

Australia-China Relations
Institute
澳中关系研究院



Do the claims stack up? Australia talks China

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Published by the Australia-China Relations Institute (ACRI)

PO Box 123 Broadway NSW 2007 Australia

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w: www.australiachinarelations.org

Images - Shutterstock

ISBN 978-0-6483151-1-7

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Executive Summary

When Australia talks about China, the China Opportunity and the China Challenge forms part of the discourse.

The China Opportunity reflects the enormous economic benefits that Australia already derives from its \$184 billion trade relationship with China, along with the potential for this to grow even further as 850 million more Chinese reach middle class status by 2030, placing Australian beef, wine, education and tourism within their grasp. Strands of China's foreign policy also favour an approach of multilateral engagement in line with the preferences of the Australian government.

The China Challenge reflects the reality that as China has risen in wealth and power, some of its behaviour has conflicted with Australia's interests. A case in point was China's decision in 2016 to reject the verdict of an international arbitral tribunal that had ruled its actions in the South China Sea contrary to international law. As a middle power, Australia's interests are served by supporting an international system where disputes are resolved through rules rather than might.

Both the China Opportunity and the China Challenge discourses are grounded in facts and evidence.

However, in recent years, some Australian scholars and policy practitioners have warned that the China Challenge can easily pivot to become a discourse of China Threat, China Angst and China Panic. This way of talking about China sees claims and assertions separated from an evidence base.

Some claims are completely bereft of an evidence base, such as those suggesting that China is positioning itself to make a territorial claim over Australia. Others, such as assertions that ‘Chinese political donations’ represent a Chinese government attempt to undermine Australian sovereignty, are linked to concerns raised by security agencies. But the evidence base also shows that such concerns relate to just two donors. And one is not Chinese; he has been an Australian citizen for the past 20 years. The other has recently been approved by the Australian government to continue to permanently reside in Australia and expand his already extensive business operations. There are more than 300 companies in the Chinese Chamber of Commerce in Australia, none of which have been reported to have made any political donations. The facts also reveal that foreign donations – not just Chinese – accounted for only 2.6 percent of total political donations in the last federal election campaign. Further, there is no evidence that Chinese donations have had an impact on government or opposition party policies on issues of interest to Beijing.

This report documents and dissects claims of:

- allegiance of Australia’s Chinese diaspora to a foreign power;
- aggressive behaviour by Chinese students at Australian universities;
- China’s intention to place a military base on Australia’s doorstep;
- spying at an Australian maritime port made possible by Chinese investment; and
- a Free Trade Agreement that favours Chinese, not Australian interests

In each case, the evidence base is shown to be divorced from the claims found in headlines, news reports and opinion pieces, revealing just how widespread has become the discourse of China Threat, China Angst and China Panic.

If this were to become a habit in the way that Australia talks – and thinks – about China it might sabotage the calm and reasoned response that the China Challenge demands. At the same time, it could provoke policy responses that make it harder for Australia to capitalise on the benefits offered by China’s economic rise, as represented by the China Opportunity.

For this reason the discourse of China Threat, China Angst and China Panic deserves to be thoroughly analysed. Australia’s national interest demands nothing less.

The Sydney Morning Herald

CHINA'S OPERATION AUSTRALIA:

PAYMENTS, POWER AND OUR POLITICIANS



Introduction

Two-way trade between Australia and China now stands at \$184 billion.¹ Trade is voluntary. This means that every dollar of this \$184 billion exchange represents an assessment by an Australian household or business that engagement with China makes them better off. Two-way trade with China is two-and-a-half times larger than that with Australia's second largest trade partner, Japan. The Australian government's own forecasts see China adding more new purchasing power to its economy by 2030 than that from India, the US and Japan combined.²

By 2030, the best available estimates contend that 850 million more Chinese will have reached middle class status, placing Australian beef, wine, education, tourism and more within their grasp.³ The fact that the Australian and Chinese economies are so complementary, and that the two countries have a free trade agreement (FTA) means that Australians are not only benefiting today but are also ideally placed to capitalise on the opportunities that China's future growth will present. Strands of China's foreign policy are also supportive of the multilateral, rules-based international system that the Australian government favours. Andrew Nathan, a Professor of Political Science at Columbia University, remarks that, 'This is because in most respects this order serves Chinese interests'.⁴

Yet this discourse of China Opportunity is not the entire story. Some of China's recent behaviour poses challenges to the international rules-based order and Australia's national interest. One instance was in 2016 when China rejected the verdict of an international arbitration panel that ruled its actions in the South China Sea were contrary to international law.⁵ And despite a statement by President Xi Jinping that China 'does not intend to pursue militarisation'⁶ in the South China Sea, its actions have proved otherwise with, for example, the installation of missile systems in the Spratly Islands.⁷ As a middle power Australia's interests are served by supporting an international system where disputes are resolved through rules rather than might. The Chinese government should also not be surprised that both sides of Australian politics have raised serious concerns about reports of the mass extra-legal detention of China's minority Uighur population in the province of Xinjiang.⁸ Australian citizens and permanent residents have been left unable to contact family members and are afraid to speak out for fear they may worsen their families' situations.⁹ Such realities form Australia's China Challenge discourse.

1 Australian Government Department of Foreign Affairs and Trade, 'Trade time series data', 2018 <<https://dfat.gov.au/trade/resources/trade-statistics/Pages/trade-time-series-data.aspx>>.

2 Australian Government Department of Foreign Affairs and Trade, '2017 Foreign Policy White Paper', November 2017 <<https://www.fwhitepaper.gov.au/>>.

3 Homi Kharas, 'The unprecedented expansion of the global middle class - an update', Global Economy and Development Working Paper 100, Brookings Institution, Washington DC, February 2017. <https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf>.

4 Andrew Nathan, 'Self-interest shapes China's policies toward the international order', *East Asia Forum*, December 19 2017 <<http://www.eastasiaforum.org/2017/12/19/self-interest-shapes-chinas-policies-toward-the-international-order/>>.

5 Permanent Court of Arbitration (PCA), 'PCA press release: the South China Sea arbitration (the Republic of the Philippines v. the People's Republic of China)', July 12 2016 <<https://pca-cpa.org/en/news/pca-press-release-the-south-china-sea-arbitration-the-republic-of-the-philippines-v-the-peoples-republic-of-china/>>.

6 The White House, Remarks by President Obama and President Xi of the People's Republic of China in joint press conference', September 25 2015 <<https://obamawhitehouse.archives.gov/the-press-office/2015/09/25/remarks-president-obama-and-president-xi-peoples-republic-china-joint>>.

7 Amanda Macias, 'China quietly installed defensive missile systems on strategic Spratly Islands in hotly contested South China Sea', *CNBC*, May 2 2018 <<https://www.cnbc.com/2018/05/02/china-added-missile-systems-on-spratly-islands-in-south-china-sea.html>>.

8 Jack Kilbride, 'Labor calls for increased pressure on China over alleged mass detention of Uighur Muslims', *ABC News*, September 13 2018 <<http://www.abc.net.au/news/2018-09-13/labor-calls-on-government-to-pressure-china-on-uighur-muslims/10240446>>.

9 Lisa Murray, 'Australian families left devastated by China's mass detention of Uighurs in Xinjiang', *The Australian Financial Review*, August 18 2018.

When Australia talks about China, the discourses of a China Opportunity and a China Challenge are grounded in facts and evidence. However, in a 2017 academic article David Goodman, a Fellow of the Academy of the Social Sciences in Australia and the former Acting Director of the China Studies Centre at the University of Sydney, warns that Australia's China Challenge discourse can easily pivot to become a China Threat.¹⁰ The China Threat discourse reflects a 'fear of being taken over by China and the Chinese'. This way of talking about China has a long history in Australia, even if as Goodman explains the current version appears to emphasise economic and strategic threats, rather than demographic threats of 'hordes of Chinese coming to Australia to work' as in decades past. Goodman observes:

From the public discourse, especially as carried in and by the mass media one would be forgiven for thinking that Australia was already not just a Chinese economic colony, but falling under the sway of the Chinese Communist Party and its control of the PRC [People's Republic of China].

David Goodman

The mass media is not alone. This is the precise claim contained in a 2018 book by Clive Hamilton, a Professor of Public Ethics at Charles Sturt University, titled *Silent Invasion: China's influence in Australia*.¹¹

Goodman also sees in contemporary Australia the emergence of a new politics of China Threat:

[T]he military and intelligence establishments, as well as most politicians, accept that any future strategic challenge in the region or on the world stage from the Chinese government already represents a China Threat.

David Goodman

The problem with this, he argues, is two-fold. First, it determines outcomes rather than looks for alternatives. Second, it is clearly at odds with Australia's economic position.

David Goodman is not the only Australian academic who is concerned. In a 2018 article, Greg McCarthy, the BHP Billiton Chair of Australian Studies at Peking University, and Xianlin Song, an Associate Professor at the University of Western Australia, identified a recent discourse around China which they term China Angst.¹²

¹⁰ David Goodman, 'Australia and the China Threat: managing ambiguity', *The Pacific Review*, vol. 30, no. 5, pp. 769-782, 2017.

¹¹ Clive Hamilton, *Silent Invasion*, Hardie Grant, Melbourne, 2018.

¹² Greg McCarthy and Xianlin Song, 'China in Australia: the discourses of *changst*', *Asian Studies Review*, vol. 42, no. 2, pp. 323-341, 2018.

Similar to the China Threat, China Angst stems from 'a fear of being overtaken by China or of losing influence to a mysterious and potentially threatening China'. They document how this China Angst has played out in various scenarios, particularly around Chinese investment in Australia. This has 'produced an acute anxiety' that is 'out of proportion' to the actual nature of these investments. McCarthy and Song explain China Angst with reference to the work of Dipesh Chakrabarty, a Professor in History at the University of Chicago, and his theory of 'developmentalism' whereby development is viewed as a linear process with the West taken as the pinnacle against which other civilisations must be compared. They concur with the analysis of Chengxin Pan, an Associate Professor of International Relations at Melbourne's Deakin University, that China's rise challenges this view, raising anxiety.¹³

Bob Carr, the Director of the Australia-China Relations Institute at the University of Technology Sydney (UTS) and a former New South Wales (NSW) Premier and Australian Foreign Minister, offers a policy practitioner's perspective. In a 2018 book Carr coins the phrase China Panic. He describes China Panic as a 'campaign designed to establish that the Chinese Communist Party was embarked on a campaign to swallow Australian sovereignty'.¹⁴ A distinguishing feature of China Panic, which Carr traces back to the beginning of 2017, is a deluge of commentary that 'sailed way beyond any evidentiary base'.



Some of the claims featuring in Australia's recent China discourse are completely bereft of an evidence base. One example is Hamilton's claim that China is 'using fake history to position itself to make a future claim over Australia'.¹⁵ Another is the 2016 allegation by Peter Jennings, the Executive Director of the Australian Strategic Policy Institute (ASPI) that Chinese hackers had brought down the Australian Bureau of Statistics (ABS) census website in August of that year.¹⁶

Other claims stem from particular facts. However, additional relevant considerations are marginalised or missing such that the entirety of the evidence base struggles to substantiate the claims being made. Consider the reporting and commentary around the issue of 'Chinese political donations', which has been framed as a Chinese government attempt to undermine Australian sovereignty.

¹³ Chengxin Pan, 'The "Indo-Pacific" and geopolitical anxieties about China's rise in the Asian regional order', *Australian Journal of International Affairs*, vol. 68, no. 4, pp. 453-469, 2014.

¹⁴ Bob Carr, *Run for Your Life*, Melbourne University Press, Melbourne, 2018, p.281.

¹⁵ Clive Hamilton, *Silent Invasion*, Hardie Grant, Melbourne, 2018, p.22.

¹⁶ ABC Media Watch, 'Mack caused hack attack?', *ABC News*, August 15 2016 <<http://www.abc.net.au/mediawatch/episodes/mack-caused-hack-attack/9972902>>.

On September 10 2018, Rory Medcalf, the Director of the National Security College (NSC) at the Australian National University (ANU), told an audience in Washington:¹⁷

A big part of the problem is that our [Australian] political parties had become dependent on foreign funding. In recent years the two largest donors to our major Labor and Liberal parties have been two Chinese-born billionaires...

We saw a persistent increase in Chinese donations to Australian political parties since 2006-07, spiking in each Federal election from 2007 to 2016.

Rory Medcalf

The backstory to this assessment was a joint Fairfax/ABC *Four Corners* investigation headlined in the *Sydney Morning Herald* as 'China's Operation Australia'.¹⁸ One of the major stories was titled 'Payments, power and our politicians'. On June 6 2017, journalists Nick McKenzie and Chris Uhlmann revealed that the Australian Security Intelligence Organisation (ASIO) Director-General, Duncan Lewis, had 'warned the major political parties about taking donations from two high-profile Chinese businessmen [Chau Chak Wing and Huang Xiangmo] because they may be a conduit for Chinese Communist Party interference in Australian politics.'¹⁹ On the same day it was further reported that Huang had withheld a \$400,000 donation to the Labor party following comments from Labor's Shadow Defence Minister, Stephen Conroy critical of China's actions in the South China Sea. A day later, while addressing a Chinese media gathering and standing next to Huang, Labor Senator Sam Dastyari had supported China's stance on the South China Sea, contradicting his own party's position and that of the Australian government.²⁰ While Dastyari initially said that he had given the 'wrong answer' and 'mumbled it and answered it incorrectly', an audio recording subsequently showed that the remarks appeared to have been prepared.²¹ And all of this was after Dastyari had in 2014 requested \$5000 from Huang's company to pay a legal bill.²² By December 2017 Dastyari's position had become untenable and he resigned from the Senate.

¹⁷ Rory Medcalf, 'The Great Australian China debate: implications for the United States and the world', remarks delivered at the Sigur Center for Asian Studies, George Washington University, Washington DC, September 10 2018 <<https://nsc.crawford.anu.edu.au/publication/13077/great-australian-china-debate>>.

¹⁸ Nick McKenzie, Chris Uhlmann, Richard Baker, Daniel Flitton and Sacha Koloff, 'China's Operation Australia: Payments, power and our politicians', *The Sydney Morning Herald*, <<https://www.smh.com.au/interactive/2017/chinas-operation-australia/>>.

¹⁹ Nick McKenzie and Chris Uhlmann, 'ASIO warned politicians about taking cash from Huang Xiangmo, Chau Chak Wing', *The Australian Financial Review*, June 6 2017.

²⁰ Nick McKenzie, Chris Uhlmann, Richard Baker, Daniel Flitton and Sashka Koloff, 'ASIO investigation targets Communist Party links to Australian political system', *ABC News*, June 6 2017 <<http://www.abc.net.au/news/2017-06-05/asio-china-spy-raid/8589094>>.

²¹ Quentin McDermott, 'Sam Dastyari defended China's policy in South China Sea in defiance of Labor policy, secret recording reveals', *ABC News*, November 29 2017 <<http://www.abc.net.au/news/2017-11-29/sam-dastyari-secret-south-china-sea-recordings/9198044>>.

²² Ibid.

All that acknowledged, a comprehensive assessment of the evidence base around 'Chinese political donations' would also give attention to correcting claims such as those made by Medcalf that Australian political parties 'had become dependent on foreign funding'. The fact is that over the last seven federal election cycles, total foreign donations – not just Chinese – have ranged between 0.03 percent of total donations to 6.13 percent.²³ In the latest campaign period, which covered the financial year 2015-16, the figure stood at just 2.6 percent.²⁴ And contrary to Medcalf's assertion that there has been a 'persistent increase in Chinese donations...since 2006-7', data collected by University of Melbourne academics, Malcolm Anderson and Joo-Cheong Tham show that Chinese donations in 2015 and 2016, the two latest years for which data are available, amounted to \$944,850 and \$850,000, respectively. This was in line with the annual average over the past decade, less than half that recorded in 2008, and less than one-fifth that in 2014.²⁵ Anderson and Tham also identified 'Chinese donations' broadly. For example, donations from Australian citizens with significant business interests in China were classified as 'Chinese', as were those from Australian registered companies owned by Australian permanent residents but with PRC citizenship.

The entirety of the evidence base would also make clear that Chau Chak Wing wasn't a 'Chinese businessman' at all, as asserted by McKenzie and Uhlmann in their original article. Rather, he has been an Australian citizen for the past 20 years. In his comments Medcalf acknowledged that Chau

Far from being 'dependent on foreign funding', in the latest federal election campaign period foreign donations stood at just 2.6 percent of total donations. And there has been no 'persistent increase in Chinese donations' as Rory Medcalf claimed.

is a naturalised Australian but then added that he 'retains prominent links to China' as if this were unusual for a first generation migrant.²⁶ Carr says Chau's Australian citizenship means that he is 'no more a foreign donor than Frank Lowy, Harry Triguboff or Dick Pratt, and any other European-background business leaders who considered it legitimate to donate at the request of political parties competing in a democracy'.²⁷ Carr also observes that whatever the concerns that Australia's security agencies might have about Huang Xiangmo, the Australian government recently extended his permanent residency status and has allowed his Australian-registered family company to purchase more than \$1 billion in prime Australian real estate assets.²⁸ It could be added that in 2018 when the Australian government was seeking to upgrade political donation laws in a bid to stem foreign interference, donations from permanent residents such as Huang were unaffected. Anne Twomey, a Professor of Constitutional Law at University of Sydney, notes that the government's proposed legislation permits Australian permanent residents 'to make as many political donations in as large amounts as they wish'.²⁹ In continuing to allow

²³ Joo-Cheong Tham and Malcolm Anderson, 'Taking xenophobia out of the political donation debate', *Inside Story*, October 20 2016 <<https://insidestory.org.au/taking-xenophobia-out-of-the-political-donation-debate/>>.

²⁴ Yee-Fui Ng, 'A ban on foreign political donations: definitions, scope and constitutional validity', *Australian Public Law*, April 6 2017 <<https://auspublaw.org/2017/04/a-ban-on-foreign-political-donations/>>.

²⁵ Luke Henriques Gomes, 'Nearly 80 percent of foreign political donations come from China, data shows', *The New Daily*, December 10, 2017 <<https://thenewdaily.com.au/news/national/2017/12/10/chinese-donations-australia/>>.

²⁶ Rory Medcalf, 'The Great Australian China debate: implications for the United States and the world', remarks delivered at the Sigur Center for Asian Studies, George Washington University, Washington DC, September 10 2018 <<https://nsc.crawford.anu.edu.au/publication/13077/great-australian-china-debate/>>.

²⁷ Bob Carr, *Run for Your Life*, Melbourne University Press, Melbourne, p.281.

²⁸ *Ibid*, p.285.

²⁹ Anne Twomey, 'Federal government's foreign donations bill is flawed and needs to be redrafted', *The Conversation*, March 1 2018 <<https://theconversation.com/federal-governments-foreign-donations-bill-is-flawed-and-needs-to-be-redrafted-92586>>.

permanent residents to make donations, Australia is no different to other liberal democracies such as Canada and the US.³⁰ The University of Melbourne's Anderson and Tham specialise in the study of money in Australian politics and contend that 'this blinkered understanding sometimes tips into xenophobia'.

Tham remarks:³¹

It is not fanciful to suggest that a strand of scarcely veiled Sinophobia, with old fears of the 'yellow peril', seems to run through some debates over donations from Chinese companies. This occurs quite subtly: first through the racialisation of donations from those of Chinese ancestry or those who were born in the PRC (why is ancestry or country of birth presumed to be significant among 'Chinese' political donors but not among others?) This racialisation then trades on the dark ambiguity of the label 'Chinese', with an implication of interference by the Chinese government in Australian politics.

Joo-Cheong Tham

Similarly, in a recent article reflecting on Chinese investment in Australia Richard McGregor, a Senior Fellow at the Lowy Institute think tank, warns:³²

[T]he word "Chinese" is already applied with loose abandon to Australian citizens of Chinese descent. By the time their exploits are written up in much of the media, their citizenship disappears, and they are simply tagged as "Chinese", as though their ethnicity is the mark of Cain.

Richard McGregor

³⁰ Joo-Cheong Tham and Malcolm Anderson, 'Taking xenophobia out of the political donation debate', *Inside Story*, October 20 2016 <<https://insidestory.org.au/taking-xenophobia-out-of-the-political-donation-debate/>>.

³¹ Joo-Cheong Tham, 'Of Aliens, money and politics: should foreign political donations be banned?', *King's Law Journal*, vol. 28, no. 2, 262-278, 2017.

³² Richard McGregor, 'Blocking CKI from buying Australian pipelines would be a win for Beijing', *The Australian Financial Review*, September 22 2018

Another relevant fact that forms part of the evidence base is that even if one accepts that Chau and Huang are agents of the Chinese state – both firmly reject the allegation and one has pursued legal remedies in a bid to clear his name – there is no evidence of Australian policy positions having shifted in response to the political donations the two businessmen have made.

When it comes to foreign policy, the evidence base is limited to a single speech by a single opposition party Senator that was contrary to his own party's well-established position on the South China Sea, let alone that of the Australian government.

What hasn't been revealed is also potentially enlightening. There are more than 500,000 Australian citizens and residents who were born in China.³³ There are more than 300 members of the Chinese Chamber of Commerce in Australia, including numerous state-owned enterprises.³⁴ Yet the reporting has only identified two donors of concern, Chau and Huang, and only one of these is a Chinese citizen. This is hard to square with a narrative that holds Beijing has been directing a campaign of political donations designed to undercut Australian sovereignty.

Finally, the mechanics of how the donations took place might be instructive. Huang has said that the Australian political parties approached him to make donations and not the other way around.³⁵ This has not been disputed.

On March 19 2018 more than 80 of Australia's leading China scholars signed an open letter that stated:³⁶

Where criticism of China's actions is substantiated by clear evidence, there should be no hesitation in applying scrutiny and appropriate penalties. Too often, though, the media narrative in Australia singles out the activities of individuals and organisations thought to be linked to the Chinese state and isolates them from a context of comparable activity, engaged in by a range of parties (among them our allies). In doing so it puts a sensational spin on facts and events.

Open letter from concerned scholars of China and the Chinese diaspora

³³ Elena Collinson, 'The PRC diaspora in Australia', Australia-China Relations Institute, University of Technology Sydney, Sydney, February 1 2018 <<http://www.australiachinarelations.org/content/prc-diaspora-australia>>.

³⁴ Bob Carr, 'One donor does not quite a scandal make', *The Australian*, June 10 2017.

³⁵ Rachel Baxendale, 'China donor Huang Xiangmo issues challenge to big parties', *The Australian*, March 2 2018.

³⁶ 'An open letter from concerned scholars of China and the Chinese diaspora', *Asia & The Pacific Policy Society Policy Forum*, March 26 2018 <<https://www.policyforum.net/an-open-letter-from-concerned-scholars-of-china-and-the-chinese-diaspora/>>.

The scholars cautioned, 'The alarmist tone of this discourse impinges on our ability to deal with questions involving China in the calm and reasoned way they require'. In commenting on the open letter's publication, Stephen FitzGerald, Australia's first ambassador to the PRC in 1972 said, 'It takes a lot to get China scholars to agree. The last time it happened in Australia was in response to the Tiananmen massacre in 1989'.³⁷ Even some Australian scholars who did not sign the open letter and who have been critical of the Chinese Communist Party (CCP) and its activities in Australia have conceded that the gap between claims and evidence has sometimes been substantial. On September 17 2017, James Leibold, an Associate Professor at Latrobe University, told an audience convened in Melbourne to discuss China's influence in Australia:³⁸

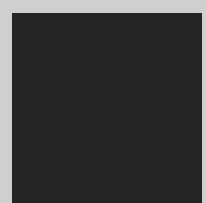
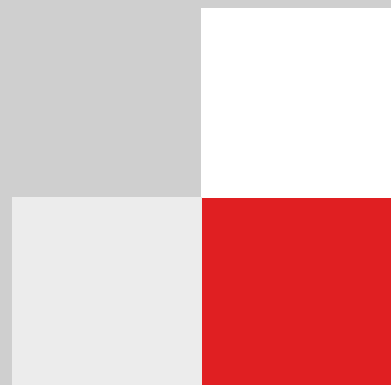
[T]he *Four Corners* episode, which I'm sure most people are aware of, was a bit of shooting at shadows, I agree with you. When I watched it I thought 'Well, there's a lot of smoke here but, you know, not any clear evidence.'

James Leibold

This report documents and dissects the way that China has been discussed in Australia in recent years. The range of issues covered are vast and cover allegations of allegiance by Chinese-Australians to a foreign power, aggressive behaviour by Chinese students at Australian universities, a China intent on placing a military base on Australia's doorstep, spying at an Australian maritime port made possible by Chinese investment and an FTA that favours Chinese, not Australian interests. In each case, the evidence base is shown to be divorced from the claims found in headlines, news reports and opinion pieces, revealing just how widespread the discourse of China Threat, China Angst and China Panic has become.

³⁷ Kirsty Needham and Tammy Mills, 'First China ambassador calls for calm in influence debate', *Sydney Morning Herald*, March 23 2018.

