven't seen so far. Thank you very much.

CHRIS UHLMANN:

Now please welcome the Chancellor of the ANU and former Foreign Minister Gareth Evans.

[Applause]

GARETH EVANS:

Well thanks very much Chris, the Press Club and to you all for the pleasure and privilege of talking to you. Maybe it comes with the territory for those whose background is foreign affairs rather than defence, but I have to say that my view of the world in general, and more specifically of China's and the United States' relationship, relative place in Asia, the prospects of that relationship ending in deadly conflict - my view is a little less apocalyptic than Hugh's. Perhaps there's a fine line between optimism and naivety in this respect, but my general credo is that both optimism and pessimism are self-fulfilling. It really is better to live as an optimist and occasionally be wrong than to live as a pessimist and always be right. There is much that I do agree with, that said in Hugh's analysis. One - the tectonic plates obviously have been shifting in China, is manifestly no longer willing to continue to accept a situation where the United States is unchallenged rule-maker and enforcer. both economically and militarily.

Two - it's not clear that every [audio skips] matters in the United States has got that message. Although

United States policymakers like Kurt Campbell argue, very plausibly, that the pivot is about broader engagement with Asia and cooperatively shaping a 21st century order in the region for everyone's benefit, it is the case still that much American public discourse sounds much more provocative, much more confronting to Chinese ears. We still hear too often publicly in the United States what I call the DLP words - maintaining the dominance, leadership, primacy, predominance, of the United States in East Asia. Whatever many policymakers say privately, and I'll come back to this a little later - the public discourse is overwhelmingly about United States leadership, implying, when not stating directly, that America should remain number one in perpetuity, both globally and specifically in Asia.

I think the most confrontational recent articulation of this position is to be found in a Council of Foreign Relations paper published last year by Robert Blackwill and Ashley Tellis who argue the central objective should be, quote - preserving United States' primacy in the global system. And they advocate a series of economic, political and military measures, which although described as balancing China, unashamedly amount to containing it. But it's not just think tank fringe dwellers who use this kind of language. It needs to be remembered that President Obama said in his 2016 State of the Union Address with TPP, the Trans-Pacific Partnership, China doesn't set the rules in that region, we do. We set the rules.

Third point I want to make in support of ... propositions articulated by Hugh is that if the United States China relationship is not to end in very serious tears, it will be necessary for the United States to some extent accommodate to the reality of Chinese power and influence, to give a little bit more space, strategic space in its own immediate region and be much more careful about asserting international - asserting institutional and rule-making dominance in the kind of way that was so evident, not only with the Trans-Pacific Partnership enterprise, which continues, but also will be remembered with the AIIB, Asian Infrastructure Investment Bank.

So all that said, on the other side of the coin there are a number of respects in which I am by no means on completely the same page as Hugh in terms of what he's not only said here today but in his other writing.

One, in this respect I worry that some of Hugh's proposed cures for rebalancing the East Asian order in order to guarantee a more stable future may in fact be worse than the disease. In particular I remain extremely alarmed about the insouciance with which Hugh seems to be prepared to contemplate a nuclear armed Japan as part of a more evenly militarily balanced new concert of powers in East Asia.

Secondly, on the very vexed and immediately relevant question as to how much pushback there should be internationally against Chinese overreach, while understanding China's desire for more strategic space in its own region, the desire to avoid escalating

strategic rivalry which Hugh has articulated, does not to my mind mean that there should be any kind - any kind - of international acceptance of sovereignty or sovereignty-related claims that are manifestly ill founded in international law. That means in particular any attempt to enforce 12 nautical mile or greater exclusion zones around reefs or rocks in the South China Sea that by their nature cannot possibly give rise to such claims. Or to intrude in name of some vaguely defined historic waters on fishing grounds clearly within other states' exclusive economic zones.

While there's a very strong case for the United States, Australia and others not right now upping the ante so long as China's objection to the Permanent Court of Arbitration's decision in the South China Sea case recently, so long as China's reaction remains as it has done so far purely rhetorical, but should there be such adventures as further militarisation of those reef installations or reclamation activity commenced on the Scarborough Shoal or declaration of an ADIZ, an air defence identification zone declared over any of these features, I think pushback in the form for example of the so-called freedom of navigation operations past features like Mischief Reef which have been determined by international tribunals not to possibly give rise to a 12 nautical mile exclusion zone, let alone anything far more reaching, my own strong belief is there should be such pushback operations that they can't be avoided. True, perfectly true, Hugh's right, any such naval or airborne operations do take real risks of incidents occurring which can escalate out of control but my own belief is that China while certainly wanting to push the hegemonic envelope as far as it can and

certainly willing to take advantage of any perceived weakness in the international reaction to that, really is not remotely interested in embarking upon or promoting violent military confrontation and that given that I really do think it's the case that although intellectually it can happen, sure we have to acknowledge that, I think escalation of that kind we fear into full scale war is extremely unlikely.

