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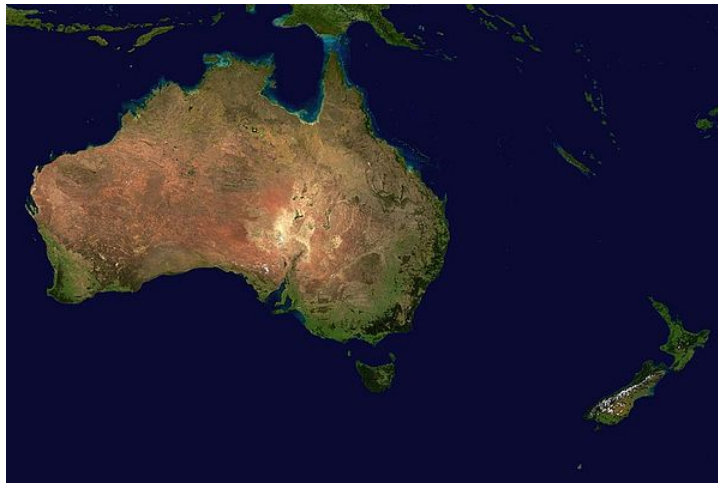
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Hedging or Balancing? Australia and New Zealand's Differing China Strategies

Different approaches to China have led to different results for Australia and New Zealand.

By **Lai-Ha Chan**

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Credit: [NASA](#)

The closeness of the Trans-Tasman relationship, from the ANZAC tradition to a common heritage, has long been [“characterized by shared perceptions on most issues of mutual concern.”](#) While the United States remains the ally and security protector of both Australia and New Zealand, China, currently, is their top trading partner and they both enjoy a trade surplus with China. Despite these commonalities, Australia and New Zealand have recently recalibrated their policy toward China — but in different directions and with different results.

Since the launch of the trade war between China and the United States in 2018, Washington has been more vocal about scrutinizing investment from Huawei and ZTE. After a meeting among the Five Eyes intelligence-sharing allies in Gold Coast, Australia in 2018, both Canberra and Wellington decided to ban Huawei from participating in their 5G networks. However, there was a subtle difference in how they framed and justified their ban. The Australian government [expressed national security concerns](#) over China’s telecommunications investment in Australia. In contrast, New Zealand [framed its choice](#) as a “country-agnostic” decision, “made by bureaucrats, not politicians.” Although they made the same

decision on Huawei and ZTE, Wellington's "country-agnostic" framing has so far allowed its economic relations with China to avoid being sanctioned.

More recently, Australia took the lead in calling for an independent, international, and impartial investigation of the COVID-19 pandemic by the World Health Organization (WHO) in April 2020. This immediately received strong backlash from Beijing. The Chinese ambassador in Canberra hinted that Chinese consumers (e.g., students and tourists) might boycott Australia and its agricultural products. Australian Foreign Minister Marise Payne [repudiated the threat](#) as "economic coercion."

Despite having more than 130 countries' support for an investigation, which was eventually adopted by the WHO on May 19, the resolution was a compromise one as a result of the push-back from Beijing. It did not refer to China and only asked the WHO to work with the World Organization for Animal Health and the Food and Agriculture Organization to investigate the origin of the outbreak "after the disease is fully contained." It might take years for the pandemic to be "fully contained," in light of the outbreak of second wave in many countries, such as China, South Korea, and Australia. Also bear in mind that the FAO is now headed by a Chinese citizen. How far the investigation can go is a moot point. The Sino-Australian relationship [has deteriorated rapidly](#) since the Australian initiative.

On the other side of the Tasman Sea, although New Zealand was one of the 130 countries calling for setting up an independent inquiry into COVID-19 and was also backing Taiwan to join the WHO as an observer, its approach was more prudent. [According to the Washington Post](#), "Arden waited until a coalition of dozens of countries were ready to seek an inquiry

before backing one, and said New Zealand was not interested in a ‘witch hunt.’”

