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China's expanding economic and strategic weight is redefining the East Asian regional order and underpinning Australia's longest period of economic success. China is now our largest trading partner. Yet, in the next three to five years, the Australia-China relationship and China's reshaping of our region will potentially pose four policy challenges that could determine the future path of Australia-China relations and our place within East Asia and add a new dimension to Australia's relations with the United States and Japan.

The two broadest challenges are regional in scope. The first is an enduring one. China's rise has greatly complicated the network of Australia's most important bilateral relationships in East Asia. For the first time, Australia's main strategic partner globally, the United States, and its largest economic partner and main power in East Asia, now China, are not alliance partners but rather strategic competitors. Australia finds itself as the smallest and most peripheral point in a strategic diamond along with the United States, China and Japan, our three largest trading partners.

While Australia maintains 'best ever' relations with each of these global giants, the same cannot be said of US-China relations or Japan-China relations, both of which have become more tense and uncertain over the last decade. Beijing, officially and unofficially, is increasingly willing to question Australia's defence relations with Japan and the United States and to seek closer defence links with Australia itself.

The next government will have to resist pressure from China to give it a say over Australia's relations with either the United States or Japan. It will also have to ensure that our growing defence ties with each part of this strategic diamond are not misunderstood or misrepresented by others.

The second regional challenge is quite familiar but with a new China twist — how does Australia ensure that it is part of East Asia's economic and diplomatic integration rather than watching it as an outsider. China's rise has invigorated East Asian regionalism through the creation of the ASEAN + 3 grouping in 1997 and the East Asian Summit (which includes Australia) in 2005. China's growing regional diplomatic weight means that it will help decide

which of the three different regional groupings in East Asia — APEC, the East Asian Summit and ASEAN + 3 — rises to the top.

It is far from clear that Australia's interests here are congruent with China's. China favours ASEAN + 3 which excludes Australia. Taiwan's membership in APEC cools China's interest in this group, while Japan is taking the lead in the East Asian Summit. If, with Chinese sponsorship, ASEAN + 3 becomes the premier regional integration body with APEC fading into irrelevance and the East Asian Summit never building on its early beginnings, Australia would be on the outside along with the United States.

The third meeting of the East Asian Summit will be held in Singapore on 21 November. If the Australian election is over before this date, then the Summit would provide the Australian leader a great opportunity to discuss with Australia's regional partners the future of the region and Australia's plans for the next three years and beyond. If the election takes place after or on 21 November then Australia's chair will most likely be empty at this year's Summit where the future of the organisation will be top of the agenda.

The next Australian government should also push hard to conclude preferential trade deals with Japan and China and to launch one with South Korea as a hedge against any regional trade deal that excludes us. New Zealand is deeply worried that a Japan-Australia trade deal could seriously hurt its economy through its trade and investment diversion effect on New Zealand.

On the question of preferential trade deals, the next government may face the very difficult challenge of either aborting trade negotiations with China or signing up to a deal that is not comprehensive despite earlier assurances to the contrary. The negotiations since 2005 have moved very slowly with no discernable end in sight. This is not simply due to hard bargaining over sectoral interests but rather a fundamental difference in approach. Australia is pursuing a commercial deal covering all areas of the economy while China seeks a partial, politically palatable deal.

AUSTRALIAN VOTERS' GUIDE TO INTERNATIONAL POLICY

Not signing a deal would certainly annoy the Chinese government, especially as this is its first negotiation with a major developed economy, and China is already copping a lot of international flak for its trade policy. Signing a partial deal that excluded major commitments in agriculture or services would weaken domestic and international support for Australian trade diplomacy and open up the government to charges of kowtowing to China for political reasons.

The final challenge is the most remote but could be the most damaging if it eventuates and one where there is no ready policy prescription. There is bipartisan support in Australia for a relationship with China that emphasises the great economic complementarity between the two countries while only acknowledging the significant political and ethical differences that divide them. There has been little or no debate in Australia about the fact that we are negotiating a trade deal with a one-party state led by the Chinese Communist Party. This sound, pragmatic approach could be threatened by an incident that focuses attention on these political differences.

Next year, the Beijing 2008 Olympics mean that many more Australians will be visiting China and our national attention will be focused on China. This increases the chances of Australian citizens finding themselves in legal strife in China at a time when the media focus on China is at an all-time high. What would the public reaction be to an Australian being convicted of a capital crime in China and facing the death penalty? The Van Tuong Nguyen case created a sudden, serious political management problem for both Singapore and Canberra, as did the Schapelle Corby case for Jakarta and Canberra. A similar case in China could cause similar populist trouble as our relationship with China is newer than that with Singapore and is not underpinned by similar strategic aims or a common link to British political heritage.