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**RIVALS WITHOUT, ENEMIES WITHIN:
STANDING UP FOR DEMOCRACY IN THE 21ST CENTURY**

The Honorable Malcolm Turnbull AC

Ditchley Annual Lecture 2021

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Two days in two places, six months apart. One at the heart of America's democracy. The other at the heart of China's autocracy.

On January 6 in Washington DC a mob stormed and sacked the Capitol. It was an insurrection, egged on by President Trump and intended to stop the Congress certifying the election of Joe Biden. The Vice President and the members of the most powerful legislature on earth fled for their lives. As unable to combat the virus as it was to protect its Congress, a battered America had never seemed so exhausted or so divided.

On July 1 in Beijing, President Xi Jinping presided over the celebration of 100 years of the Communist Party - China's rulers for 72 of them. Thousands of soldiers and handpicked cadres marched and cheered. From the very place where Mao Zedong founded modern China in 1949, Xi radiated pride, confidence and power. China was stronger, richer and more united than ever.

Populist madness clawing at it from within, a disciplined rival challenging it from without - is liberal democracy caught helpless, smashed between the hammer of Trump and the anvil of Xi? Or, will it emerge, re-forged, renewed and resilient?

Politics, the ambition of individuals and nations alike, are hard enough to navigate. But right now our biggest threats are from forces we cannot bully or cajole. Biology and physics, pandemics and global warming, cannot be addressed without concerted global cooperation and specifically without a commitment to action by both the United States and China. And yet the two superpowers seem politically more apart than they have been since the Cold War.

After China joined the WTO in 2001, it has become more and more integrated into the global economy. And as a consequence, the world has never seen so many people rise so quickly out of poverty. The rest of the world assumed that rising prosperity and private ownership of property and enterprises would inevitably result in greater liberalisation. Instead, we have seen China under President Xi become richer, the world's second largest economy, and more innovative, leading in patent lodgements and with at least four of the top ten Internet

Ditchley Park, Enstone, Chipping Norton, Oxfordshire OX7 4ER

T +44 (0)1608 677346 **E** info@ditchley.com **W** ditchley.com

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companies. But at the same time more authoritarian, controlled and intolerant of dissent as we have seen brutally demonstrated in Hong Kong and in Xinjiang.

The business culture is enterprising, and in many sectors fiercely competitive. The disruptive digital economies of the Internet and social media far from producing a disruptive colour revolution have instead been harnessed by the Communist Party to consolidate its control. Thirty years ago, provincial leaders would boast to me about how they could ignore directives from Beijing saying “Shan gao, huangdi yuan”- the mountain is high, and the emperor is far away. Well today the emperor is closer than ever in what has become more or less a surveillance state.

Despite recently condemning the use of trade and economic sanctions for political ends, China has proceeded to do precisely that - to at least eleven countries since 2008 for offences ranging from receiving the Dalai Lama (France and the UK), awarding writer Liu Xiaobo a Nobel Prize (Norway) and, most recently, Australia for daring to suggest that there should be an independent inquiry into the origins of the Covid-19 virus.

This more aggressive approach to foreign relations is bound up with the new Wolf Warrior diplomacy. Colourful tweets aside, it probably had its high point in weird recently when the Chinese Embassy in Canberra released to the media a list of 14 demands with which Australia would need to comply in order to restore amicable relations. These ranged from compelling our media to stop criticising China, to lifting the ban on Huawei in our 5G network, to repealing my Government’s foreign interference and foreign influence legislation.

It is worth reflecting for a moment on how Australia/China relations got to today’s low ebb. The China Australia Free Trade Agreement (the ChAFTA) had been signed in 2014 by my predecessor Mr Abbott and it was ratified not long after I became prime minister in 2015. That was probably the high point. During 2016 and 2017 relations were cordial enough. Our observations on the need for all parties to comply with International law in the South China Sea were not appreciated, and my decision not to sign up to the Belt and Road Initiative was disappointing. But by the end of 2017, the extent of China’s espionage and influence operations in Australia were becoming of increasing concern and I took the opportunity to update our legislation to ensure that foreign governments and political parties could not exert corrupt, covert or coercive influence in Australia. This prompted a furious reaction from Beijing. On cue, leading figures in the Australian business community, including several of our University Vice Chancellors, immediately admonished me and my government for being insufficiently respectful to China.

Of course, nobody wants to have a row with China, or any other nation, but far too many Australians were not particularly fussed about how high a price we paid to avoid one. There were some minor trade sanctions imposed, and a freeze on ministerial visits. These were part of a pressure campaign designed to ensure the new legislation did not get through the Senate in which the Government did not have a majority. However, once that legislation was passed in June 2018, calm was restored, and I sensed the relationship was returning to normal.