³⁸ 'China's Influence in Australia', *Latrobe University Asia's Rising*, September 19 2017 <<https://soundcloud.com/asia-rising/chinas-influence-in-australia>>.







Allegiance
of Australia's
Chinese
diaspora to a
foreign power

FINANCIAL REVIEW

**Australia is losing the
battle against China's
'citizen spies'**

THE AUSTRALIAN 
FOR THE INFORMED AUSTRALIAN

**ASIO FLAGS
MANCHURIAN
CANDIDATES**

THE  AGE

**Melbourne
protestors to rally
in support of China**

The claims

The number of residents of Australia born in the PRC is approximately 526,000.³⁹ The 2016 Census showed that Australia is home to more than 1.2 million people of Chinese heritage.⁴⁰

Clive Hamilton wrote in his 2018 book, *Silent Invasion*:⁴¹

A powerful sense of national pride...combined with an inability to distinguish between the nation and its government, goes a long way towards explaining why many in the Chinese diaspora, including Chinese-Australian citizens, remain loyal to the PRC and defend its actions even when they conflict with Australia's values and interests.

Clive Hamilton

He warned that Australia should expect to see this allegiance to Beijing in plain sight:⁴²

Remembering that there are over one million people of Chinese heritage in Australia, we could expect some, citizens and non-citizens alike, to take to the streets to express their loyalty to Beijing – in other words, to Australia's enemy.

Clive Hamilton

Hamilton assesses that these street protests could result in 'ongoing and potentially severe civil strife' and 'would be orchestrated by the Chinese embassy in Canberra'.⁴³

Hamilton begins his book by recounting how he was 'affronted' on April 24 2008 when, as part a group of Tibetan protestors, they were 'mobbed and abused' by 'Chinese people' who had turned out to support the arrival of the Olympic torch in preparation for the Beijing games later that year.

He cites two estimates of the proportion of Chinese-Australians who 'are loyal to Beijing first'. The first puts those with 'strong pro-Beijing

³⁹ Australian Bureau of Statistics, 'Migration, Australia, 2015-16', March 30 2017 <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3412.0>>.

⁴⁰ Australian Bureau of Statistics, 'ABS reveals insights into Australia's Chinese population on Chinese New Year', February 16 2018 <<http://abs.gov.au/ausstats/abs%40.nsf/mediareleasesbyCatalogue/D8CAE4F74B82D446CA258235000F2BDE?OpenDocument>>.

⁴¹ Clive Hamilton, *Silent Invasion*, Hardie Grant, Melbourne, 2018, p. 13.

⁴² Ibid, p. 280.

⁴³ Ibid, p. 280.

sentiments' at between 'twenty to thirty percent'. The second claims those who are 'strongly 'pro-Communist' account for 'around ten percent' with a further 'twenty to thirty percent' being 'quiet supporters of the CCP regime'.⁴⁵ Translating these percentages to numbers, this means there are potentially up to 210,400 in Australia's Chinese communities with allegiances to Beijing.

On June 17 2018, Hamilton further claimed that Beijing was actively exporting its loyalists to Darwin.⁴⁶

Beijing is encouraging migration to northern Australia to populate it with people who'll promote [sic] CCP's strategic program of One Belt, One Road.

Clive Hamilton

On September 6 2016, Emeritus Professor of the ANU, Paul Dibb asserted in *The Australian* that there was 'increasing evidence of greater pro-PRC attitudes among a significant proportion of Chinese now resident in Australia'. He said, 'Australian experts say they have never seen such overwhelmingly pro-PRC attitudes in the Chinese community in Australia'. Dibb concluded his commentary by warning:

The fact is, there are a considerable number of Chinese residents and students here who feel nostalgic about the People's Republic and its ruling party. If that is so, we have a dangerous case on our hands with a group of people who are not integrating and who owe allegiance to a foreign power.

Paul Dibb

On June 14 2018, Dibb told Andrew Tillett, a journalist at *The Australian Financial Review*, that in terms of espionage activities the Chinese government 'have some elements of the Chinese community in Australia they can lean on'.⁵⁰ He clarified:

44 Ibid, p. ix.

45 Ibid, p. 280.

46 Clive Hamilton, June 17 2018 <<https://twitter.com/CliveCHamilton/status/1008244195784568832>>.

47 Paul Dibb, 'Local allegiance to the People's Republic fuels investment concern', *The Australian*, September 6 2016.

48 Ibid.

49 Ibid.

50 Andrew Tillett, 'Between security and a hard place', *Australian Financial Review*, June 14 2018.

That is not the long-established Chinese settlers from Hong Kong, Taiwan or Southeast Asia or post-Tiananmen Square. It's the last 10 or 15 years of indoctrinated young Chinese who rightly are highly nationalistic but are going to create a problem.

Paul Dibb

Of the PRC-born population in Australia, 60 percent arrived after 2006. This means there are 315,600 in that category.⁵¹

Dibb's warnings echoed an earlier article by *Australian Financial Review* journalist Aaron Patrick on September 3 2016:⁵²

Spying by China is far easier than it was during the Cold War era. Some one million Chinese citizens visit Australia every year on tourist visas. Thousands already live in Australia, and many come and go for business and mix with Australians at all levels of society. They are free to go anywhere an Australian is, and there are far too many for the security services to monitor.

Aaron Patrick

Patrick quotes an unnamed 'expert with connections to the Australian Security Intelligence Organisation', as well as commentary by Paul Monk, an ex-head of China analysis at the Defence Intelligence Organisation, among other mostly unnamed security experts and the head of a Washington-based think tank. Monk homed in on Australia's Chinese communities:⁵³

⁵¹ Elena Collinson, 'The PRC diaspora in Australia', Australia-China Relations Institute, University of Technology Sydney, Sydney, February 1 2018 <<http://www.australiachinarelations.org/content/prc-diaspora-australia>>

⁵² Aaron Patrick, 'China's citizen spies: security - agents of influence', *Australian Financial Review*, September 3 2016.

⁵³ Ibid.

Unlike Russia during the Cold War, you have a diaspora who are living in and accepted as citizens in other countries... If you are a Chinese intelligence officer you can have a field day.

Paul Monk

On June 28 2018, former Australian prime minister John Howard also warned of risks in Australia's Chinese diaspora.⁵⁴

Australia's population will reach 25 million soon, one million of them are ethnic Chinese. [They are] terrific citizens...but it remains the case that China is very interested in the capacity to use people to further her own power and interests.

John Howard

On August 19 2018, Feng Chongyi, an Associate Professor at UTS, told News Corp journalist Paul Toohey that Australia's Chinese diaspora was the primary target of the CCP's United Front Work Department (UFD) and are fertile ground.⁵⁵

They [the United Front] use them [the Chinese diaspora] to work for China as proxies. Their first loyalty is to the motherland, although they are Australian citizens. The majority still live in a Chinese nationalist ideology.

Feng Chongyi

A particular focus of commentary has been Chinese-Australians who have held or are running for political office.

⁵⁴ 'John Howard warns China could use its expats to grow influence in Australia and the region', *ABC News*, June 28 2018 <<http://www.abc.net.au/news/2018-06-28/john-howard-warns-china-could-use-expats-to-grow-power-in-region/9918114>>.

⁵⁵ Paul Toohey, 'In the Great Sprawl of China's shadow', *Sunday Telegraph*, August 19 2018.

On September 23 2017, Brad Norington, a journalist at *The Australian*, identified four candidates in local council elections as having ‘strong links’ to the Australian Council for the Promotion of Peaceful Reunification of China (ACPPRC) and its then-president, Huang Xiangmo.⁵⁶ The ACPPRC was described as a ‘Chinese Communist Party-backed lobby group’. A few months earlier on June 6 2017, journalists Nick McKenzie and Chris Uhlmann had reported based on unnamed sources that ASIO had warned political parties about taking donations from Huang.⁵⁷ This was because he ‘may be a conduit for Chinese Communist Party interference in Australian politics’. That said, ASIO boss, Duncan Lewis was also ‘careful to stress that...Huang Xiangmo was [not] accused of any crime’, nor was he ‘instructing the parties to stop taking their donations’.⁵⁸ Norington said that the links between the four Chinese-Australians and Huang were ‘fuelling concerns about external influence in Australia’s political process’. He also related their political candidacy to ‘allegations about China’s ‘soft power’ influence in Australian politics’ and to ‘US intelligence briefings’ given to then-Attorney-General, George Brandis.

On December 9 2017, Paul Maley, defence and national security editor of *The Australian*, wrote that ASIO had identified ‘about 10 political candidates at state and local government elections’ it believed had ‘close ties to Chinese intelligence services’.⁵⁹ Once again citing unnamed ‘sources’, the article appeared under the headline ‘ASIO flags Chinese Manchurian candidates’. It alleged, ‘At least one of those candidates successfully obtained elected office, and remains there today’. The article recounted a claim made by Ross Babbage, the former Head of Strategic Analysis in the Office of National Assessments, that ‘[Beijing has] a strategy to recruit and insert and encourage, and to some extent fund, ‘agents of influence’”.

In an article in the *Sydney Morning Herald* on December 16 2017, Alex Joske, Clive Hamilton’s research assistant, called into question the loyalty of Australia’s first Chinese-background parliamentarian, Helen Sham-Ho. Sham-Ho moved to Australia from Hong Kong in 1961 and was elected to the NSW Legislative Council in 1988. She retired in 2003. Joske named Sham-Ho as an example of ‘community leaders who appear to have ties to the Chinese government and toe the party line...’.⁶⁰ This was because Sham-Ho had served as an honorary ‘advisor’ to the ACPPRC since 2000, had called Huang Xiangmo a ‘nice friend’, and was ‘pictured’ meeting with visiting delegations that included officials from the CCP’s UFWD.

⁵⁶ Brad Norington, ‘Four council candidates linked to China lobby’, *The Australian*, September 23 2017.

⁵⁷ Nick McKenzie and Chris Uhlmann, ‘Chinese donations could compromise: ASIO’, *Australian Financial Review*, June 6 2017.

⁵⁸ Nick McKenzie, Chris Uhlmann, Richard Baker, Daniel Flitton and Sashka Koloff, ‘ASIO investigation targets Communist Party links to Australian political system’, *ABC News*, June 6 2017 <<http://www.abc.net.au/news/2017-06-05/asio-china-spy-raid/8589094>>.

⁵⁹ Paul Maley and Nicola Berkovic, ‘ASIO flags Manchurian candidates’, *The Australian*, December 9 2017.

⁶⁰ Alex Joske, ‘Power players with Chinese links target government’, *Sydney Morning Herald*, December 16 2017.

In another piece in the *Sydney Morning Herald* on March 1 2018, Nick McKenzie, David Crowe and Richard Baker cited an allegation by Hamilton and Joske concerning Huang Kun, an elected member of Sydney's Cumberland Council. Councillor Huang was named as 'a person involved in Chinese Communist Party United Front organisations'.⁶¹ This was because he had participated in setting up a Chinese Students and Scholars Association (CSSA) while studying at Macquarie University, and had also been a member of the ACPPRC for 12 months.

On June 28 2018, Nick McKenzie and two other Fairfax journalists reported that Australia's security agencies believed Ernest Wong, a member of the NSW Legislative Council, had been 'cultivated' by Chinese intelligence operatives.⁶²

Aside from those running for political office, another prominent line of reporting has been the suggestion that Chinese-Australians are active in agitating on behalf of causes favoured by the CCP and PRC diplomats. With the protests surrounding the Beijing Olympics torch relay in Canberra now more than a decade old, recent coverage has gravitated towards activities in support of China's territorial claims in the South China Sea.

On April 12 2016, two months before an international arbitration decision relating to China's actions in the South China Sea was handed down, the ABC's defence reporter, Andrew Greene, wrote:⁶³

Leading figures in Australia's Chinese population have called on fellow community members to come together to help 'safeguard the sovereign rights of China' [in the South China Sea]'.⁶⁴

Andrew Greene

This was in reference to a community forum held in Sydney on April 10 2016.

On July 22 2016, Daniel Flitton and Philip Wen of *The Age* reported on the organisation of public demonstrations in Melbourne protesting the South China Sea arbitration decision, which ruled against China's activities.⁶⁴ The email seeking support for the protests described the tribunal decision as 'illegal' and said that it 'makes the Chinese people filled with righteous indignation!'. The protest was held on July 23 2016.

On August 22 2016 Chris Uhlmann drew attention to an open letter sent to then-Prime Minister Malcolm Turnbull and other senior parliamentarians from the Federation of the Chinese Associations of the Australian Capital Territory (FCAACT).⁶⁵ The letter adopted the PRC view of the South China Sea arbitration decision and criticised the Australian response. It stated, 'It hurts the feelings of the vast number of Chinese Australians to see Australia itself on the verge of contributing to the destabilisation of the sensitive South China Sea region' by supporting the arbitral tribunal's decision.

⁶¹ Nick McKenzie, David Crowe and Richard Baker, 'The ex-PM and the Chinese donor: exclusive', *Sydney Morning Herald*, March 1 2018.

⁶² Nick McKenzie, Alexandra Smith and Fergus Hunter, 'MP targeted by Chinese agents: exclusive', *Sydney Morning Herald*, June 28 2018.

⁶³ Andrew Greene, 'Australian-Chinese leaders urge support for 'motherland' in South China Sea dispute', *ABC News*, April 12 2016 <<http://www.abc.net.au/news/2016-04-11/support-urged-for-motherland-in-south-china-sea-dispute/7318172>>.

⁶⁴ Daniel Flitton and Philip Wen, 'Melbourne protesters to rally in support of China', *The Age*, July 22 2016.

⁶⁵ Chris Uhlmann, 'Australian businesses with close ties to China donated \$5.5m to political parties, investigation shows', *ABC News*, August 22 2016 <<http://www.abc.net.au/news/2016-08-21/australian-groups-strong-ties-china-political-donations/7768012>>.

The evidence

The allegations that raise doubts about the loyalty of Australia's Chinese diaspora are repeated. They risk congealing as received opinion. It is therefore appropriate to ask: what is the evidence base?

Clive Hamilton makes the most dramatic claims. Based on the estimates he cites, the number of Chinese-Australians with allegiance to a foreign power could potentially run into the hundreds of thousands. However, it emerges that his only sources are quotes from two 'Chinese Australian' 'friends'. He does not elaborate on their qualifications.⁶⁶ When challenged about the quality of this evidence, Hamilton said he had asked his two friends to 'take an educated guess' and, in his opinion, 'the guesses seemed plausible'.⁶⁷ On January 31 2018, when commending his book to the Parliamentary Joint Committee on Intelligence and Security, Hamilton had described it as 'extremely thoroughly documented and scholarly'.⁶⁸

Only two pieces of evidence were presented by Paul Dibb in his 2016 commentary that asserted 'we have a dangerous case on our hands'. The first was the 'particularly disturbing' open letter from the FCAACT concerning the South China Sea arbitration decision. While Chris Uhlmann had reproduced the letter in full, he provided no indication of how many Chinese-Australians the FCAACT might be representing. The organisation has no website, in English or Chinese. There is no record of any subsequent submissions,

When Clive Hamilton was challenged about the estimates he cited claiming that up to 40 percent of Chinese-Australians are loyal to Beijing, he responded that he had asked two friends to 'take an educated guess' and, in his opinion, 'the guesses seemed plausible'. On January 31 2018, when commending his book to a Parliamentary Joint Committee on Intelligence and Security, Hamilton had described it as 'extremely thoroughly documented and scholarly'.

representations, or media statements by the group. A single letter would appear to provide a fragile evidentiary base to assert that in Australia's Chinese communities 'we have a dangerous case on our hands'.

The second piece of evidence noted by Dibb in support of claims that Chinese-Australians are agitating on behalf of the CCP was a reference to a report by Rowan Callick, then the China correspondent of *The Australian*, on concerts 'sponsored by local Chinese business, to celebrate the life of Communist Party dictator Mao Zedong'.⁶⁹ On August 27 2016 Callick had asked, 'What's happening within Australia's Chinese community?', but had also conceded that these were likely the efforts of 'a small, rather

⁶⁶ Clive Hamilton, *Silent Invasion*, Hardie Grant, Melbourne, 2018, p. 280.

⁶⁷ Clive Hamilton, June 1 2018 <<https://twitter.com/CliveCHamilton/status/1002752071055970309>>.

⁶⁸ Official Committee Hansard, 'Parliamentary Joint Committee on Intelligence and Security', January 31 2018 <<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Fcommjnt%2F1e36c2f4-7e55-46ed-ab03-e9bd81f4cdb8%2F0004;query=id%3A%22committees%2Fcommjnt%2F1e36c2f4-7e55-46ed-ab03-e9bd81f4cdb8%2F0000%22>>.

⁶⁹ Rowan Callick, 'Inscrutable ties to another China', *The Australian*, August 27 2016.

determined and focused minority group'. There was no Chinese newspaper or radio program identified as sponsoring them, nor had any Chinese consular representative endorsed or defended the idea. Christina Wang, associated with the International Cultural Exchange Association Australia (ICEAA) which organised the concerts, denied any links with the Chinese government and said all the key organisers had been in Australia for decades. She said, 'We are artists, we just want to put on a good display of song and dance'.⁷⁰ In any event, no Mao concerts materialised. A Chinese-Australian community group, the Embrace Australian Values Alliance, had earlier released a statement calling for a rally outside the proposed venue to 'Say NO' to the concert.⁷¹

A single letter from a largely unknown group and a musical concert that never materialised is the extent of the evidence base that Paul Dibb presented to support his claim that in Australia's Chinese communities 'we have a dangerous case on our hands'.

Turning to the political activism of Chinese-Australians, the 'leading figures' in Australia's Chinese communities referred to by Andrew Greene as having organised a forum on the South China Sea issue managed to attract a total attendance of around 60.⁷² The China-born population in NSW at the time of the 2016 census

The 'leading figures' in Australia's Chinese communities that Andrew Greene said had tried to rally support for China's claims in the South China Sea managed to attract a total attendance of around 60 to a forum in Sydney. The China-born population in NSW at the time of the 2016 census was 234,506.

was 234,506.⁷³ In what might be described as an understatement, Carlyle Thayer, Emeritus Professor at the University of New South Wales, told Greene that the small gathering did not indicate the South China Sea issue was as yet a 'hot button issue for the larger Chinese community in Australia'.⁷⁴ He also noted that the organisers had stressed their commitment to a 'peaceful expression of their views'.⁷⁵

Similarly, the organisers of the Melbourne protest concerning the South China Sea implored would-be demonstrators to refrain from abusing other countries and nationalities.⁷⁶ The event was described by the ABC's China correspondent, Bill Birtles, as 'small but well organised'.⁷⁷ Video footage of the event shows smiling protestors, complete with a police escort, walking their way through Melbourne streets carrying placards and waving Australian and Chinese flags.⁷⁸ Chris Uhlmann estimated their number at 'about 1500'.⁷⁹ If correct, this amounts to less than one percent of the China-born population in Victoria, according to the 2016 census.⁸⁰

70 Philip Wen, 'Divisive Mao Zedong concerts in Sydney, Melbourne cancelled', *Sydney Morning Herald*, September 1 2016.

71 'Chairman Mao concerts cancelled after community backlash', *SBS News*, September 2 2016 <<https://www.sbs.com.au/news/chairman-mao-concerts-cancelled-after-community-backlash>>.

72 Andrew Greene, 'Australian-Chinese leaders urge support for 'motherland' in South China Sea dispute', *ABC News*, April 12 2016 <<http://www.abc.net.au/news/2016-04-11/support-urged-for-motherland-in-south-china-sea-dispute/7318172>>.

73 Australian Bureau of Statistics, '2016 Census: New South Wales', June 27 2017 <<http://www.abs.gov.au/ausstats/abs@.nsf/mediareleasesbytitle/BBEDD77E8EA69ACACA2581BF001E65B2?OpenDocument>>.

74 Andrew Greene, 'Australian-Chinese leaders urge support for 'motherland' in South China Sea dispute', *ABC News*, April 12 2016 <<http://www.abc.net.au/news/2016-04-11/support-urged-for-motherland-in-south-china-sea-dispute/7318172>>.

75 Ibid.

76 Daniel Flitton and Philip Wen, 'Melbourne protesters to rally in support of China', *The Age*, July 22 2016 .

77 Bill Birtles, 'South China Sea: China warns Australia must 'cautiously behave' in row over contested waterway', *ABC News*, August 1 2016 <<http://www.abc.net.au/news/2016-08-01/china-turns-defeat-into-victory-in-south-china-sea/7676260>>.

78 'Australia: Chinese protesters rally against South China Sea ruling in Melbourne', YouTube, July 23 2016 <<https://www.youtube.com/watch?v=jSeaPFxRyxA>>.

79 Chris Uhlmann, 'Australian businesses with close ties to China donated \$5.5m to political parties, investigation shows', *ABC News*, August 22 2016 <<http://mobile.abc.net.au/news/2016-08-21/australian-groups-strong-ties-china-political-donations/7768012?pfmredir=sm>>.

80 Australian Bureau of Statistics, '2016 Census: Victoria', June 27 2017. <<http://www.abs.gov.au/ausstats/abs@.nsf/MediaReleasesByCatalogue/C508DD213FD43EA7CA258148000C6BBE?OpenDocument>>.

Migrant communities maintaining an interest in the aspirations of their homelands, or their foreign policy agendas, are not unusual in multicultural democracies like Australia or the US. Examples would include Australians of the Jewish faith organising and lobbying in support of Israel or of Arab-background Australians exerting pressure on behalf of Palestine; Vietnamese migrants demonstrating against Communist Party rule and pressing a human rights agenda; Australians of Armenian background lobbying for recognition of the Armenian Genocide and of Turkish background opposing it; Australians from Cyprus and other Greek-background migrants lobbying against Turkish occupation; and Australians with a Tamil background lobbying members of Parliament for action directed at the Sri Lankan government during and after the civil war.

It could also be argued that an Australian born in China advocating in line with Beijing's territorial claims is being no more disloyal than an Australian born in Vietnam supporting Hanoi's. The settled, bipartisan position of the Australian government is that it takes no position on territorial claims in the South China Sea. In any case, all Australians are free to dissent from official government positions.

What is, in fact, more striking about the Chinese communities in Australia is the apparent absence of lobbying of members of Parliament (State and Federal) about sensitive PRC concerns. Bob Carr has said that to his knowledge no member of Federal Parliament had received delegations of PRC-born voters pressing a pro-Beijing agenda on

the South China Sea, Taiwan or Tibet.⁸¹ This, he suggested, was a contrast with the activism of other migrant communities like those mentioned above.

Andrew Jakubowicz, Professor of Sociology at UTS, has written extensively on the political behaviour of Chinese-background voters. In a 2011 academic article, he noted their influence in determining outcomes of the NSW state election of March 2011 and in the federal elections of November 2007 and August 2010.⁸² Jakubowicz acknowledges that a growing part of Australia's Chinese-born population has had an 'earlier socialisation... influenced by Han [PRC] nationalism', yet says they 'demonstrate an early settlement period focus on employment, housing and education, rather than politics'. He also says the sheer diversity of Australia's Chinese communities, which in another paper he disaggregates into at least 14 distinct sub-groups, 'contribute to an apparent impossibility of a unified or cohesive Chinese political presence in Australia'.⁸³ Jakubowicz finds that the issues that have managed to unite the Chinese community are not those that occupy the attention of Chinese diplomats. Rather, they are issues such as 'Australian racism and the racialisation of Australian public life and discourse'.⁸⁴ He cites the example of the support amongst Chinese communities for Maxine McKew the Labor candidate for the federal seat of Bennelong when she emerged victorious in the 2007 federal election against then-Prime Minister, John Howard. Howard had 'earlier adopted views they experienced as racist', Jakubowicz argued.⁸⁵

81 Bob Carr, 'Seven steps to tame fears over China', *The Australian*, December 12 2017.

82 Andrew Jakubowicz, 'Chinese Walls: Australian Multiculturalism and the Necessity for Human Rights', *Journal of Intercultural Studies*, vol. 32, no. 6, pp. 691-706, 2011.

83 Andrew Jakubowicz, 'Empires of the Sun: towards a post-multicultural Australian politics', *Cosmopolitan Civil Societies Journal*, vol. 51, no. 3, 2011. <<https://epress.lib.uts.edu.au/journals/index.php/mcs/article/view/1850>>.

84 Ibid.

85 Andrew Jakubowicz, 'Empires of the Sun: towards a post-multicultural Australian politics', *Cosmopolitan Civil Societies Journal*, vol. 51, no. 3, 2011. <<https://epress.lib.uts.edu.au/journals/index.php/mcs/article/view/1850>>.

In a 2017 article, Jakubowicz cites the resistance of the Chinese community to the push by successive prime ministers Tony Abbott and Malcolm Turnbull to water down the Racial Discrimination Act.⁸⁶

The most recent case of political activism identifiable in Australia's Chinese communities that had an influence on outcomes was in the July 2016 federal election when 'evangelical Christians' were 'targeting fears over same-sex marriage and the Safe Schools program'.⁸⁷ This is a long way removed from any CCP policy or program.

