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China's rise and middle power democracies: Canada and Australia compared

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Abstract

Assessments of how international actors are responding to China's rise typically focus on rival great powers or on China's Asian neighbors. In these cases, relative power, geographic proximity, and regional institutions have conditioned relationships with China. The relationship of China with the developing world has mainly been defined by power asymmetry and the appeal of the Chinese governance model to authoritarian regimes. Largely absent from this discussion is an understanding of how Western middle power democracies are responding to China's rise. This article compares how Canada and Australia – two Western democratic states with prominent middle power foreign policy traditions – are responding to the rise of China. The two case studies are similar in many respects: both are resource-based economies with a track record of bilateral and institutional engagement in the Asia-Pacific, and both are key US allies. These similarities allow differences in the

Canadian and Australian responses to China's rise to be isolated in the political, economic, and strategic realms.

1 Introduction

Most policy debates on the international response to China's rise have, so far, focused on implications for the United States and other powerful actors in the system such as the European Union, Japan, and Russia (see Mearsheimer, 2001; Wan, 2007; Godement, 2008). Theoretical debates have explored the response of China's East Asian neighbors to its emergence, with analysts debating whether regional states are balancing against China's power by siding with the United States, or whether they are bandwagoning with China (see Roy, 2005; Chan, 2010). This debate has led to new and intriguing questions about the nature of power, the effect of socialization, and even the suitability of the Western historical experience as a tool for analyzing East Asian politics (see Kang, 2010). Largely absent from these debates is an in-depth analysis of the response of Western liberal democratic states to the rise of China.

This article extends the research program on the rise of China to Western middle power democracies. The international relations literature on power transition argues that systemic instability is likely when a rising power is dissatisfied with the system and challenges the international order dominated by the hegemonic state. While it could be argued that middle powers will move closer to the hegemon in times of transition, it is worth recalling that both Canada and Australia abandoned their traditional patron, the declining Great Britain, in favor of the rising United States. This transition was not without significant policy challenges, as Australia committed forces to the Korean and Vietnam conflicts to strengthen its alliance relationship with Washington, and Canadian officials stepped in to prevent the fracture of the Western alliance during the Suez crisis. With the aim of contributing to research on state responses to rising powers and the increasingly prominent policy debates on how best to exploit opportunities presented by China's rise, the article explores the response to China by two democracies with a middle power foreign policy tradition. Both Canada and Australia are similar in many ways, yet offer some interesting differences. Economically, both are resource exporting states with market economies. Politically, both adhere

to the Westminster system. Geographically, both have a low population density. In terms of foreign policy tradition, both countries have sought 'great and powerful friends' as a path to security and have regularly sought to 'punch above their weight' on the world's stage. Finally, both have been committed to liberal internationalist principles in the conduct of their foreign affairs.

While both states are strong US allies, geography has determined contrasting approaches to their post-1945 great power benefactor. Canada, invaded by the United States in 1812, has developed a fear of economic absorption by its neighbor. Australia, in contrast, located in the Asia-Pacific, has long feared great power abandonment. Whether this geographic difference matters vis-à-vis China is one of the key concerns of this article. Australia's proximity to China, and its anxiety about the longer term durability of Washington's commitment to Asia were seen as underpinning the dramatic call for increased defence expenditure in Australia's most recent defence white paper. Canada, however, is not immune from the security concerns relating to the Asia-Pacific region. As a US ally, Canada could be expected to commit forces to any Taiwan Strait conflict, and the country remains vulnerable to a Chinese countervalue nuclear attack by virtue of its proximity to the United States and its presence in NORAD headquarters in Colorado. Yet, with the possible exception of growing concerns about cyber and industrial espionage, there is little public discussion in Canada about a 'threat' from China.

In an endeavor to contribute to building a contemporary typology of Western middle power responses to China, we explore how Canada and Australia have responded to policy challenges linked with the rise of China. The first section surveys the debates surrounding the rise of China and distinguishes between three different realms of challenges for middle powers resulting from the rise of a new great power: strategic, political, and economic. The article then explores the Canadian and Australian responses within these realms and finds a great deal of overlap in their approach to political issues in their respective relationships with China. There are compelling differences in the strategic and economic realms, however. Australia has a much more vibrant economic relationship with China than does Canada, yet paradoxically exhibits more anxiety over security concerns. The article argues that this difference can,

ultimately, only be explained by the relative geographical proximity of middle power actors to the rising power and the hegemon.

2 Evaluating China's rise

Considerable disagreement exists over the impact of rising powers on the international system. For power transition theorists, a rising power that becomes dissatisfied with the system created by the hegemon will seek to change the rules of the game, often through war (Organksi and Kugler, 1980). Gilpin (1981) argues that hegemonic war results when rising powers perceive the benefits of the system disproportionately favoring the hegemon. For this reason, realists such as Gilpin remain pessimistic about the prospects for peaceful power transitions. Others argue that the current liberal democratic order is unique in world history because the system created by the United States exercises appeal for all rising states (Ikenberry, 2008). A rising power thus finds within the system the tools required to fulfill its objectives and by extension does not develop revisionist aspirations. Regardless of their ambitions, rising powers change the world by virtue of their very existence and present a wide array of challenges and opportunities for middle powers.

This theoretical debate gives rise to an empirical question: how do other states in the system respond to the rising power? Balance of power theorists tend to be pessimistic about the prospects for accommodation between rising and established powers, although others argue that the question of stable transitions is a function of threat perceptions rather than capabilities (Walt, 1987). States can bandwagon with, or balance against, the rising power and most observers now see evidence of both behaviors in the response of East Asian states to the rise of China. Some states explicitly engage in hedging, a combination of both balancing and accommodation, with the object of ensuring a smooth transition (Cheng-Chwee, 2008; Kang, 2009; Murphy, 2010). Others argue that the balancing–bandwagoning dichotomy oversimplifies the collective Southeast Asian response to China's rise. In this view, ASEAN states seek to bind China to the regional order through a series of overlapping institutional commitments while engaging the United States as an offshore balancer against potential Chinese aggression. This distinction is useful because it emphasizes that China's rise is more than a question of strategy; it affects all aspects of daily inter-state affairs (Ho Chung, 2009/10).

