

Taking the low road

China's influence in Australian states and territories



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Preface

The bilateral relationship between Australia and the People's Republic of China (PRC) has been in freefall for months. In what's widely reported as a hostile reaction to a 2020 call from Prime Minister Scott Morrison for an international investigation to the origins of the Covid-19 pandemic, Beijing has subjected Australia to a rolling series of bans on exports, including coal, beef, wine, barley, timber and lobsters, at an economic cost of tens of billions of dollars.

In November 2020, the Chinese Embassy in Canberra provided a 'dossier of disputes' to the Australian media. Fourteen grievances were raised, all apparently demonstrating that Australia was 'poisoning bilateral relations' with China. An embassy spokesperson commented: 'China is angry. If you make China the enemy, China will be the enemy.'¹

A striking feature of the 14-point grievance list is that many concern Australian Government attempts to limit PRC engagement with the states and territories, or state-based institutions such as universities. The federal government has constitutional authority for the country's foreign relations and defence, but Australia's six states and two territories have wide-ranging powers, creating many potential points of intersection with PRC entities. The grievance list:

- objected to 'foreign investment decisions, with acquisitions blocked on opaque national security grounds' (several controversial cases involved potential sales or leases of state- or territory-owned critical infrastructure)
- protested 'the latest legislation to scrutinise agreements ... aiming to torpedo the Victorian participation in [the Belt and Road Initiative]'
- rejected the 'stigmatisation of the normal exchange and cooperation between China and Australia ... including the [revoking] of visas for Chinese scholars'
- complained about 'the early dawn search and reckless seizure of Chinese journalists' homes and properties without any charges and giving explanations'. The last of those charges related to June 2020 raids by the Australian Security Intelligence Organisation on the properties of a member of the New South Wales state legislature and, in addition, some PRC journalists. The journalists were reportedly put onto flights for China on the same day as the raids²—an act suggesting that they were engaged in espionage.

This excellent study, edited by John Fitzgerald, Emeritus Professor and China scholar at the Swinburne University of Technology, explores the changing nature of PRC engagement with Australian states and territories, local governments, city councils, universities, research organisations and non-government organisations nested in Australian civil society. What emerges is an astonishing breadth and depth of PRC engagement. Much of that contact, it should be stressed, is the welcome outcome of Australia's economic and people-to-people engagement with China, developed over decades. But it's equally apparent that the PRC has made covert attempts to influence some politicians and overt attempts to engage states, territories and key institutions in ways that challenge federal government prerogatives and have brought the two levels of government into sharp public dispute.

While this book offers fascinating case studies of PRC engagement with Australian subnational entities, China's global reach means that many countries have had similar experiences. ASPI has been delighted to team with the Konrad-Adenauer-Stiftung (KAS) in this project. Under the then leadership of Dr Beatrice Gorawantschy, KAS's Regional Program for Australia and the Pacific, based in Canberra, KAS was quick to become a sponsor for this work and to commission a similar study reviewing the PRC's engagement with several German *Länder*.

Since Germany and China developed close economic ties in the 1990s, bilateral investment promotion and political exchanges on the state level (*Länderebene*) have become an important pillar in the two countries' exchanges. Dialogue programs between local governments, city-partnerships and exchanges between federal states in Germany and provinces in China are just a number of instruments that have become important features in the relationship. However, from the Chinese side, such relations never take place purely at the state level but are centrally coordinated by the People's Association for Friendship with Foreign Countries, which is connected to the Chinese Communist Party's Central Committee. Such activities are, therefore, more and more in line with the basic ideas of the party. The fact that Chinese businesses have to disclose their books and documents to Chinese Government officials upon request is worrisome as well and adds to the lopsidedness of the China–Germany relations.

Recently, China's increasingly assertive behaviour, its application of coercive mechanisms in its foreign relations and reports of human rights violations have led to Germany reassessing its relationship and strategy in dealing with China. In the past, critics have accused the German Government of not being decisive and outspoken enough. It was assumed that economic interests were holding the government back. Indeed, until now, Germany has been reluctant to commit to a particular side in the US–China contest in the Indo-Pacific. Rising tensions in the region and the breach of the Hong Kong agreement, however, have led the federal government to emphasise its commitment to international law, free and open sea-trade routes and the universality of the Declaration of Human Rights. The frigate *Bayern*'s recent tour of the Indo-Pacific is the most visible example of Germany proving to like-minded states that it will be a reliable partner in the Indo-Pacific region, upholding the rules-based international order.