Andrew Jakubowicz identifies the most recent case of political activism in Australia's Chinese communities that had an influence on outcomes was in the July 2016 federal election when 'evangelical Christians' were 'targeting fears over same-sex marriage and the Safe Schools program'. This is a long way removed from any CCP policy or program.

And for all the attention paid to Chinese-Australians running for political office, what is far more conspicuous is their lack of direct political representation. In Australia's federal parliament, representatives with a non-European cultural background make up just 4.1 percent of the total.⁸⁸ This is despite this group accounting for 21 percent of Australia's population. No current representatives in federal parliament have a PRC background. As indigenous Australian lawyer and academic, Noel Pearson observes:⁸⁹

By numbers alone, they [Chinese-Australians] should rightly hold up to 10 federal parliamentary seats and dozens of state seats.

Noel Pearson

The same under-representation occurs in the public service and corporate Australia. Amongst federal and state public services secretaries and heads of department, non-Europeans make up just 1.6 percent.⁹⁰ At the deputy secretary level, only 2.4 percent. Of the 500 companies in the Australian Stock Exchange All Ordinary Index, only five have a director of Chinese descent.⁹¹

Jason Yat-Sen Li, a former Labor candidate for the federal seat of Bennelong argues that claims Chinese-Australians are 'especially vulnerable to covert CCP influence...only reinforces the bamboo ceiling'.⁹² Noel Pearson asks:⁹³

[W]hich Chinese-Australian is going to put their hand up for elected office now that the kind of allegation made against [NSW Labor Senator Ernest] Wong can result in controversy, making them too hot to handle?

Noel Pearson

⁸⁶ Andrew Jakubowicz, 'Ethnic religious communities may be the 'No' campaign's secret weapon in same-sex marriage fight', *The Conversation*, August 24 2017 <<https://theconversation.com/ethnic-religious-communities-may-be-the-no-campaigns-secret-weapon-in-same-sex-marriage-fight-82429>>.

⁸⁷ Andrew Jakubowicz, 'Ethnic religious communities may be the 'No' campaign's secret weapon in same-sex marriage fight', *The Conversation*, August 24 2017 <<https://theconversation.com/ethnic-religious-communities-may-be-the-no-campaigns-secret-weapon-in-same-sex-marriage-fight-82429>>.

⁸⁸ Australian Human Rights Commission, 'Leading for Change: A Blueprint for Cultural Diversity and Inclusive Leadership Revisited (2018)', April 2018 <<https://www.humanrights.gov.au/our-work/race-discrimination/publications/leading-change-blueprint-cultural-diversity-and-inclusiv-0>>.

⁸⁹ Noel Pearson, 'Four reasons to bin cynical foreign interference rules', *The Australian*, July 28 2018.

⁹⁰ Australian Human Rights Commission, 'Leading for Change: A Blueprint for Cultural Diversity and Inclusive Leadership (2016)', July 2016 <<https://www.humanrights.gov.au/our-work/race-discrimination/publications/leading-change-blueprint-cultural-diversity-and-inclusive>>.

⁹¹ Caroline Raggett and Grace Cheng, *Being a better board: Why and how Western corporate boards need to appoint China experts*, Russell Reynolds Associates, 2018 <http://www.russellreynolds.com/en/Insights/thought-leadership/Documents/Being%20a%20Better%20Board_Appoint%20China%20Experts%208.18.pdf>

⁹² Jason Yat-sen Li, 'Alienating Chinese Australians is just doing Beijing's work for it', *Australian Financial Review*, July 2 2018.

⁹³ Noel Pearson, 'Four reasons to bin cynical foreign interference rules', *The Australian*, July 28 2018.

Jieh-Yung Lo, a former local councillor in the City of Monash in Melbourne, observes that both political parties have long tended to view Chinese-Australians as ‘cash cows’ and that those looking to establish a political career are routinely viewed with suspicion that they may be representing a foreign power.⁹⁴

Any links, active or latent, between the ACPPRC and a Chinese government department are matters for legitimate scrutiny and discussion. Bob Carr suggested in *The Australian* on August 14 2018 that the ‘mere suggestion’ of such a link should be enough for Chinese-Australians to set up an association of which that cannot be said.⁹⁵

But guilt by association is the very definition of McCarthyism. To cast slurs on the loyalty of an Australian citizen because they served as an ‘honorary advisor’ to the ACPPRC, or because they described a former ACPPRC president as a ‘nice friend’, or were ‘pictured’ having attended one of its functions, fails to meet any reasonable evidentiary base. Noel Pearson also notes that in a liberal democracy:⁹⁶

[D]omestic and international sources should compete unreservedly in the marketplace of ideas. Ideas are all about influence. You can’t be open to new ideas yet be afraid of influence, domestic or international.



Columnist Paul Malone, writing in the *Canberra Times* on allegations of ‘agents of influence’, posits a similar assessment:⁹⁷

In truth the whole concept is cold-war McCarthyist nonsense. In a democracy we’re all entitled to try to influence each other in private and public discussions.

Paul Malone

⁹⁴ Australia-China relations Institute, ‘Chinese-Australians and the Australian-China relationship - with Jieh-Yung Lo’, *The ACRI Podcast*, Australia-China Relations Institute, University of Technology Sydney, June 14 2018 <<http://www.australiachinarelations.org/content/chinese-australians-and-australia-china-relationship-jieh-yung-lo>>.

⁹⁵ Bob Carr, ‘ASIO and the China Scare’, *The Australian*, August 14 2018.

⁹⁶ Noel Pearson, ‘Four reasons to bin cynical foreign interference rules’, *The Australian*, July 28 2018.

⁹⁷ Paul Malone, ‘Agent of influence fear is back’, *The Canberra Times*, September 18 2016.



The case of local councillor Huang Kun is another example of guilt by association. After having been described by Clive Hamilton and Alex Joske as a person involved in Chinese Communist Party United Front organisations, Huang quit his job as a staff member to a Labor senator rather than risk embarrassing her.⁹⁸ Huang has lived in Australia since he was nine years old. And of his involvement in the CSSA, he said this mostly comprised of organising harbour cruises and speed dating.⁹⁹ Of the ACPPRC, he remarked:¹⁰⁰

I'm not really sure of its status as a United Front organisation. Before the accusations started, we just thought this is a good and active community organisation.

The example of Ernest Wong is also concerning. While Nick McKenzie led his story with the claim that Australian security sources believed that Wong had been 'cultivated' by Chinese security agencies, he then went on to state that there was 'no suggestion' that Wong ever knew he was being targeted, nor that he had acted inappropriately or unwittingly passed on any information. Responding to the claims, NSW Labor Opposition Leader Luke Foley said that if ASIO had any concerns about Wong they could have briefed him 'but they never have'.¹⁰¹ He added, 'he's a member of my team and he's alleged to have been cultivated by Chinese agents, but we're not told who has these concerns, we're not told where or by whom'.¹⁰²

⁹⁸ Bob Carr, 'ASIO and the China scare', *The Australian*, August 14 2018.

⁹⁹ 'Tensions in Australia-China relationship affect local community', *ABC Radio National Saturday Extra*, June 2 2018 <<http://www.abc.net.au/radionational/programs/saturdayextra/china-discussion/9826180>>.

¹⁰⁰ Nick McKenzie, David Crowe and Richard Baker, 'The ex-PM and the Chinese donor: exclusive', *Sydney Morning Herald*, March 1 2018.

¹⁰¹ Alexandra Smith, 'Foley calls out anonymous sources over loyalty claims: new McCarthyism', *Sydney Morning Herald*, June 29 2018.

¹⁰² Andrew Clennell, 'China-bashing must stop: Foley', *The Australian*, June 29 2018.

Conclusion

There is no evidence base underpinning the estimates Clive Hamilton presents and accepts as to the proportion of disloyal Chinese-Australians. Similarly, the evidence base underpinning warnings of 'civil strife' emerging from within Australia's Chinese communities is almost non-existent.

In the past decade there has been a single reported public rally in Australia on an issue of PRC concern, the 2016 South China Sea international arbitration decision. This was a peaceful rally in Melbourne on July 23 2016 that involved less than one percent of Victoria's China-born population. There was nothing illegal or disloyal about the participants' advocacy. There has been a single reported meeting on the same issue in Sydney on April 10 2016. It attracted an audience of 60, less than 0.03 percent of NSW's China-born population. There has been a single open letter sent to Federal parliamentarians from a group with a membership base of unknown number.

What the evidence base does support is that Chinese-Australians are conspicuous for their lack of political lobbying and are missing almost entirely in direct political representation. The substantial academic work on the political activism of Chinese migrants by Andrew Jacubowicz identifies the general absence of

a unified or cohesive Chinese political presence among Australia's Chinese communities, as well as detachment from the issues that occupy the CCP and PRC diplomats. Rather than the South China Sea, Chinese-Australians are focused on racism, jobs, healthcare and education for their children.

When allegations or aspersions against Chinese-Australians run ahead of an evidentiary base, the consequences are potentially serious. Jieh-Yung Lo writes:¹⁰³

To claim that people have allegiance to China on the basis of their race and the cultural heritage without an evidentiary base is deeply damaging to our reputation and leaves us open to further discrimination, vilification and the breaking down of trust.

Jieh-Yung Lo

¹⁰³ Jieh-Yung Lo, 'As Canberra ties with Beijing come under pressure, Chinese-Australians are facing a new kind of discrimination', *South China Morning Post*, September 6 2018.

Jason Yat-Sen Li told a recent forum discussing challenges in the Australia-China relationship of reports that senior Australian government bureaucrats have said that there are certain conversations to which Chinese-Australian public servants should perhaps not be invited, and in the extreme case, that maybe they should not be hired.¹⁰⁴ If such discrimination is being entertained then things have taken a serious turn indeed.

Jocelyn Chey, a former Australian Consul General to Hong Kong, cites a national survey undertaken by Western Sydney University that has identified 'a marked increase in racist incidents over the last 18 months'.¹⁰⁵

On June 12 2018, Australia's then-Race Discrimination Commissioner Tim Soutphommasane said:¹⁰⁶

We are now at the point where some are conditioning us to accept that anti-Chinese sentiment may just be collateral damage we must accept in a new cold war. Given there are 1.2 million Australians who have Chinese ancestry, the scale of such potential damage would be significant.

Tim Soutphommasane



¹⁰⁴ ABC Radio National Saturday Extra, 'Forum: the challenges of the Australia-China relationship', September 1 2018 (<http://www.abc.net.au/radionational/programs/saturdayextra/china-australia-forum/10189140>)

¹⁰⁵ Joceyln Chey, 'Chinese Australians OR Australian Chinese', *Pearls and Irritations*, September 7 2018. <<https://johnmenadue.com/jocelyn-chey-chinese-australians-or-australian-chinese/>>

¹⁰⁶ Tim Soutphommasane, 'Standing together: Opening remarks at the Third National Forum on Racial Tolerance and Community Harmony', June 12 2018 <<https://www.humanrights.gov.au/news/speeches/standing-together>>.

Tasmania's Chinese migration threat

This year a case of China commentary that appeared panicked emerged from Australia's smallest state. On July 13 2018 Tasmanian Greens leader, Cassy O'Connor followed Clive Hamilton's lead by telling *The Mercury* that Chinese migrants were part of the CCP's strategic plans.¹⁰⁷ She accused the Tasmanian Liberal government led by Will Hodgman of being 'unhealthily close' to the CCP. This was on the basis that over the past four years it had nominated a near '900 percent increase' in visa applications from would-be Chinese business and skilled migrants. O'Connor insisted that an explanation was needed why such a big increase was in Tasmania's best interests.¹⁰⁸

The Chinese government is aggressively expanding its influence through the Pacific region...It expects Chinese people to be loyal to China first...On human rights and the environment, China has an appalling record. These are values most Tasmanians treasure.

Cassy O'Connor

O'Connor failed to provide any evidence that Chinese migrants to Tasmania had acted as agents of the Chinese state. And the reason for the '900 percent increase' was because in 2013-14 there were a mere 59 nominations given. In 2017-18, this had risen to 572 nominations. Meanwhile, nominations to applicants from countries other than China totalled 1,026. Over the entire period between 2013-14 and 2017-18, nominations to Chinese applicants accounted for less than one-third of the total. To put these numbers in context, the 2016 census reveals Tasmania's population to be 509,965. The proportion of Tasmanians born in China remains less than one percent: it rose from 0.4 percent in 2011 to 0.6 percent in 2016.¹⁰⁹ Those born in England continue to outnumber those born in China by a ratio of more than six to one.

Tasmania's Treasurer, Peter Gutwein, also notes that there is an annual cap on state nominations and the criteria used by the Department of State Growth relates to employability and capacity to succeed in business, not country of origin.¹¹⁰ In 2015, over 80 percent of the Chinese migrants nominated by the state government were graduates of the University of Tasmania.¹¹¹ Last year China bought 31 percent of Tasmania's goods exports, compared with 0.3 percent bought by the UK.¹¹² China is also the biggest buyer of Tasmanian services exports, such as tourism¹¹³ and education.¹¹⁴ Given that Tasmania's economic prospects are strongly linked to China, having skilled and business migrants equipped to seize the opportunities would seem a justifiable growth strategy.

¹⁰⁷ David Killick, 'Hodgman too 'close' to China, warn Greens', *The Mercury*, July 13 2018.

¹⁰⁸ Ibid.

¹⁰⁹ Australian Bureau of Statistics, '2016 Census: Tasmania', June 27 2017 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/mediarelease_sbyReleaseDate/7F1A862B6F8B6BA0CA258148000A41AC?OpenDocument>.

¹¹⁰ Ibid.

¹¹¹ State of Tasmania Department of State Growth, 'China engagement report', November 2015 <https://www.stategrowth.tas.gov.au/___data/assets/pdf_file/0016/127123/China_Engagement_Report.pdf>.

¹¹² Australian Government Department of Foreign Affairs and Trade, 'Trade statistical pivot tables', <<https://dfat.gov.au/about-us/publications/Pages/trade-statistical-pivot-tables.aspx>>.

¹¹³ 'Tasmanian Tourism Snapshot - Year ending March 2018', *Tourism Tasmania*, <https://www.tourismtasmania.com.au/___data/assets/pdf_file/0004/63967/2018-Q1-Tasmanian-Tourism-Snapshot-YE-March-2018.pdf>.

¹¹⁴ Australian Government Department of Education and Training, 'International Student Data 2018', <https://internationaleducation.gov.au/research/International-Student-Data/Pages/InternationalStudentData2018.aspx#Pivot_Table>.



A faint, semi-transparent image of a hand holding a book is visible in the bottom left corner of the page. The background is a solid red color with a white square in the top right and a dark grey square in the middle right.

Chinese students at war with Australian academics

FINANCIAL REVIEW

**Our campuses are a
frontline in China's
ideological wars**

**Tensions rise as
Chinese government's
influence infiltrates
Aussie universities**



THE AUSTRALIAN 
FOR THE INFORMED AUSTRALIAN

**Chinese students taught
to 'snitch' on politically
incorrect lecturers**

The claims

At the end of 2017, there were 133,891 Chinese students at Australian universities.¹¹⁵ The economic contribution these students make to Australia has been well-documented. Tuition fees aside, a recent study found that for every three overseas students studying at a Group of Eight university in Australia, \$1 million of economic activity was generated in other parts of the Australian economy.¹¹⁶ Catriona Jackson, Chief Executive of Universities Australia, adds that beyond the immediate economic benefits, 84 percent of international students return to their country of origin: 'That opens doors for Australia in the decades ahead – in trade, diplomacy and national security alliances'.¹¹⁷ However, last year the value of Chinese students to Australia was overshadowed by commentary portraying them as agents of the CCP who were attacking Australian university academics.

On August 24 2017, a political reporter at *The Australian*, Primrose Riordan, wrote that a University of Sydney lecturer had 'been forced to issue a public apology' after Chinese students were 'outraged' by the presentation of a map that showed Chinese claimed territory as part of India.¹¹⁸

A Sydney University IT lecturer has been forced to issue a public apology after international students were outraged by his use of a map showing Chinese claimed territory as part of India.

Primrose Riordan

On August 29 2017, Josh Horwitz, Asia correspondent for *Quartz*, claimed that 'Chinese students at universities in Australia have their professors walking on eggshells' and that 'overseas universities are facing increasing pressure from Chinese students to not say anything that violates Communist Party orthodoxy, as Chinese students studying abroad become increasingly bold in exerting their nationalism'.¹¹⁹

¹¹⁵ Australian Government Department of Education and Training, 'International student data 2017', 2017 <https://internationaleducation.gov.au/research/International-Student-Data/Pages/InternationalStudentData2017.aspx#Pivot_Table>.

¹¹⁶ Larissa Mavros, 'Universities return \$66b to Australian public, new research finds', *University of New South Wales Newsroom*, August 15 2018 <<https://newsroom.unsw.edu.au/news/general/universities-return-66b-australian-public-new-research-finds>>.

¹¹⁷ Catriona Jackson, 'How international students benefit Australia', *The Australian Financial Review*, August 12 2018.

¹¹⁸ Primrose Riordan, 'Wrong map ignites university fury', *The Australian*, August 24 2017.

¹¹⁹ Josh Horwitz, 'Australian professors and universities are being shamed into apologizing for offending Chinese students', *Quartz*, August 29 2017 <<https://qz.com/1064435/australian-professors-and-universities-are-being-shamed-into-apologizing-for-offending-chinese-students/>>.

Racial chauvinism is only one of the challenges that Beijing is exporting to universities.

John Garnaut

On August 31 2017, former Fairfax China correspondent, John Garnaut, wrote in *The Australian Financial Review* that, 'In recent months we've seen denunciations of Australian university lecturers who have offended Beijing's patriotic sensibilities'.¹²⁰ He claimed that in an incident at ANU a lecturer had been 'forced to issue a long apology', while an academic at the University of Sydney had 'apologised after being found guilty by a WeChat group called 'Australian Red Scarf' – which focused on the lecturer's Indian-looking name'. Garnaut contended that, 'Racial chauvinism is only one of the challenges that Beijing is exporting to universities'. At a higher education summit the same month, Garnaut said, 'The challenge for [Australia] is, how do we cope with the fact that our single biggest customer is instructing students and teachers to have red hot patriotic sentiment when they are in Australia'.¹²¹ Here, Garnaut was quoting President Xi Jinping.

On September 1 2017, a News Corp reporter, Emma Reynolds, stated that 'Australian educators are increasingly coming under attack from Chinese students, raising concerns their government's influence is permeating our universities'.¹²²

The same day, *The Australian's* Rowan Callick wrote that there was a 'war being waged by Chinese international students against 'politically incorrect' lecturers in Australia'.¹²³ He said this 'hasn't emerged out of the blue' and flowed from a Chinese government ideological campaign.

The war being waged by Chinese international students against "politically incorrect" lecturers in Australia hasn't emerged out of the blue. It has flowed out from China's increasingly regimented education system.

Rowan Callick

¹²⁰ John Garnaut, 'Our Campuses are a frontline in China's ideological wars', *The Australian Financial Review*, August 21 2017.

¹²¹ Joanna Mather, 'China follows students all the way to campus: higher education summit', *The Australian Financial Review*, August 30 2017.

¹²² Emma Reynolds, 'Tensions rise as Chinese government's influence infiltrates Aussie universities', *News.com.au*, September 1 2017.

¹²³ Rowan Callick, 'Chinese students taught to 'snitch' on politically incorrect lecturers', *The Australian*, September 1 2017.

On September 4 2017, Alex Joske alleged in the *Sydney Morning Herald* that, '[w]hen asked their thoughts on any political matter, many [Chinese students] will respond: "I don't discuss politics". Those who will talk often borrow the slogans and phrases of China's propagand machine'.¹²⁴

On September 13 2017, freelance journalist Michael Sainsbury writing for *Crikey*, warned of a 'recent, surging trend of nationalist Chinese students...turning their attentions to teachers who offend Beijing's doctored version of Chinese history...'.¹²⁵

On October 9 2017, the ABC's Andrew Greene covered a speech by Department of Foreign Affairs and Trade (DFAT) Secretary Frances Adamson. Greene claimed that Adamson had asked Chinese students 'to engage in respectful debate rather than spread propagand or attempt to gag views they disagree with'.¹²⁶

International media followed the ABC's lead, with *The Times* of the UK running the headline: 'Australia's top diplomat, Frances Adamson, warns Chinese students to respect free speech'.¹²⁷

On February 2 2018, the *Daily Telegraph* published a commentary piece by a student at the University of Sydney, Catherine Priestley.¹²⁸ She was troubled that 'some passionate and nationalistic Chinese students have decided to influence us'. As examples, Priestley cited the establishment of a student group, the China Development Society, and Chinese students forming a ticket under the campaign name 'Panda Warriors' for student representative council elections, where they won more positions than any other group.

Clive Hamilton described the Chinese young people on Australian university campuses as 'patriotic students brainwashed from birth (but still seeking permanent residency)'.¹²⁹ He asserted that Chinese students 'are on a hair-trigger looking for any infraction that 'hurts the feelings of the Chinese people'.¹³⁰ He further alleged that 'some Chinese students react to the slightest offence as a way of demonstrating their jingoistic fervour'.¹³¹ Hamilton cited the same incidents referred to by John Garnaut: he tells of an ANU lecturer making 'a grovelling apology', and of a University of Sydney lecturer being 'forced to issue an apology'.

¹²⁴ Alex Joske, 'End the isolation of Chinese students in Australia', *Sydney Morning Herald*, September 4 2017.

¹²⁵ Michael Sainsbury, 'China crisis: Australia hurtles blindly toward an immigration calamity', *Crikey*, September 13 2017 <<https://www.crikey.com.au/2017/09/13/china-crisis-australia-hurtles-blindly-toward-an-immigration-calamity>>.

¹²⁶ Andrew Greene, 'DFAT boss warns international students to resist Chinese Communist Party's 'untoward' influence', *ABC News*, October 9 2017 <<http://www.abc.net.au/news/2017-10-09/universities-warned-to-resist-chinese-communist-party-influence/9030372>>.

¹²⁷ Roger Maynard, 'Australia's top diplomat, Frances Adamson, warns Chinese students to respect free speech', *The Times*, October 9 2017.

¹²⁸ Catherine Priestley, 'Soft power, hard cash', *Daily Telegraph*, February 2 2018.

¹²⁹ Clive Hamilton, *Silent Invasion*, Hardie Grant, Melbourne, 2018, p.4.

¹³⁰ *Ibid*, p.198.

¹³¹ *Ibid*, p.199.

The evidence

A survey into evidence underpinning the above allegations at Chinese students reveals a mere four incidents – remarkably few given that in 2017 there were 133,891 Chinese students at more than 30 Australian university campuses.

The evidence base reveals a mere four incidents. Meanwhile, in 2017 there were 133,891 Chinese students at more than 30 Australian universities. In not a single case was freedom of expression compromised or classroom discussion stifled.

In May a Chinese student at Monash University took to Chinese social media platform WeChat to complain about a course quiz he deemed made fun of Chinese government officials and that promoted an outdated understanding of China.¹³² Monash University stated that other Chinese students had also complained about the course material.¹³³ It responded by withdrawing the specific piece of assessment and reviewing the course materials. The lecturer was also suspended while the review took place.¹³⁴ The Deputy Dean (Education) of the university's Business School emailed students, writing that, 'Some of the questions are unsatisfactory and do not reflect the beliefs and views of Monash University'. The textbook from which the quiz had been drawn was subsequently discontinued from use.¹³⁵

In early August 2017 an ANU lecturer was criticised for presenting a PowerPoint slide that had the text 'I will not tolerate students who cheat' in both English and Chinese language written on it.¹³⁶ Some Chinese students felt they were being singled out for a predilection to cheating and complained to university administrators as well as on the ANU's official Facebook page after class. The lecturer subsequently emailed an apology to students stating, 'Since a very large fraction of the class has Chinese as their first language, I thought it would help the class understand the point by printing it in Chinese as well as English... It was a poor decision'. This is the extent of the 'grovelling apology' claimed by Hamilton. There is no evidence supporting Garnaut's allegation that the lecturer had been 'forced to issue a long apology'.

Later the same month a University of Sydney lecturer was criticised online for posting a map that included part of Chinese-claimed territory as part of India. The lecturer apologised saying he was 'unaware that the map was inaccurate and out-of-date' and that it did not form part of the materials for the current offering of his Professional Practice in Information Technology course.¹³⁷ While Hamilton and Riordan both claimed that the lecturer had been 'forced' to apologise, there is no evidence to support this. The university issued a statement making clear that no academics had been forced to apologise for statements relating to China.¹³⁸ When the Vice-Chancellor, Michael Spence, was again quizzed about the incident on the ABC's Radio

¹³² Kirsty Needham, 'China's internet erupts over Monash University's drunk officials quiz question', *Sydney Morning Herald*, May 22 2017.

¹³³ Primrose Riordan, 'Monash suspends lecturer over quiz', *The Australian*, May 23 2017.

