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## FOREIGN POLICY WHITE PAPER

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### Preamble

The focus of this submission is on the Australia China relationship and the interaction with the Australia US relationship within the SE Asia and North Asia region. This submission does not consider other foreign policy issues.

#### Examine the foreign, security, economic and international development issues and global trends shaping Australia's international environment;

- The need to develop independent foreign policy has never been more urgent in an increasingly unstable and fluid international environment where the rules based approach to international order is being undermined by its previously most vigorous supporter. The assumptions on which foreign policy has been based may no longer be valid or hold true. We need to reach back to the pre-World War 2 period to develop a better understanding of appropriate and inappropriate responses.
- The first and most significant global trend is the Trump Presidency and his approach to foreign policy. This poses a most significant threat to the established framework of rules based world order and the structure of international relations that has prevailed since World War 2.

The public humiliation of the Australian Prime Minister, the bullying of the Mexican President, the attacks on the German Chancellor and the undermining of the British Prime Minister usher in a very different and threatening foreign policy environment where increasing risk comes from our "friend".

People are beginning to realize that cherry picking US President Trumps policies is a poor strategy. Many were inclined to think that Trump would walk away from his election rhetoric around some of his more extreme policies. They thought they could cherry pick the policies they liked and ignore the rest. This is not the case.

Trump's refusal to distance himself from Secretary of State Tillerson's war-like comments on potential US action in the South China Sea show that a trade war, or worse, with China is a high probability.

Australia and others, need to develop a policy agility that is unprecedented in recent history. The friend we and others thought we had no longer holds the same values as we do. The historical precedents for this approach to foreign policy come from Post-Weimer Germany and the rise of Mussolini. It is too early to tell just how far Trump will take us down the path of full-scale subversion of policy making by enabling sycophants to direct the formulation and implementation of policy based on unsound ideology. The attacks mounted on the integrity of the electoral system that resulted in his own election has concerning historical echoes. A closer study of the lessons to be

gleaned from the appeasement policies followed by Prime Minister Chamberlin and others is warranted if we are to avoid a repeat of these foreign policy errors.

- The second significant global trend free flow of investment – not trade – capital globally. Australian domestic or foreign policy initiatives that add friction to that flow mean that Australia will be avoided as an investment destination. It means that Australia will receive less of the flow than it otherwise would.

This global free flow of investment capital has created global linkages that are not as robust as they may seem. The fragility of these linkages cannot be underestimated so action taken by one country may have a magnified effect on another. The rise of trade protectionism threaten not just trade flows, but investment capital flows. It is in Australia's interest to support action which keeps these flows open and this includes strong support for non-protectionist or discriminatory policies.

This non-discriminatory stance includes clarification, consistency and transparency in FIRB decision making. It includes consistency on FIRB investigation thresholds, currently clearly discriminatory against China compared with the US and UK.

- The third dominant global trend is the growth of China. It will inevitably supplant US influence within our immediate region. It is impossible to ignore this growth, and unwise to oppose this growth. Australia could be well placed to join regional efforts to manage this growth – not attempting to limit or contain this growth.
- The third dominant trend is the New Silk Road policy complex of the Chinese Government. This in some ways, is comparable to the Marshall Plan implemented at the end of World War 2 in Europe. It is not an analogue, but it has many similarities and the potential to fill a similar role. A part of this complex of policies is the RCEP.
- We must acknowledge the inconsistency of demanding that China observe the rules of international order whilst at the same time denying Chinese participation in the structures, organisation and offices which create and adjust those global rules.

□ **Define Australia's interests and policy priorities in response to that environment;**

- Recognise and acknowledge the role China has to play within the region and within its immediate sphere of influence.
- Acknowledge China's legitimate sphere of influence even as it unseats the colonial - based assumptions that underpinned regional territorial settlements in the immediate post-war period. I.e. The US supported Japanese ADIZ zone that extends mostly around 600 kilometres from the mainland but extends to the south as far as Taiwan, some 1300 kilometres from the Japanese mainland. This compares with China's AIDZ which extends mostly around 150 kilometres to a single maximum point of around 500 kilometres from the mainland in the newly declared area.
- Acknowledge China's desire, and right as the world's second largest economy, to be included in the structure of global decision making and not support China's exclusion from globally significant forums or trade pacts.
- Avoid military adventurism at behest of the United States that threatens our trading and political relationships in Asia and North Asia.
- Recognise that China has more to lose through constriction of the South China Sea than the US. Recognise that this is the driver behind China's responses to this area.