Viewed in this way, East Asian states have embraced the economic opportunities presented by China's rise. Simultaneously, some have expressed hesitancy at China's expanding military power and growing ambitions in the South China Sea, welcoming a conspicuous regional security role for the United States. This is true not only for traditional security partners like Singapore and the Philippines, but also for Vietnam, which is actively courting the United States as a military partner (Thayer, 2010). Finally, there are important political aspects of China's rise that present challenges and opportunities to other states. China's posture on human rights abuses in its own country and in its client states presents a political challenge which state leaders must respond to in a fashion that is consistent with the norms of either the elites in power or the values of their people (if they are not one in the same).

State responses to the rise of China can be clustered around three overlapping realms (Ross, 2006). Strategic issues dominate the bulk of the analysis as rising powers by definition affect the strategic calculations of all other states in the system due to their increased military expenditure and expanding foreign policy agenda. Rising powers also present compelling economic challenges. If the rising state has revisionist aspirations, it can advance alternative models of economic order to those of the hegemonic state, as the USSR did with the COMECON model during the Cold War. If the rising power is an active participant in the dominant economic order, its economic growth will almost certainly present opportunities and challenges to other trading states. A third set of issues revolve around the political preferences of the rising power and the hegemon. Insofar as the system established by the hegemonic state can be characterized by the term 'order', the system is in effect composed of rules, norms, and institutions that define the parameters of an acceptable behavior within the system. A rising power may challenge these simply by dint of its rise; for some, accommodating the rising power's preferences is a prerequisite to avoiding the dissatisfaction that precedes great power war (Kugler, 2006). For others, a state can be described as being status quo oriented not only when it follows the rules of the game, but also if it accepts the logic of these rules and follows them for this reason (Buzan, 2010). By this measure, the jury is still out on whether China can be described as a status quo rising power. There is evidence that Beijing accepts the basic organizing principles of the US-led liberal economic order – and that it has no intention of seeking

to claim international economic leadership – despite occasional half-hearted indications to the contrary. Yet, as Chin and Thakur (2010) argue, China does seek to modify certain aspects of the order, evidenced by its calls to end the reign of the US dollar as the world's reserve currency and by its efforts to reform IMF governance structures.

With a view to evaluating and comparing Canadian and Australian responses to the rise of China, we assess how these states have reacted to the rise of China across three realms. First, in the economic realm, we look at the deepening of economic interdependence with China as the rising power; is it welcomed or resisted in both countries? Is there ambivalence in domestic debates over China's increasing economic influence? In the strategic realm, the key indicator pivots around the middle power's posture toward security issues that are integral to the strategic objectives of the rising state (China) and the hegemonic state (the United States). As middle powers, do Canada and Australia compromise on issues vital to the hegemon to cater to the preferences of the rising power? Finally, in the political realm, the indicator identifies the degree to which the middle power is influenced by the soft power of the hegemon versus the rising power.

3 Arm's length diplomacy: Canada's response to China

Canada's policy approach toward China has traditionally rested on five pillars that emphasize engagement, high-level meetings, multiple levels of inter-government contacts, the pursuit of both political and economic objectives, and the quiet promotion of human rights norms through aid, rather than an explicit democratization agenda (Evans, 2008, pp. 133–134). Underlying the Canadian perspective has long been the idea that Canada and China share something of a special relationship because of the somewhat unique Canadian role in the opening of the West to the People's Republic of China. Yet, the contemporary nature of the political relationship between Canada and China has been colored by two factors. First, the events of 4 June 1989 underscored the authoritarian nature of China's system of governance and the period afterward remains the only time that Ottawa has actively curtailed economic ties on the grounds of human rights. This ensured that human rights and other 'domestic' Chinese concerns remained on the table in Sino-Canadian interactions.

The second factor is the emergence of China as a 'superpower-in-waiting', which arguably influences every interaction with the government in Beijing. This has simultaneously increased the pressure on elected officials to embrace China as an economic partner while making Beijing more aware of Canadian values regarding domestic governance. Like many governments before it, the Harper conservatives recently learned a lesson about maintaining this balance with China, advocating a 'principled approach' toward Beijing, yet backing away from this posture to secure a state visit to China and the advancement of the commercial relationship in 2009.

3.1 Economics

Canada's economic engagement with China is patchy. According to a report by the Fraser Institute, China accounted for a mere 2% of Canada's merchandize exports and 9% of Canada's merchandize imports in 2007 (Tiagi, 2009). While these numbers indicate an increase of 350% since 1998, Canada continues to underperform relative to competitor economies, with the exception of imports from China, which are comparable to many developed Western states (Chen, 2010). Indeed, it could be argued that China's emergence as a trading giant accounts for the dramatic increase in merchandize trade volume, particularly as Canada's trade deficit with China emerged during this period (Khondaker, 2007). Despite the impressive expansion, Canadian trade with China remains small, both in absolute and relative terms.

Canada's lacklustre engagement with China could be attributed to a failure on Ottawa's part to coordinate a coherent economic engagement strategy. Economic engagement with China has always been cast in the public debate as somehow coming at the cost of pursuing a policy that reflects Canadian 'values'. This perspective has persisted, not least because of the 'human security' narrative in Canadian foreign policy under successive Liberal governments. Traditionalists have argued that Canada has been able to manage the underlying tension between a desire for closer trading relations and recognition of contradictory forms of domestic governance through the use of deft diplomacy on human rights and the use of trade missions on the economic front (Evans, 2008). From this perspective, to explicitly link economic opportunities with human rights concerns does little to advance either cause.