¹³⁴ Kirsty Needham, 'China's internet erupts over Monash University's drunk officials quiz question', *Sydney Morning Herald*, May 22 2017.

¹³⁵ Primrose Riordan, 'Monash throws out the textbook over Chinese student complaints', *The Australian*, May 30 2017.

¹³⁶ Shan Xin, 'Chinese students furious at ANU teacher's racist lecture', *People's Daily*, August 11 2017 <<http://en.people.cn/n3/2017/0811/c90000-9254290.html>>.

¹³⁷ Primrose Riordan, 'Wrong map ignites university fury', *The Australian*, August 24 2017.

¹³⁸ Xiuzhong Xu, 'Chinese Nationalism Jostles With Academic Freedom in Australia', *The New York Times*, November 15 2017.

National, he said that in this particular case he was ‘extremely concerned that there ought not to be any pressure of any kind put on the lecturer’ and that his office had communicated this to the staff member involved.¹³⁹

While Primrose Riordan, John Garnaut and Clive Hamilton claimed that Australian lecturers had been forced to apologise to Chinese students, there is no evidence to support this.

Also in late August, a University of Newcastle staff member was confronted by some Chinese students over teaching materials that listed Taiwan as a separate ‘country’. The confrontation with the lecturer was covertly recorded and subsequently posted on Chinese social media.¹⁴⁰ The university responded by condemning the approach taken by the students and for not resolving the matter ‘through our normal process in a fair and respectful manner’. It also made no demands that the lecturer apologise.

Aside from the evidence base being limited to four incidents, this review also shows that in no case was freedom of expression compromised or classroom discussion stifled. The only incident to involve a face-to-face confrontation was the one at the University of Newcastle and the video recording of this exchange suggests it occurred after class or during a break.¹⁴¹ The covert recording of the exchange was inappropriate, as the university made clear. Registering complaints to university administrators about course matters through formal channels is a right that is open to all students, irrespective of nationality, and this avenue should have been the one taken. Online criticism may be unpleasant but with the Australian lecturers and institutions able to respond it can hardly be described as freedom of expression being shut down.

Some of the issues being raised by Chinese students, while potentially uncomfortable, are not radical. The claim by Chinese students at the University of Newcastle that Taiwan is part of China is a position held on both sides of the Taiwan Straits. The ambiguity is that from the mainland’s perspective China means the PRC, while from Taiwan’s perspective China means the Republic of China (ROC). The Australian government’s position is that it recognises the PRC as China’s sole legal government and does not recognise the ROC as a sovereign state.¹⁴²

¹³⁹ ‘University of Sydney Vice-Chancellor criticises government’s ‘Sinophobic blatherings’, *ABC Radio National Breakfast*, January 31 2018 <<http://www.abc.net.au/radionational/programs/breakfast/university-of-sydney-vice-chancellor-criticises-government/9377646>>.

¹⁴⁰ Primrose Riordan, ‘Uni lecturer targeted over ‘separate Taiwan’, *The Australian*, August 24 2017.

¹⁴¹ ‘Indian lecturer saying Taiwan is a separate country and will say it one thousand times more’, YouTube, August 22 2017 <https://www.youtube.com/watch?v=T6vcsMm_Al8>.

¹⁴² Australian Government Department of Foreign Affairs and Trade, ‘Taiwan country brief’ <<http://dfat.gov.au/geo/taiwan/Pages/taiwan-country-brief.aspx>>.

Other experts have questioned the characterisation of Chinese students more generally. In an address at LaTrobe University on October 26 2017, Linda Jakobson, CEO of public policy initiative China Matters, cautioned:¹⁴³

Chinese people have every reason to feel good about their country at the moment. It's something that I think Westerners generally have a bit of a hard time coming to terms with because we dislike the political system in China. Whatever one thinks of the Communist Party, one just has to acknowledge that under its leadership a tremendous amount of good has taken place from the point of view of the people who live in that country.

Linda Jakobson

This viewpoint is backed by polling that finds high levels of popular support by Chinese citizens for their government and academic research that reports this support cannot simply be attributed to Chinese government propaganda campaigns.¹⁴⁴



To be sure, Beijing's patriotic education campaign has had an impact on Chinese students' worldviews. Merriden Varrell of the Lowy Institute wrote in the *New York Times* on July 31 2017 that when she was teaching international relations at a university in Beijing she was 'struck by the tendency for students to align themselves with the government view'.¹⁴⁵ Fran Martin, a Reader in Cultural Studies at the University of Melbourne who has conducted detailed ethnographic research on Chinese students in Australia also says, 'It is true to say that the patriotic education campaign has had an effect on young Chinese... they are likely to be, perhaps slightly less reflective about patriotism...patriotism is quite trendy...different from maybe earlier generations who might have been patriotic in slightly different ways'.¹⁴⁶

¹⁴³ La Trobe University, 'Kevin Rudd on China's rise and a new world order', YouTube, October 26 2017 <<https://youtu.be/psErow4xalo>>.

¹⁴⁴ Center for Strategic and International Studies, 'China reality check series: Chinese public opinion and the durability of Chinese Communist Party rule', October 26 2017 <<https://www.csis.org/events/china-reality-check-series-chinese-public-opinion-and-durability-chinese-communist-party-rule>>.

¹⁴⁵ Merriden Varrall, 'A Chinese Threat to Australian Openness', *New York Times*, July 31 2017.

¹⁴⁶ Australia-China Relations Institute, 'Expectations and experiences of Chinese University Students in Australia - with Fran Martin', *The ACRI Podcast*, Australia-China Relations Institute, University of Technology Sydney, May 3 2018 <<http://www.australiachinarelations.org/content/expectations-and-experiences-chinese-university-students-australia-fran-martin-0>>.

But Martin follows this with: 'Having said that, students are smart people, they are educated, they are not cultural dopes...no-one is so stupid as to be simply taking on a government line and never questioning that'.¹⁴⁷ Her research leads her to conclude that equating the nationalism of Chinese students with unquestioning support for the CCP is mistaken. She noted:¹⁴⁸

The very same students who change their WeChat profile pics to Chinese flags on October 1st [China's National Day]... will readily, in other contexts, criticise government abuses of power, human rights violations, media censorship, or President Xi Jinping's rewriting of the constitution to indefinitely extend his term in office.

Fran Martin

Wanning Sun, a Professor of Media and Communications Studies at UTS, has also reported on multiple focus groups she has held with Chinese students.¹⁴⁹ The key theme to emerge was that far from uniformly parroting Chinese government positions, Chinese students hold a diverse range of opinions on contentious issues and sometimes there is even a deep ambivalence within individuals. She also concluded that straightforward factors such as language barriers and maturity are able to explain much of the conflict between Chinese students and Australian lecturers without needing to resort to explanations based on Chinese government propaganda or pressuring. Sun observed:¹⁵⁰

These so-called patriotic students we see waving Chinese flags, shouting patriotic slogans on TV...and see that as being quite threatening...But this could be the same students who could be quite clear-eyed about how Chinese propaganda works. They've lived through the system, they know how to deal with that. And they are very clever at dealing with that.

Wanning Sun

¹⁴⁷ Australia-China Relations Institute, 'Expectations and experiences of Chinese University Students in Australia - with Fran Martin', *The ACRI Podcast*, Australia-China Relations Institute, University of Technology Sydney, May 3 2018 <<http://www.australiachinarelations.org/content/expectations-and-experiences-chinese-university-students-australia-fran-martin-0>>.

¹⁴⁸ Fran Martin, 'How Chinese students exercise free speech abroad', *The Economist*, June 11 2018 <<https://www.economist.com/open-future/2018/06/11/how-chinese-students-exercise-free-speech-abroad>>.

¹⁴⁹ Australia-China Relations Institute, 'Chinese students in Australia - with wanning sun', *The ACRI Podcast*, Australia-China Relations Institute, University of Technology Sydney, September 14 2017 <<https://soundcloud.com/acripodcast/chinese-students-in-australia-with-wanning-sun>>.

¹⁵⁰ Ibid.

Bo Seo, an Australian graduate of Tsinghua University and Harvard University, has also interviewed Chinese students in Australia. He summarised his findings as follows:¹⁵¹

What emerges is a profile of young people that is internally conflicted and difficult to comprehend, but one that in almost every instance dispels the notion of ‘brainwashed’ agents carrying out the will of the Chinese Communist Party.

Bo Seo

On the issue of Chinese government propaganda, one of Martin’s research participants said, ‘To tell the truth, I don’t really believe the Chinese news media’, while another ventured:¹⁵²

I don’t read Chinese newspapers very much because, sometimes I feel the things they write aren’t too meaningful. The point is, right from the start they say how great the country [China] is, and on and on—it’s all so meaningless (*wuliao*)!

Chinese student interviewed by Fran Martin



¹⁵¹ Bo Seo, ‘A study in controversy: Chinese students in Australia’, *The Interpreter*, The Lowy Institute, June 4 2018 <<https://www.loyyinstitute.org/the-interpreter/study-controversy-chinese-students-australia>>.

¹⁵² James Laurenceson, ‘Let them speak: Australian values and Chinese students’, *Australian Outlook*, Australian Institute of International Affairs, October 11 2017 <<https://www.internationalaffairs.org.au/australianoutlook/australian-values-chinese-students/>>.

Martin describes how the patriotism of Chinese students tends to be similar to the loyalty to 'one's family or school, yet not precluding criticism of the government and the Party'. It is not 'a straightforward identification with either the CCP or the Chinese state'.¹⁵³ Sun offers the additional insight:¹⁵⁴

Patriotism has more than one parent. [Some commentators] thought that there is just one parent, the CCP. But it could be a lot of other things. It could be market nationalism. Nationalism is big business in China...I would actually say that it more likely that their patriotism comes from these sources than directly from the government.

Wanning Sun

There is also research based on survey data, as opposed to anecdotes, that counters claims of rampant nationalism, particularly amongst China's younger generations. Harvard University Professor Alastair Johnston reports that according to survey data from Beijing, 'most indicators show a decline in levels of nationalism since around 2009' and 'in

contrast to the conventional wisdom...it is China's older generations that are more nationalistic than its youth'.¹⁵⁵ Survey evidence from the United States Studies Centre (USSC) at the University of Sydney has also put Chinese nationalism into a comparative perspective. The researchers found that the average Chinese is less nationalistic than their Indonesian and Indian peers.¹⁵⁶

Rongyu Li, Deputy Vice-Chancellor of the University of Canberra, argues that travel and technology mean that 'brainwashing' is no longer possible and that the 'political agenda [of Chinese President Xi Jinping] is very different to the agenda of the students and their parents'.¹⁵⁷

ANU Vice-Chancellor Brian Schmidt has also cautioned against making poorly-informed generalisations about Chinese students.¹⁵⁸

What we absolutely must avoid is the flat-out wrong idea that Chinese students are all spies, or incapable of critical enquiry, or that they all think alike. *(Brian Schmidt's emphasis).*

Brian Schmidt

¹⁵³ Fran Martin, 'Media, place, sociality and national publics: Chinese international students in translocal networks', in Koichi Iwabuchi, Olivia Khoo and Daniel Black eds., *Contemporary Culture and Media in Asia*, London and New York: Rowman & Littlefield, 2016, 207-224 <http://www.academia.edu/31550748/Media_Place_Sociality_and_National_Publics_Chinese_International_Students_in_Translocal_networks>.

¹⁵⁴ Australia-China Relations Institute, 'Chinese students in Australia - with Wanning Sun', *The ACRI Podcast*, Australia-China Relations Institute, University of Technology Sydney, September 14 2017 <<https://soundcloud.com/acripodcast/chinese-students-in-australia-with-wanning-sun>>.

¹⁵⁵ Alastair Johnston, 'Is Chinese nationalism rising?: evidence from Beijing', *International Security*, vol. 41, no. 3, pp.7-43, 2017.

¹⁵⁶ United States Studies Centre, 'The Asian research network survey on America's role in the Indo-Pacific 2017', United States Studies Centre, University of Sydney, May 31 2017 <<https://www.ussc.edu.au/analysis/the-asian-research-network-survey-on-americas-role-in-the-indo-pacific>>.

¹⁵⁷ Joanna Mather, 'China follows students all the way to campus: higher education summit', *The Australian Financial Review*, August 30 2017.

¹⁵⁸ Brian Schmidt, 'Engaging with our Asian partners: getting it right', speech, welcoming dinner of the sixth national meeting of China Matters, October 16 2017 <http://chinamatters.org.au/wp-content/uploads/2017/10/Canberra-Nat-Mtg-Dinner-Keynote-Address_Engaging-with-our-Asian-partners_Brian-Schmidt_16102017.pdf>

Almost entirely absent from Australian commentary is the possibility that the freedom of expression being threatened might be that of Chinese students. Yet this issue is raised regularly by those researchers who have taken the time to engage with Chinese students. Merriden Varrall writes:¹⁵⁹

[R]ather ironically, is a sense among Chinese students that they cannot freely express their views because their non-Chinese classmates and teachers will dismiss them as being brainwashed. Despite being told that ‘all views are welcome’, pro-Party views are understood as the exception.

Merriden Varrall

Wanning Sun remarked:¹⁶⁰

[S]ome Chinese students came to Australia enchanted by the notion that Australia’s media is free, but then when they read the local coverage of China, and about themselves, they were left feeling disillusioned by its perceived inaccuracy and frustrated when their opinions were either ignored or invalidated.

Wanning Sun

Fran Martin reported that when she asked her research participants about the accusations levelled at Chinese students last year, they said the most confusing charge was that they were undermining the free speech of others. One responded:¹⁶¹

Isn’t expressing our own opinions an instance of free speech, rather than an attack on it?

Chinese student interviewed by Fran Martin

¹⁵⁹ Merriden Varrall, ‘Chinese student furore reveals Australia’s poor integration strategy’, *East Asia Forum*, October 14 2017 <<http://www.eastasiaforum.org/2017/10/14/chinese-student-furore-reveals-australias-poor-integration-strategy/>>.

¹⁶⁰ Australia-China Relations Institute, ‘Chinese students in Australia - with wanning sun’, *The ACRI Podcast*, Australia-China Relations Institute, University of Technology Sydney, September 14 2017 <<https://soundcloud.com/acripodcast/chinese-students-in-australia-with-wanning-sun>>.

¹⁶¹ Fran Martin, ‘How Chinese students exercise free speech abroad’, *The Economist*, June 11 2018 <<https://www.economist.com/open-future/2018/06/11/how-chinese-students-exercise-free-speech-abroad>>.



The notion that Chinese students are incapable of calmly discussing issues that are sensitive for the CCP has also been challenged. Kevin Carrico, a Lecturer in Chinese Studies at Macquarie University, told the *New York Times* on November 15 2017 that he faced silence when he mentioned the lack of individual rights during the Qin dynasty in a class made up mostly of Chinese students. When two eventually spoke up they insisted that human rights were irrelevant to the discussion: 'It made me feel like I was teaching an awkward anatomy class...But really we were just talking about politics'.¹⁶² In contrast, David Brophy, who teaches Chinese history at the University of Sydney and deals with sensitive issues such as Tibet and Xinjiang, says his students from China 'have never been anything but respectful and

engaged, and the perspective that they bring to the classroom is immensely valuable'.¹⁶³ Fran Martin has taught courses at the University of Melbourne covering Taiwanese politics, civil rights in China, the Tiananmen protests and more. She says, 'Mainland Chinese students have contributed earnestly and openly to group discussions both in and out of class and have shown deep interest in studying these topics from alternative perspectives'.¹⁶⁴ Lauren Bliss, also from the University of Melbourne where she teaches film and media studies, remarks that topics such as Tiananmen are openly discussed in her classroom, including by Chinese students, and says, 'To date, I've yet to feel silenced or like I'm unable to encourage students to talk'.¹⁶⁵

¹⁶² Xiuzhong Xu, 'Chinese nationalism Jostles with academic freedom in Australia', *New York Times*, November 15 2017.

¹⁶³ David Brophy, 'The book Xi Jinping wants you to read for all the wrong reasons', *Sydney Morning Herald*, February 28 2018.

¹⁶⁴ Fran Martin, 'How Chinese students exercise free speech abroad', *The Economist*, June 11 2018 <<https://www.economist.com/open-future/2018/06/11/how-chinese-students-exercise-free-speech-abroad>>.

¹⁶⁵ Lauren Bliss, 'Despite what politicians and the media say, freedom of speech is alive and well on campus', *The Conversation*, November 27 2017 <<https://theconversation.com/despise-what-politicians-and-the-media-say-freedom-of-speech-is-alive-and-well-on-campus-86929>>.

Conclusion

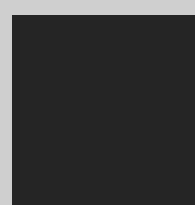
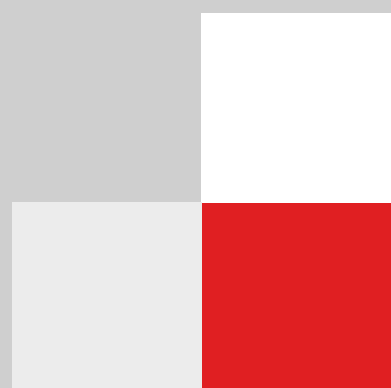
Australian academics are being 'forced' to issue apologies to 'outraged' Chinese students. Australian lecturers are 'walking on eggshells' fearing retribution from Chinese students if they depart from the CCP line. Australian lecturers are 'coming under attack' from Chinese students. Chinese students at Australian universities are 'gagging views they disagree with' and 'spreading propaganda'. Chinese students are 'waging a war' against Australian lecturers who say things contrary to CCP ideology. In 2017, these were the allegations that appeared in Australian commentary regarding Chinese students at Australian universities.

The facts and evidence? Four incidents, from amongst 133,891 Chinese students. In not a single incident was freedom of expression shut down or classroom discussion stifled. There is, however, evidence to support the proposition that the freedom of expression under threat is not that of Australian academics, but rather that of Chinese students as they are labelled as 'brainwashed' or identified as carriers of 'racial chauvinism'. Chief Executive of Universities Australia, Catriona Jackson offers the following advice:¹⁶⁶

Instead of hand-wringing about a handful of classroom exchanges in recent years when Chinese students promoted a Chinese worldview – only to have their Australian lecturers respond with an Australian one – we should see this for what it is. A vigorous exchange of views. And that's what universities are all about. This helps, rather than hinders, our future national security.

Catriona Jackson

¹⁶⁶ Catriona Jackson, 'How international students benefit Australia', *The Australian Financial Review*, August 12 2018.







China's
military on
Australia's
doorstep

中国武

The Sydney Morning Herald

PACIFIC PUSH:

China seeks military base in Vanuatu

9NEWS

**PM warns China
not to consider
building naval
base in the
South Pacific**

FINANCIAL REVIEW

**Secret US warning of
China 'debt trap' on
Australia's doorstep**

The claims

On April 9 2018, David Wroe, defence and national security correspondent for the *Sydney Morning Herald*, wrote a report that led with the claim.¹⁶⁷

China has approached Vanuatu about building a permanent military presence in the South Pacific in a globally significant move that could see the rising superpower sail warships on Australia's doorstep.

David Wroe

The piece told of how China's approach to establish a military base was off the back of Chinese investments in Vanuatu, in particular a Chinese-built and funded wharf in Luganville. The sources behind the claims were unnamed but described as 'senior security officials' and that the prospect of a Chinese base was said to being discussed 'at the highest levels in Canberra and Washington'.

The following day, Chris Uhlmann, now political editor for the Nine Network, wrote that a 'senior [Australian] defence official' had confirmed that China 'has certainly expressed its interest' in a greater military presence in Vanuatu.¹⁶⁸

In Wroe's original report, two 'defence experts' were quoted. The first was Charles Edel, a former US administration advisor and more recently a Senior Fellow and Visiting Scholar at the USSC at the University of Sydney. He offered that a future Chinese presence in Vanuatu 'could represent a threat to Australia's northern approaches' and that this would change Australia's external security environment in a way not seen 'probably since the 1940s'.¹⁶⁹ The second was Zack Cooper, a former US government official, now at the Washington-based Centre for Strategic and International Studies. He warned that 'it is important Australia appreciate that China is far away but Chinese activity is definitely affecting Australia in a much more proximate way'.¹⁷⁰

The first Australian commentator to print following the original claims was the ANU NSC's Rory Medcalf. Writing in the *Sydney Morning Herald* on April 10 2018 he said that the news 'should be real cause for concern', reminding readers that, 'After all, there is nothing between Vanuatu and Australia except the Coral Sea'.¹⁷¹ While conceding that Vanuatu 'does not appear to have great strategic importance for China's interests', he nonetheless argued that there were 'several plausible reasons' why China would want a 'presence for its armed forces in the South Pacific'. These included that:

'Perhaps China seeks a security footprint to enable its training of the forces of small island states as it extends influence over them.'

Rory Medcalf

¹⁶⁷ David Wroe, 'China eyes Vanuatu military base in plan with global ramifications', *Sydney Morning Herald*, April 9 2018.

¹⁶⁸ Chris Uhlmann, 'PM warns China not to consider building naval base in the South Pacific', *Nine News*, April 10 2018 <<https://www.9news.com.au/world/2018/04/10/13/43/australian-defence-force-china-will-upset-power-balance-in-south-pacific-vanuatu-naval-base>>.

¹⁶⁹ David Wroe, 'China eyes Vanuatu military base in plan with global ramifications', *Sydney Morning Herald*, April 9 2018.

¹⁷⁰ Ibid.

¹⁷¹ Rory Medcalf, 'Don't panic but dangerous to dismiss Vanuatu revelations', *Sydney Morning Herald*, April 10 2018.

In comments appearing the same day in *The Guardian*, Medcalf said:¹⁷²

Perhaps it's time for New Zealand to get more worried about the implications of Chinese power in the South Pacific as well.

Rory Medcalf

Also on April 10 2018, Andrew Hastie, a former Australian army officer and now Liberal MP warned that, 'The development of a Chinese military base in Vanuatu would leave Australia strategically isolated', while Jim Molan, a former Australian army general and now Liberal Senator, claimed that, 'It would appear there is a pattern from China, just as there is from Russia, of a lack of respect for the international order'.¹⁷³

In widely reported comments the same day, then-Prime Minister Malcolm Turnbull remarked that he would view the establishment of a military base 'with great concern', although prefaced this by noting that the Vanuatu High Commissioner to Australia, Kalfau Kaloris, and the Foreign Minister, Ralph Regenvanu, had said that China had made no such request.¹⁷⁴

The *Sydney Morning Herald's* Wroe penned a follow-on piece on April 11 2018. This featured extensive quotes from Malcolm Davis, a senior analyst at ASPI. Davis asserted:¹⁷⁵

My guess is there's a Trojan horse operation here that eventually will set up a large facility that is very modern and very well equipped. They've done this before in other parts of the world.

Their hope is that the debt of the Vanuatu government will be so onerous that they can't pay it back. The Chinese will say, 'the facility is ours for 99 years' and the next thing you've got a PLA Navy Luang III class [destroyer] docking there.

Clearly the Chinese are serious about establishing a military base in the Pacific...

Malcolm Davis

¹⁷² Ben Smee and Dan McGarry, "Impossible": China denies planning military base in Vanuatu', *The Guardian*, April 10 2018 <<https://www.theguardian.com/world/2018/apr/10/concerns-china-in-talks-with-vanuatu-about-south-pacific-military-base>>.

¹⁷³ Andrew Tillett and Michael Smith, 'China military plan for Vanuatu sparks alarm for Australia's national interests', *The Australian Financial Review*, April 10 2018.

¹⁷⁴ Malcolm Turnbull, 'Doorstop, M1 Pacific Motorway Announcement', April 10 2018 <<https://www.malcolmturnbull.com.au/media/m1-pacific-motorway-announcement-with-the-minister-for-urban-infrastructure>>.

¹⁷⁵ David Wroe, 'The great wharf from China, raising eyebrows across the Pacific', *Sydney Morning Herald*, April 11 2018.

Also quoted was Euan Graham, Director of the International Security Program at the Lowy Institute. He said that a Chinese military base in Vanuatu ‘fits the modus operandi [of China] elsewhere’.¹⁷⁶ Graham contended that because there was ‘no obvious economic case’ for China to have a military presence in the Pacific ‘that shortens the odds of a strategic move’.

On April 14 2018, ASPI’s Peter Jennings wrote an article for *The Australian* stating that:¹⁷⁷

It is certain that the People’s Liberation Army Navy was exploring the possibility of establishing a military base in Vanuatu.

Peter Jennings

‘One idea might be to pre-position sea mines at the naval base’. Another might be to ‘locate an over-the-horizon backscatter radar in Vanuatu looking west...covering all of Australia’s east coast military bases’. Jennings contended that a Chinese base in Vanuatu would ‘seriously complicate’ Australian and US military activities: ‘That’s why China wants to put one [a military base] there’.¹⁷⁸

On May 14 2018, John Kehoe, the Washington correspondent for *The Australian Financial Review*, reported on an American study that claimed China was employing ‘debtbook diplomacy’ in Southeast Asia and the Pacific Islands.¹⁷⁹ The unclassified report emerged from an earlier classified one written for the United States Pacific Command (PACOM). It stated that Vanuatu is already ‘deeply in debt’ to China and that Beijing is ‘positioning itself to capitalise on the impending distress of Pacific Island countries’.