□ **In light of those interests, outline how Australia should advance relations with major international partners;**

- Active involvement in and support of the RCEP. Early and active involvement puts Australia at the head table and provides an opportunity to influence structures and decisions. Our tardy participation in AIIB, at the behest of the United States, suggested that Australia was not a genuine partner in this region. Its important that we avoid the same mistake in relation to RCEP.
- Develop a better and more nuanced understanding of the complex of policies associated with the New Silk Road initiatives. These will define not just trade, but political and geo-political relationship within our region as China continues to grow and China's influence grows both naturally as part of the economic eco- system of trade and business relations.
- Australia is not and should not be an arm of United States foreign policy as US interests are not always necessarily the interests of Australia, or in Australian interests. A more careful examination of the changing geo-political environment in our region and our interests is required. 2017 is not 1966 and "All the way with LBJ" is no longer an appropriate or valid policy response.
- Australia relies on trade for its economic prosperity. China is, and will continue to be our largest trading partner so China's prosperity and unfettered peacefulness is a precondition for Australia's continued prosperity.
- China's sponsorship of RCEP and associated trade arrangements with the New Silk Road initiatives represent a significant restructuring of relationship within the region. Australia should do its utmost to be involved so it is in a position to influence outcomes.
- Australia exerts effective influence when it is seen as a honest and ethical broker. Our ability to influence is diminished when those values are reduced or ignored.
- Retain influential legitimacy by consistent application of Australian standards. I.e. our sometimes strident opposition to the death penalty should not just apply to Indonesia, but to the Philippines, the US and China.

Defacto support through lack of criticism for state-sponsored killings in countries like the Philippines should be discontinued if we are to maintain a respected position in the international arena.

Our position on the UNCLOS South China Sea decision was inconsistent with our then position on UNCLOS ruling on the Timor Gap. This inconsistency undermines our ability to play an influential role in global policy and decision making.

- Actively enable and increase the deployment of Australian military forces on civil disaster relief. This builds both logistics and response capabilities and creates a platform for acceptance of Australian military as a peaceful – as distinct from peace keeping – force. This replicates the active role played by Singapore Defence Forces who actively deploy in this capacity.
- Make more use of our military forces to deal with non-military threats that disrupt and threaten trade within our region. Australia has a naval commitment to the Gulf of Aden to protect oil routes and counter piracy from the Horn of Africa. Australia has no such commitment to countering the high levels of piracy in the Malacca Straits which carry more trade than the South China Sea. Support for efforts in this area positions Australia as a concerned and reliable friend in the region.

**□ Identify approaches to support and better utilise multilateral and regional structures to promote and protect Australia's interests and values;**

- Immediate participation in and support for the RCEP as this provides a way to influence structure and policy.
- Better and more nuanced understanding of the complex of policies around the new Silk Road initiatives. This requires a change in attitudes which currently dismisses these policies as hyperbole, except where we can see a domestic Australian advantage.
- Increased support and funding for Asia engaged business councils like the Australia China Business Council which can play a significant role in improving business to business, business to Government and Government to Government relationships.
- Active participation in and support of APEC and ASEAN structures and their associated committees.
- Positioning Australia on issues of regional importance in a way that is ethical, moral and above all, consistently applied to both friend and neighbour. This consistency must extend to our own responses to issues involving Australia, such as the Timor Gap.
- Greater use of Government assets in humanitarian and civil disaster operations to demonstrate Australia's position as an involved partner in the region as distinct from a military force involved only in military operations.

**□ Establish a roadmap to pursue Australia's economic interests as an open, export-oriented market economy to ensure we continue to capitalise on our competitive advantages, guard against economic risks and maximise national prosperity;**

- Understand and recognise the shrinking role of the US and foster an environment which encourages the sharing of responsibilities for global order rather than the imposition of a Euro-centric framework.

This requires vigorous opposition to trade protectionism and the promotion of free trade in all forms and in all political entities with whom we trade.

- Formal and ongoing recognition of the role that China should play, and can play, within the global regulatory framework.
- Acknowledge China's desire, and right as the world's second largest economy, to be included in the structure of global decision making and not support China's exclusion from globally significant forums or trade pacts.
- Recognise and acknowledge the significant role China has to play within the region and within its immediate sphere of influence.
- Acknowledge China's legitimate sphere of influence even as it unseats the colonial based assumptions that underpinned regional settlements in the immediate post-war period

**□ Examine how Australia should promote its regulations, institutions and standards in the region, and globally, to support our commercial interests;**

- To retain credibility in the region Australia must act consistently and ethically. Australia's reputation has been damaged by selective de-facto support of regimes such as Duterte whilst at the same time actively criticising other countries for the same types of activity. Our credibility has been damaged by inconsistent responses to UNCLOS ruling in relation to the Timor Gap and the South China Sea decision.