Nevertheless, the Canadian government tried to cultivate economic ties independent of political issues, as evidenced by the high-profile (but low yield) 'Team Canada' trade missions in the 1990s under the Chretien government. At the same time, Canada's Department of Foreign Affairs and International Trade (DFAIT) engaged their Chinese counterparts in a bilateral human rights dialogue between 1996 and 2005.

Critics have alleged that this traditionalist posture failed to attain either goal, as Canada has certainly lagged behind its economic competitors and has brought about little overt change in China's human rights policy or the strength of the rule of law (Gilley, 2008; Burton, 2009). This perspective advocates a more assertive posture toward China by directly engaging the Chinese people and civil society on the subject of rule of law reform and human rights. It could be argued that such a policy would result in a serious cooling of the bilateral relationship, which was evidenced by the political tensions created by the Harper government's hard line on human rights issues between 2006 and 2008, an approach the business community blamed for lost economic opportunities in China (Harder, 2008). The Harper government initially took a hard line on China's human rights policy, but did not explicitly link economic ties with a progress on human rights. As will be illustrated below, this policy was short-lived and improvement in the bilateral relationship soon achieved some progress on the economic front in the form of approved destination status for Canada.

Despite the enormous Team Canada missions and the conclusion of a 'strategic partnership' with China in 2005, Canada's share of China's imports has remained fixed (Paltiel, 2010). Traditionalists have argued that the China market is simply too big to ignore and that by not engaging with the Chinese market, the Canadian government risks relegating Canada to the periphery of interactions with the world's fastest growing economy. As Paltiel (2009, p. 111) notes, Canada is no longer America's largest trading partner; this position has passed to China. Given that Canada's economic ties with China have remained static, when controlling for China's enormous boom, efforts to link trade with human rights do not explain the state of the Canada–China economic relationship.

The Canada–China economic relationship should be appreciated in the broader context of Canadian businesses facing powerful disincentives to move away from the US market. Canada's economy has been focused

southwards since before Confederation. The United States still accounts for the overwhelming proportion of Canada's trade – approximately two-thirds of Canada's merchandize trade and over three-quarters of Canadian exports. This trade relationship has created a number of conditions that militate against expanded trade with China, despite the clear potential for growth. The preferential trade conditions created by NAFTA introduce opportunity costs to businesses seeking to expand into China. Furthermore, the bulk of Canada's infrastructure is designed to carry goods south. The Asia-Pacific Gateway initiative is supposed to mitigate this by developing a West to East supply chain from Canada to Asia. Enbridge's Northern Gateway pipeline to Kitimat, British Columbia, is likewise designed to bring oil sands products to Chinese markets. Sinopec's recent investment in key infrastructure is thus telling ('Enbridge Confirms China's Investment', 2011).

There remain several concerns that impede deeper economic relations with China in the area of foreign investment. Canada has reacted strongly to the possible purchase of elements of its mining sector by Chinese state-backed companies. Concerns over Chinese state backed purchases exist in any developed Western economy, particularly as they make up the largest portion of Chinese foreign direct investment (FDI) (Massot, 2011). Canadian concerns about large investment drives into its resource sector are not limited to Chinese Stated Owned Enterprises (SOEs), which was confirmed by the rejection of Australian majority-owned BHP's bid for Potash Corporation in late 2010. Nevertheless, Canadian concerns regarding SOE investments are that the interests of the SOEs may be those of the Chinese state rather than those of a commercial entity. This presents a challenge, because regardless of the SOE's intentions, their considerable financial clout is often welcome. There is no doubt that the Chinese state is interested in investing in the requisite infrastructure to bring oil sands products to the Chinese market; an interest that dovetails with that of the Alberta government and oil sands producers. By contrast, concerns about Sinochem's interest in Potash were that it would seek to keep prices low so as to be affordable for Chinese consumption, which is clearly not consistent with commercial interests (Grant *et al.*, 2010, p. iv). Furthermore, there is the issue of reciprocity. While Ottawa has received some criticism for its reluctance to embrace Chinese investment, no Canadian company can buy a stake in a Chinese mining company without first partnering with a local firm.

3.2 Politics

Following the Tiananmen Square incident, Canada insisted on establishing a regular human rights dialogue with China, which ran from 1996 to 2005. It was curtailed following a review by DFAIT, which assessed that it had been basically ineffective (Burton, 2006). The author of the DFAIT report argued that the Chinese had simply stopped listening and that Beijing was no longer willing to tolerate being lobbied by Western powers on domestic human rights issues (Burton, 2009).

Nevertheless, China's rise has ensured that international media attention is more focussed than ever on internal human rights incidents. Equally, China's growing confidence has seen it pursue its perceived interests with greater vigor than ever before. As a consequence, blunt Chinese demands for the return of wanted criminals like Lai Changxing, or its equally blunt refusal to recognize the Canadian citizenship of Huseyin Celil, an accused Uigher separatist extradited to China from Uzbekistan, has reinforced the hand of those in Ottawa who favor a 'principled' approach to China. It has been against this backdrop that the minority Harper government took a hard-line on political issues while shunning the economic portfolio with China. Harper vowed to raise Gil's case with Hu Jintao at the 2006 APEC summit, pledging not to 'sell out to the almighty dollar'. This was followed by a cooling of the relationship as China downgraded the Canadian file at international meetings and forums (Jiang, 2010).