Third point I want to make to further develop that is that as unhappy as I remain like Hugh with much US public discourse, I think it's important to acknowledge as I know very well from direct personal experience, that for the most part private discourse - private discourse - by US policymakers is much more nuanced, much more sophisticated and balanced and I'm prepared to believe that this is also characteristic of the many channels and forums for direct engagement that United States officials now do have with their Chinese counterparts including the very important high level strategic and economic dialogues. Add to that the reality of the United States and China being joined at the wallet in so many ways, the reality that more than 300,000 Chinese students are in the United States at any given time and 25,000 United States students studying in China, plus the huge flows of course of tourists and business people both ways, I think notwithstanding all these vexed strategic competition issues that are so fraught in so many ways I think cooler heads - the overwhelmingly likelihood is that cooler heads will in fact prevail.

So what, if any, role can Australia play in all this to help ensure that cooler heads do prevail, at least increase the likelihood, so that we can avoid so far as possible the feared zero sum game developing in our relations with both countries? Well I think it's fanciful to suggest that we or anyone else for that matter could play any kind of negotiating intermediary role. We should not underestimate the extent to which our voice is heard by both sides. We are a top dozen in the world economic country, we're not a paper kitten, militarily. It is the case that in both the United States and China our voice as a very strong US ally gives us reason in both countries to be taken seriously and heard.

We... what do I want to say there... being no coincidence in that respect I think it is worth mentioning that Obama's two most important Asian speeches were both made in Australia; one at the time of the G20 in Brisbane and the other of course the pivot speech in Darwin. Furthermore or strength is that as Hugh acknowledged we do have a long if periodically interrupted record of being an active, creative and diplomatic coalition building middle power and our capacity to build international coalitions not least in Asia, South East Asia, doesn't go unnoticed by both the United States and the China in these fraught environments.

So I think we should use that voice with both sides in a way that calls the issues as we see them without being over-apologetic, without being over-timorous. We don't have the help the United States make the right calls by telling Washington we can live happily with

whatever public language it chooses to offer and we'll follow it reflexively on whatever military adventures in which it chooses to embark. We should be saying to our friends in Washington as I once heard Bill Clinton put it privately, although never so clearly publicly, the real choice for America is not to try to use our great and unprecedented military and economic power to try to stay top dog on the global block in perpetuity. The choice is to use our enormous economic and military might, I remember these words vividly, to create a world in which we will be comfortable living when we're no longer top dog. I think it's that kind of approach that is what we want to be getting the Americans to say, a little bit more publicly than they are prepared to at the moment.

We don't have China make the right calls by failing to make clear just how much of its reputation it's risking by manifestly overreaching on issues like the South China Sea and I have to say that we don't help ourselves by appearing to jumpily overreact to security concerns associated with Chinese infrastructure, investment in Australia when we have ample power to react defensively should God help us it ever come to a war time conflict situation, and when one would have to be living on another planet to believe that you can avoid cyber attack, cyber espionage by having only angels on your share register.

The best recent articulation that I've seen as to how the United States-China relationship might most sensibly be managed in a way that reflects the reality of the forces and mindsets that are at work which Hugh

has so well articulated in each country but which would not over time push legitimate competition, legitimate rivalry to the point of dangerous confrontation. That articulation comes from our own former Australian prime minister Kevin Rudd, who whatever scars he might continue to still wear here at home is someone, let me tell you, who is regarded internationally and rightly as one of the most thoughtful and best informed thinkers around, not least on just this issue. In the paper which he wrote to the Harvard Kennedy School last year on the future of US-China relations under Xi Jinping I think he made some very, very important points which it's worth taking into account and taking into account very much in our advocacy in future with both countries... Kevin's label for the desired relationship is a little bit clunkily Kevin-like; constructive realism he calls it but his analysis and his policy prescriptions are really very compelling.

The realist dimension of his argument recognises that certain areas of disagreement are going to be intractable, going to be intractable for the foreseeable future with no easy solutions but requiring careful management. Among them the old chestnut obviously of Tibet... sorry Taiwan I was going to say, maybe Tibet as well. The South and East China Sea, the role of US alliances in Asia, Chinese military modernisation and legitimacy of the Chinese political system.