In view of this, it's become more important for decision-makers, economic actors and the German public to get a full picture of economic and political links in China's engagement at the *Länderebene*. KAS Australia and the Pacific was therefore delighted to partner with ASPI in this very important project, which aims to provide specific, actionable policy recommendations and will be used to brief policymakers and other stakeholders on the federal and municipal levels.

Our hope is that the study methods and analytical approaches adopted in this book will be a model for similar research in many parts of the world. Understanding the nature of PRC engagement with subnational jurisdictions is an important way for national governments to shape their security policies and to resist covert and, indeed, unwanted overt interference. The Australian states and territories and other entities also need to strengthen their capabilities to resist foreign influencing agendas. This book provides original insights into the scale of the threat and distils practical policy recommendations for governments at all levels to consider and adopt.

Our thanks to John Fitzgerald for his patient and thoughtful editorship, to our authors for their original scholarship, to the ASPI team for their skilled production and support and to KAS for its sponsorship and considered involvement.

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Notes

- 1 Jonathan Kearsley, Eryk Bagshaw, Anthony Galloway “‘If you make China the enemy, China will be the enemy’: Beijing’s fresh threat to Australia’, *Sydney Morning Herald*, 18 November 2020, [online](#).
- 2 Levi Parsons, ‘Chinese state media boss flees to Beijing after ASIO raid’. *Daily Mail Australia*, 9 September 2020, [online](#).

Introduction

John Fitzgerald

Historical introduction

In July 1940, Victorian Premier Albert Dunstan offered his official congratulations to the people and government of Japan on the anniversary of the founding of the Japanese Empire. A few weeks earlier, the Foreign Minister of Japan had launched a grand strategic plan known as the Greater East Asia Co-Prosperity Sphere that promised to usher in a golden age of trade and cooperation for the region with Japan as its core. The imperial government was commanding respect from Pacific neighbours on the pretext of representing 2,600 years of uninterrupted imperial history and the promise of opportunities for bilateral trade and cooperation for those willing to go along with the fiction. Australia was invited to break with Britain and come aboard as an independent partner in friendship.

The Victorian Premier headed a minority Country Party government and wasn't inclined to turn down an invitation to expand trade in agriculture. 'We regard the Japanese as grand neighbours, grand customers and grand friends,' his message read. Japan's role as an ally in the Great War would not be forgotten, Dunstan continued; nor would its demand for Australian food and raw materials. 'Australia has large quantities of primary produce to export and Japan needs it. In return, we can buy Japanese products, which cannot be manufactured economically in Australia.' In framing his remarks, the Premier drew heavily on the work of the Japanese consulate, which was actively engaged (in the judgement of Australia's External Affairs Department) in disseminating 'strong political propaganda' under the guise of commercial news.¹ Within weeks of the ceremony, Japan would sign the Axis pact with countries at war with Australia. Seventeen months later, Japan and Australia were at war.

Relations between Australian states and the national government of Japan in the months preceding the Pacific War are worth recalling, not so much for the geopolitical parallels they bring to mind with contemporary Australia–China relations, but for the comparisons they invite between Australia then and now. The PRC is a vastly different actor from imperial Japan. Unlike mid-20th-century Japan, China is a paramount world leader on all indicators of comprehensive power. Where Japan sought to liberate the region from European colonial occupation, China is surrounded by an arc of independent states with little appetite to be liberated. Japan expanded its East Asia Co-Prosperity Sphere through war and occupation, while to this time China expands its sphere of influence through means short of war, including grey-zone tactics and economic and political coercion. Comparing the sequence of events then and now, some of the portents look ominous all the same, including the hubris of private capital in the giddy 1920s, the Wall Street crash of 1929, the massive spike in poverty and inequality fostering the rise of fascism in Europe and a momentary loss of will among liberal democracies. Looming over all were the territorial claims of an aggrieved authoritarian state in Japan. But, as defence

analyst Paul Monk points out, the differences between the 1930s and the present are at least as striking as the similarities.²

The most striking historical parallel isn't that between imperial Japan and the PRC but between pre-war and contemporary Australia. Australian state and federal governments appear as ill-equipped to manage the challenges of the Chinese Communist Party (CCP) commanding a forward-leaning China as they were in dealing with the expansion of imperial Japan eight decades earlier. What was a state premier to do? What could Australia have done better?