On May 18 2018, Rowe injected further analysis from American sources into the mix. The first was Joe Felter, the Pentagon’s Deputy Assistant Secretary for South-East Asia, who said there had been ‘disturbing reports’ about ‘China’s predatory practices’ in the South Pacific.¹⁸⁰ The second was from General Robert Brown, Commander of the US Army in the Pacific, who in an address to an audience in Canberra claimed that China was making ‘efforts in Oceania where they’ll go in with bags of money and “no strings attached”’. ‘But there are strings attached’.¹⁸¹

On June 17 2018, TV Channel 9 current affairs program, *60 Minutes*, flew ASPI’s Malcolm Davis to Vanuatu to inspect the Chinese-funded port at Luganville. He remarked that it was ‘large enough to accommodate large Chinese naval service combatants, guided destroyers and cruisers’. ‘We could talk an aircraft carrier as well’.¹⁸²

¹⁷⁶ Ibid.

¹⁷⁷ Peter Jennings, ‘Vanuatu: China gains from our neglect of the Pacific’, *The Australian*, April 14 2018.

¹⁷⁸ Ibid.

¹⁷⁹ John Kehoe, ‘Secret US warning of China “debt trap” on Australia’s doorstep’, *The Australian Financial Review*, May 14 2018.

¹⁸⁰ David Rowe, ‘China casts its net deep into the Pacific with \$2b fish farm’, *Sydney Morning Herald*, May 18 2018.

¹⁸¹ Ibid.

¹⁸² Lydia Bilton, ‘Does China’s new South Pacific mega-wharf pose a risk to Australia?’, *Nine News*, June 17 2018 <<https://www.9news.com.au/national/2018/06/17/03/57/60-minutes-china-south-pacific-australia-sydney-expansion-investment-debt>>.

The evidence

Vanuatuan government officials immediately rejected the accuracy of Wroe's original story. On the possibility of China establishing a 'permanent military presence', Vanuatu's High Commissioner to Australia, Kalfau Kaloris, stated that his country's foreign ministry was 'not aware of any such proposal'.¹⁸³ Vanuatuan Foreign Minister Ralph Regenvanu said, 'No one in the Vanuatu government has ever talked about a Chinese military base in Vanuatu of any sort', adding that Vanuatu was a 'non-aligned country' and that it was 'just not interested in any sort of military base'.¹⁸⁴ He added that he was 'not very happy about the standard of reporting in the Australian media'. Minister Regenvanu said he hoped an 'upsurge in the paranoia about China in Australia is not used to destroy or denigrate the good relationship Vanuatu has with Australia'.¹⁸⁵



Pacific island experts all confirmed that Vanuatu was a committed member of the Non-Aligned Movement. Nowhere was Chinese or Vanuatuan interests in provoking this strategic competition explained. Vanuatuan officials with detailed knowledge of the relevant matters swore they'd never even heard hints of talk of a Chinese military base.

Michael O'Keefe, Senior Lecturer in International Relations at La Trobe University and with previous experience working in the Australian government's aid agency and the Fijian Ministry of Foreign Affairs, wrote, 'Vanuatu is a committed member of the Non-Aligned Movement (NAM), eschewing formal military alliances and entanglements with great powers'.¹⁸⁶ Graeme Smith, Fellow at the Department of Pacific Affairs at the ANU concurred, stating that 'Vanuatu takes its non-aligned status seriously'.¹⁸⁷ Dan McGarry of the *Vanuatu Daily Post* wrote that both amongst the Vanuatu government and opposition, 'From the lowest to the highest levels, Vanuatu opposes ANY militarisation' (Dan McGarry's emphasis).¹⁸⁸

While ASPI's Davis was asserting that, 'Clearly the Chinese are serious about establishing a military base', McGarry wrote in *The Guardian* that, 'Officials with detailed knowledge of relevant matters swore hand on heart they'd never even heard hints of such talk'.¹⁸⁹

¹⁸³ David Wroe, 'China eyes Vanuatu military base in plan with global ramifications', *Sydney Morning Herald*, April 9 2018.

¹⁸⁴ 'Chinese military base in Pacific would be of "great concern", Turnbull tells Vanuatu', *ABC News*, April 10 2018 <<http://www.abc.net.au/news/2018-04-10/china-military-base-in-vanuatu-report-of-concern-turnbull-says/9635742>>.

¹⁸⁵ Ibid.

¹⁸⁶ Michael O'Keefe, 'Response to rumours of a Chinese military base in Vanuatu speaks volumes about Australian foreign policy', *The Conversation*, April 12 2018 <<https://theconversation.com/response-to-rumours-of-a-chinese-military-base-in-vanuatu-speaks-volumes-about-australian-foreign-policy-94813>>.

¹⁸⁷ Graeme Smith, 'In Vanuatu, it's he says, Xi says', *Inside Story*, April 13 2018 <<http://insidestory.org.au/in-vanuatu-its-he-says-xi-says/>>.

¹⁸⁸ Dan McGarry, Twitter, April 24 2018 <<https://twitter.com/dailypostdan/status/988877556412657664>>.

¹⁸⁹ Dan McGarry, 'Baseless rumours: why talk of a Chinese military installation in Vanuatu misses the point', *The Guardian*, April 11 2018 <<https://www.theguardian.com/world/2018/apr/11/baseless-rumours-why-talk-of-a-chinese-military-installation-in-vanuatu-misses-the-point>>.

A week later at the Commonwealth Heads of Government meeting in London, Vanuatu's Prime Minister, Charlot Salwai, said that after working in government for 27 years, he had never once had negotiations with China about a military base.¹⁹⁰ At this point, Prime Minister Turnbull lent his support remarking:¹⁹¹

The Prime Minister of Vanuatu has made it very clear, quite unequivocally, that the media reports about Chinese interest in establishing a military base in Vanuatu have no basis in fact, so he said those reports are absolutely untrue.

Malcolm Turnbull

The official Vanuatu stance is significant for obvious reasons. McGarry acknowledges that Vanuatu has strategic significance for Australia in that, 'Whoever controls Vanuatu controls air and sea traffic between the United States and Australia'.¹⁹² But he then notes, 'Right now, that's the government of Vanuatu'. His advice to Australia? Try listening to Vanuatu: 'The main difference between Beijing and Canberra is that Beijing listens'.

Shahar Hameiri, Associate Professor in the School of Political Science and International Studies at the University of Queensland, observed that 'although Australia spends enormous amounts on aid to the Pacific, only relatively little has been spent on building infrastructure'.¹⁹³ Vanuatu's Infrastructure Minister, Jotham Napat told Australia's ABC radio that:¹⁹⁴

Basically we want infrastructure, it is the infrastructure we are after and it's not politics, it's outside of politics.

Jotham Napat

McGarry also recounted that while Wroe and other Fairfax journalists were still in Vanuatu chasing leads on the Chinese military base story, 11,000 locals were being evacuated from the volcanic island of Ambae. When told the news, the Australian journalists said they doubted their employer would pay for them to report on the natural disaster. McGarry reflected that:¹⁹⁵

This is the same company that gladly paid a team to spend a week reporting on a defence analyst's fever dreams, someone whom the team members themselves admitted might be paranoid.

Dan McGarry

¹⁹⁰ 'Vanuatu Prime Minister assures Malcom Turnbull there will be no Chinese military base on islands', *ABC News*, April 19 2018 <<http://www.abc.net.au/news/2018-04-19/vanuatu-pm-says-there-will-be-no-chinese-military-base/9674898>>.

¹⁹¹ Ibid.

¹⁹² Dan McGarry, 'Want to lead in the Pacific? Try listening first', *The Vanuatu Daily Post*, April 16 2018 <http://dailypost.vu/opinion/want-to-lead-in-the-pacific-try-listening-first/article_f7d819cf-1527-5561-983d-9b735cb27275.html>.

¹⁹³ Shahar Hameiri, 'China's Pacific presence improves Australian aid', *The Interpreter*, The Lowy Institute, June 22 2018 <<https://www.loyinstitute.org/the-interpreter/china-pacific-presence-improves-australian-aid>>.

¹⁹⁴ Andrew Greene and Catherine Graue, 'Vanuatu wants Australia to fund internet cable amid growing China fears', *ABC News*, June 24 2018 <<http://www.abc.net.au/news/2018-06-22/vanuatu-wants-australia-to-fund-internet-cable/9899846>>.

¹⁹⁵ Dan McGarry, 'Want to lead in the Pacific? Try listening first', *The Vanuatu Daily Post*, April 16 2018 <http://dailypost.vu/opinion/want-to-lead-in-the-pacific-try-listening-first/article_f7d819cf-1527-5561-983d-9b735cb27275.html>.

In searching for whether the Chinese military base story might have any merit, La Trobe's O'Keefe observed that 'nowhere are Chinese or Vanuatuan interests in provoking this...strategic competition explained.'¹⁹⁶ Sam Bateman, Professorial Fellow at the University of Wollongong's Australian National Centre for Ocean Resources and Security, said that China's economic interest in the South Pacific was 'really only fish.'¹⁹⁷ The ANU's Smith added 'possible future seabed mining' but agreed that China's interests 'are negligible'.¹⁹⁸ This led him to conclude that 'it's not clear what People's Liberation Army troops would do in the middle of the Pacific', and accordingly.¹⁹⁹

the current version of this tale looks baseless.

Graeme Smith

Jon Fraenkel, Professor of Comparative Politics at Victoria University of Wellington in New Zealand, recalls a history of fear-mongering stories about Communist incursions into the Pacific islands.²⁰⁰ During the Cold War there were reports that Moscow's fishing trawlers were actually spy ships and these were a prelude to establishing a deep sanctuary for Soviet nuclear-armed submarines.

An evidence base was also lacking when some commentators began talking about debt traps being laid by Chinese-funded infrastructure investments in Vanuatu. At the end of 2017, Vanuatu's foreign debt to GDP ratio stood at just 18 percent.²⁰¹ Australia's gross external debt to GDP is greater than 100 percent, albeit as a high income country Australia also has a higher debt

In the event of a default, the loan contract for the Luganville wharf does not contain a clause specifying a debt-for-equity swap. The International Monetary Fund rates Vanuatu's external debt as moderate and sustainable.

repayment capacity. Vanuatu's Department of Finance and Treasury expects its external debt will rise to 33 percent by 2022 and fall thereafter. Debt owed to China accounts for 47 percent of Vanuatu's external debt. This is forecast to fall to 38 percent by 2020. After compromising none of Vanuatu's external debt in 2013, Japan's share has since risen to 26 percent.²⁰² The latest detailed sustainability analysis of Vanuatu's debt by the International Monetary Fund rates its risk as 'moderate' and its baseline scenario out to 2036 concludes that Vanuatu's debt is 'sustainable'.²⁰³

Very early on in the controversy, McGarry also reported that after having talked with people who worked on the loans extended via China's EXIM bank,²⁰⁴ the main funding vehicle for the wharf of concern, none recalled seeing any clause that committed Vanuatu to handing over the asset to China in the event of a default - a so-called forced 'debt-for-equity swap'.²⁰⁵ That no such clause existed in the loan contract was subsequently confirmed by the *New York Times* after having been shown the contract by the Vanuatuan Foreign Minister.²⁰⁶

¹⁹⁶ Michael O'Keefe, 'Response to rumours of a Chinese military base in Vanuatu speaks volumes about Australian foreign policy', *The Conversation*, April 12 2018 <<https://theconversation.com/response-to-rumours-of-a-chinese-military-base-in-vanuatu-speaks-volumes-about-australian-foreign-policy-94813>>.

¹⁹⁷ Ben Smees and Dan McGarry, "'Impossible': China denies planning military base in Vanuatu", *The Guardian*, April 10 2018 <<https://www.theguardian.com/world/2018/apr/10/concerns-china-in-talks-with-vanuatu-about-south-pacific-military-base>>.

¹⁹⁸ Graeme Smith, 'In Vanuatu, it's he says, Xi says', *Inside Story*, April 13 2018 <<http://insidestory.org.au/in-vanuatu-its-he-says-xi-says/>>.

¹⁹⁹ Ibid.

²⁰⁰ Jon Fraenkel, 'China in the Pacific: where there's smoke, there's mirrors', *East Asia Forum*, April 23 2018 <<http://www.eastasiaforum.org/2018/04/23/china-in-the-pacific-where-theres-smoke-theres-mirrors/>>.

²⁰¹ Government of the Republic of Vanuatu, 'Budget 2018-Volume 1, Fiscal Strategy Report', <<https://doft.gov.vu/images/2018/Vol-1--2-Budget-Book-2018-English.pdf>>.

²⁰² Ibid.

²⁰³ International Monetary Fund, 'Vanuatu, staff report for the 2016 article IV consultation - debt sustainability analysis', September 22 2016 <<https://www.imf.org/external/pubs/ft/dsa/pdf/2016/dsacr16336.pdf>>.

²⁰⁴ Dan McGarry, Twitter, April 11 2018 <<https://twitter.com/dailypostdan/status/984218582006444032>>.

²⁰⁵ Dan McGarry, Twitter, April 18 2018 <<https://twitter.com/dailypostdan/status/986778789425307649>>.

²⁰⁶ Ben Bohane, 'South Pacific nation shrugs off worries on China's influence', *The New York Times*, June 13 2018 <<https://www.nytimes.com/2018/06/13/world/asia/vanuatu-china-wharf.html>>.

China's ambassador to Vanuatu, Liu Qian, has also gone on record as saying that 'China always bears in mind the debt-paying ability and solvency of Vanuatu, avoiding heavy debt burden to the government. All those relevant projects have been conducted with careful feasibility study and market research'.²⁰⁷ Whether one believes this to be true or not, China's ambassador has set his country up for considerable embarrassment and criticism internationally, not to mention local reprisals, if there is a default.

The cover story on the August edition of the *Vanuatu Business Review*, published by the *Vanuatu Daily Post*, was titled 'The Debt Trap Myth'. It said:²⁰⁸

'Debt-trap diplomacy'. It has a nice ring to it...But in Vanuatu at least, there's no evidence that it's an actual thing... Foreign policy notwithstanding, income from China has put this country in the strongest economic position it's been in, arguably since this young country was born.

Vanuatu Business Review

Some of the coverage has bordered on the hysterical... Australian media coverage of the non-story has continued unabated.

Matthew Dornan

Others expressed doubts about whether the Chinese-funded infrastructure investments in Vanuatu were of particular military value. James Goldrick, a former Royal Australian Navy admiral and now Adjunct Professor at the ANU's College of Asia and the Pacific, noted that a long wharf doesn't signal strong military intent because naval ships typically don't need much room; more important are nearby support facilities such as those offering 'deep maintenance'.²⁰⁹

Matthew Dornan, a Research Fellow at the Development Policy Centre of the ANU, summarised that media coverage of the Pacific Islands has overwhelmingly focussed on the 'Chinese "threats" be they debt-related or military in nature' and that some of the coverage has 'bordered on the hysterical'.²¹⁰ He assessed that coverage of the Luganville wharf had been 'especially egregious' and yet 'Australian media coverage of the non-story has continued unabated'.²¹¹

²⁰⁷ Liu Qian, 'The road to common development', *The Vanuatu Daily Post*, April 23 2018 <http://dailypost.vu/opinion/the-road-to-common-development/article_edefe79f-7b57-5a17-8e9c-6c281ca92fef.html>.

²⁰⁸ 'The debt trap myth', *Vanuatu Business Review*, *The Vanuatu Daily Post*, August 20 2018.

²⁰⁹ David Wroe, 'The great wharf from China, raising eyebrows across the Pacific', *Sydney Morning Herald*, April 11 2018.

²¹⁰ Matthew Dornan, 'Australia's relationships with its Pacific island neighbours should not be about China', The Devpolicy Blog, Development Policy Centre, Crawford School of Public Policy, ANU College of Asia and the Pacific, Australian National University, June 25 2018 <<http://www.devpolicy.org/australias-relationships-with-pacific-should-not-be-about-china-20180625/>>.

²¹¹ Ibid.

Conclusion

On May 1 2018 a few weeks after the Chinese military base in Vanuatu story broke, *The Australian* carried a piece by Callick and Riordan headlined ‘China’s push in Solomon Islands’.²¹² It told of how Solomon Island politicians and Australian business interests were approaching Chinese investors – not the other way around – to build a new airport and shopping district on the main island of Guadalcanal. The newsworthiness of the story was predicated on the claim that such a development ‘could threaten Australia’s strategic presence in the Pacific region’.

On May 18 2018, Wroe drew attention to a ‘massive fish farm’ that Chinese investors were building in French Polynesia.²¹³ The fish farm had ‘raised eyebrows in Canberra’ because it will sit next to an old airport previously used by the French military.

On June 9 2018 the ABC’s Greene wrote about a Chinese spy ship docking next to the HMAS Adelaide in Fiji.²¹⁴ The Chinese ship’s main purpose was to track satellite launches ‘but it does have the capability to also collect intelligence on other naval vessels’.

On August 9 2018, several news organisations reported on new data compiled by the Lowy Institute on aid in the South Pacific.²¹⁵ *The Australian* led with a front page story headlined ‘China surges in Pacific aid race’.²¹⁶ Chris Bramwell, Deputy Political Editor of Radio New Zealand, interpreted the Lowy report differently. He wrote, ‘New data shows China’s aid dominance in the Pacific is being overstated’, reflecting the finding that money from Australia and New Zealand to the region has totalled \$7.79 billion since 2011, compared with \$1.26 billion from China.²¹⁷ Similarly, the headline in the *Financial Times* read, ‘China’s commitment to the Pacific may be overstated’.²¹⁸

It seems likely, however, that Australians will be hearing more about China’s military ambitions and ‘debtbook diplomacy’ in the Pacific Islands.

²¹² Primrose Riordan and Rowan Callick, ‘China’s push in Solomon islands’, *The Australian*, May 1 2018.

²¹³ David Rowe, ‘China casts its net deep into the Pacific with \$2b fish farm’, *Sydney Morning Herald*, May 18 2018.

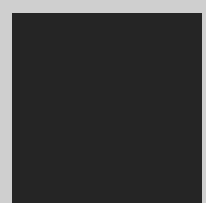
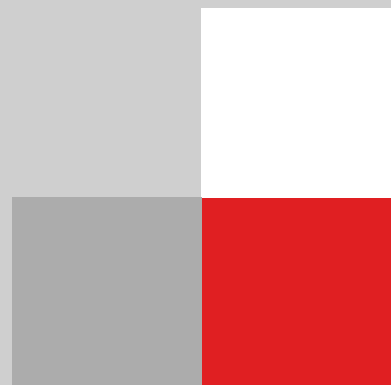
²¹⁴ Andrew Greene, ‘Chinese vessel believed to be spy ship docks next to HMAS Adelaide in Fiji’, *ABC News*, June 9 2018 <<http://www.abc.net.au/news/2018-06-09/chinese-spy-ship-docks-next-to-hmas-adelaide-in-fiji/9852748>>.

²¹⁵ ‘Lowy Institute Pacific aid map’, The Lowy Institute <<https://pacificaidmap.lowyinstitute.org/>>.

²¹⁶ Primrose Riordan, ‘China surges in Pacific aid race’, *The Australian*, August 9 2018.

²¹⁷ Chris Bramwell, ‘China’s Pacific aid dominance overstated’, *Radio New Zealand*, August 11 2018 <<https://www.radionz.co.nz/news/political/363690/china-s-pacific-aid-dominance-overstated>>.

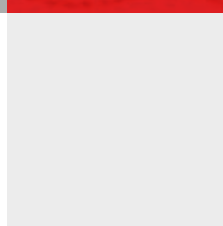
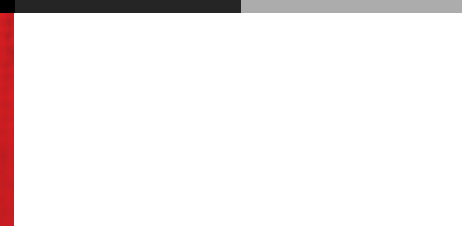
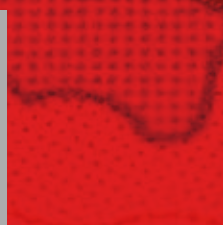
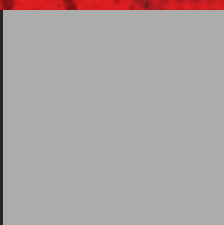
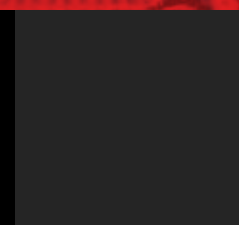
²¹⁸ Jamie Smyth, ‘China’s commitment to the Pacific may be overstated’, *Financial Times*, August 9 2018.





Darwin

Ma





A Chinese
'dragonhead'
in Darwin

NEWS

Senior Defence official raises security concerns over Darwin port lease to Chinese-owned company Landbridge

FINANCIAL REVIEW

SPOOKS MUST SIGN OFF ON CHINESE INVESTMENT

THE AUSTRALIAN 
FOR THE INFORMED AUSTRALIAN

MILITARY TIES TO PORT OWNER

The claims

On October 13 2015, the then-Chief Minister of the Northern Territory, Adam Giles, announced that a \$506 million dollar deal had been struck with a privately-owned Chinese company, Landbridge, to acquire a 99-year lease to operate the Port of Darwin. The lease commenced on November 16 2015.²¹⁹

The next day the ABC's Chris Uhlmann wrote that there were concerns being expressed 'at the highest levels of the Australian Defence Force (ADF)' about the Chinese investment.²²⁰ Uhlmann said that he had spoken to 'a senior ADF official' regarding the 'security implications of a Chinese company owning a mounting port for major operations'. Neither Uhlmann nor the 'senior ADF official' spelt out exactly what those implications were.

A survey of commentary and writing revealed that ASPI was a dominant voice on the Port of Darwin issue. On October 20 2015, ASPI's Jennings published an article in *The Australian*. He wrote that Australian and American foreign and defence ministers, along with Australian defence officials, 'might have been surprised' by the Northern Territory government's decision to lease Darwin Port to Landbridge.²²¹ Jennings contended that the lease 'raises hard questions about...how Australian governments make sensible decisions on national security when considering foreign investment proposals'. He also warned that 'tough strategic competition' was breaking out between China and the US and its friends and allies and that no one could be confident this competition 'wouldn't give rise to open hostility'.

The [Darwin Port] issue points to serious worries both about the specifics of the port lease and over the wider way in which the Commonwealth handles—more accurately fails to handle—national security assessments of foreign investment proposals.

Peter Jennings

Jennings followed this on November 6 2015 with a piece on ASPI's blog, *The Strategist*.²²² He told readers that Senate Estimates hearings on October 21 2015 had pointed to 'serious worries' both about the specifics of the Darwin Port lease and the way national security assessments of foreign investment proposals are handled generally. He further alleged the hearings had shown the 'strategic role' of Darwin Port had been ignored when Landbridge was allowed to make its investment. During the hearings Tasmanian Senator Jacqui Lambie wondered aloud about what would happen 'if the Chinese, once they take over the port, want to close that port down and let nobody in...'.²²³

²¹⁹ Northern Territory Government, 'Media release - NT Government selects Landbridge as its partner for the Port of Darwin', October 13 2015 <http://www.territorystories.nt.gov.au/bitstream/10070/257946/2/Giles-131015-NT_government_selects_landbridge_as_its_partner_for_the_port_of_darwin_attachment.pdf>.

²²⁰ Chris Uhlmann and Jane Norman, 'Senior Defence official raises security concerns over Darwin port lease to Chinese-owned company Landbridge', *ABC News*, October 15 2015 <<http://www.abc.net.au/news/2015-10-15/adf-concerned-over-darwin-port-sale-to-chinese-owned-company/6855182>>.

²²¹ Peter Jennings, 'Security crucial in leasing assets', *The Australian*, October 20 2015.

²²² Peter Jennings, 'Darwin: storm in a port', *The Strategist*, Australian Strategic Policy Institute, November 6 2015 <<https://www.aspistrategist.org.au/darwin-storm-in-a-port/>>.

²²³ Foreign Affairs, Defence and Trade Legislation Committee, Senate committee 'Official Committee Hansard', October 21 2015 <https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/fadtctte/estimates/sup1516/index>.