As noted, there was a degree of continuity in Canada's China policy from the establishment of diplomatic relations under Pierre Trudeau to the end of the Martin government. Perhaps to distinguish itself from this tradition, the Harper government's posture toward China was decidedly more 'principled'. This can be illustrated by its reception of the Dalai Lama, a useful barometer for the direction of a state's political relationship with China. Jean Chretien refused meetings with the Dalai Lama and Paul Martin met him privately at the residence of the Archbishop of Ottawa in 2004. During the Dalai Lama's visit to Vancouver in 2006, he was met by Conservative Ministers Jason Kenny and Monte Solberg. Dalai Lama's 2007 visit was a watershed event for his reception in Canada, which interestingly was uniform across the political spectrum. It was the first official reception by a sitting Canadian Prime Minister of the Dalai Lama, who was made an honorary Canadian citizen. He also

met with the leader of every opposition party in Parliament, the Governor General, and the Speaker of the House (Dignitaries Met, 2005–2010). These actions are cited by Chinese analysts as marking the nadir of Sino-Canadian relations (Liu, 2011). Consistent with the turnaround that began in late 2008, Harper did not meet with the Dalai Lama in 2009 as his government sought to repair the relationship and set the stage for the Prime Minister's visit to China in December 2009. This effort to distinguish the conservative approach from the Liberal approach was confirmed when former Prime Minister Jean Chrétien publicly condemned aspects of the Harper government's China policy, including non-attendance at the opening ceremony of the Beijing Olympics and hosting the Dalai Lama (Makin, 2008).

3.3 Strategic

China's emergence presents a number of direct and indirect security challenges for Canada. Direct bilateral security threats are largely clandestine in nature. Currently, China attracts the largest proportion of Canadian Security Intelligence Service (CSIS) resources tasked to combat industrial espionage. Estimates of the cost of this to Canadian businesses have been placed at CAD 1 billion a month according to former a CSIS official, Michel Juneau-Katsuya ('Chinese Spies', 2005). Cyber security has become more high profile following revelations by the Citizen Lab at the University of Toronto of a worldwide array of computer hacker attacks that may in some be linked with the Chinese state (Arellano, 2009). CSIS director Richard Fadden has publicly articulated concerns about attempts by Chinese agents to influence the decision-making processes of different levels of Canadian government, a concern also noted by his predecessor (Leonard, 2010). Added to this is the concern that Chinese government officials are penetrating levels of Canadian society with the aim of leveraging Chinese nationals living in Canada.

Indirect security concerns are those that alter the environment in which Canadian security policy is made. For example, China's ASAT test and posture towards nuclear non-proliferation are regarded as threats to Canadian national security. Canadian opposition to the weaponization of space is long standing. At the strategic level, Canadian security is linked to the perpetuation of a stable international environment founded on multilateralism. The defining aspect of this order is the

superpower status of the United States. In light of apparent American relative decline vis-à-vis China, it might be worth Canadian policy-makers pondering what the alliance with the United States could look like in a world where Washington leans more heavily on its closest allies. In particular, American military hegemony in East Asia has arguably provided the stable conditions necessary for that region's dramatic economic growth. The potential withdrawal of US forces from the theatre could have knock on effects for the sea lane security that transports Canada's trade to China as well as the entire region. Indeed, according to one scholar, Canadian military planners recognize that the alliance with the United States implies the potential for military action against China in the event of a Taiwan or South China Sea scenario (Gilley, 2011, pp. 247–248). Insofar as American military hegemony in East Asia is consistent with Canadian interests, China is a potential military adversary. As noted by Gilley (2008, p. 124), Canada's overriding objective in the strategic realm would be to adopt policies that facilitate and support China's emergence as a responsible power with a stake in the existing international order.

Canada's ability to influence the emergence of a responsible China may be limited. Potter (2008, p. 10) argues that Canada is an important source of legitimacy for China by virtue of Canada's reputation as a source of 'good offices'. However, it seems that China draws legitimacy from its own values, such as non-interference in the affairs of other states and the appeal of its growth model. These norms resonate in East Asia where Canada remains a peripheral player in regional security architecture due to years of neglect. Although Canada once had a reservoir of goodwill in the East Asian region – a product of its role in the Track II South China Sea dialogues in the early and mid 1990s – this has all but evaporated. Canada's recent accession to the Treaty of Amity and Cooperation provides an entry point for Canada into the East Asian Summit, the next generation of regionalism in East Asia, provided it is invited to participate. As Job (2010, p. 5) noted, the Shangri-la Dialogue, which has emerged as the most important Track 1.5 meeting in the region, has only been attended once by a Canadian defence minister and Canada remains absent from the ASEAN Defence Ministers (ADMM) + 8 meeting. It may be that Canadian leaders perceive Canada's ability to influence the East Asian security agenda as limited and not worth the investment of considerable resources. However, it is

worth remembering that China's preferred vision of regional institutional order does not include Canada, or the United States. Canada's ability to directly affect the trajectory of China's emergence may ultimately depend on how much of the current order China is willing to accept as it rises.

4 Bandwagoning for profit, balancing for security: Australia's response to China

Australia's contemporary approach to its relationship with China is highly transactional in nature, with unwelcome tensions intruding periodically over internal governance issues within China. Since the two countries' formal establishment of diplomatic relations in 1972, Australian endeavors to engage China have been guided by an attempt to avoid commentary on Beijing's domestic conduct and emphasize the close complementarities between Australia and China. Australia was the first country to initiate a bilateral human rights dialogue with China, in 1991, which was formalized as an annual process in 1997. Yet, successive Australian governments have been conspicuous in their shared willingness to avoid commenting publicly on human rights in China. It is noteworthy that Australia, like a number of European states, acceded to Beijing's request 'that continuing bilateral dialogue be conditional upon Australia refraining from co-sponsoring a China resolution in the UN Human Rights Commission' (Kent, 2001, p. 619). Only when high-profile events, such as the Tiananmen Square incident and coverage of ethnic unrest in Tibet and Xinjiang, intervene has Canberra felt it necessary to comment publicly on China's domestic system. Despite former Prime Minister Kevin Rudd's high-profile questioning of China's policies on Tibet, this approach enjoys strong bipartisanship among political parties, and has been maintained under the current Gillard government. Former conservative Prime Minister John Howard's link between his government's decision to drop Australia's support for a UN resolution condemning China's human rights performance and its strong courting of China economically – specifically in relation to Australian energy export contracts – exemplifies Australia's traditional approach to China (Howard, 2010, pp. 503–504).