The constructive part of his thesis argues for serious collaborative tackling of a whole series of other difficult issues in a way that would see the United States accepting China as a much more equal player.

Bilaterally, that might involve an investment treaty, a joint intelligence taskforce on terrorism, a cyber protocol, agreed measures for managing unplanned military incidents and an agreed process for ratification of a comprehensive nuclear test ban treaty. Regionally collaboration could involve a joint strategy for denuclearisation and ultimate reunification of the Korean peninsula, tackling the lingering sore of Japanese war history, harmonising regional trade agreements and working to further develop the East Asian Summit process and globally Kevin argues finally, and I endorse what he says, he argues that the focus could be on further collaboration on climate change which has been very productive so far, reenergising the G20, accepting the growing internationalisation of the renminbi, giving China a greater role in the Bretton Woods Institutions and working together on the reform of other key international institutions within the United Nations system.

No United States presidential candidate is going to be heard accepting that the United States should ever become the world's number two. That's the reality. But it is possible, I think, to hope that over the years ahead we'll hear less talk of dominance and get much more focus on policies that reflect - that do reflect the reality that it is only through cooperative and collaboration, through finding our security with others rather than against them that we can ensure that the 21st century will not like the last become a veil of tears. Australia has got a very big stake in that outcome and I do think that we have a voice that can and should be heard in achieving it.

Thank you.

[Applause]

CHRIS UHLMANN:

Alright, we'll move now to questions from our journalists. I might kick off. To you Gareth Evans and I'd like to hear from Hugh White as well, on that issue of pushback you were talking about, let's just assume that China continues to do what it has been doing and militarises those islands. Shouldn't Australia join any pushback and what are the consequences of China in its own population of being seen to retreat?

GARETH EVANS:

Well I think we should if China does anything extremely provocative of that kind and I mentioned three things, one further militarisation of those installations by putting actual weaponry on them, as distinct from just the facilities or Scarborough Shoal or an ADIZ and I think that pushback should take the form of a freedom of navigation operation by ourselves not in tandem with the United States, just to make clear that we're doing it in our own right, what it would mean is running a ship past something like Mischief Reef which is one of those reefs which has no readable claim and has so been determined by that international court to have any kind of capacity to have anyone exercise any kind of sovereign rights over it. So you can go within 500 metres of such an installation without breaching international law and that's the kind of thing I think that we ought to be doing but that is provocative. It will be seen as such. And it's not something we should do so long as China continues to be pretty cautious in its reaction to that arbitration decision.

It's now well over a month since the decision's taken place. We've had a lot of huff and puff but we've also had some visible demonstrations by China that does want to calm the situation down. Social media has been kept under control on this, nationalist demonstrations which can be whipped up in the blank of an eye outside embassies and elsewhere have been deliberately curbed and there's been no visible movement. I think personally China does now recognise that it overreached in the whole run-up, that the events of the last few years are so far out on a limb in terms of its breach of the basic principles of rule-based international order that it's got some ground to make up. So my belief is that provided our response is calibrated any such response is manageable on the Chinese side they will make it very clear that they regard this as breach of all sorts of things that they hold dear but my hope is that the situation won't arise in the first place, my hope is that we can somehow finesse this and gradually step back and there's some evidence again the Chinese talking a bit about getting back into bilateral negotiations, haven't been particularly rude about the Philippines or anyone recently, continue to stand over the ASEANs at ministerial meetings to ensure there's no reference in their communiqués, but the touchstone measures that I for one identified have so far erred on the side of caution and I think cooler heads are in fact prevailing. That continuity can't be assumed in that respect, but there's room for optimism.

CHRIS UHLMANN:

Hugh?

HUGH WHITE:

Yes. I'm a little bit less optimistic than Gareth about the way the Chinese are playing the wash up from the Hague finding. I think they're playing it cool but I don't think they're seeing it as a setback and I think from China's point of view as long as they can continue to hold what they've got and do what they're doing in the face of vociferous complaints from the United States and others, then they're succeeding in demonstrating that they can do what the United States doesn't want them to do and that therefore does serve to establish their claim to a stronger leadership position.