Jennings was followed on *The Strategist* by Geoff Wade, a Visiting Fellow at the ANU.²²⁴ Wade questioned whether Landbridge was really a privately-owned company. He described its chairman, Ye Cheng as being ‘intimately tied to the PRC party-state’ because he was a member of the 12th Chinese People’s Political Consultative Conference (CPPCC). He also noted that Landbridge had a CCP branch committee within its organisational structure. This was headed by He Zhaoqing, an ex-PLA officer. Wade also claimed that Mr He was currently serving as the ‘general manager, a director and party committee member of the Rizhao Port Group’. Landbridge is headquartered in Rizhao, a prefecture-level city in Shandong province. According to Wade, this meant that, ‘It’s thus He Zhaoqing and the CPC [Communist Party of China] who control the port development activities of Landbridge’. After looking at Landbridge’s Chinese-language website, Wade also warned that the company had an ‘armed militia’. In his estimation this meant that Landbridge was a ‘commercial front intimately tied to state-owned operations, the party and the PLA’ and the Darwin Port deal was ‘a key element in the PRC’s efforts to weaken the Australian alliance with the US’.²²⁵

On November 13 2015, Brendan Nicholson, defence editor for *The Australian*, drew attention to the output of Jennings and Wade, running new quotes from both. Landbridge’s chairman, Ye Cheng, was now being described as a ‘senior Communist Party official’.²²⁶

[O]perational control of Port of Darwin could facilitate intelligence collection of the tactics, techniques and procedures used by Australian Defence Forces and US marine elements during the North Australian deployments.

Paul Barnes and Peter Jennings

On November 14 2015 another ASPI voice entered the discussion. Head of the Risk and Resilience Program, Paul Barnes, along with Jennings, penned a piece for *The Australian Financial Review* that specified some of the concerns around the lease.²²⁷ Barnes and Jennings asserted that ‘operational control of Port of Darwin could facilitate intelligence collection of the tactics, techniques and procedures used by Australian Defence Forces and US marine elements during the North Australian deployments’. In other words, spying.

²²⁴ Geoff Wade, ‘Landbridge, Darwin and the PRC’, *The Strategist*, Australian Strategic Policy Institute, November 9 2015 <<https://www.aspistrategist.org.au/landbridge-darwin-and-the-prc/>>.

²²⁵ Geoff Wade, ‘Landbridge, Darwin and the PRC’, *The Strategist*, Australian Strategic Policy Institute, November 9 2015 <<https://www.aspistrategist.org.au/landbridge-darwin-and-the-prc/>>.

²²⁶ Brendan Nicholson, ‘Military ties to port owner’, *The Australian*, November 13 2015.

²²⁷ Paul Barnes and Peter Jennings, ‘Spooks must sign off on Chinese investment’, *The Australian Financial Review*, November 14 2015.

On November 17 2015, US-based voices lent their support to this assessment. Richard Armitage, a former US Deputy Secretary of State told *The Australian Financial Review's* US correspondent John Kehoe that he was 'stunned' by the deal. 'I couldn't believe the Australian defence ministry went along with this'.²²⁸ In the same piece, John Lee of the Hudson Institute in Washington offered that because Landbridge operated in port logistics and petro-chemicals, two sectors he said were considered by Beijing to be important to its national interest, it was not only subject to 'intimate government supervision' but also 'collaboration if and when Beijing sees it is in the national interest to do so'.²²⁹

Also on November 17 2015, Andrew Krepinevich, president of the Centre for Strategic and Budgetary Assessments, another Washington institution, warned in *The Australian* that Landbridge was behaving according to the advice of the ancient Chinese master strategist, Sun-Tzu, 'Be extremely subtle...Thereby you can be the director of the opponent's fate'.²³⁰ Krepinevich considered that, 'The ploy seems to be working'. He also said that the Landbridge militia identified by Wade would 'evidently be deployed' in Darwin. This was because 'a force that is expert in protecting infrastructure is also well versed in how to destroy it'.

On November 18 2015 Wade was in *The Strategist* drawing attention to an agreement between China and Malaysia for the PLA Navy to use the port of Kota Kinbalu as a 'stopover location'.²³¹ Based on

this, he said that 'only the most innocent' would conclude that the PLA Navy would 'not likewise be interested in securing access to and facilities in the port of Darwin'.

On November 19 2015, journalist Phillip Coorey reported in *The Australian Financial Review* that US president, Barack Obama had told then-Prime Minister Turnbull that Canberra should have given Washington a 'heads up about these sorts of things'.²³²

The Strategist also carried a piece on November 19 2015 by Allan Behm, a former Australian Defence Department official.²³³ He said that China 'must be finding it hard to believe its luck as it contemplates managing the principal access point' for US and Australian naval assets. Behm homed in on the operational aspects that would come with managing the port such as how berth and mooring allocations are decided, which vessels would have priority access and how port charges are levied.

On November 23 2015, Neil James, the Executive Director of the Australia Defence Association wrote on *The Strategist* that the Darwin port deal 'highlights the failure to think grand-strategically'.²³⁴ China is a 'peer-strategic competitor to our long-time alliance partner' and 'under its current undemocratic political system, it's also ambivalent at best about supporting the rules-based international system by which Australia has thrived'.

²²⁸ John Kehoe Laura Tingle and Lisa Murray 'Labor weighs up strategic assets inquiry', *The Australian Financial Review*, November 18 2015.

²²⁹ Ibid.

²³⁰ Andrew Krepinevich, 'Darwin port deal an unforced error for regional stability', *The Australian*, November 17 2015.

²³¹ Geoff Wade, 'Sabah, the PLA Navy and Northern Australia', *The Strategist*, Australian Strategic Policy Institute, November 18 2015 <<https://www.aspistrategist.org.au/sabah-the-pla-navy-and-northern-australia/>>.

²³² Phillip Coorey, 'Obama to Turnbull: Let us know', *The Australian Financial Review*, November 19 2015

²³³ Allan Behm, 'Silk roads, strategy and Landbridge', *The Strategist*, Australian Strategic Policy Institute, November 19 2015 <<https://www.aspistrategist.org.au/silk-roads-strategy-and-landbridge/>>.

²³⁴ Neil James, 'The grand strategic failures underlying the lease of Darwin's commercial port', *The Strategist*, Australian Strategic Policy Institute, November 23 2015 <<https://www.aspistrategist.org.au/the-grand-strategic-failures-underlying-the-lease-of-darwins-commercial-port/>>.

On November 24 2015 Wade described for the ABC what would happen now that Landbridge was operating Darwin Port.²³⁵ He assessed that owning the lease to operate Darwin Port would provide Chinese ‘naval vessels with facilitated access to Australia, the Indian Ocean and the South Pacific, as well as to Indonesia and PNG [Papua New Guinea] over the coming century’. The Landbridge investment was ‘just the beginning – the so-called ‘dragonhead’ – of PRC economic domination of northern Australia’.

Chinese control of the port of Darwin marks just the beginning – the so-called “dragonhead” – of PRC economic domination of northern Australia.

Geoff Wade

On November 25 2015 a motion passed the Senate to establish an inquiry into the approvals process for foreign investment in Australian assets of strategic or national significance. In announcing the inquiry, Senator Nick Xenophon, an independent who co-sponsored the motion, said that ‘the Port of Darwin deal deserves special scrutiny, given concerns expressed by our key strategic think tank, the Australian Strategic Policy Institute (ASPI) over the deal’.²³⁶

On November 27 2015 two American observers from the Centre for a New American Security, a Washington think tank, wrote on *The Strategist*:²³⁷

does anyone believe it will take long for the People’s Liberation Army (PLA) and Ministry of State Security intelligence operatives to acquire privileged access—a permanent VIP pass?

Patrick Cronin and Phoebe Benich

Jennings appeared at the Senate inquiry’s public hearing on December 15 2015. He further detailed his spying concerns, stating that China had a ‘driving interest’ in understanding ‘how a ship operates, how it is loaded and unloaded, the types of signals a ship will emit through a variety of sensors and systems, and the noise it makes as it moves through the water with its propellers’.²³⁸ He calculated that because Darwin Port sees up to 100 naval ship visits each year, ‘100 intelligence gathering opportunities’ were up for grabs.

On December 17 2015 a journalist for *The Australian*, Amos Aikman, reported that a ‘source’ had told him that ‘Australian, US and other military vessels’ would ‘have to inform and in some cases ask permission’ from Landbridge before entering or leaving Port of Darwin.²³⁹

On July 5 2017 it was reported that Landbridge was under financial pressure and seeking to refinance its Darwin Port investment.²⁴⁰ In response to the news, ASPI’s Jennings said that if Landbridge defaulted on its debts, the Darwin Port lease could end up in the control of the Chinese government.²⁴¹

²³⁵ Geoff Wade, ‘Port of Darwin: This is about more than China’s economic interest’, *ABC News*, November 24 2015 <<http://www.abc.net.au/news/2015-11-24/wade-the-darwin-port-is-another-link-in-chinas-expansion/6967640>>.

²³⁶ James Laurenceson, Hannah Bretherton, Paul Burke and Edward Wei, ‘Chinese investment in critical infrastructure: much ado about not much?’, ACRI Working Paper 2016-01, Australia-China Relations Institute, University of Technology Sydney, 2016. <http://www.australiachinarelations.org/sites/default/files/ACRI%20Working%20Paper%20-%20Chinese%20investment%20in%20critical%20infrastructure%20much%20ado%20about%20not%20much%20-%202016-1_0.pdf>.

²³⁷ Patrick Cronin and Phoebe Benich, ‘The Port of Darwin as a ‘grey zone’ situation’, *The Strategist*, Australian Strategic Policy Institute, November 27 2015 <<https://www.aspistrategist.org.au/the-port-of-darwin-as-a-grey-zone-situation/>>.

²³⁸ Australian Senate Economics References Committee, Official Committee Hansard – Foreign investment review framework, Canberra, December 15 2015. <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Foreign_Investment_Review/Public_Hearings>.

²³⁹ Amos Aikman, ‘Chinese firm holds veto over military traffic’, *The Australian*, December 17 2015.

²⁴⁰ Angus Grigg, Lisa Murray and Nick McKenzie, ‘Chinese buyer of Darwin Port struggles to pay interest and heavily in debt: exclusive’, *The Australian Financial Review*, July 5 2017.

²⁴¹ Helen Davidson, ‘Refinancing of Port of Darwin raises fresh concerns over Chinese lease’, *The Guardian*, June 9 2017 <<https://www.theguardian.com/australia-news/2017/jun/09/refinancing-of-port-of-darwin-raises-fresh-concerns-over-chinese-lease>>.

The evidence

If anyone would be expected to weigh seriously concerns about the security implications of the Darwin Port deal, it would be the heads of the Department of Defence, ASIO and the ADF. Yet all three rejected suggestions that Landbridge operating Darwin Port could facilitate spying.

The heads of the Department of Defence, the Australian Security Intelligence Organisation and the Australian Defence Force all rejected claims that a Chinese company operating Darwin Port could facilitate spying.

At the Senate estimates hearing on October 21 2015 the chief of the ADF, Mark Binskin said, 'If [ship] movements are the issue, I can sit at the fish and chip shop on the wharf at the moment in Darwin and watch ships come and go, regardless of who owns it'.²⁴² In comments on November 19 2015, Secretary of Defence Dennis Richardson said that he supported Binskin's fish and chip shop assessment and added, 'It's as though people have never heard of overhead imagery'.²⁴³

When challenged at estimates about Uhlmann's report that concerns were being expressed at the 'highest levels of the ADF', Secretary Richardson said that his experience had shown that, 'anyone who spoke to the media...was immediately described as a senior diplomat, even if they were

quite a junior person'. In any case, 'the most senior people in the ADF are the CDF [Chief of the Defence Force], the VCDF [Vice Chief of the Defence Force] and the services chiefs, and I am not aware of any concerns'.²⁴⁴

On November 19 2015 Secretary Richardson told *The Australian* that Defence and ASIO had looked 'very carefully' at the Darwin Port deal.²⁴⁵

Both organisations were 'at one' that Landbridge's bid 'was not an investment that should be opposed on defence and security grounds'. He described spy claims as 'amateur hour' and that 'when you examine them, melt like butter sitting on a car bonnet on a hot day'. He also put on the record that any claim that Defence had not exercised due diligence was 'based upon ignorance not on fact'.

Secretary Richardson's testimony followed Jennings at the Senate inquiry's public hearings on December 15 2015. He said Jennings' specific claim that the Chinese could monitor the signals that ships were emitting was 'absurd' because any naval vessel entering a commercial port would turn them off as standard operating procedure.²⁴⁶

If [ship] movements are the issue, I can sit at the fish and chip shop on the wharf at the moment in Darwin and watch ships come and go, regardless of who owns it.

Mark Binskin

²⁴² Australian Senate Foreign Affairs, Defence and Trade Legislation Committee, Defence Portfolio, October 21 2015 <https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/fadtctte/estimates/sup1516/index>.

²⁴³ Brendan Nicholson, 'Final say for ADF in China port lease', *The Australian*, November 19 2015.

²⁴⁴ Australian Senate Foreign Affairs, Defence and Trade Legislation Committee, Defence Portfolio, October 21 2015 <https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/fadtctte/estimates/sup1516/index>.

²⁴⁵ Brendan Nicholson, 'Final say for ADF in China port lease', *The Australian*, November 19 2015.

²⁴⁶ Senate Economics References Committee, Official Committee Hansard - Foreign investment review framework, Canberra, December 15 2015. <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Foreign_Investment_Review/Public_Hearings>.

We and ASIO have looked very carefully at it from the point of view of espionage and issues of a security nature. We are at one in agreeing that this was not an investment that should be opposed on defence or security grounds.

Dennis Richardson

What about the 'strategic' concerns associated with the Darwin Port lease?

The Australian National Centre for Ocean Resources and Security's Bateman, also a former Royal Australian Navy Commodore, has noted that ports are a highly regulated industry.²⁴⁷ Owning the lease to operate a port means being subject to this regulation, not escaping it. As with any lease, the Darwin Port one came with conditions. If lease conditions are breached, the port's owner, the Northern Territory government, is entitled to step in. This includes circumstances such as port stewardship and maintenance obligations not being fulfilled, or where there was risk to safety or the environment. The Northern Territory government also retains the role of Regional Harbourmaster, while responsibility for price and access regulation is determined by the Northern Territory's independent Utilities Commission.²⁴⁸

Yet another layer of protection is given by the Department of Defence having 'step-in rights'. At Senate Estimates on October 21 2015, Secretary Richardson cut short Senator Lambie's musings about whether 'the Chinese' could close down the port, interjecting, 'It would be illegal...we have some overriding powers under the Defence Act. So that is not a possibility'.²⁴⁹ On November 10 2015 then-Trade and Investment Minister, Andrew Robb reminded readers of *The Australian Financial Review* that under Australian legislation, 'if something happens for whatever reason and they [Defence] want to take control of the port, they can'.²⁵⁰ On November 19 2015, then-Prime Minister Malcolm Turnbull also noted the step-in rights that were available: 'under our legislation, the Federal Government can step in and take control of infrastructure like this in circumstances where it's deemed necessary for purposes of Defence'.²⁵¹

Greg Austin, Professor at the Australian Defence Force Academy (ADFA) remarked that all of this was 'patently obvious to anyone with any knowledge of Australian law'.²⁵²

As for strategic concerns, the Secretary of Defence, Dennis Richardson said that the idea the north of Australia would be opened up to the People's Liberation Army Navy was 'alarmist nonsense' and 'without foundation in any way'.

²⁴⁷ Sam Bateman, 'The Darwin Port lease: setting the record straight', *The Strategist*, Australian Strategic Policy Institute, November 24 2015 <<https://www.aspistrategist.org.au/the-darwin-port-lease-setting-the-record-straight/>>.

²⁴⁸ Northern Territory Government, Submission from the Northern Territory Government to the Senate Economic References Committee's Inquiry into the Foreign Investment Review Framework, January, 2016. <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Foreign_Investment_Review/Submissions>.

²⁴⁹ Foreign Affairs, Defence and Trade Legislation Committee, 'Defence Portfolio', October 21 2015 <https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/fadtctte/estimates/sup1516/index>.

²⁵⁰ Mark Ludlow, 'Chinese Darwin port owner plans energy expansion', *The Australian Financial Review*, November 10 2015.

²⁵¹ Francis Keany, 'Port of Darwin: Malcolm Turnbull plays down Barack Obama's concerns over lease to Chinese company', *ABC News*, November 19 2015 <<http://www.abc.net.au/news/2015-11-19/government-plays-down-obama27s-concerns-over-port-of-darwin-le/6954062>>.

²⁵² Greg Austin, 'Yes, a Chinese company leased Darwin Port. So what?', *The Diplomat*, November 19 2015 <<https://thediplomat.com/2015/11/yes-a-chinese-company-leased-darwin-port-so-what/>>.

Secretary Richardson described Wade's claims that the north of Australia would be opened up to the PLA Navy as 'alarmist nonsense' and that it was 'without foundation in any way'.²⁵³ He said, 'Anyone who knows the ABC knows it is not the gift of the operator of a port to invite foreign naval vessels to visit'. Naval vessels require diplomatic clearance, provided in Australia's case by the Department of Defence. The idea that Chinese company Landbridge could provide this clearance was 'simply absurd' and 'not factually based'.

Anyone who knows the ABC knows it is not the gift of the operator of a port to invite foreign naval vessels to visit.

Dennis Richardson

Some of the alarm about Landbridge and Darwin Port was particularly specious, especially American commentator Andrew Krepinevich's claim that a Chinese company would be able to bring in its own 'armed militia' to roam freely in an Australian port. Hans Hendrichske, Professor of Chinese Business Management at the University of Sydney, said that even the so-called 'armed militia' overseeing assets like ports in China are normally 'elderly people running around with sticks'.²⁵⁴

Some of the allegations levelled at Landbridge were factually incorrect. The assertion by Wade that Landbridge was controlled by He Zhaoqing, who was now the 'general manager, a director and

party committee member of the Rizhao Port Group' is an example. Colin Hawes, a Chinese corporate law expert at UTS investigated the claims and found that Landbridge and Rizhao Port Group are 'totally different corporate famil[ies]'.²⁵⁵ In fact, in China they are corporate rivals with each owning a competing port. Further, Mr He retired from all of his positions at the Rizhao Port Group in 2010. Only afterwards was he hired by Landbridge to serve as its CCP branch secretary. Hawes also notes that Wade overlooked that while Mr He was indeed an ex-PLA officer, he was discharged in 1984.

Geoff Wade said that He Zhaoqing controlled the port development activities of Landbridge because he worked for Rizhao Port Group. In fact, this is a completely different corporate family.

Hawes notes that Chinese law requires that corporations set up CCP branches or committees as long as three or more CCP members are employed by the firm and ask for one. In having a branch committee in China, Landbridge is no different from America's Walmart and South Korea's Samsung. Academic research records that oftentimes it's the private sector host that co-opts the CCP branch committee rather than the other way round. Bruce Dickson, Professor of Political Science and International Relations at George Washington University states that party building in private sector firms 'has been more successful at promoting the firms' interests than exerting party leadership'.²⁵⁶

²⁵³ Australian Senate Economics References Committee, Official Committee Hansard - Foreign investment review framework, Canberra, December 15 2015. <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Foreign_Investment_Review/Public_Hearings>.

²⁵⁴ Australian Senate Economics References Committee, Official Committee Hansard - Foreign investment review framework, December 15 2015 <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Foreign_Investment_Review/Public_Hearings>.

²⁵⁵ Colin Hawes, 'Myth-busting Chinese corporations in Australia', Australia-China Relations Institute, University of Technology Sydney, Sydney, March 2 2017 <<http://www.australiachinarelations.org/content/myth-busting-chinese-corporations-australia-1>>.

²⁵⁶ Bruce J. Dickson, *Wealth into Power - The Communist Party's Embrace of China's Private Sector*, George Washington University, Washington DC, 2008.

²⁵⁷ Senate Economics References Committee, Official Committee Hansard - Foreign investment review framework, Canberra, December 15 2015 <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Foreign_Investment_Review/Public_Hearings>.

Landbridge's chairman, Ye Cheng, described as a 'senior communist party official', is not even a member of the CCP. This was explained by Landbridge Infrastructure Australia's director, Michael Hughes to the Senate inquiry on December 15 2015.²⁵⁷

In recounting Ye's membership of the CPPCC and his position as Deputy of Shandong Provincial People's Congress, ADFA's Greg Austin assesses.²⁵⁸

This does not equate to being a senior official of the Communist Party.

Greg Austin

In the Chinese political hierarchy, Hawes explains that the CPPCC is merely an advisory body that does not even reach the level of a 'rubber stamp legislature like the National People's Congress'.²⁵⁹ Ye is one of more than 2000 members in the CPPCC. Hawes says it has 'no significant role in the law-making or political decision-making process'. The National People's Congress - not the step lower Shandong version to which Ye belongs - does discuss and approve new laws. That said, Hawes notes, 'it is expected to pass them all'.

If it were true that Landbridge was 'intimately tied to the party-state', as Wade claimed, it would have access to preferential loans from China's state-owned banking system. Yet in 2017, *The Australian Financial Review's* Angus Grigg documented that around the time it was making its investment in

Darwin Port, Landbridge was being forced into issuing short-term bonds and borrowing from the high-yield shadow banking market.²⁶⁰

If Landbridge does run into financial trouble, Jennings' claims that Darwin Port could fall into the hands of the Chinese government defies basic facts. The land and infrastructure at Darwin Port is owned by the Northern Territory government and accordingly, cannot be mortgaged or put up for sale by Landbridge. If Landbridge defaulted on its lease to operate the port, the terms of the lease specify that its operation would return to the Northern Territory, or be resold to a new buyer who would have to satisfy the Northern Territory government, and if they were from overseas, the Foreign Investment Review Board.²⁶¹

On Landbridge or other Chinese companies having individuals on their board or serving in management positions who were previously part of the Chinese government, ASIO head Duncan Lewis told the Senate inquiry on December 15 2015 that this was 'hardly remarkable'.²⁶² In fact, he said 'if you had a look at many Australian firms you would find very much the same kind of thing'.

The is no evidence to support Peter Jennings' claims that Darwin Port could fall into the hands of the Chinese government if Landbridge runs into financial difficulty.

²⁵⁸ Greg Austin, 'Yes, a Chinese company leased Darwin Port. So what?', *The Diplomat*, November 19 2015.

²⁵⁹ Colin Hawes, 'Myth-busting Chinese corporations in Australia', Australia-China Relations Institute, University of Technology Sydney, Sydney, March 2 2017. <<http://www.australiachinarelations.org/content/myth-busting-chinese-corporations-australia-1>>.

²⁶⁰ Angus Grigg, 'Money storm in port: China', *The Australian Financial Review*, July 8 2017.

²⁶¹ Helen Davidson, 'Refinancing of Port of Darwin raises fresh concerns over Chinese lease', *The Guardian*, June 9 2017 <<https://www.theguardian.com/australia-news/2017/jun/09/refinancing-of-port-of-darwin-raises-fresh-concerns-over-chinese-lease>>.

²⁶² Senate Economics References Committee, Official Committee Hansard - Foreign investment review framework, Canberra, December 15 2015. <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Foreign_Investment_Review/Public_Hearings>.

Conclusion

When Defence Secretary Richardson retired from his position in 2017, he was asked whether he had changed his mind over Darwin Port? He responded:²⁶³

The [Darwin Port] decision itself was spot on then, and it was spot on now.

Dennis Richardson

Nearly three years after spying fears around Landbridge operating the port had hit fever pitch, Nigel Scullion, a Senator for the Northern Territory, remarked:²⁶⁴

I think there has to be no doubt tens of thousands of mud crabs that have now been caught by recreational fishermen [around Darwin Port], not one of them has had a spy cam on it. I think [spying fears] were well and truly overblown.

In July 2018 then-Foreign Minister, Julie Bishop was quizzed on Darwin radio about whether she had any lingering concerns about the deal. She stated:²⁶⁵

Our Defence Department looked at the matters, they had no security concerns at all so it will be a foreign investment that is very fruitful for Darwin. I think it will attract many more visitors. Already the refrigerator container capacity has increased some four-

fold and that has seen significant increase in trade through the Darwin Port which is good for the Territory...The Defence Department had no concerns and they expressed no security concerns and that is still the case.

Minister Bishop's response gets at an important point that was also lost in the claims about the security implications of a Chinese company operating Darwin Port: the economic case for such foreign investment remains as compelling as it was on the day the deal was announced. Later this year Landbridge will begin work on a new luxury hotel in Darwin and has plans to double the size of the port.²⁶⁶ Even its political critics have changed their tune. In 2015, then-Northern Territory Opposition Leader, Michael Gunner had remarked the deal was 'nothing more than another one off cash grab'.²⁶⁷ Yet in 2016 after a change in government in which Gunner became Chief Minister, his spokesperson said the partnership with Landbridge was of 'real and ongoing benefit' as the Chinese company continues to 'invest in the port, grow trade and make other investments in the NT [Northern Territory]'.²⁶⁸

Our Defence Department looked at the matters, they had no security concerns at all so it will be a foreign investment that is very fruitful for Darwin.

Julie Bishop

²⁶³ Primrose Riordan, 'China "spies and manipulates"', *The Australian*, May 13 2017.

²⁶⁴ Ashley Manicaros, 'At last there is movement', *The Northern Territory News*, 11 July 2018.