Three factors help to explain Australia's China engagement strategy. The first is the self consciously pragmatic foreign policy tradition shaping Australia's engagement with the outside world that tends to

reflect Australian political culture more generally (Wesley, 2009). When they have come into conflict, normative principles have usually been trumped by more immediate strategic goals. The second factor that helps to explain Australia's approach to China is its enduring sense of vulnerability. This remains a central thread running through Australian strategic policy and is informed by the country's geographical distance from traditional allies and the perception that Asia is a source of security threats, as well as commercial opportunities. Succeeding his Labor predecessor Gough Whitlam in 1975, conservative Prime Minister Malcolm Fraser had characterized China as 'the great unknown' in security terms, but in his memoirs Fraser notes that 'this was all the more reason to seek good relationships with it' (Fraser and Simons, 2010, p. 460). Finally, Australia's status as a secondary power in a world where major powers typically determine the outcomes on key global issues means that interaction at all levels with China is asymmetrical (White, 2005). Seen in this context, engaging China on terms that appeal to Beijing makes sense for Australian policy-makers.

4.1 Economics

The economic realm dominates calculations in the Sino-Australian relationship. This was the case even before the two countries established formal diplomatic relations. Trepidation on Australia's part about the potential security threat from China, and concern in Beijing over Australia's alliance with the United States has never inhibited robust economic relations between the two countries. This was particularly evident during the 1960s, a period in which the rhetoric of Australian governments was consistently hawkish about the threat from 'Communist China' (Clark, 1967, pp. 161–211). Over the space of this decade, Australia supplied China with more than one-third of all its wheat imports, along with smaller amounts of coal and iron ore (Price, 1985, p. 182). Australia's anxiety over China's nuclear weapons test in 1964 and Beijing's support for Southeast Asian Communist parties had little impact on Australia's willingness to export large amounts of agricultural and mineral commodities to China. Thus it was clear, even during the Cold War, that Australian and Chinese policy-makers were comfortable with pursuing economic interaction independent of political and strategic interaction.

This dual track approach to economic and political-strategic relations remains a major feature of the contemporary Sino-Australian relationship. Some critics have claimed that Australia's concern over China's strategic posture in Asia is somehow inconsistent with the highly interdependent nature of the bilateral economic relationship (Kelton and Leaver, 2010, pp. 263–264). However, Australia's position remains analogous to the defensive realist position of other US allies in the Asian region, including Thailand and Japan (see Manicom and O'Neil, 2009; Murphy, 2010). Like Australia, these states actively pursue a strategic policy toward China that balances for security by retaining the US alliance and bandwagons for profit with China through a close economic relationship.

The growth of the bilateral economic relationship with China is the single most prominent development in Australia's engagement with Asia since the end of the Cold War. Today, China is Australia's largest two-way trading partner and in 2009 it became Australia's biggest export destination, a position previously held for over three decades by Japan (DFAT, 2010a). Increasing Sino-Australian two-way trade and investment began to take off in the late 1980s, but really started to accelerate in the late 1990s. The phenomenal growth in the trading relationship has been underscored dramatically by the conclusion of major contracts in the resources sector, most notably the 2010 agreement for Australia to supply China with liquid natural gas for 20 years, a deal worth AUD 60 billion (Sharples, 2010).

Australia–China economic relations have not been without tensions. In an age where the health of the Australian economy is inextricably tied to Chinese economic growth, it would be surprising if this were not the case. Bilateral frictions appeared to crystallize in the wake of China's unsuccessful attempt in 2009 to push down the benchmark price for Australian iron ore. The subsequent arrest on espionage charges of a senior Australian Rio Tinto employee based in China that year injected further tensions into the bilateral relationship. Tensions have also been evident in the area of China's FDI in the Australian resource sector. China is now only second to the United States as the dominant investor in the Australian economy and almost all of its investment is in the mineral exploration and development sector (DFAT, 2010b). There has been a rapid growth trajectory since the mid-2000s and, as a consequence, a record number of Chinese applications to Australia's Foreign

Investment Review Board (FIRB), whose role is to provide recommendations on specific applications to the Treasurer ('Concern Over Foreign Investment', 2010). Notwithstanding their strong support for greater economic links with China, both the Howard and Rudd governments signaled their discomfort over the prospect of Chinese sovereign wealth funds capturing key areas of Australia's strategic resource market. With a strong strain of resource nationalism never far below the surface in Australia's political discourse, this concern was echoed in more populist terms by a range of State and Federal politicians (Wilson, 2011, pp. 287–290).

Beijing's dissatisfaction over Australian government decisions to limit the extent of Chinese investment in the resources sector in 2008 and 2009 was accentuated by the lack of transparency of FIRB decision-making criteria (Kirchner, 2010). This led to some concern being expressed in Australian business circles, with one well-known mining magnate labeling the government's foreign investment rules as anti-Chinese and 'racist' (Walker, 2009). The Rudd government focussed carefully on responding to Chinese concerns by emphasizing the number of Chinese investment approvals that had been granted. Trade Minister Simon Crean (2010) said that 170 Chinese investment applications had been approved since late 2007 and that 'only five of these have involved undertakings, conditions or amendments[…]none have been rejected'. The high-profile visit to Australia in June 2010 of China's Vice President – and designated successor to Hu Jintao – Xi Jinping during which he signed more than $10 billion worth of resource-related contracts between Chinese and Australian companies, signaled the end of a period of tension between the two countries over economic issues (Rae, 2010). However, as bilateral economic interdependence continues to grow, Beijing and Canberra will struggle to maintain equilibrium in relations and it is highly likely that tensions will recur at periodic intervals.