If they step beyond that and I think it's possible they will, and do something more provocative like build a base on Scarborough Shoals, I can very much understand the logic behind the position that Gareth has articulated. I just make these two points. The first is that our response would fall into one of two categories, either it would be purely symbolic, in other words, we do our freedom of navigation transit and the Chinese will just keep doing what they're doing and then, well, we have made a gesture but it wouldn't have changed any facts on the ground, and we would in a sense have made ourselves look weak or what we'd have done would have genuinely interfered with what China was trying to do. Then the question is would the Chinese cop that and I think there's a - I put this higher Gareth does, I think, the risk that they wouldn't cop it, the risk that they would see their own credibility very much at stake, the risk that they would hope if they push back hard we would back off which they might be right about but there's equally a risk we do find ourselves in an escalating confrontation which does result in a conflict. I love the Law of the Sea; it's a

terrific instrument, I think the present rules on what counts as justifying a 12 nautical mile zone are terribly important but I wouldn't go to war with China over it.

CHRIS UHLMANN:

*The Australian.*

QUESTION:

Brendan Nicholson from *The Australian*. The... we face this paradox that you both talked about where the possibility of going to war with our main trading partner and the situation where we are in a situation, we have been for years, where if there's a very minor slowing of the Chinese economy by a fraction of a percentage or something or other, economists all over our country are shrieking about recession and whatever. The report that Hugh mentioned from RAND Corporation talks about dealing with the unthinkable and it was also commissioned, which is also rather chilling by the American army, it's a very frank and blunt report. Now, we hear constantly that 60 per cent of our trade goes through these areas that may well be contested and that would be catastrophic for us. Just about every nation in the region has as its main trading partner China. Now, presumably as the RAND report points out such a conflict would be catastrophic for China as well.

Are you able to explain what the bulk of the Chinese people, and there are an awful lot of them, and whether - what they think - whether there's any likelihood of change there? Presumably if there's a catastrophic war going on that disrupts trade, then the party in China which is trying to keep control over a growing middle class who want to be presumably

comfortable, would possibly think again... is this a way to tackle the whole paradox?

GARETH EVANS:

That's one reason for my optimism. China is so dependent on that trade and the 60 to 80 per cent of its energy and resources do come internationally and most of them through that particular corridor. Even though they do want to assert a bit of muscularity and do the hegemonic strut and hopefully establish a kind of set of tributary relationships with the countries of the region like they've always historically aspired to and they have had, I think there is a limit beyond which they won't push it and that limit is doing anything which will move from huff and puff to full scale violent confrontation or allowing an incident which does occur in the context of one of these flyby exercises allowing that to escalate and courier out of control. We have all got our playbooks as to how that can happen when decision makers lose track of reality, or things get away from them, but I think the situation on the ground, I mean the notion of Chinese public opinion, is a very evanescent thing to get hold of. It does exist, it's real, Xi Jinping is sort of worried about it, wants to kerb it but equally it's a thing that can be turned on and off with some precision as we've seen in the handling of the East China Sea issues with Japan, the history issue and so on and as we've seen with the potential for nationalist outrage to visibly career out of control post the arbitration in the Hague decision and the way that's been turned on.

So I think it's just a matter of instinct, it's a matter of judgment, I think that cooler heads will prevail. The

stakes are so high for China. They'll push and push and push as far as they can until they reach the point at which it becomes counterproductive to push further. I think they pushed too far in the lead-up to the International Arbitration Court decision. I don't think they fully took into account the likelihood of that decision being as comprehensive and as robust as it was against them. They lost an awful lot of skin internationally. They weren't able to get anything like expressions of support even from African countries and so on, that are hugely dependent on infrastructure investment that they didn't get anything that they wanted.

My judgment is that the cooler heads in the Foreign Ministry and elsewhere will continue to prevail on this and Xi Jinping will not see advantage in pushing this to the point of violent confrontation or any of his successors.

HUGH WHITE:

Yes again at the risk of conforming to Gareth's stereotype, which if now justified (\*) I'll be a bit gloomier. The first... two points I'd make; the first is that I think Xi Jinping's calculation is a bit more complex than your question suggests. Of course the Chinese people want the second car and the second flat and so on. Economic - continued economic growth is vital to the credibility of the party and regional stability is vital for that but that's not all 1.3 billion Chinese people. They want China to be wealthy and strong. They want it to be respected, they want it to regain the place it's traditionally had at the centre of the Asian order. This is a country with a very strong

sense of itself and they're not unique in this; there's nothing special about Chinese nationalism. They're no more committed to the idea of China being a leading power than Americans are committed to the idea of Americans being a leading power, but the Americans are pretty committed to that. So I think the problem is that in any crisis the Chinese leadership would have to balance the desire to preserve stability and therefore economic growth with the desire to defend China's standing and I don't think we should underestimate how potent that second motive would be.