In August 2018 we announced our decision to ban Huawei and ZTE from our 5G rollout. We were the first country to do so. 5G has a different, more distributed, virtualised and vulnerable network architecture than 4G. Over eighteen months we tried to find a technical fix but concluded the risk could not be mitigated. I was deposed as prime minister a few days after the announcement of the Huawei decision and the coup distracted public attention in Australia. But Beijing protested mightily, claimed (wrongly) that we had acted at the direction of the US and then proceeded to show its displeasure.

My successor, Scott Morrison, has been PM for nearly three years but has not yet met with President Xi or Premier Li other than in a brief corridor encounter at the G20. Other ministerial encounters also ceased. This has been a big change. During my time I had several substantive meetings with President Xi, two of which were long, frank, one on one discussions. Premier Li had become a familiar interlocutor and he and his wife had dined privately with us at our home in Sydney.

The latest round of sanctions followed a call by Morrison last April for there to be an independent inquiry into the origins of the Covid virus - hardly a remarkable request. It was met with fury from Beijing and the imposition of trade sanctions on, inter alia, barley, wine, coal, lobsters and beef together with a torrent of condemnation. Education is Australia's third largest export. In December 2019, students from China accounted for nearly a third of the 75,000 foreign students in Australia. The pandemic obviously has dramatically reduced the inflow of foreign students, but there is every indication Beijing will discourage Chinese students, and no doubt tourists, from coming to Australia. The only major export which has not been impacted so far is iron ore. China's alternative supplier, Brazil, has seen reductions in production because of floods and the pandemic. As a consequence, iron ore has hit record highs. Thanks to that price spike, the value of our exports to China, overall, has never been higher. Most of the Australian exporters impacted by the sanctions have found alternative markets - I hope you have all been doing your bit by drinking lots of Australian wine. Public sentiment and trust in China have crashed - including among our business community. If diplomacy's objective is to win friends and influence people, the efforts of the last few years have been utterly counterproductive.

Now, China's original objective was to make an example of Australia, leverage business support for the China relationship to pressure the Government into a more compliant posture and, ideally, create a split between Australia and its friends and allies. Quite the reverse has occurred. At the 2017 East Asia Summit in Manila, Prime Ministers Modi and Abe, President Trump and I had agreed to revive the Quadrilateral dialogue between India, Japan, Australia and the USA. Senior officials met at that conference and we have since seen regular dialogues, including the first-ever leader-level summit of the Quad held online in March this year.

China's more aggressive foreign policy also represents a big missed opportunity. Donald Trump was erratic and inconsistent with both friend and foe alike. Long standing alliances were stressed. America's standing in the world plummeted. American First was looking more and more like America alone. During those Trump years, President Xi could have chosen to be as unlike Trump as possible - consistent where Trump was erratic, measured where Trump was belligerent. But he did not so choose, and it may be that public opinion in China would not have stood for it.

And we find ourselves today where China and the United States seem further apart than they have been for many years. Trump's furious rhetoric has been replaced by Biden's quiet deliberation, but the tariffs and trade sanctions Trump put in place are still there and both Washington and Beijing seem set on achieving, or maintaining, global leadership in key technologies and industries with a view to decoupling one from the other as they do.

So, what is to be done? Speaking from an Australian perspective I can say that our goal is not to constrain or slow China's rise, but rather to ensure that it does not diminish the sovereignty and autonomy of the nations in our region or undermine the rule of law. We do not want a world, to paraphrase Lee Kuan Yew, where the big fish eat the little fish and the little fish the shrimps. Or as the Athenian ambassadors said to the Melians "where the strong do as they will and the weak suffer as they must."

It is easy to recommend foreign policy changes to Beijing, and consistent with President Xi's speech a week or so ago, I would do so constructively and without sanctimony. A good start would be to abandon the economic coercion of Australia. It hasn't worked and it's done China more harm than its intended target.

But a bigger issue is the brittle sensitivity which brings furious and indignant reactions to foreign criticism of China's policies. Scott Morrison's call for an inquiry into the origins of the virus is a good example. If it had been ignored or met with a one-line response; "China will support in due course a review by the World Health Organisation" it would have sunk without trace. A furious response made it a big front-page issue and it was followed by the World Health Organisation unanimously supporting an inquiry not materially different from what Morrison had proposed.

But what about the West more generally? Realistically we have to recognise that we are now in an era of very diminished trust. The key therefore is to identify the boundaries of trust within which we are prepared to work. Just as good fences make good neighbours, so clearly defining the boundaries of trust in economic relationships make for good business.