4.2 Politics

Politically, the relationship with China poses considerable challenges for Australian policy-makers. As Zhang (2011) notes, 'the closer and more important the bilateral relationship has become, the more magnified the differences in values, political systems and security interests between the two countries, and the more difficult and complicated it has become for Canberra to reconcile its diverse national interests'. The obvious tensions

between instrumental economic transactions and the normative differences between the two countries over human rights in particular have proved problematic for Coalition and Labor governments to manage. This was evident in the case of the former Prime Minister (and current Foreign Minister) Kevin Rudd, the first Western leader to speak fluent Mandarin, and someone with a deep knowledge of Sinology. Expectations on both sides that bilateral relations would flourish after his government was elected in late 2007 quickly evaporated when it became clear Rudd intended to raise human rights directly, and in a number of cases publicly, with his Chinese counterparts. Rudd's deep admiration of Chinese civilization contrasted sharply with his profound distaste for its authoritarian system, and while Sino-Australian trade and investment flourished under his government, there was evident relief in Beijing when he was replaced by Julia Gillard as Prime Minister in June 2010.

The policy pursued by successive Australian governments of quarantining the economic relationship from human rights and governance issues in China has been generally successful, but is dependent on the issues receiving minimal coverage in the media. In particular, Chinese attempts to directly influence political discourse in Australia – the most public being Beijing's insistence in 2009 that the biographical film of a leading Uighur figure be prevented from being screened at a Melbourne festival event – raise questions in Australia about the extent to which the economic relationship can be quarantined from political considerations. Despite the manifest economic rewards, Australian public opinion remains highly ambivalent about engaging with China, with a recent leading poll indicating that 75% of respondents 'agreed China's growth had been good for Australia', nearly two-thirds of respondents 'disagreed Australia was doing enough to pressure China to improve human rights' (Hanson, 2011).

From a broader perspective, there was a concern in some quarters during the Bush administration that Australia was drifting toward China's political sphere of influence in Asia. This stemmed from the argument that China seeks to exploit Australia's dependence on Chinese economic growth for political gain. Australia would become, according to one observer, 'increasingly vulnerable to China's particular form of soft power, which … makes current and future relations, including trading relations, dependent on Beijing's approval of a

country's conduct towards China' (Wesley, 2007, p. 126). For some, this was symbolized by the respective receptions for President Bush and President Hu Jintao, both of whom delivered consecutive addresses to the Australian parliament in 2003. Bush was greeted by protesters, heckled during his address, and his visit lasted less than 24 h. In contrast, Hu Jintao received a solemn reception and was engaged by a wide cross section of Australia's political and business elites. The decision to bar pro-Tibetan activists from parliament appeared designed to assuage official Chinese concerns and was notably at odds with Australia's liberal democratic tradition of free speech (Manicom and O'Neil, 2010, pp. 36–37).

Yet, Australian policy-makers sought to reassert the parallel track policy of quarantining economic relations from political relations. This has coincided with the blunting of China's soft power projection regionally – reflected and reinforced by a series of missteps by Beijing in its dealings with regional governments – and the reassertion of America's commitment to Asia under the Obama administration (see Holyk, 2011). While some of his domestic opponents portrayed former Prime Minister Rudd as 'a travelling advocate for China' because of his deep knowledge of the country, political relations with Beijing deteriorated sharply under the Rudd government. Bilateral tensions over human rights were reinforced by the view that China is increasingly on the back foot in Asia as a number of countries pushed back against Beijing's strident rhetoric on territorial issues and criticize its apparent unwillingness to put any meaningful pressure on unsavory regional partners, North Korea and Burma. As outlined below, discussion within Australia over what a Chinese-led regional order might look like has brought into stark relief for many the political differences that separate China and Australia.

4.3 Strategic

In geopolitical terms, Asia is Australia's primary area of concern and constitutes the key focus for strategic planners. Since federating in 1901, Australia's national security strategy has been founded on protecting the sovereignty of the state through the politico-strategic instruments of alliances with great powers and the promotion of a military defence capability aimed at deterring conventional threats from emerging in Asia. In the

contemporary context, it is the shifting role of the major powers in Asia that will determine the region's future security dynamics. Some authors have been careful to emphasize that the United States will remain the dominant strategic player in Asia due to its enduring role as the region's maritime power, in contrast to China which remains primarily a continental military power despite dramatic advances in its naval capability and sea-denial capacities (see Ross, 2010). Yet, barring any major internal upheaval in China, the relative shift in Asia's balance of power will continue to evolve. While a strong degree of caution should be exercised in assuming the US decline in coming years, there can be little doubt that China's ascent, both economically and politically, will continue to challenge America's seven decades of dominance of Asia. This has major consequences for Australia because its strategic policy since World War II has been predicated on the assumption that American regional primacy in Asia will remain unchallenged (White, 2010).

Australian governments remain wary of China's intentions in Asia. Yet, the nature of discourse within Australia over China's strategic goals in the region is more nuanced today than it has been in the past. Assessments of Chinese military capabilities by Australia's intelligence agencies have consistently been less alarmist than those of their US counterparts and more explicit about the various constraints facing China's strategic planners. This was evident during the preparation of Australia's 2009 Defence White Paper – a document concerned with Australia's security environment out to 2030 – when the Office of National Assessments (the country's premier strategic assessment agency) and the Defence Intelligence Organisation provided input markedly at odds with the more hawkish assessments of the White Paper drafting panel (Stewart and Walters, 2009; see also Department of Defence, 2009, p. 34). It is clear that although Australian policy-makers recognize that China's strategic influence, including its power projection capabilities, is increasing relative to those of the United States, they have no intention of trying to 'persuade America to relinquish primacy in Asia' as recommended by former senior Defence official Hugh White (2010). It appears that Australian strategic policy-makers are not persuaded by arguments that the strength and credibility of US primacy in Asia is under threat. If anything, the Rudd and Gillard Labor governments have been more steadfast in their public pronouncements on this point than was the previous Howard government.