The second point is that I think the Chinese decision making on this is likely to be influenced by their judgements about the extent to which American decision making was driven by the same thing. Once within a week I had a conversation in Beijing in which a Chinese colleague told me that I was too worried about the US-China relationship because the Americans depend on China economically and they can't afford to push us around. And then flying straight to Washington I had a conversation which is almost exactly the same, a very dear friend senior US official said: Hugh, the Chinese need us more than we need them and they're not going to piss us about. And there's a risk there, they both believe that the other side is wearing the golden straitjacket. So they both believe that means they have more freedom to manoeuvre and the other side has less. That's dangerous.

CHRIS UHLMANN:

*Australian Financial Review.*

QUESTION:

Laura Tingle from the *Financial Review*. Taking on board what you've both said, and acknowledging that foreign affairs people have secret squirrel conversations which the rest of us aren't party to, it just strikes me that there's a slight difference between these two countries. One of them is China's had this long or several decades now nationalist quite consistent push in policy which has led to the South China Sea. American policy might be all the things you've both described it to be but we're at a bit of a crossroads now which sort of highlights there can be a bit of discontinuity of focus on Asia and it gets, apart from Donald Trump, it gets distracted by the Middle East and being the world's policeman and all those sorts of things so... which as I understand is part of the reason why the pivot has or hasn't worked. So I was wondering if the two of you could reflect on this disparate sort of continuity of focus and interest in this issue and whether the forthcoming election poses a risk that will see an even greater disjuncture?

CHRIS UHLMANN:

We might reverse the polarity, yes and start with Hugh.

HUGH WHITE:

Sure, Laura, really good question. Look, you're right I think what we see in China is great steadiness of purpose. I'm always in danger perhaps of over-interpreting the long-term nature of Chinese strategy but I do in fact think they've been playing a steady game for quite a long time now. Whereas, as you say, in the United States there is a lot of unpredictability and it's not just Donald Trump. I think almost as important, perhaps as important, is the challenge of Bernie Sanders mounted from the left to Barrack

Obama has called dismissive (\*) of the Washington play book. There's an orthodoxy in the United States about America's role in the world which is basically pretty bipartisan in a country that is otherwise deeply divided. And ... from both sides of politics, the primaries produced a very, very stark challenge to that and of course, that challenge has also come in a sense from the White House under Obama. And so I think that does affect the calculations to ... For me, when I wrote *The China Choice* a few years ago, I thought there was a possibility that the United States might when confronted with China's challenge choose to withdraw from Asia but I thought it was more likely that it would push back and risk escalating strategic rivalry.

I've now changed my judgement about that. I think, on balance, it's more likely that the United States will avoid escalating rivalry or a conflict with China by stepping back and I think that's true even if Hillary Clinton wins the White House. That's because when Clinton, if and when she wins the White House, her first political priority will be to focus on 2020 and her first concern will be that she'll face a Democrat challenge to the nomination in 2020 because the Republicans will still be all in pieces on the work shop floor. And that challenge will come from the left and will be somebody who looks like Elizabeth Warren. In other words, someone like Bernie Sanders only better looking ... I mean in a broader sense. Someone who looks more Presidential than somebody's mad uncle. And so Clinton will be under real pressure herself, far more than Obama has been, to articulate a foreign policy which doesn't alienate what we now see as a

pretty vigorous dissenting voice across the board in American politics.

Now, the good news for that is that - in a sense this is the best bit of news I've for you - that if the US and China do find themselves heading towards a conflict that means the United States is more likely to pull back and avoid a conflict. The bad news is that it avoids a conflict by withdrawing from Asia. And the challenge for Australia is to try and find a future in which the United States avoided a conflict from China without withdrawing from Asia - continues in the region to play a strong role - because that's going to be very important to us. And, so, it avoids one risk but raises another. That's why I think really effective diplomacy needs to help American define for itself a role in Asia which avoids escalating strategic rivalry and which can attain broad support in the United States.

GARETH EVANS:

Well, one of the reasons for my stated optimism is that the Americans have been manifestly losing their taste for military adventurism and I think are less likely to respond in an over the top way even to some pretty egregious provocations. That said, I do think that the Americans stake in having China observe what I describe in short hand as a rule based international order is a very big stake indeed and it's a stake that everyone else in the region is wholly committed to and is willing to join the Americans in pushback in that respect and provided it's articulated in those terms thus the importance of the public discourse position, if it's articulated in terms of we've got to stay leaders, we've got to stay number one, what David Ignatius was

saying at a Melbourne last night, the whole point of TPP is so that we can stay number one, channelling Obama in the State of the Union address. If that's the articulated rational for it whatever stabilising utility the United States presence has had in the past it's not going to be much utility in the world of the future because it's going to generate a self-fulfilling rejection from the other side.