At the time, relations between the states and the Commonwealth were a potential point of vulnerability in foreign relations. Victoria had been stationing trade offices overseas for longer than the federal government, and Japanese consuls in Australia were mixing trade with politics in promising a golden age for Australians who came aboard Tokyo's grand strategy for the region.³ Canberra was offering little guidance. It fumbled trading relations by targeting Japanese textile imports in favour of British textiles under the 1936 Trade Diversion Policy, and Tokyo responded by imposing heavy tariffs on some Australian imports and boycotting others, affecting local producers in Victoria and other states.

In the midst of this crisis in relations, the Japanese Ministry of Foreign Affairs passed an informal list of pressing issues to an Australian journalist to 'put Australia on notice that it could and must begin detaching itself from Britain, acting independently, and developing a formal relationship with Japan' if it wished to build productive relations.⁴ Japanese consular officials in Sydney and Melbourne were urging business elites and political leaders to make a public case on Tokyo's behalf, urging Australian 'independence'. Japanese agencies funded pro-Japan publications and exhibitions and supported the substantial lobbying work of the Australia-Japan Society, which was a prestigious organisation set up to recruit prominent Australian business leaders and retired public officials along with academics and journalists into supporting Japan's position on bilateral trade and advancing its foreign policy agenda.⁵ Woolgrowers, graziers, iron-ore miners and influential public figures were all urging state and federal leaders to refrain from any action that could possibly offend Japan or harm trading relations. At the same time, union activists were refusing to load pig and scrap iron onto vessels bound for Japan, and women anti-war activists were demanding that Japanese occupying forces withdraw from China. Australia's democracy and its federal system of government were on full and vociferous display.

Recalling what happened over the years preceding the Pacific War is a helpful place to start if we want to probe how well Australia's liberal democracy and federal system of government are equipped to respond to geopolitical inflection points involving trade, people-to-people ties and national security, and to identify what remains to be done to get the balance right. Dunstan's tacit endorsement of Japan's strategic ambitions, clearly laid out in the weeks before he spoke, draw attention to the tensions that can emerge between trade and security in a rapidly shifting geopolitical environment, and to the fault lines that can appear when governments at different levels engage in bilateral relations with foreign governments. The Australian federation is a work in progress, and it isn't yet clear that we have got the balance right.

Contemporary background

Contemporary Australia–China relations are deep, diverse and many tiered, involving engagements across all levels of government and among different parts of society. Relations are far from symmetrical. China is a great power—huge, populous, powerful and wealthy—while Australia is a modest middle power and, on most measures, more heavily dependent on China than China is upon Australia. Still, bilateral relations proceed on the assumption spelled out over 250 years ago that ‘a dwarf is as much a man as a giant, a small republic is no less a sovereign state than the most powerful kingdom.’⁶ Relations might not be symmetrical but they’re founded on the principle that all states are equally sovereign.

In normal times, asymmetry in wealth and power need not matter a great deal. The international state system is founded on the principle of the equal sovereignty of nations, irrespective of their relative wealth and power, and the underlying architecture governing trade and investment among market economies has been relatively stable since the end of World War II. These aren’t normal times. Early in the 21st century, China moved to secure a place in the international order commensurate with its growing wealth and power, as it had every right to do. Since Xi Jinping’s appointment as General Secretary of the CCP and President of the People’s Republic of China (PRC), however, his government has sought to destabilise the international order itself by militarising contested territorial claims in the region, rolling out the Belt and Road Initiative (BRI) to yield leverage over other countries, using relative trade dependence for strategic purposes, setting new rules for the region, and positioning itself in the UN to rewrite the postwar rules for the world.⁷

Further, under Xi Jinping China has ceased to be a normal state actor. It seeks to translate massive advantages in wealth and power into asymmetries in sovereignty by interfering in the domestic affairs of other states. Where it does that at the local (or subnational) level, its effort is structured to bring national heft to local engagements in ways that Australia’s federated states and territories aren’t able to.