However, it would be wrong to conclude that Australia is unconcerned about China's increasing ability to complicate American military planning in Asia. There is an appreciation that Washington's capacity to unilaterally determine strategic outcomes by dint of its conventional military power is being gradually offset by China's rising ability to deny the United States unfettered access to key parts of the maritime environment in East Asia. Dramatic advances in Chinese naval capability, including unprecedented investment in anti-ship strike capabilities, coupled with growing doctrinal emphasis on sea-denial operations, means that any future US conventional intervention in East Asian crises will be increasingly costly (Li, 2009). This was underscored following the release of Australia's 2009 Defence White Paper, which drew attention to Australia's anxieties over 'the scope, pace and structure of China's military modernisation, which has the potential to give its neighbours cause for concern if not carefully explained' (DoD, 2009, p. 34). As revealed by Wikileaks, the muscular tone of the Defence White Paper was indicative of the hawkish private views of then Prime Minister Rudd regarding China's strategic intentions which he conveyed to the US Secretary of State Hillary Clinton ('US Embassy cables', 2010).

This hardening of Australian views toward China's strategic role in Asia contrasts sharply with earlier trends under the Howard government that suggested that policy-makers had little concern over China's increasing regional clout. Comments made by then Foreign Minister Alexander Downer in Beijing in 2004 that Australia would not necessarily feel bound by its ANZUS alliance obligations to support the United States in the event of Taiwan Strait contingency involving the United States and China were received critically in Washington. Downer's remarks were in stark contrast to the Howard government's earlier strong backing of the Clinton administration's decision in 1996 to dispatch an aircraft carrier battle group to the Taiwan Strait to deter Chinese intimidation in the lead up to elections on the island, which triggered a nadir in relations between Canberra and Beijing. This was an indication that, between 1996 and 2004, the Howard government reassessed Australia's position on the Taiwan Strait issue in light of a host of factors. Deepening economic interdependence with China was undoubtedly one of, if not the strongest, of these factors.

5 Explaining Canada and Australia's approach to China's rise

The analysis in this article has revealed several commonalities between Australia and Canada's approach to China's rise. Both middle powers have demonstrated a strong degree of pragmatism in their approach to China, as successive governments have sought to balance economic opportunities with the political challenge of managing at times complex relations with Beijing. Public opinion in both countries has been consistently ambivalent about China's human rights record and its authoritarian system of governance, while at the same time indicating a desire to capitalize on the unprecedented economic opportunities resulting from China's rise. This form of cognitive dissonance underlying grass roots perspectives on China in both countries has presented considerable policy challenges for Australian and Canadian policy-makers. While Australian policy-makers have, for the most part, resisted commenting publicly on China's domestic political situation, Canadian policy-makers have been more inclined to pursue the issue in bilateral dialogues. Sensing strong public unease – and informed by a genuine discomfort with China's authoritarianism – governments in both countries have stood their ground when China has sought to influence internal affairs in Australia and Canada.

Notwithstanding similarities with Canada in this area, Australia has a far more robust trading relationship with China. Both countries, however, confront the challenge of state-sponsored Chinese investment in their resource sectors. This, like China's system of governance, poses sensitive (and at times delicate) challenges for Ottawa and Canberra. Wishing to avoid the perception that they are discriminating against Chinese investment, Australian and Canadian governments are conscious of limiting the influence of state-sponsored foreign entities in strategic sectors of their economy. This challenge remains especially pressing for Australian governments due to the higher level of Chinese investment in the country, and the increasingly strong link between continued inflows of this investment and Australia's economic performance. This will only become more acute in future as the trade and investment relationships intersect to a much greater degree with the push by Beijing to control the extractive and transport infrastructure on Australian soil that exports resources to China. So far, no government in either country has

articulated an integrated strategy for dealing with the challenge of Chinese state-sponsored investment, preferring instead to apply domestic investment legislation on a case-by-case basis using vague and at times opaque criteria.

There are several notable differences between the approaches of Canada and Australia in dealing with China. The most salient is evident in the security realm. While Australia has been far more successful than Canada in expanding bilateral trade with China, Australian policy-makers have, somewhat paradoxically, exhibited greater degrees of anxiety about the security implications of China's rise – certainly more serious than those articulated by their Canadian counterparts – in the context of deepening economic interdependence with China. In other words, Australia's concerns about China's intentions have become *more* acute at the same time it has developed an increasingly intimate economic relationship with Beijing in the economic realms. This provides an interesting puzzle for liberal theories of international relations, which hold that the security dilemma is gradually mitigated over time as economic interdependence between countries rises. What factors explain this?

The relationship with China has been the target of partisan politics in both countries, which in the Canadian case unsettled the relationship for two years. Ottawa's willingness between 2006 and 2008 to be explicitly critical of Chinese human rights violations can be attributed to partisanship in China policy, as the conservatives endeavored to distance themselves from Liberal Party foreign policy, which had been characterized by an avoidance of openly criticizing China on human rights issues. While partisan concerns may have sparked the more assertive posture toward China, this same posture received bipartisan support as illustrated by the scope of the political reception for the visiting Dalai Lama in 2007. In contrast, China policy has rarely been a partisan issue in Australia, with the exception of a brief period under the Rudd government when the conservative opposition parties drew a link between Rudd's China expertise and what they portrayed as his overly sympathetic approach in his dealings with Beijing. Given the intense antipathy of China's leadership toward Rudd, this constitutes one of the more arresting ironies in recent debates on Australian foreign policy.