Now, prior to 2016, the Australian Government had not identified what it regarded as critical infrastructure. By August in that year, I became aware that China's State Grid and another Chinese company were on the point of acquiring control of Ausgrid from the government of New South Wales, the largest energy network on Australia's east coast. I also learned that there were some national security issues relating to the sale that, due to a failure in our system, had not been flagged to our Treasurer who had ultimate responsibility for approving the transaction. So, we blocked the sale. I later apologised to President Xi for our not having identified Ausgrid as out of bounds at the outset, and long before the Chinese companies had spent many months and millions of dollars on due diligence. We established a Critical Infrastructure Centre and now investors from China, or anywhere else, can readily establish where opportunities are available or not.

Let me say a little about decoupling and technology. When I first raised my concerns about 5G with the US administration, especially after Trump became President, I was struck by how unaware Washington was that the United States had lost leadership in wireless technology. How on earth, I argued, could it be that a US telco, say AT&T or Horizon, seeking to move to 5G had essentially four vendors from which to choose - Huawei and ZTE from China, and Ericson and Nokia from Sweden and Finland respectively. How could there not be a vendor from America, let alone from Japan, Germany or the UK? The answer of course is, excuse the pun, that Washington had been asleep at the switch when a combination of foreign acquisitions and relentless price competition from Chinese vendors had gutted the US wireless technology sector. So, Biden is absolutely right in saying America should lead in all the key technology sectors - clean tech, AI, wireless, space, biotech and so on. DARPA apart, *dirigisme* and industry policy have never been fashionable, or especially well executed, in the Anglosphere, but it cannot be avoided unless we want to be entirely dependent on China in key areas of technology.

And therein lies the subtlety. Our objective in the West should not be to constrain China's growth, or technical advancement, let alone seek to undermine it. This is not a zero-sum game, but we cannot in breezy insouciance allow China to make itself independent of foreign technology, which is Xi's stated policy, and at the same time allow ourselves to become, or remain, dependent on theirs.

Now, I mentioned earlier that in 2017 I declined to sign up to the Belt and Road Initiative simply because I regarded the BRI as a slogan, the content of which was entirely written and

produced in Beijing. I explained to Premier Li that we were more than happy to co-venture infrastructure projects in our region with China, as long as they met our standards in value for money, governance and so forth - and they could brand their half of it BRI and we would stick a large kangaroo on our half. But it was their brand, not ours. However, there is no doubt that the BRI is a policy-directed lending and investing strategy designed to advance China's interests, commercial and political.

Where that type of investment raises national security concerns, it is not enough to discourage it, a real alternative must be offered. Now, a good example of this approach was in 2018 when my Government committed to fund, with \$136 million in foreign aid, the "Coral Sea Cable" fibre optic network between Australia, the Solomon Islands and Papua New Guinea. This pre-empted plans by Huawei to build a network with Chinese investment. The Trilateral Infrastructure Partnership between the US, Japan and Australia was established later that year and it has already committed to fund a cable project for Palau, modelled on the Coral Cable. President Biden's Build Back Better World Initiative announced at the G7 in June has similar potential.

Now, the pragmatic approach I am describing recognises, as Lee Hsien Loong recently observed, that we are not likely to change China, nor China us. We should never turn a blind eye to human rights abuses in China, but we should not imagine our protests are likely to force a change in policy.

It is also vitally important to ensure that tensions with China do not arouse hostility to, or suspicions about, or anxiety among, Chinese people, especially in our multicultural western societies. One and a half million Australians are of Chinese heritage, including 2 of our 4 grandchildren. The Communist Party portrays criticism of China as "anti-Chinese". That conceit must be emphatically and repeatedly rejected. You could not imagine modern Australia without the contribution of the one and a half million Australians of Chinese heritage, and they're part of our Australian family. We can't allow the Communist Party in China to try to split them, or divide them, or disturb their confidence in their membership of this great multicultural society.

Now nonetheless, freed from the delusion that our systems of government or political values are converging, we can deal with each other within boundaries of trust that hedge risk, but do not prevent cooperation, trade and investment in the wide range of less strategic sectors.

So, if China is the rival without, what of the enemies within?

The January 6 insurgents were convinced that Donald Trump had won the election and that Joe Biden had stolen it. Trump had told them so as had the so called "conservative" media prominent among which is Fox News owned by Rupert Murdoch. "Stop the steal" is one of the most audacious and consequential lies ever told in American politics. Today, 70% of Republican voters in the United States believe that lie. The sixty or more court decisions rejecting claims of electoral fraud are, apparently, of no account. To give it a Chinese Communist Party gloss, you could say that the Republican Party is now thoroughly committed to the Two Denials - deny Biden won the election and deny the reality of global warming.

In 2016, Vladimir Putin's disinformation campaign was designed to exacerbate divisions in America, and in Europe, and above all undermine confidence in democratic institutions. Steve Bannon's technical term for this approach is (and I quote him) "to flood the zone with shit" which means to spread so many lies, conspiracy theories and wild claims that people cannot discern the difference between fact and fiction.