In the midst of the pandemic in early June 2020, heads of the foreign ministries of the Five Eyes countries held a conference to discuss their common concern over Hong Kong’s autonomy, alongside the transparency on COVID-19 and supply chains. [Four of them released a joint statement](#) condemning the Chinese government for its decision to impose a new national security law on Hong Kong, and stating that the new law threatened Hong Kong’s status as a “bastion of freedom.” Instead of joining the other four members of the Five Eyes, New Zealand issued a [separate and yet similar statement](#), expressing the country’s “deep concern” about the new security law as it “erodes Hong Kong’s autonomy and the system that made it so prosperous...” This separate statement made the same point as the joint statement. Why did the Ardern government not sign the joint statement but deliver an almost identical message alone?

The art of the delivery is the key. By voicing its concern over Hong Kong’s freedom, Ardern has showed its allies and the world that New Zealand stands for and treasures the democratic values of freedom and human rights. Simultaneously, from the position of Beijing, this separate statement is perceived as less confrontational than a collective one; Wellington thus could “escape” the wrath of its top trading partner. Australia also [acted earlier than New Zealand](#) in suspending the extradition treaty with Hong Kong, offering a “safe haven” for Hong Kong people, and more significantly issuing a travel advisory to its citizens, cautioning them against travelling to Hong Kong. The [advisory says explicitly](#) that “Under the new national security legislation for Hong Kong, [Australians] could be

deported or face possible transfer to mainland China for prosecution under mainland law.”

Alongside these developments, in June 2020, the Morrison government announced US\$186 billion (A\$270 billion) in military spending in the coming 10 years, a [40 percent increase](#) from its previous budget for 2016-2026. In a press conference on his “defense reset,” Morrison emphasized the need for Australia to prepare for a post-COVID-19 world that is, in his words, “poorer, more dangerous and more disorderly.” Although he refrained from naming China, the media and strategists, e.g. Peter Jennings of the Australian Strategic Policy Institute (ASPI), have [portrayed the new defense strategy](#) as aimed at countering the rise of China. The framing of the current “defense reset” has pushed Sino-Australian relations into an even worse situation. According to China’s *Global Times*, the Chinese authorities are [considering suing the ASPI](#) for libel.

The difference between the New Zealand and Australian approaches to China could be understood as the difference between hedging and balancing. Hedging is a risk management or mitigation policy similar to insurance. In academic circles, strategic hedging is highly contested and widely (mis)understood as a mix of balancing and bandwagoning. While balancing is driven by the desire to protect the state from clearly identified and unambiguous security threats, hedging [focuses on risk management](#) with the objectives of reducing a potential security risk, lessening the likelihood that a threat will materialize, and mitigating harm if potential threats materialize. Hedging [is defined as](#) the policy that sends “ambiguous signals to competing powers about its possible future alignment decisions” to *reduce* a security risk. In other words, [hedging means](#) “eschewing clear-cut alignment with any great

power, and in turn creating greater uncertainty regarding which side the secondary state would take in the event of a great power conflict.”

One of the biggest common potential risks that both Oceanic countries are facing is economic security or, to be more precise, their economic dependence on China. A successful hedging policy should allow them to mitigate the risk of incurring economic insecurity by sending “*ambiguous* signals to competing powers about ... possible future alignment decisions to *reduce* a security risk.” For example, Canberra should paint the “defense reset” as not purely due to China when it, in fact and more importantly, serves as [a response to Trump's erratic policy](#) toward U.S. allies and prepares for a “less reliable and less resolute” Washington in defending Australia’s interests in the region. The Australian government should carefully frame the issue without showing that it is aligned with the United States against China.

A small country with a population of 4.8 million only, New Zealand has been sending ambiguous signals to both China and the United States. As a Western liberal democratic country, it vouches for liberal values and norms, but it simultaneously eschews framing itself or being seen as the so-called “deputy sheriff” of the United States in the Asia-Pacific. By comparison, Australia is more proactive in bringing about or taking part in a coalition of “like-minded” countries to balance against China. This Australian approach has aroused the ire of China and now Australia is bearing the brunt of Chinese economic reprisals.

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