



## What to do about China? An industry perspective

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Industry has watched the deterioration of the diplomatic relationship with China over the past decade with increasing concern. In many ways, as diplomatic calls went unreturned and ministers were ignored, industry did its best, often in its naive way, to carry the relationship.

But China is now playing its economic hand. And industry is clearly powerless to intervene. A high-level business delegation to Beijing or Shanghai would say what to pacify the Chinese leadership? What would we give up to meet China's so-called 14 Grievances? Our press freedom? Our ability to drive our economic destiny? Our democracy?

So what to do?

Now is the time for our foreign policy makers to step up. Foreign policy sits at the intersection of our economic and national security. For too long our foreign policy has been too passive when it comes to supporting Australia's commercial interests. There are countless examples of ambassadors and others declining to help our companies large and small to make connections or conclude deals which would drive growth and jobs for Australians. The impression has been that commercial diplomacy is seen as a grubby venture beneath some in our diplomatic corps – a little bit like getting their hands dirty.

Industry will need all the help it can to expand and diversify to new markets. That pivot will not be easy. All the trade promotion in the world will be largely wasted if industry and government don't work together.

In the meantime, we must play with the cards we have been dealt. A lesson from the mid 1990s – when Australia held the economic upper hand with China but when there was a major falling out over Taiwan – is that we didn't blink, didn't back down and didn't forget who our friends were.

It was difficult no doubt. I was there as an adviser to the Foreign Minister Alexander Downer during some of the toughest meetings with Beijing - listening to former Premier Lei Peng - "*The Butcher of Beijing*" - explain his rationale for the Tiananmen Square Massacre and then dismiss those in the room with a wave of his hand. It was among both the most fascinating and scariest few minutes of my life.

However, by staying strong and true to our core beliefs Australia at the time got the relationship back on track, established a human rights dialogue with China (imagine that now?) and eventually a Free Trade Agreement.

Although that FTA now lies in tatters and Australia is rightfully taking China to the World Trade Organisation over its position on our barley, the lessons from that time stand true.

Don't cave on our core beliefs and principles, be strong and don't be weak. But also try to keep diplomatically talking and keep trading where we can.

Norway was kept in China's doghouse for over six years for a slight over the Dalai Lama that infuriated China. We should expect the same.

Don't jump at shadows. Resist the temptation to respond to the jibes of junior diplomats and bloggers. Responding to such provocation plays into Chinese hands and should be beneath us.

We will miss their students, tourists and the market they provide. We won't miss the abuse, our lobsters being left to die at their airports, our coal being left at ports for months at a time, their petty bureaucracy, their authoritarianism and their determination to punish.

We are being harassed and bullied to tease out who stands on whose side in the fight for post-pandemic economic and strategic dominance. The implications for our economy, business, trade and lifestyle – and for the region around us – are profound.

One in five Australian jobs relies on trade. China is our biggest export market. Its reach into the Australian market through years of investment, the growth of its diaspora, the education of millions of its students here means that a Chinese withdrawal, partial or total, will impact us all.

While we may not quite be a pawn in the global realignment that is occurring, Australia is certainly being used as a straw man to demonstrate what can happen if you question or stand in the way of the new kid on the global block.

But let's keep talking and trading where we can and should. One day we will need each other again diplomatically and strategically. There will come the time for the "pull aside" or a chance corridor meeting at a global conference that signals a thawing of relations and we can begin a proper reset.

In the meantime, we should look to other markets and opportunities. ASEAN, India, the Middle East, Latin America, the Pacific, a refocused Britain and Europe. And in time, we all hope, China once again.

Better alignment of our economic and strategic interests has never been so crucial. Let's pull every lever to overcome the obstacles that China has chosen to put in our way.

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