This ASPI project was launched at a time when the PRC Government was introducing a concerted program of economic coercion to compel Australian governments and communities to bend to its will in their foreign relations, their security choices, their media commentaries, their electoral politics, even their community organisations. The effect of that coercion has been to forge a growing consensus in Australia that trading and investing with China carries greater risks to security, integrity and community cohesion than Australians had imagined or were prepared to concede. Once China moved from threatening trade sanctions to limiting imports of Australian produce, it surrendered the capacity to influence outcomes in Australia. Failing to cower Australia, it moved to punish the country further as a warning to others. China’s habit of punishing some countries as a warning to others sends one kind of signal. This book sends another. ‘Australia is showing that smaller nations still have agency and options,’ China security analyst John Lee observes. ‘It is no easy matter for China to cow liberal democracies into subservience.’⁸

In planning the project, we worked on the assumption the new Australian consensus on relations with China was not an *a priori* judgement based on ‘ideological prejudice’, as China’s official media would frame it, but an outcome of painful lessons in the 2010s that followed several decades of otherwise successful bilateral engagements. Australians entered into relations with China full of optimism and learned their lessons the hard way. One of the most important lessons was the discovery that Beijing approaches trade as a strategic utility ‘to be turned on and off like a tap’, former Prime Minister Tony Abbott remarked in July 2021. Australians learned that China deploys trade ‘to reward friends and to punish foes’.⁹

In this volume, we set out to chronicle some of those learning experiences among subnational political and social actors at state, territory and city levels in Australia. In addition to state and city governments, we review people-to-people ties among universities, businesses and community organisations. We also consider constitutional issues touching on the respective powers of the Commonwealth and the states in the conduct of foreign relations, and the role of the CCP in China’s subnational relations, particularly through its ‘united front’ strategy.

Along the way, we trace a series of local journeys from innocence to experience, recounting good stories as well as bad, to show how, when and why things went awry. We draw insights from experience for managing risks into the future and assisting other countries wishing to maintain their sovereignty, preserve their integrity and practise their democratic ways of life consistent with maintaining productive relations with China.

Why the urgency?

On 10 December 2020, Governor-General David Hurley signed into law legislation enabling the Australian Government to review and act on any arrangement that state or territory governments entered into with a foreign government, including agreements by associated entities such as local governments, universities and statutory bodies. The aims of Australia’s Foreign Arrangements Scheme 2020 (FAS 2020) were twofold: to mandate notification of international agreements entered into by states, territories, local governments, universities and other affiliated entities to assist the Australian Government in assessing the consistency of those agreements with federal policy; and to authorise the cancellation and prohibition of international arrangements deemed inconsistent. The federal government reserved the right to cancel those it considered harmful and to provide additional support for arrangements regarded as beneficial.¹⁰

To its critics, FAS 2020 is a costly information-gathering exercise that imposes heavy compliance costs on universities and every level of government for little return, including the federal departments charged with overseeing it. Why would a government committed to reducing the compliance costs of red tape in other areas of federal responsibility impose such a heavy compliance burden on foreign relations?¹¹ Why introduce such an onerous scheme at a time when the Covid-19 pandemic was preoccupying state and territory governments and cutting a swathe through university revenues? If Australia could wait 120 years for legislation of this kind,

couldn't it wait another five or 10 or even 20 years until responsible parties were in a position to respond effectively?

The immediate prompt was evidence of a widespread, imminent and unprecedented threat of foreign interference and espionage in Australia. Introducing legislation to counter those potential threats in December 2017, Prime Minister Malcolm Turnbull publicly revealed that he had commissioned an intelligence review into the scope and scale of foreign interference and that the resulting report 'delivered a series of very grave warnings' requiring immediate action. 'It's fair to say that our system as a whole had not grasped the nature and the magnitude of the threat.'¹² In its 2017–18 annual report, the Australian Security Intelligence Organisation (ASIO) noted that foreign actors are 'attempting to clandestinely influence the opinions of members of the Australian public and media, Australian Government officials, and members of Australia-based diaspora communities'.¹³ In March 2018, ASIO Director-General Duncan Lewis elaborated further in evidence to the Parliamentary Joint Committee on Intelligence and Security, indicating that, in ASIO's assessment, espionage and foreign interference activities targeting Australia were taking place on an 'unprecedented scale'.¹⁴

At that time, the Turnbull government was advised that it lacked the legislative tools required for effective counteraction. Legislation followed, to support a broader counter-foreign-interference strategy designed on the principles of 'sunlight, enforcement, deterrence and capability' and applying to all foreign partners.¹⁵ The *Australia's Foreign Relations (State and Territory Arrangements) Act 2020* supplemented that earlier legislation by mandating information disclosure and enabling the cancellation of subnational agreements to achieve sunlight and enforcement in the terms of the overall government strategy.