Geography can help to explain some of these differences. By virtue of proximity, it can be argued that relations with China inevitably have

greater priority in Canberra than in Ottawa. While proximity has been a distinct advantage in the economic realm in building the bilateral trade and investment relationship with China – it is actually cheaper for Beijing to import iron ore from Western Australian than it is to transport the resource from remote areas of China – in the strategic realm, Australia's proximity to China may explain Australian policy-makers' anxieties about China's military expansion. The growing naval clout of China's force projection capabilities concerns Australian policy-makers, not just in terms of the challenge it may pose in future for Australia's capacity to safeguard its key shipping transit lanes in the region, but also the very real challenge it will pose to the US maritime dominance in Asia. The potential for increased tension between Australia's security ally, the United States, and its number one economic partner, China, in such circumstances would be significantly enhanced.

Canada, in contrast, appears far removed from the East Asian theatre, which limits both economic and strategic interactions with China. This may be an oversimplification, however. If Vancouver is used as a center in a gravity of trade model, the difference in distance to China between Canada and Australia shrinks to approximately 130 km (Chen, 2010, pp. 7–8). Geographic proximity therefore does not appear to offer a compelling explanation for Canada's suboptimal performance in trade with China. Alternatively, this may not be the correct interpretation of the impact of geography. It could be that geographic proximity to the hegemon (the United States), rather than the rising power offers a more compelling explanation. Unlike Australia, which has, since the 1960s, increasingly geared its trade strategy away from Europe and North America and toward Asia, Canada's trade interests are still firmly locked into the North American region, and more specifically the US market.

Proximity to the hegemon explains two important economic and strategic realities for Canada and Australia. First, by virtue of its proximity to the United States, the Canadian economy is not as diversified as Australia's. The US accounts for over 80% of Canadian trade, which creates an acute degree of path dependency in trade policy and practice. In contrast, although China is Australia's largest trading partner, the Australian economy is far more diversified than Canada's. For instance, while China receives the largest share of Australia's merchandize exports at 21.6%, Japan received 19.5%, and South Korea, India, and the United States all account for at least a 5% share (DFAT, 2009). In contrast, the

United States received 75% of Canada's exports in 2010, followed by the UK with 4% and China at 3.3% (Industry Canada, 2011). While both Australia and Canada export the resources that China desperately needs to fuel its economic growth, these can be more readily accessed from the Australian economy that is already geared toward the export of raw materials to East Asia because of its long-standing export relationships with Japan and South Korea. Put simply, Canadian trade strategy, and the infrastructure that underpins it, is predisposed to head south.

Secondly, proximity to the United States also explains the direction of domestic debate and discussion on the strategic dimension of China's rise. Both Canada and Australia are within the range of China's long-range missile forces, yet strategic anxiety about China seems higher in Australia than Canada. Unlike their Canadian counterparts, who are, by definition, protected by the US security umbrella due to their location on the North American continental landmass (regardless of any political decisions they may take), Australian strategic planners harbor a skepticism that US policy-makers would risk exposing Los Angeles to defend Sydney. As a consequence, maintaining a 'self reliant' military capability to counter threats to Australian sovereignty at sea and in the air is seen as the optimal path to security. More specifically, Australia's defence acquisition strategy seems to be moving toward achieving capabilities that could support either a US-led coalition against China as well as those that would provide Australia with the ability *itself* to impose military costs against China that would act to deter Chinese aggression in a scenario where the United States was not directly involved in such a future conflict. This was certainly the theme of the 2009 Defence White paper, which shifted Australia's defence acquisition guidance away from a focus on regional interventions and peace-building operations to classic state-based warfare, particularly in the maritime sphere of operations. The White Paper calls for the purchase of 12 advanced conventional submarines, which builds on existing programs aimed to counter the Chinese navy such as the acquisition of air warfare destroyers and the purchase of 100 F-35 fighter aircraft (DoD, 2009, pp. 70–86).

This stands in stark contrast to Canada, where the public anticipates a peace dividend following the withdrawal of Canadian troops from Afghanistan. The Harper government has been silent on any conventional military threat posed by China and has instead used its focus on Canadian Arctic sovereignty to make the case for new military spending, which may

explain the skepticism surrounding the purchase of 65 F-35s (Wingrove, 2010). Furthermore, Canadian public debate has not witnessed the kind of speculation seen in Australia on Australia's role in a Taiwan scenario. As Job (2002, p. 174) argues, Canadian security concerns in the Asia-Pacific region relate mostly to state-building and the enhancement of regional institutions, rather than conventional military threats. This stands in stark contrast to the growing debate in Australian strategic policy circles about the potential security threat posed by China's rise.

This article yields three primary variables endogenous to middle power foreign policy which one could generalize from Canadian and Australian behavior to trace the response of Western democratic middle powers to the rise of China. As noted in Section 1, our analysis leaves aside the exogenous question of how China will behave with respect to its approach to middle power democracies in the future.

The first variable relates to geographic proximity to the rising power and to the hegemon. This affects not only strategic questions like security, but also the flow of trade. Geography clearly matters in explaining the respective responses of Canada and Australia to the rise of China, particularly as they pertain to the strategic realm of interactions. The second variable is the predisposition of a state's trade infrastructure. Both Canada and Australia sold wheat to China prior to diplomatic recognition, but only in Australia's case did this relationship yield a dynamic economic relationship. We suspect that this is because Australia had an existing trade infrastructure directed toward East Asia, and one which historically focussed on delivering the sorts of resources that China demands in such large quantities today. Canada, in contrast, has been, and today remains, economically focussed southwards. The third variable is the extent to which China becomes a partisan issue in domestic political debates. The issue of human rights – and, more broadly, Chinese authoritarian system of governance – has the real potential to expose tensions between those who believe the middle power democracy should be as pragmatic as possible in exploiting economic opportunities with minimal reference to China's internal system and those who maintain that liberal democratic values should play a dominant role in dealings with Beijing across all sectors, irrespective of any cost that may be incurred as a result. As we have seen in the case of Canada particularly, this tension has a capacity to influence substantially the sort of policy approaches adopted by middle power democracies in their relations with China.

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