It is commonplace to blame this state of affairs on social media. And there is some truth in that. Before the Internet, news and information were conveyed on curated platforms, newspapers, radio, television, that, by and large, sought to secure a wide audience in order to support their revenue from advertising. Over the last twenty-five years, digital technology has not only allowed people to publish their own content without seeking the consent of an editor, but it has also allowed publishers to profitably narrowcast to smaller audiences which would have been unattainable or uncommercial hitherto. If this simply meant we were all free to choose our own opinions, then perhaps public discourse would be richer for the diversity. But now the hyper partisanship of social media has infected so much of what we used to call mainstream media.

Fear, resentment and hatred have always been the most powerful motivators in public opinion. However, we know how those political stories end. And we are seeing more and more examples of right-wing media working with right wing populist politics in a symbiotic political ecosystem - Fox News and the Republican Party being the best-known example. A few years ago, many of us would have shrugged, evoked Voltaire, and reassured ourselves that truth will prevail in the marketplace of ideas. But in fact, we are drowning in lies.

Another, less comforting, consolation has been that, once elected, populists will get found out because they cannot competently deliver the economic management and services expected of the government. But as we have seen in the past, and as we are seeing today in Hungary and Poland, a populist, authoritarian party can use the democratic system to get elected and then make changes to the institutions of democracy so that their re-election is more assured. One way of staying in power is to gerrymander districts so that they favour your party, and another is to discourage people less likely to support you from voting at all.

Recently the United States Supreme Court has upheld state legislation designed to restrict access to voting in a manner that will disadvantage voters of colour. Voter suppression has a long and shameful history in the United States. Indeed, the moment of triumph in that racist 1915 film "Birth of Nation" is when the Ku Klux Klan, led by the film's hero, rides up to intimidate the freed slaves from exercising their right to vote. Woodrow Wilson was President at the time, and it was the first movie ever screened at the White House. The normalisation of voter suppression in the United States is, in its own way, even more confronting than the normalisation of lies and conspiracy theories.

For all our faults, in Australia, we regard it as fundamental that every person of voting age should be on the roll and vote. In fact, we fine you a hundred bucks if you don't. In addition to that electoral boundaries have always been set by officials, as opposed to politicians, and since 1973 by an independent electoral commission.

The China challenge is real enough, but a far greater threat to American, and by extension, Western democracy, is anti-democratic populist media and politics. How do we combat it?

Lies must be called out. Censorship is not the answer, but those who advertise on platforms that spread lies should be held to account for subsidising the poison that is doing so much harm to our polity. Electoral systems must be inclusive, everyone of adult age should be encouraged to vote. Electoral boundaries should be set fairly and independently.

Populists typically channel dissatisfaction with economic change - lost jobs, lower wages, shuttered industries - and channel them into resentment of "the other". The price of inequality is not just paid by those left behind, but by the damage to the democracy on which all our freedoms depend. So, the first task is to ensure that as old industries and jobs are lost, new ones are created. This is easier in the dynamic environment of big cities than in

single industry towns. But it requires forward planning and, inevitably, government leadership. The invisible hand is not enough. The solution to the “rust belt” is to ensure it does not exist. This will require imagination and determination, but it must be done. Communities which feel they have been left behind by technology, globalisation, indeed modernity, have to be protected and know they are. So, when a leader speaks about renewable energy, he or she should focus on the thousands of new jobs it creates rather than just deliver a lecture on atmospheric physics. Biden gets that. It is no comfort to be woke if you are broke.

In our time, the most potent rallying cause of populists, from Trump, to Le Pen, to Orban, has been fear of immigrants, especially those who are a different race or religion. Nothing is more corrosive of multicultural societies than racism and religious prejudice. So, it is essential in my view that the people must know that they, through their government, are always in control of who enters their country. That is why we have maintained a very strict policy of border protection in Australia. We have a very generous official refugee programme but do all we can to prevent unauthorised arrivals. This has maintained confidence in our very successful multicultural society where nearly a third of all Australians were born overseas and more than half have at least one parent born overseas.

So liberal democracies are challenged by China, but with consistent solidarity the relationship can be managed, within boundaries of trust. If the democracies, especially in the Indo-Pacific, support each other in maintaining their sovereignty, if the rule of law is respected and if economic coercion is abandoned, then collaboration can co-exist with competition.

The internal threats to liberal democracy are momentous. A bitterly divided nation may survive but it can hardly thrive. Nor can it provide an inspiring example of freedom to others. We have to expose the normalisation of lies and hold those responsible who enable it. Governments must be accountable through fair electoral systems and an independent judiciary and law enforcement.

And right at the heart of this mission - our mission - is honesty and trust. Two much neglected political virtues which the Ditchley Foundation was founded by Sir David Wills to promote.