But don't underestimate or undervalue the utility of the rule based order and the Law of the Sea Convention, which is customary law and the United States agrees with it and accepts it as such even though it hasn't got around to ratifying itself through the Senate, the rule based order stuff is really extremely important for absolutely everybody. And I think, God knows what Trump thinks about that if he even understands the expression, but in terms of that being a continuity in US foreign policy, I think we can hope and expect for that in that region as elsewhere but combined with a lot more caution than we've certainly seen in recent time in the Middle East.

CHRIS UHLMANN:

The ABC.

QUESTION:

Andrew Green from the ABC. If I could take both gentlemen closer to home and the buying up of strategic assets and that sort of thing that we're seeing replicated around the region, do you think there is genuine reason for more concern than we think we've seen expressed in recent decisions on national security grounds and your view on this theory of the rebuilding

of the great Silk Road and whether that poses a danger?

HUGH WHITE:

Yeah, sure Andrew. Really good question. I think there are ... I buy the argument that there are significant genuine security concerns in the development of Chinese investment in Australia in sensitive areas because it is a country that we know, like many other countries we know and some we love, that have very active intelligence collection cultures, to put it mildly.

On the other hand, we are going to have to realise that China is going to be for us even at 5 per cent or 6 per cent per annum real growth by far the most important source of future economic opportunities for Australia for a long time to come and those economic opportunities are not going to come in the form of just more millions of tonnes of iron ore a day out of the Pilbara; they're going to come in the form of these much more complex, engaged, integrated relationships which are involved in investment infrastructure and so on, and if we choose to cut ourselves from that we will be paying a significant economic cost so the challenge is for to us identify those strategic risks, analyse them in a very sophisticated manner, make a very balanced, nuanced, cost mana- risk management judgement about them and do what we can and I don't think the evidence suggests that that's what the Government has done in some of these recent cases.

So, I think it's something that we need to be- if we are going to start cutting ourselves off, for example, from the development of regional and even global

infrastructure which is envisaged under the Silk Road, you know, One Belt One Road construct, then we could be cutting ourselves off from the most important economic story of the twenty-first century and that will impoverish us. So, this is not an area where we can just say we don't want the Chinese to do this for us.

GARETH EVANS:

My view in government, based on very long and painful experience from the Combe-Ivanov affair onwards is that whenever the spooks were united about anything that was the time to look very, very closely at the evidence.

[Laughter]

And, we don't have the luxury now, out of government, of exploring the evidence but I don't think we should be taking a security based objection at face value without subjecting it to a considerable amount more scrutiny than it seems to have received. I was Minister for Transport, Communications and Energy apart from Foreign Minister and got a pretty rough idea of how those sectors work, albeit some decades ago. And the truth of the matter is, if you're going to cut out investment simply in poles and wires in the energy sector, as seems to be the case with this Ausgrid decision, where do you draw the line when it comes to infrastructure investments right across the whole spectrum of transport, communications and energy, all of which have potential strategic disruption potential should it come to a conflict? I mean, I just ... how the lines are going to be drawn, I don't know. We've seen no evidence of the Government of any principle basis

for drawing such lines that would give future investments any sort of confidence. I mean, I just think, as I said in my remarks, we have to take the reality of cyber espionage and attack and so on seriously, in peace as well as in war time. We can deal with these things pretty well in a war time situation through use of the defence power but basically there is a strong tendency to overreact on these issues. And I think Denis Richardson had it exactly right in responding to the Darwin Port affair when he said you may remember that you could spy more effectively sitting on a stool in the fish and chip bar on the wharf than you would by virtue of having a stake in the port. If your object was to determine troop movements and so on through the port of Darwin.

We've just got to be a bit sensible about this. Because it's not a question of infrastructure investment from a Chinese source coming to Australia, it's, as Hugh says, the reciprocal impact on us of being banned from an opportunity to participate in similar sector stuff elsewhere. So, I don't [audio skip] the Government's going to resolve this; it's shown no dexterity in resolving any other issue of great complexity or sensitivity but it's going to have to come up with some clear ground rules soon or a great deal of damage is going to be done without any obvious reciprocal benefit that I can see from quite considerable experience operating in these sectors.