²⁶⁵ Julie Bishop, 'Radio interview with Adam Steer', transcript, *ABC Radio Darwin*, July 6 2018 <https://foreignminister.gov.au/transcripts/Pages/2018/jb_tr_180706b.aspx?w=tb1CaGpkPX%2FIS0K%2Bg9ZKEg%3D%3D>.

²⁶⁶ Lauren Roberts, 'Full speed ahead as Gunner embraces Landbridge projects', *Northern Territory News*, August 30 2018.

²⁶⁷ 'Chinese company Landbridge to operate Darwin port under \$506m 99-year lease deal', *ABC News*, October 14 2015 <<http://www.abc.net.au/news/2015-10-13/chinese-company-landbridge-wins-99-year-darwin-port-lease/6850870>>.

²⁶⁸ Helen Davidson, 'Refinancing of Port of Darwin raises fresh concerns over Chinese lease', *The Guardian*, June 9 2017 <<https://www.theguardian.com/australia-news/2017/jun/09/refinancing-of-port-of-darwin-raises-fresh-concerns-over-chinese-lease>>.

American interest

Australia is a US ally, and Washington is inevitably interested in understanding Canberra's approach to managing its relationship with Beijing. It can also be expected that the US will seek to influence the approach that Australia adopts in view of its own national interests. There is nothing inherently untoward about this. Australian and American interests will frequently coincide. Nonetheless, the need for Australia to critically evaluate American perspectives is heightened by the fact that the US is currently undergoing a wholesale reassessment of its China policy. It now defines China as a 'strategic competitor'. The 2018 US National Defence Strategy designates China as a 'threat...to US security and prosperity today, and the potential for these threats to increase in the future.'²⁶⁹ Responding to this assessment, Australia's then-Foreign Minister, Julie Bishop said, 'We have a different perspective on Russia and China, clearly. We do not see Russia or China as posing a military threat to Australia'.²⁷⁰ Then-Prime Minister, Malcolm Turnbull concurred: 'Apart from North Korea there is no country in the region that shows any hostile intent towards Australia...So we don't see threats from our neighbours in the region'.²⁷¹

One instance of US interest and attempted influence was reported by the *New York Times* on March 13 2015. It referred to a 'senior member of the Australian government' confirming that then-US President Barack Obama had spoken to then-Prime Minister Tony Abbott and 'urged him against joining the [Asian Infrastructure Investment Bank (AIIB)]'.²⁷²

Another example occurred with respect to the sale of the lease to operate Darwin Port to Chinese company, Landbridge. During the Senate inquiry into Australia's foreign investment regime in December 2015, the US Embassy in Canberra issued a statement explaining that it had concerns with the deal.²⁷³ These were 'to do with potential security considerations, the details of the lease, and the [Australian] federal government's review of both'. It added that these concerns had since 'been resolved'. Yet on March 9 2016 the front page of *The Australian* displayed the results of a leaked 'secret poll' that had been commissioned by the US State Department.²⁷⁴ The poll investigated perceptions of the national security risks of a Chinese company operating Darwin Port. The highlighted finding was that nine in 10 Australians saw 'at least some risk' associated with the deal. The journalist breaking the story, Amos Aikman, reported that the polling had been undertaken by the State Department's Bureau of Intelligence and Research. This organisation states that its mission is to 'harness intelligence to serve US diplomacy'.²⁷⁵ In interpreting the poll, the Bureau commented that the results would 'likely force Australians to rethink their choices of when to put national security ahead of economic gain'.

²⁶⁹ United States Government Department of Defence, Summary of the 2018 National Defence Strategy of the United States of America, <<https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>>.

²⁷⁰ Andrew Tillett, 'Malcolm Turnbull, Julie Bishop say China is no threat to Australia', *The Australian Financial Review*, January 29 2018.

²⁷¹ Ibid.

²⁷² Jane Perlez, 'With plan to join China-led bank, Britain opens door for others', *New York Times*, March 13 2015.

²⁷³ Brendan Nicholson, 'Darwin profit our loss?', *The Australian*, December 18 2015.

²⁷⁴ Amos Aikman, 'Secret US poll on China port deal', *The Australian*, March 9 2016.

²⁷⁵ United States Government Department of State, Bureau of Intelligence and Research <<https://www.state.gov/s/inr/>>.

[The poll results would] likely force Australians to rethink their choices of when to put national security ahead of economic gain.

US State Department,
Bureau of Intelligence and Research

ASPI's Jennings offered Aikman quotes: 'They want to test the impact of the...decision in terms of how the Australian public would react to it... clearly people are concerned'.²⁷⁶ James Brown, a Fellow at the USSC at the University of Sydney said that he had probed various American interlocutors about their Darwin Port concerns and was 'yet to see anything substantial that would back up these suspicions'.²⁷⁷ He concluded that the opinion poll had been leaked in a 'careful, deliberate way' and the story was 'choreographed for maximum impact. The question is why?'. An article in *The Australian* on October 20 2017 implied that US interventions with respect to the Darwin Port lease had irritated Australia's top diplomat. The author, Paul Maley, wrote that in late 2015 the then-DFAT Secretary, Peter Varghese had summoned then-US ambassador, John Berry to admonish him over public comments by US officials.²⁷⁸

Varghese told Berry:

You either know something we don't, in which case you have an obligation to share it with us. If you don't you should know that we have been through the issue very, very carefully and we have no intention of changing our mind. If that is the case we would be grateful if you stopped making gratuitous public comments about it.

Peter Varghese

Prior to his departure in September 2016, Ambassador Berry also chose to give an exclusive interview to Paul Kelly, Editor-at-Large at *The Australian*.²⁷⁹ The main topic Berry wanted to cover? China. And in particular, alleged Chinese interference in Australian politics. He told Kelly:

²⁷⁶ Amos Aikman, 'Secret US poll on China port deal', *The Australian*, March 9 2016.

²⁷⁷ James Brown, 'The Darwin port and US poll: who's sowing mischief in the Australian public debate?', *The Interpreter*, The Lowy Institute, August 1 2018 <<https://www.loyyinstitute.org/the-interpreter/darwin-port-and-us-poll-whos-sowing-mischief-australian-public-debate>>.

²⁷⁸ Paul Maley, 'Australia told US to stop "gratuitous" criticism over Darwin port', *The Australian*, October 20 2017.

²⁷⁹ Paul Kelly, 'US alarm at China's sway through donations', *The Australian*, September 14 2016.

We have been surprised, quite frankly, at the extent of the involvement of the Chinese government in Australian politics.

John Berry

Berry homed in on Australia's political donation laws:

It is an entirely different matter when the government of China is able to directly funnel funds to political candidates to advance their national interests in your national campaign.

John Berry

He added that:

Our hope is that, in resolving this, Australia will consider doing what many other democracies have done: that is to protect their core responsibility against undue influence from governments that don't share our values.

A report in *The Australian* on September 23 2017 referred to US intelligence briefings to then-Attorney-General George Brandis as being the impetus for new Australian government legislation targeting foreign influence, including political donations.²⁸⁰

The US Chargé d'Affaires in Australia, James Carouso, has led efforts to communicate to Australians that the country's most important economic partner is actually America, not China.²⁸¹ This message has been reinforced by visiting senior US government officials, including Vice President Mike Pence in April 2017 and then-Secretary of State Rex Tillerson in June 2017.²⁸²

²⁸⁰ Brad Norington, 'Four council candidates linked to China Communist Party lobby', *The Australian*, September 23 2017.

²⁸¹ James Carouso, 'US-Australia relationship as essential and vibrant as any time', *The Australian*, June 3 2017.

²⁸² James Laurenceson, 'In the US-AU-China love triangle, actions speak louder than words', *East Asia Forum*, October 11 2017 <<http://www.eastasiaforum.org/2017/10/11/in-the-us-au-china-love-triangle-actions-speak-louder-than-words/>>

In September 2018, the US State Department paid for a speaking tour of Australia by Peter Mattis, a Research Fellow at the Victims of Communism Memorial Foundation in Washington. Mattis also featured prominently in the June 2016 *ABC Four Corners* episode, 'Power and Influence'. His brief while in Australia was 'to speak broadly around the topic of influence peddling by China's Communist Party'.²⁸³ When delivering a public lecture at the ANU, Mattis' bio included the seemingly pointed statement that while he did not speak on behalf of the US government, his views do 'reflect on the broad range of responsible and informed opinion in the United States'.²⁸⁴ The *Australian Financial Review's* Angus Grigg wrote:²⁸⁵



On Mattis' views on the CCP and its influence activities, Grigg said:

For the State Department he's the perfect guy. As an insider he can publicly voice many of the government's broader concerns around China, while providing it with sufficient distance for deniability, as he no longer works in government.

Angus Grigg

As you would expect, he's hardly sanguine about the threat [posed by the CCP] and shared his views at a public lecture and in media interviews before holding a series of departmental briefings in Canberra...

Angus Grigg

²⁸³ Angus Grigg, 'US "steady state" rolls into Australia', *The Australian Financial Review*, September 10 2018.

²⁸⁴ National Security College, News and events: 'Chinese Communist Party interference and influence-building: The view from America', National Security College, Crawford School of Public Policy, ANU College of Asia & the Pacific, Australian National University <<https://nsc.crawford.anu.edu.au/news-events/events/12966/chinese-communist-party-interference-and-influence-building-view-america>>.

²⁸⁵ Angus Grigg, 'US "steady state" rolls into Australia', *The Australian Financial Review*, September 10 2018.

On April 5 2018, Mattis gave testimony to the US-China Economic and Security Review Commission contending that:²⁸⁶

Australia and New Zealand both face substantial problems with interference by the Chinese Communist Party. In both cases, the CCP has gotten very close to or inside the political core, if you will, of both countries.

Peter Mattis

In contrast, on March 26 2018, more than 80 of Australia's leading China Studies scholars signed an open letter assessing that they saw 'no evidence' that China's actions 'aim at compromising our [Australia's] sovereignty'.²⁸⁷ Interviewed on *Radio New Zealand* on May 28 2018, Mattis conceded that the evidence in support of his views were Australian and New Zealand media stories and a report by a University of Canterbury academic, Anne-Marie Brady.²⁸⁸

His interviewer queried:

Is that the sort of evidential bar that you would set yourself, you read it in a newspaper?

Guyon Espiner

After an extended pause, Mattis responded that, 'It would depend on the newspaper, it would depend on the authorities and it would depend on the research'.

Jason Young, Director of the Victoria University of Wellington's Contemporary China Research Centre, has said that recent claims around Chinese influence and interference in New Zealand are 'overblown and do a disservice to the much more complex reality of the New Zealand-China relationship'.²⁸⁹

²⁸⁶ Eleanor Ainge Roy, 'New Zealand's Five Eyes membership called into question over "China links"', *The Guardian*, May 28 2018 <<https://www.theguardian.com/world/2018/may/28/new-zealands-five-eyes-membership-called-into-question-over-china-links>>.

²⁸⁷ Concerned Scholars of China and the Chinese Diaspora, 'An open letter from concerned scholars of China and the Chinese diaspora', *Policy Forum*, Asia & The Pacific Policy Society, Crawford School of Public Policy, Australian National University, March 26 2018 <<https://www.policyforum.net/an-open-letter-from-concerned-scholars-of-china-and-the-chinese-diaspora/>>.

²⁸⁸ 'Ex-CIA analyst admits Trump irony in China influence warning', *Radio New Zealand*, May 28 2018 <<https://www.radionz.co.nz/national/programmes/morningreport/audio/2018646774/ex-cia-analyst-admits-trump-irony-in-china-influence-warning>>.

²⁸⁹ Laura Walters, 'NZ-China relationship more complex than 'sensational' headlines', *Stuff*, June 13 2018 <<https://www.stuff.co.nz/national/politics/104672174/nzchina-relationship-more-complex-than-sensational-headlines>>.

He added:²⁹⁰

If someone is claiming New Zealand is the weak link in Five Eyes [security arrangement], what is the claim based on and what is the evidence behind that? The argument that New Zealand has somehow changed its security position in relation to Chinese influence, where's the evidence for that? I can't see any basis for it.

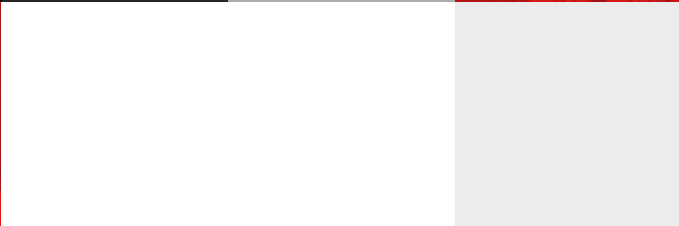
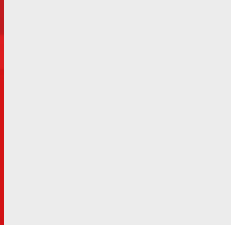
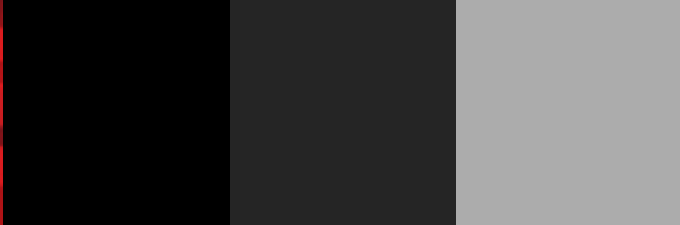
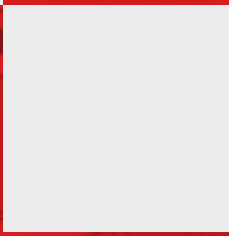
Jason Young

In September 2018, the US State Department, through the US Embassy in Canberra, funded a two-week International Visitor Leadership Program (IVLP) made up of invited Australians. The program had a particular focus on providing the Australian delegation with a US perspective on US-China relations. The stated general purpose of the IVLP is for invitees to 'experience this country [the US] firsthand and cultivate lasting relationships with their American counterparts'.²⁹¹ The Australian delegation comprised journalists, foreign policy researchers and practitioners, government policy advisers, and academic and think tank researchers. The program introduced them to a senior military officer in the US Indo-Pacific Command and government officials specialising in China and East Asia, as well as academics, think tankers, non-governmental organisations and representatives of the US business community.



²⁹⁰ Sam Sachdeva, 'China interference claims 'need new evidence'', *Newsroom*, June 8 2018, <<https://www.newsroom.co.nz/2018/06/07/115027/china-interference-claims-need-new-evidence>>.

²⁹¹ United States Government Department of State, Bureau of Educational and Cultural Affairs, 'International Visitor Leadership Program (IVLP)', <<https://exchanges.state.gov/non-us/program/international-visitor-leadership-program-ivlp>>.





Free Trade and Australian jobs to China

NEWS

**Free trade agreement:
Voters oppose China-
Australia deal after hearing
controversial elements: poll**

THE AUSTRALIAN 
FOR THE INFORMED AUSTRALIAN

**BILL SHORTEN:
PM'S FREE-TRADE
DEAL THREATENS
JOB OPPORTUNITIES**

The Sydney Morning Herald

**ChAFTA has opened door
to unqualified workers**

The claims

On November 17 2014, Australia and China announced that they had concluded 10 years of negotiations on a Free Trade Agreement (ChAFTA). The text was signed by both countries on June 17 2015.²⁹² This saw the rapid escalation of a campaign aimed at sinking the agreement. It wasn't until October 20 2015 that ChAFTA was finally able to secure bipartisan political support in Australia with the deal coming into force on December 20 that year.²⁹³

On the day that negotiations were concluded but before the agreement had been signed and the text released, talkback radio host Alan Jones told his listeners, as well as his guest, then-Prime Minister Tony Abbott that China was 'giving us nothing'.²⁹⁴ China had committed to lowering tariffs on Australian agricultural exports, in most cases dispensing with them entirely. But Jones did not consider this a concession because Australia's farms were already 'owned by China'.²⁹⁵ This meant that removing tariffs on Australian agricultural exports would add to the profits of Chinese companies, not Australian ones.

Hang on... China are giving us nothing. The dairy farms are owned by China.

Alan Jones

On December 1 2015, Geoff Wade, who was also active at the time in criticising the decision of the Australian government to allow Chinese investment in Darwin Port, wrote that under ChAFTA China stood to 'gain far more' than Australia.²⁹⁶ He said trade agreements were used by China to increase their 'economic domination', which would 'subsequently translate into strategic influence'. In the case of Australia, ChAFTA was a 'key element' in China's plan of 'severing...the US-Australia/NZ alliance'.²⁹⁷

The biggest attacks on ChAFTA came from the trade union movement. The day that ChAFTA was signed the Australian Manufacturing Workers Union called the deal 'deeply shameful',²⁹⁸ while a national policy officer from the Electrical Trades Union (ETU), Lance McCallum, said that it would cause Australian workers to 'miss out on thousands of job opportunities'.²⁹⁹ These allegations mostly stemmed from the labour mobility provisions in ChAFTA, and in particular, a commitment by both countries not to apply 'labour market testing' (LMT) as condition for temporary entry. LMT refers to a requirement for companies based in Australia to first advertise jobs locally and provide evidence of having done so to the Department of Home Affairs before seeking to engage a foreign worker.

On June 24 2015 the ABC reported on opinion polling conducted by the Construction, Forestry, Maritime, Mining and Energy Union (CFMEU) in marginal electorates across four Australian states.³⁰⁰ The main finding was that more than

²⁹² Dan Conifer, 'Australia and China sign 'history making' free trade agreement after a decade of negotiations', *ABC News*, on June 17 2015 <<http://www.abc.net.au/news/2015-06-17/australia-and-china-sign-free-trade-agreement/6552940>>.

²⁹³ Eliza Borrello, 'China FTA: Labor agrees to support free trade deal; says new agreement secures protections for workers', *ABC News*, October 21 2015 <<http://www.abc.net.au/news/2015-10-21/labor-to-support-china-australia-free-trade-agreement/6871862>>.

²⁹⁴ Dan Harrison, 'Failing the "pub test": Alan Jones blasts Tony Abbott over government's free trade deal with China', *Sydney Morning Herald*, November 17 2014.

²⁹⁵ Ibid.

²⁹⁶ Geoff Wade, 'Are we fully aware of China's ChAFTA aspirations?', *ABC News*, December 1 2015 <<http://www.abc.net.au/news/2015-12-01/wade-are-we-fully-aware-of-chinas-chafta-aspirations/6985770>>.

²⁹⁷ Ibid.

²⁹⁸ Daniel Hurst, 'Union calls for Labor to block free trade agreement with China', *The Guardian*, June 17 2015 <<https://www.theguardian.com/australia-news/2015/jun/17/union-calls-for-labor-to-block-free-trade-agreement-with-china>>.

²⁹⁹ Sue Lannin, 'China-Australia Free Trade Agreement puts local jobs at risk, unions, industry groups say', *ABC News*, June 18 2015 <<http://www.abc.net.au/news/2015-06-17/free-trade-agreement-with-china-puts-local-jobs-at-risk-unions/6554460>>.

³⁰⁰ Dan Conifer, 'Free trade agreement: Voters oppose China-Australia deal after hearing controversial elements: poll', *ABC News*, June 24 2015 <<http://www.abc.net.au/news/2015-06-24/voters-oppose-china-australia-fta-due-to-controversial-elements/6568210>>.

90 percent of people surveyed opposed ChAFTA. This was after poll respondents had been told that ChAFTA included two features. The first was that the deal meant Chinese investors in infrastructure projects valued at \$150 million or more would be able to bring in Chinese workers without advertising jobs locally. The second was that Chinese firms would gain some rights to sue Australian governments for policy changes that adversely affect their interests. CFMEU National Secretary Michael O'Connor told the ABC that ChAFTA would lead to a 'radical altering of the labour market' in Australia.³⁰¹ O'Connor surmised that in 'nearly every sector of our economy...jobs will be offered to Chinese nationals rather than locals'.³⁰²

What we have here is a radical altering of the labour market in our country, we've ceded sovereignty to another nation when it comes to regulating our labour market. We have a situation where nearly every sector of our economy will be exposed in this area with a situation where staff, labour, jobs will be offered to Chinese nationals rather than locals.

Michael O'Connor

On June 29 2015, the ETU warned that ChAFTA also meant there would be no requirement for Chinese tradespeople entering Australia on a subclass 457 temporary entry work visa to undergo a mandatory skills assessment.³⁰³ ETU National Secretary, Allen Hicks said that to allow electricians from a country with an 'appalling record on industry safety' to practice in Australia 'is negligent in the extreme'. And if we 'just start handing licences around it's not a matter of if, but when, someone is killed'.³⁰⁴ The Australian Council of Trade Unions (ACTU) said the removal of mandatory skills testing meant there 'was no doubt' that there would be an 'increased number of 457 visa applications [from China]'.³⁰⁵

On July 22 2015 Labor Opposition Leader Bill Shorten published a commentary piece in *The Australian* criticising the government for settling on a 'bad agreement'.³⁰⁶ Shorten claimed that then-Prime Minister Abbott 'simply didn't stay at the [negotiating] table long enough'. Instead, he had 'allow[ed] local workers to be bypassed' and for skills and safety standards to be eroded.³⁰⁷ A couple of months later while out campaigning in the electorate of Canning in Western Australia, Shorten described ChAFTA as a 'dud deal' in protecting Australian jobs.³⁰⁸ He also raised the prospect that unqualified Chinese plumbers 'might come and work on your house' or electricians 'might go into your roof'.

³⁰¹ Dan Conifer, 'Free trade agreement: Voters oppose China-Australia deal after hearing controversial elements: poll', *ABC News*, June 24 2015 <<http://www.abc.net.au/news/2015-06-24/voters-oppose-china-australia-fta-due-to-controversial-elements/6568210>>.

³⁰² Ibid.

³⁰³ Joanna Mather, 'China FTA skills test waiver alarms unions', *The Australian Financial Review*, June 29 2015.

³⁰⁴ Ibid.

³⁰⁵ Australian Council of Trade Unions (ACTU), '10 things you need to know about the China Free Trade Agreement and why it's bad news for Australian jobs' 2015 <https://d3n8a8pro7vnm.cloudfront.net/actuonline/pages/937/attachments/original/1444350638/10_Facts_about_the_China_FTA.pdf?1444350638>.

³⁰⁶ Bill Shorten, 'Bill Shorten: PM's free-trade deal threatens job opportunities', *The Australian*, July 22 2015.

³⁰⁷ Ibid.

³⁰⁸ Bill Shorten, 'Doorstop: Perth - Labor's plan to support Canning residents to fight the scourge of ice; Labor's plan to reverse Tony Abbott's cuts to legal services', transcript, September 3 2015 <<http://www.billshorten.com.au/doorstop-perth-labors-plan-to-support-canning-residents-to-fight-the-scourge-of-ice-labors-plan-to-reverse-tyony-abbotts-cuts-to-legal-services>>.

If we stop assessing the skills of overseas workers and just starting handing licences around, it's not a matter of if, but when, somebody is killed.

Allen Hicks

On July 29 2015, the CFMEU released a national television advertisement where in a dimly lit room a father tells his son that ChAFTA 'lets Chinese companies bring in their own workers' and that meant 'sorry, but you won't even get a look in, son'.³⁰⁹

The campaign against ChAFTA was also bolstered by some contributions from outside the trade union movement. On June 22 2015, Joanna Howe, Senior Lecturer in Law at the University of Adelaide, undertook a 'FactCheck' for the news and analysis website, *The Conversation*. She concluded that a claim by the ACTU president, Ged Kearney that Australian workers could be excluded from labour market opportunities was 'correct'.³¹⁰ Howe followed this up with a report released on October 6 2015. Commissioned by the ETU, it assessed that ChAFTA 'greatly increases the access of Chinese workers to the Australian labour market' and its provisions were likely 'to enable large numbers of Chinese workers to come to Australia'.³¹¹

On September 3 2015, Bob Kinnaird and Bob Birrell of the Australian Population Research Institute wrote in the *Sydney Morning Herald* that the labour mobility provisions in ChAFTA were a 'momentous concession for the Chinese'.³¹²

On June 3 2016, Fairfax journalists Adele Ferguson and Sarah Dackert published an investigative piece that claimed to show how 'Australia's labour market and industrial system can be circumvented when free trade agreements open the nation's markets to the world'.³¹³ The story homed in on seven Chinese workers, described as 'ChAFTA pioneers', who entered Australia on temporary work visas. They were allegedly paid less than Australian wages and performed work in an unsafe manner. The latter transgression led to the men being sent home before a local crew was hired to complete the job.

ChAFTA greatly increases the access of Chinese workers to the Australian labour market.

Joanna Howe

³⁰⁹ Construction, Forestry, Maritime, Mining and Energy Union (CFMEU), 'Tony Abbott has stuffed up the China Free Trade Agreement', YouTube, July 29 2015 <<https://www.youtube.com/watch?v=CiSV1GmXvo4>>.

³¹⁰ Joanna Howe, 'FactCheck: could the China-Australia FTA lock out Australian workers?', *The Conversation*, June 22 2015 <<https://theconversation.com/factcheck-could-the-china-australia-fta-lock-out-australian-workers-43470>>.