- Avoiding the appearance, or reality, of becoming an American outpost in Asia. This is not part of our national character and nor should it be part of our national aspirations.

Post the Vietnam War period Australia has successfully developed an largely independent foreign policy stance, that although influenced by a relationship with the U S, was not driven by the US in this region. (The same cannot be said for the post-2000 support given to engagements in other places outside the Asia and north Asia region. ) To act as a de-facto surrogate for US foreign policy objectives in our region alienates us from our neighbours and from the dominant powerhouse within the region.

- Recognise that Japan is important to the United States as an artefact of World War 2 alliances designed to counter the rise of post-colonial movements in Asia. The regional political environment has changed, and Japan's role and aspirations in the region are no longer part of this narrative. Partnering with Japan on defence and foreign policy criteria is a subscription to a China containment policy which is inappropriate in a world that has moved on from the post-colonial landscape and into a more mature web of sovereign states.

Whilst the US has recently come to regard China as a competitive threat it does us well to remember that Japan historically has viewed China as a legitimate colonial conquest. Japan's unwillingness to acknowledge wartime atrocities in China, including the Nanjing massacre and the Unit 731 biological weapons experimentation near Harbin, suggests a deeply seated antagonism towards China. This is particularly incompatible with Australia's attitudes to China.

**□ Assess options for mitigating and responding to security risks, including strategic competition in the Indo-Pacific and transnational threats;**

- Credibility and consistency of issues of international law are critical to Australia's ability to influence and negotiate, and act as a respected third party in resolving or ameliorating disputes. Australia loses this trusted participant status if Australia is seen as an additional arm of one of the larger geo-political players.

This is often characterised as walking a line, but this characterisation is incorrect. The ability to participate in discussions from a position of moral authority derived from consistent ethical action is the key element that confers power and influence. An honest broker does not walk a line, balancing China and the US.

An honest and respected broker provides a diplomatic go-between that enhances dialogue. This is a role Australia has played, but Australia's credibility in this role has been diminished by more recent closer and less closely examined identification with US foreign policy aims both inside and outside of our region. The unquestioning support for the 2003 Weapons of Mass Destruction claims diminished our foreign policy maturity and respect within the region.

- Security risks are heightened when countries stop or inhibit open co-operation. Strategic competition in the South China Sea is a construct based on outdated conceptions of sovereignty and territorial legitimacy.

The division and allocation of colonial areas as a result of the 1945 Potsdam conference led directly to the Vietnam war where local anti-Japanese resistance did not welcome the return of French colonial rule, enforced by decommissioned, but still brutal, Japanese Kempeitai who remained in place as a police force.

The Malaysian emergency, and the Indonesian confrontation were also products of a rejection of the Potsdam conference attempts to reimpose the structure of colonial rule in our region. The genuine desire for self Government was lumped together with a perceived broader anti-communist agenda. This particular ideological agenda is no longer relevant, but its ghost continues to haunt the formulation of Australian foreign policy.

The gifting of Japanese occupied islands in the South China Sea to Japan is a legacy of this post-World War 2 colonial carve up.

- We run the risk of being complicit in the same struggle to preserve outdated and inequitable post-war territorial divisions when we fail to recognise the changing status of China in the modern era and the way this requires a reassessment of the lingering artificial territorial divisions resulting from the Potsdam conference. (Failure to recognise and rectify this risks the same territorial disorder that plagues the Middle East and which is a legacy of the World War 1 Versailles conference)

□ **Examine how we should best use our assets to pursue our interests internationally.**

- We best use our assets in a way that is independent of US foreign policy. This does not mean we reject US foreign policy. It does mean that we implement policy that is based on our own interests and which may draw upon parts of US or Chinese foreign policy.
- We enhance our position and credibility as an ethical and morally independent player which may, at times, require us to clearly distinguish our position from positions taken by China or the US. New Zealand did this with its anti-nuclear warship stance in 1984.
- The restoration of our national independence and moral integrity provides an opportunity to act as an independent honest broker in regional and global discussions and provides the opportunity to genuinely shape and influence global policy outcomes.
- Our physical, military, diplomatic and human resources assets should be deployed to show we are partners in the region and not a would-be colonial arm of US foreign policy. The idea of Australia as a US Deputy sheriff in our region is abhorrent to our neighbours and should be abhorrent to any self-respecting Australian Government.
- A shift in focus of military engagement in Asia from enforcement to delivery of civil assistance at the time of natural disasters is the best way to send the message that we are partners in the region rather than a Western outpost. Security comes from friendship and that means helping neighbours rather than threatening to fight them.
- There are no sides in foreign policy, only opportunities but we cannot afford to tie our policy to foreign policy based on belligerence.

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