CHRIS UHLMANN:                      Fairfax.

QUESTION:

Well, Gareth, after that I'm going to jump my existing question and just pursue that a little bit further because that was very, very interesting. Given what you've said, what do you think has actually been driving this, what do you think's behind it? And, we've all been told that there were very specific reasons for the Ausgrid rejection, that it wasn't- you know, there were quite specific national security issues about that particular asset but to what extent do we have to take the cumulative side of this into account, where we say, well, maybe we do need to draw the line at how much critical infrastructure is foreign owned and particularly owned by a country like China and to what extent does the broader context factor into our decision making on this? I mean, doesn't Beijing's behaviour in the South China Sea, for instance, flow on to our decisions on things like critical infrastructure by informing that sort of broader context about what Beijing is prepared to do in terms of coercion or whatever else towards the region?

GARETH EVANS:

Once you get caught up in these, it's all a slippery slide and all the piece- and you know, you can't trust these buggers on any front in any context whatsoever. There in lies madness in terms of any kind of continued cooperative, collaborative relationship. There in lies madness in terms of any approach to security, buying of security, with others rather than against them; you move straight back into Cold War confrontation with all the horror show and economic impact and everything else that's associated with that. I mean, I just- I think you've got to have a ... what was involved here? The poles and wires ... is it because New South Wales is of more strategic significance than South Australia, where

the investment by the same Hong Kong crowd was allowed to go through without a blink before? Is it just because people are just having a catch up moment and now realise the vulnerability? I mean, how much vulnerability is associated with ownership as distinct from operational control and even if there is operational control and a capacity to put your agents in place in very sophisticated show stopping bugs inside the system, I mean, this is the sort of cyber talk one hears in this context. I mean, we know pretty well from unhappy experience in other context, that you don't actually have to be on the share register to be able to do a fair bit of that kind of stuff and it is going on.

So, I just don't understand where the lines can sensibly be drawn here, short of saying that transport, communications certainly, energy mostly, and transport in significant part are all huge strategic assets for the country that can cause critical damage to the country if their performance is disrupted in a hostile situation and acknowledging that, where is the stopping point short of investment in everything? I mean, you might want to be very careful about a particular contract for the installation of highly-sensitive communications equipment inside defence or whatever, for obvious reasons, but the sort of stuff that's been going on here, it's very difficult to get a handle on it and I've worked pretty hard with contacts around the place to get a sense of what lies behind this decision and I can't get any sense out of anybody. It's just that it was a strategic sector and it's about time we drew the line and ... it's that's that kind of thing. Now, maybe I'm not hearing the right story, maybe there is something much more sophisticated going on but God

knows what it is. And, unless there's some capacity to communicate that back to the Chinese and investors everywhere else, we are cutting off our nose in a very potentially major way.

HUGH WHITE:

Yes, I think ... I don't believe it's impossible for the Government to say more sensibly than the Treasurer did, simply saying that no one else in the room had the clearances. That's not good enough. If there are serious security issues about Chinese or, for that matter, other foreign infrastructure investment in an era in which international trans-border investment in infrastructure is going to become a very big thing, then we need to have a national debate about it and, like Gareth, I am myself unclear what precisely the security threats would be, but I'm open to being persuaded; I'm not open to taking the Government's word for it and I don't think we can rule out as unthinkable the thought that a Government might have political motives - internal political motives - for making these decisions. I'm not sure that's the reason but I don't think it's something we can- I don't think the Government can expect to us dismiss that out of court. This needs, if it's for real, it needs a lot more attention than it's received so far.

CHRIS UHLMANN:

Okay, we'll just take two more questions and the first from AAP.

QUESTION:

Lisa Martin from Australian Associated Press, thank you gentleman for your addresses today. Who is the Chinese more afraid of? A president Clinton or a president Trump, and why?

HUGH WHITE:

That's a really good question. My bet is they're more afraid of President Trump and the reason for that is that he is, as he himself claims as a virtue, so unpredictable. So, on the one hand, if you look at Trump's policies he looks as though he'd be likely to accelerate - this goes back to Laura's question - accelerate a US withdrawal from Asia, playing a less significant role but on the other hand trying to guess from the Chinese command bunker how Trump would respond as the missiles started to fly would be very hair-raising, whereas Hillary Clinton is a much more orthodox person. She's normally regarded as being more hawkish than Trump and is therefore, her starting position would be that she would be assert US leadership in Asia more robustly but she's a lot more predictable and therefore an easier person to play poker with, so to speak, and I also think touching on something I said before that she will herself be under huge political pressure to be less hawkish than her current persona suggests. And so she'll be both more predictable and probably less scary, so I have a feeling in Zhongnanhai they're voting Democrat this year.