³¹¹ Joanna Howe, 'The impact of the China-Australia free trade agreement on Australian job opportunities, wages and conditions', Analysis & Policy Observatory, Swinburne University of Technology, October 6 2015 <<http://apo.org.au/node/57710>>.

³¹² Bob Kinnaird and Bob Birrell, 'Under free trade agreement, Chinese workers can avoid labour-market tests', *Sydney Morning Herald*, September 3 2015.

³¹³ Adele Ferguson and Sarah Dackert, 'ChAFTA has opened door to unqualified workers', *Sydney Morning Herald*, June 3 2016.

The evidence

The notion that only Chinese companies would benefit from ChAFTA because China had already ‘bought the farm’ was contradicted by data that were publically available at the time the agreement was being debated. Foreign Investment Review Board (FIRB) annual reports show that between 2010 and 2014, China only accounted for 3.4 percent of total foreign investment approvals in Australia’s agriculture, forestry and fishing sector. This compared with 23.4 percent from Canada, 23.2 percent from the US and 14.1 percent from the UK.³¹⁴

In 2018, the Australian Bureau of Statistics (ABS) published new survey data investigating the economic activity of majority foreign-owned businesses in Australia covering the period 2014–2015, immediately prior to ChAFTA’s enactment. It found that there were 180 majority foreign-owned businesses in Australia’s agriculture, forestry and fishing industry. The country with the largest representation was the US with 16.³¹⁵ This was followed by Japan with 14 and New Zealand with 10. Meanwhile, China recorded none.

Data from the Australian Bureau of Statistics show that 99.5 percent of agricultural businesses nation-wide are wholly Australian-owned.

In 2017, the ABS published the results of a survey of Australia’s agricultural sector covering the period 2015–16, that is, the period when ChAFTA came into effect.³¹⁶ It found that 99.5 percent of agricultural businesses nation-wide were wholly Australian-owned. The remaining 0.5 percent comprised of businesses that were partly Australian-owned, and where foreign ownership included all countries, not just China. In no agricultural sector was the share of wholly Australian-owned businesses less than 98.4 percent. Wholly Australian-owned agricultural businesses were also found to collectively hold 88 percent of Australia’s agricultural land in terms of area. The share held by businesses that were majority foreign-owned reached just 5.4 percent.

This data from the ABS corroborated another register of foreign ownership of agricultural land compiled by the FIRB and the Australian Tax Office.³¹⁷ On June 30 2016, total foreign ownership in terms of land area stood at 14.1 percent. The Chinese share of the total was only 0.4 percent, less than one half of one percent. Despite being the largest consumer of Australian agricultural exports, China as an investor in Australia’s agricultural sector lagged behind the UK, the US, the Netherlands and even the tiny island state of Singapore.

The second iteration of this foreign land ownership register was released on September 30 2017. Headlines greeted with excitement the news that as of June 30 2017, Chinese ownership of Australian agricultural land had grown by ‘1000 percent’ over the past year.³¹⁸ Indeed, in terms

³¹⁴ Australian Government, Foreign Investment Review Board, Annual Report, various years, <<http://firb.gov.au/about/publication/>>.

³¹⁵ Australian Government Department of Foreign Affairs and Trade, ‘Economic activity of foreign-owned businesses in Australia 2014–15’, <<https://dfat.gov.au/trade/resources/investment-statistics/Pages/economic-activity-of-foreign-owned-businesses-in-australia-2014-15.aspx>>

³¹⁶ Australian Bureau of Statistics, ‘7127.0 - Agricultural Land and Water Ownership, 2015–16’, September 13 2017 <<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/7127.0Main+Features12015-16?OpenDocument>>.

³¹⁷ Australian Taxation Office, ‘Register of Foreign Ownership of Agricultural Land’, June 30 2017 <https://cdn.tspace.gov.au/uploads/sites/79/2017/09/Register_of_Foreign_ownership_of_Agricultural_Land_2017.pdf>.

³¹⁸ Colin Bettles, ‘Chinese farm land ownership up almost 1000pc’, *Farm Online News*, October 2 2017 <<https://www.farmonline.com.au/story/4959768/chinese-farm-land-ownership-up-almost-1000pc/>>.

Today an American investor can buy agricultural land in Australia worth \$1.1 billion without needing to notify the Australian Government's Foreign Investment Review Board, while a Chinese investor must seek prior approval if the purchase is just \$15 million.

of land area, Chinese investors had leap frogged into second place behind the UK and now had interests covering 2.5 percent of total Australian agricultural land. What was missing from nearly all the coverage was that 60 percent of the Chinese increase stemmed from a single deal, the purchase of the S. Kidman company's cattle properties. And in this transaction, Chinese investors only held a one-third share; the majority two-thirds came from an Australian company, Gina Rinehart's Hancock Beef. Nonetheless, by the definitions used to compile the register, it still counted as an instance of increased Chinese ownership. In fact, the S. Kidman deal had the overall effect of increasing Australian ownership of agricultural land because previously it had been held by a consortium that included an even large share of foreign interests.³¹⁹

ChAFTA also did not make it easier for Chinese investors to purchase Australian agricultural assets. On March 1 2015, nine months before the deal came into effect, the threshold for needing FIRB approval to buy Australian agricultural land was cut by the federal government from a non-cumulative \$252 million to a cumulative

\$15 million.³²⁰ 'Cumulative' means that if a foreign investor had already acquired land worth \$15 million, every subsequent purchase would require FIRB approval, irrespective of value. On December 1 2015, the approvals threshold for investing in Australian agribusinesses was also reduced from \$252 million to \$57 million.³²¹ After ChAFTA came into force later that month, these tighter regulations continued to apply to Chinese investors. In contrast, they did not apply to investors from the US and New Zealand, which continued to enjoy much higher thresholds due to FTAs they had negotiated with the Australian government earlier. Today an American investor can buy agricultural land in Australia worth \$1.1 billion without needing to notify the FIRB, while a Chinese investor must seek prior approval if the purchase is just \$15 million.

Did ChAFTA lead to a large influx of Chinese workers?

As of March 31 2018 the number of temporary Chinese workers in Australia on 457 visas stood at 5,721.³²² This is 18 percent less than September 31 2015. In other words, under ChAFTA, the number of Chinese workers entering Australia have been outpaced by those going home.

Under ChAFTA, the number of Chinese workers entering Australia have been outpaced by those going home. Chinese nationals as a proportion of all foreign temporary workers remains unchanged.

³¹⁹ Scott Morrison, 'Approval of S. Kidman & Co. Limited sale to increase Australian ownership', media release, December 9 2016 <<http://sjm.ministers.treasury.gov.au/media-release/130-2016/>>.

³²⁰ Australian Government, Foreign Investment Review Board, 'Agricultural', <<http://firb.gov.au/investment/agricultural/>>.

³²¹ Ibid.

³²² Australian Government Department of Home Affairs, 'Temporary Work (Skilled) visa program', August 10 2018 <<https://data.gov.au/dataset/visa-temporary-work-skilled>>.

On September 31 2015, Chinese workers accounted for just 6.7 percent of Australia's total 457 visa program. Today those from China still only account for 6.7 percent of the total.³²³

What are the odds of sighting a Chinese electrician in the roof? On the eve of ChAFTA being signed there were fewer than five in the country. Today there are still fewer than five.³²⁴ A Chinese plumber? There is none.

Today there are fewer than five Chinese electricians in Australia on a 457 visa. There are no Chinese plumbers.

The facts and evidence always pointed to these being the likely outcomes.

First, the exemptions from LMT in ChAFTA were only a modest extension of what was already being applied. By the time ChAFTA came into effect around, LMT only existed with respect to a limited number of occupations and countries. The Australian government classifies occupations according to skill level.³²⁵ Occupations at skill level one and two, mostly managers and professionals, were already exempt from LMT. It also didn't apply to many of Australia's major trading partners, including Japan, Korea, New Zealand and Singapore. This was because the Australian government deemed that LMT was inconsistent with the commitments made to these countries in earlier FTAs.³²⁶ China, by far Australia's biggest trading partner, was the odd one out.

Second, the commitment in ChAFTA to not impose LMT on Chinese temporary entrants was couched in terms of five specific categories. These included Business Visitors, Intra-Corporate Transferees, Independent Executives, Contractual Service Suppliers and Installers and Services.³²⁷ No Australian government would consider limiting the number of Chinese temporarily entering Australia on a business visa: the more, the better. Academic Joanna Howe, who had warned that ChAFTA would 'greatly increase access' of Chinese workers to Australia, conceded that exemptions from LMT for Intra-Corporate Transferees and Independent Executives were 'reasonable'.³²⁸ Certainly, Australian companies would expect to have the right to freely transfer their executives and staff to establish or work in their existing operations in China. In fact, Australia had long ago extended an exemption from LMT to executives and senior managers of companies from all of the World Trade Organization's 164 members.³²⁹ Howe nonetheless argued that it was 'vital' LMT be applied to the two remaining categories. No such concerns had been expressed when the same LMT exemptions had been granted to Contractual Service Suppliers or Installers or Servicicers from other countries with which Australia has an FTA.

Third, there was an overarching protection in ChAFTA. This said that Australia's grant of temporary entry is contingent on meeting eligibility requirements within Australia's migration law and regulations 'as applicable at the time of an application'. In her report for the ETU, Howe concluded this meant that even after

³²³ Australian Government Department of Home Affairs, 'Temporary Work (Skilled) visa program', August 10 2018 <<https://data.gov.au/dataset/visa-temporary-work-skilled>>.

³²⁴ Ibid.

³²⁵ Australian Bureau of Statistics, '1220.0 - ANZSCO -- Australian and New Zealand Standard Classification of Occupations, 2013, Version 1.2', June 26 2013 <<http://www.abs.gov.au/AUSSTATS/abs@.nsf/>>

³²⁶ Australian Government Department of Home Affairs, 'Subclass 457 - Labour Market Testing requirement', <<https://www.homeaffairs.gov.au/visas/Pages/subclass-457-labour-market-testing-requirement.aspx>>.

³²⁷ Australian Government Department of Foreign Affairs and Trade, 'Free trade agreement between the government of Australia and the government of the People's Republic of China, Chapter 10, December 20 2015 <<https://dfat.gov.au/trade/agreements/in-force/chafta/official-documents/Documents/chafta-agreement-text.pdf>>.

³²⁸ Joanna Howe, 'The impact of the China-Australia free trade agreement on Australian job opportunities, wages and conditions', Analysis & Policy Observatory, Swinburne University of Technology, October 6 2015 <<http://apo.org.au/node/57710>>.

³²⁹ Australian Government Department of Home Affairs, 'Subclass 457 - Labour Market Testing requirement', <<https://www.homeaffairs.gov.au/visas/Pages/subclass-457-labour-market-testing-requirement.aspx>>.

signing ChAFTA there was still 'sufficient flexibility and scope...to include labour market testing'.³³⁰

Finally, Australia's existing laws meant that companies would still have to offer foreign workers the same wages and conditions as local workers. At the time ChAFTA was being debated there was already a natural experiment available to test the proposition that Australia might be susceptible to a wave of Chinese workers because wages in China were lower than here. The Australia-Thailand FTA had been sealed in 2005 and wages in Thailand were even lower. Thai Contractual Service Suppliers and Servicers and Installers have been exempt from LMT for over a decade. Yet on September 31 2015, there were only 983 Thais on 457 visas in Australia. It had been less than 1000 since the beginning of the decade.³³¹

The number of temporary Chinese workers aside, what about those claims that ChAFTA would erode safety standards?

These stemmed from a ChAFTA side letter in which Australia committed to removing mandatory skills testing for Chinese 457 visa applicants in 10 occupations, including electricians.³³² What critics failed to mention was that this change simply bought China into line with the same way 457 visa applications are assessed for more than 150 other countries around the world that had never had to undertake mandatory skills testing in order to apply for a visa.³³³ Was there any evidence that Chinese visa applicants were a higher risk in claiming skills they didn't actually

Visa applications from Chinese electricians are assessed in the same way that those from more than 150 other countries around the world are assessed.

have? The answer was a straightforward 'no' when the question was put to a senior Department of Immigration and Border Protection (DIBP) official by the Chair of Joint Standing Committee on Treaties examining ChAFTA on September 7 2015.³³⁴ Even with the change, the DIBP confirmed that while it would no longer be a routine part of the visa application process, the assessing officer could still require a verification of skills if they considered it necessary. Upon arrival, a Chinese electrician, just like those from any other country, would need to satisfy any licensing and registration requirements at the federal and state levels, including passing any tests and skills assessments.³³⁵

There is no evidence linking unsafe work practices in Australia to ChAFTA.

As for those seven Chinese 'ChAFTA pioneers', they entered Australia on subclass 400 visas. These existed long before ChAFTA. This subclass 400 visa only allows entry for very specific purposes and non-ongoing work. And so it was in this case. An Australian company had bought a car park stacking machine from a Chinese company, and some of the Chinese company's workers were granted temporary entry to

³³⁰ Joanna Howe, 'The impact of the China-Australia free trade agreement on Australian job opportunities, wages and conditions', Analysis & Policy Observatory, Swinburne University of Technology, October 6 2015 <<http://apo.org.au/node/57710>>.

³³¹ Australian Government Department of Home Affairs, 'Temporary Work (Skilled) visa program', August 10 2018 <<https://data.gov.au/dataset/visa-temporary-work-skilled>>.

³³² Australian Government Department of Foreign Affairs and Trade, Free trade agreement between the government of Australia and the government of the People's Republic of China, Side Letter on Skills Assessment and Licensing, June 17 2015 <<https://dfat.gov.au/trade/agreements/in-force/chafta/official-documents/Documents/chafta-side-letter-on-skills-assessment-and-licensing.pdf>>.

³³³ James Laurenceson, 'China free trade agreement: baseless fears on labour are holding up progress on historic deal', Daily Telegraph, July 28 2015.

³³⁴ Australian Government, Joint Standing Committee of Treaties, *Proof Committee Hansard*, September 7 2015 <https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Treaties/17_June_2015/Public_Hearings>

³³⁵ Ibid.



perform the installation. What was revealed was troubling but it had nothing to do with ChAFTA. Another Australian company had seemingly issued dubious worksite safety certificates and it appeared that there had been a lack of adherence to other existing laws and regulations, such as those that require foreign workers be paid the same as local ones. A skirting of the rules needed to be guarded against before ChAFTA and the same is true today.

While elevating the threats beyond an evidence base, ChAFTA's critics also downplayed its benefits. Was China really set to 'gain more' than Australia? Think about the proposition: in 2015, China was a \$US11.1 trillion economy, having added \$US500 billion of new purchasing power during that year alone.³³⁶ Today China's economy continues to grow at between 6-7 percent each

year. This is the market to which Australian producers have secured better access than any other country. So significant are the tariff cuts that by 2019 Australian agricultural exporters will face a lower average tariff to China than the US, a sharp turnaround compared with before ChAFTA.³³⁷ In contrast, in 2015 Australia was a \$US1.4 trillion economy. On average it grows at around three percent. This is the market to which China's companies have gained better access. And even then, Australia's trade barriers were already low and the Chinese were getting a no better tariff deal than what had already been given to Australia's other major trading partners, the Japanese, Koreans, Americans and so on.

Three years on and the benefits of ChAFTA are evident. Australia's exports of food and beverages have risen from \$4.3 billion in December 2015 to \$6.7 billion in May 2018. To be sure, ChAFTA may not be the only reason that Australian wine exports to China have grown by 51 percent in the last year alone but it certainly helps. Chinese tariffs on Australian wine have already been cut four times and from January 1 2019 will be abandoned entirely.³³⁸ Meanwhile, Australia's competitors in France and America face tariffs of between 14-20 percent.

By 2019 Australian agricultural exporters will face a lower average tariff to China than the US.

³³⁶ The World Bank, 'GDP (current US\$), World Bank national accounts data, and OECD National Accounts data files', <<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>>.

³³⁷ Ange Ou and James Laurenceson, 'Grading the China-Australia Free Trade Agreement', Australia-China Relations Institute, University of Technology Sydney, June 29 2017 <<http://www.australiachinarelations.org/content/grading-china-australia-free-trade-agreement>>.

³³⁸ Tom Nancarrow and Jemima Burt, 'Australian wine records tumble as exports to China crack lucrative \$1 billion mark', *ABC News*, April 16 2018 <<http://www.abc.net.au/news/rural/2018-04-16/wine-records-tumble-as-exports-crack-1-billion-into-china/9662038>>

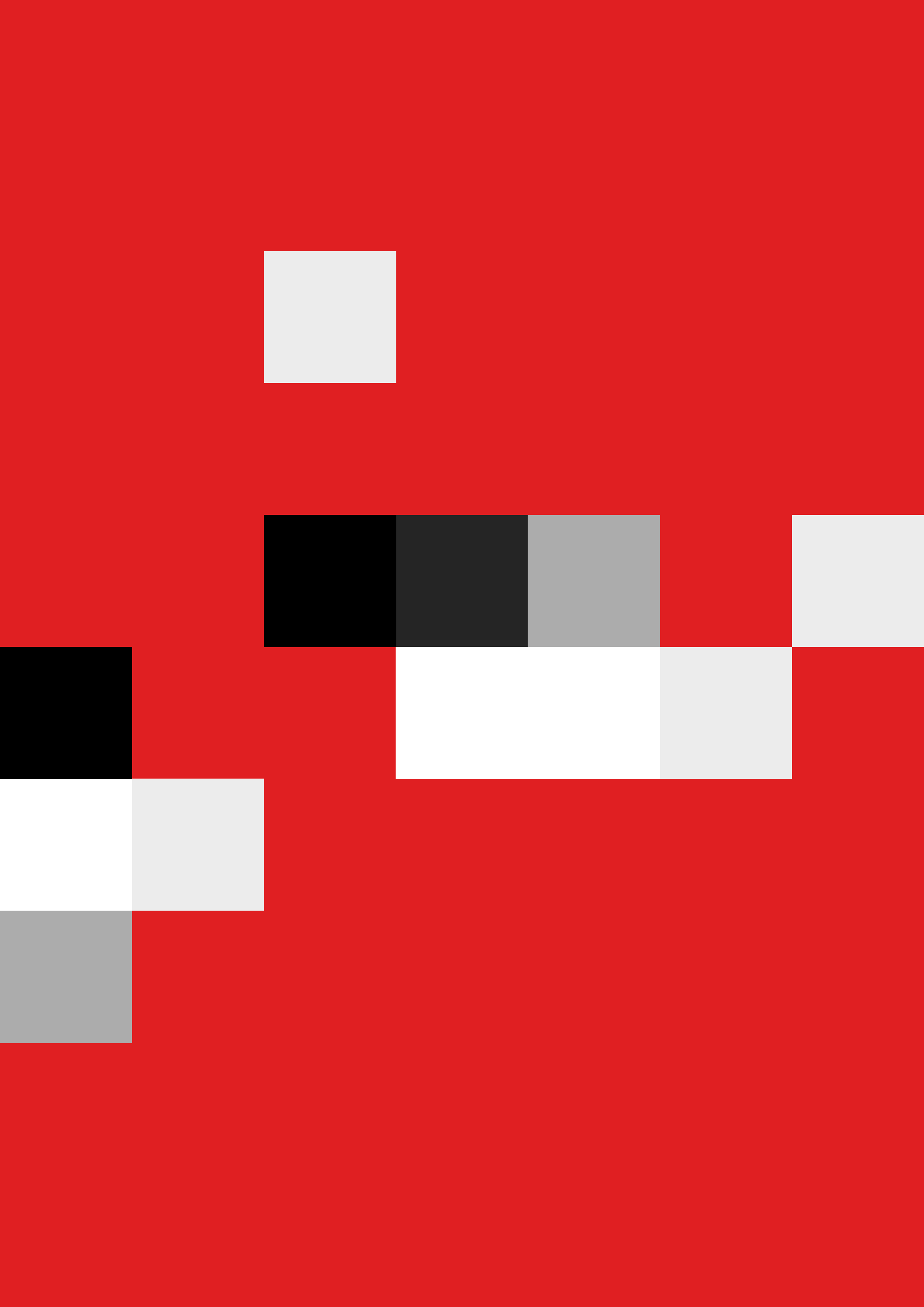
Conclusion

For a four-month period between July and October 2015, it appeared that ChAFTA, a decade in the making, might be sunk. Australia had already completed free trade agreements with its other major trading partners but none had attracted the degree of opposition that ChAFTA did. There was no concern about an influx of American workers, Japanese workers or Korean workers. But ChAFTA, it was claimed, would lead to a 'radical altering of the labour market' and Australians would 'miss out on thousands of job opportunities' to Chinese workers. It was also alleged that Australian workplace safety standards would suffer and it was only a matter of time before 'someone is killed'.

The reality is that protections were in place.³³⁹ Three years on and, under ChAFTA, the data show more temporary workers from China have gone home than have arrived. There have been no reports connecting ChAFTA with unsafe work practices. The one report that claimed to do so was, in fact, referring to Chinese workers entering Australia on a visa category whose conditions were unaltered by ChAFTA.

All the while China's economy is adding new purchasing power faster than any other country. And under ChAFTA Australian exporters have better access to the Chinese market than any of their overseas competitors.

³³⁹ James Laurenceson, 'China–Australia FTA concerns unwarranted', *The Australian Financial Review*, September 7 2015.



Conclusion

Conclusion

This report has documented and dissected a China discourse in Australia in which a raft of claims have been made that depart from an evidence base. The contexts in which these departures have taken place have been many and varied. There have been claims about the allegiance of Australia's Chinese diaspora to a foreign power, aggressive behaviour by Chinese students at Australian universities, China's intention to place a military base in Vanuatu, spying at an Australian port made possible by Chinese investment and a FTA that favours Chinese, not Australian interests.

To reiterate a point made in the introduction, the purpose of this report is not to deny that China's behaviour can present challenges to Australia's national interest. The China Challenge is a discourse that stems from a firm evidence base. This means that it will sometimes be appropriate for Australia to make public statements and take policy actions that may displease Beijing. But what is also true is that China presents Australia with unrivalled opportunities. Right now there is perhaps no brighter spot on Australia's economic horizon than China's transition into the ranks of high income countries.

This makes it essential that Australian responses to China's rise and its behaviour are grounded in facts and evidence. Safeguarding and advancing Australia's national interest means that the discourse of China Threat, China Angst and China Panic deserves to be thoroughly analysed.

On June 20 2018 the Lowy Institute released its annual poll which surveys Australian attitudes towards other countries.³⁴⁰ In view of the claims documented in this report it might have been expected to reveal a negative turn in Australian views on China. Yet the survey showed that 82 percent of Australians considered China was 'more of an economic partner' than a 'military threat'. This was three points percentage higher than in 2017 and five points higher than 2015. The poll also showed continued high levels of support for Australia's alliance relationship with the US, notwithstanding major reservations about the election of Donald Trump. The public appears to have a view of the country's longer-term national interest and an understanding that an alliance relationship with the US, the prevailing power, and a pragmatic engagement with China, the most conspicuous rising power, should be within Australia's reach.

If the discourse of China Threat, China Angst and China Panic was to become a habit in the way that Australia talks – and thinks – about China it might risk sabotaging such an aspiration. This would be contrary to Australia's national interest.

³⁴⁰ Alex Oliver, '2018 Lowy Institute Poll', The Lowy Institute, June 20 2018 <<https://www.lowyinstitute.org/publications/2018-lowy-institute-poll>>.



The public appears to have a view of the country's longer-term national interest and an understanding that an alliance relationship with the US, the prevailing power, and a pragmatic engagement with China, the most conspicuous rising power, should be within Australia's reach. If the discourse of China Threat, China Angst and China Panic was to become a habit in the way that Australia talks – and thinks – about China it might risk sabotaging such an aspiration. This would be contrary to Australia's national interest.

About UTS:ACRI

For the first time in its history, Australia's most important economic relationship is with a nation very different in governance, politics and values. In the past, Australia's dominating economic relationships have been with the British Empire, the United States and Japan.

Today our most important economic partner is China.

China contributes now more to world economic growth than any other country. China absorbs around one-third of Australian exports. By 2030, 70 percent of the Chinese population is likely to enjoy middle class status: that's 850 million more middle class Chinese than today.

In 2014 the University of Technology Sydney (UTS) established the Australia-China Relations Institute (ACRI) as a think tank to illuminate the Australia-China relationship. Chinese studies centres exist in other universities. UTS:ACRI, however, is the first think tank devoted to the study of the relationship of these two countries.

The Australian Prime Minister who opened diplomatic relations with China, Gough Whitlam, wrote in 1973: 'We seek a relationship with China based on friendship, cooperation and mutual trust, comparable with that which we have, or seek, with other major powers.' This spirit was captured by the 2014 commitments by both countries to a Comprehensive Strategic Partnership and the 2015 signing of a Free Trade Agreement.

About the author



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Professor Laurenceson also provides regular commentary on contemporary developments in China's economy and the Australia-China economic and broader relationship. His analysis has appeared in *Australian Financial Review*, *The Australian*, *Sydney Morning Herald*, *South China Morning Post* and *China Daily*, amongst others.