GARETH EVANS:

I agree with that. I think the Chinese have a known commodity with Hillary Clinton. They have a good mainstream Republican Administration on the model of Bush senior, that's what they'll get with Hillary Clinton. That's exactly what they'll get: intelligent, well modulated, conservative foreign policy. And they know how to deal with that; they've had difficulty with George W and they had difficulty in other ways in dealing with Obama, but no difficult at all in dealing with the Bush senior, which was the most sophisticated

US administration that I dealt with and I think that's pretty much what you'll see with Hillary Clinton.

Whereas with ... you know, with Trump, I mean, despite all the minders that'll be around him and despite all the other institutional checks and balances there are, the executive power vested in the President is absolutely enormous and when you've got someone who combines complete ignorance about everything with a visible lack of judgement about anything, it's a very serious concern even for Vladimir Putin, I suspect, let alone Xi Jinping.

CHRIS UHLMANN:

I think I'll describe that as nervous laughter. And finish with *The West Australian*.

QUESTION:

Thank you, Andrew Sillett (\*) from *The West Australian*. Professor Evans, you spoke of your optimism of cooler heads prevailing. I wonder though, just for ... question for both of you, how you think this ... things would play out if you had a situation where a ship's captain or a pilot with a itchy trigger finger or he's had a bad night, something like that, makes a decision which attacks another country's military forces over there? How you think that would sort of play out? Is that the greatest risk rather than something from a government, sort of overt government decision?

GARETH EVANS:

Well, if the itchy finger is on a nuclear missile, then we're in a bit of strife but if the itchy finger is just some commander, you know, incidents at sea situation, I think the capacity for that can be pretty readily

controlled not very far up the system because of the dynamics at work. The South China Sea can be pretty difficult in this respect because an awful lot of players there. The PLA has an agenda of its own and is assertively nationalist, you've got maritime agencies all out there with boats and things of their own, but the possibility, the risk of incident is, at the low level, itchy overreaction or whatever, is high, one has to acknowledge and Hugh's right about that. But my instinct is that all the controls will cut in. The risk of the mad man factor coming into play and somebody just launching a major attack, I think that's potentially pretty hair-raising if a lot of damage is done but otherwise is pretty readily manageable.

HUGH WHITE:

Yes, I'll follow Gareth half way towards his optimism there. If you have a low-level tactical error, somebody launches a missile and shoots down an aircraft, the sort of thing that happened over Turkey for example, then as happened in the Turkey-Russia case, it's not impossible for governments to have a sensible, mature conversation with one another but it does put demands on the quality of statecraft on both sides and I think we would be unwise to take that quality of statecraft absolutely for granted, particularly in a context when there's already a lot of tension and anxiety and sense of rivalry. So, I do think that one of the clear dangers is that a confrontation turns into a conflict, at a situation which no one intends even at the tactical level but I don't think that's the only risk.

I think there is also a risk that the United States, China decides to do something, like build a base on

Scarborough Shoal, the United States decides it needs to do something assertive to prevent that, like putting a maritime exclusion zone around the shoals. China decides to interdict that expecting the United States would back off once Chinese submarines appeared, and the Americans don't and accident is certainly one of the risks but you can get yourself into a hell of a mess deliberately without intending to and that's a different kind of problem.

CHRIS UHLMANN:

Alright, well just before I thank both our guests today, I think we can all agree that we've had an extremely high-level discussion today which is incredibly enlightening from two men who have taken their time to share their wisdom with us. This is part of the Canberra Writers Festival. This is the inaugural event of the Canberra Writers Festival, if you want to support events like this then support the Canberra Writers Festival, get on the [CanberraWritersFestival.com.au](http://CanberraWritersFestival.com.au) and get tickets to some of the other events and there are some fabulous ones coming along. Will you please thank the Chancellor of the ANU Gareth Evans and the Professor of Strategic Studies at the ANU, Hugh White.

[Applause]

Now, I don't know if you already have 15- 14 of these and this is your fifteenth and probably have never actually used it to come into the club because you don't need to but you can have that and a fabulous book by one of our director, *Stand & Deliver*. Does any of Professor Evans' speeches appear in this book?

UNIDENTIFIED SPEAKER: Yes.

CHRIS UHLMANN: Yeah, so there's one of your speeches [inaudible].

\* \* END \* \*

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