At a press conference introducing the 2020 Foreign Relations Bill, Prime Minister Scott Morrison conceded that the federal government was running blind in trying to identify agreements between university and state and city governments on the one side and foreign government entities on the other. He referred in passing to 130 subnational agreements 'and that's just states and territories that we know of and that are in the public domain'.¹⁶ Security analyst Salvatore Babones observed at the time that the small number of known agreements were the tip of an iceberg of subnational government links with foreign governments.¹⁷ Australia's top eight universities each submitted on average 500 agreements for federal review.¹⁸ Further, details of the few international agreements known at the time of the legislation were closely guarded by the parties that entered into them.¹⁹

Other longer term factors lend added urgency. One is a series of rapid advances in technology and communications that are collapsing boundaries between the domestic and the international, and between security and economics, requiring greater system integration across all levels of government and all sectors of the economy. In this setting, states and territories have a greater role to play in securing and integrating local infrastructure and services, including education, health, policing, private-sector innovation and energy provision, than at any time in the past.²⁰ The risks of failure are acute in the face of new and emerging threats of the kind identified in 2017, for which there was little precedent and negligible preparation.

Take energy, for example. It's a state responsibility operating in a highly competitive policy space with growing implications for national security. The Commonwealth and the states conventionally align their work around a broad division of labour on energy security, in which the states are concerned with domestic security issues within their control (poles and wires; generators; retail supply) and the federal government is concerned with foreign security threats that have an impact on energy as critical infrastructure (cyberwarfare; sabotage; trade relations affecting components). Energy also attracts strong political pressures on policy issues not directly related to security, such as carbon intensity and the cost and reliability of supply, and in some cases on policy issues with clearer security implications, such as the regulation of private-sector ownership and investment involving foreign ownership. A problem arises when emerging threats refuse to comply with this conventional division of labour under Australia's federal system.

Cyberattacks, for example, present whole-of-system or ecosystem threats that a federal division of powers was not designed to withstand. They affect every part of the system even when they target one or two local parts of it. Further, one state's role in setting its own industry standards could plausibly lead to firms sourcing supplies from a foreign country that's prepared to leverage supply dependence for political goals, with potentially national impacts. If states and territories approach energy supply from a purely local policy or business perspective while ignoring national security implications, unacceptable risks could arise for national energy supply and national energy security. If the federal government approached energy purely from a national security perspective while ignoring other legitimate policy issues, then state governments, business interests and affected communities would make their objections known. There is space for new initiatives that coordinate state, federal and private-sector responses to build resilience against emerging threats while all players go about their legitimate business.

Energy is just one point of vulnerability in Australia's federal system highlighted by advances in technology and communications. Others would include maintaining social cohesion in a multicultural society or ensuring the security of information systems, health systems and digital government generally. A national security strategy that addresses those vulnerabilities would engage all levels of government while preserving Australia's democratic institutions. The Australian Parliament would legislate for security, where necessary, but more importantly would encourage states and territories that typically pay little regard to national security issues to place a security lens over their business development plans and maintain live and lively linkages with their state and federal counterparts on matters of security, including those outside the traditional domains of states.

Paradiplomacy

Advances in technology and communications have also changed the way people and countries relate to one another socially and culturally, effectively collapsing the boundaries between politics and culture. The spread of social media and (pre-Covid) transnational mobility has greatly expanded the scope for people-to-people diplomacy, diaspora diplomacy and

subnational government-to-government diplomacy, all of which are collectively referred to here as ‘paradiplomacy’.

At the popular level, the global expansion in communications has collapsed the boundaries between culture and politics to the point where, in the words of a *Demos* report:

culture is much messier, and peer-to-peer contact much more frequent. People listen to global music, take exception to cartoons published thousands of miles away and support petitions for the release of an artist imprisoned on the other side of the planet.²¹

Popular transnational engagements also feed into subnational diplomacy among and between local government entities. Cities and states play an important role in aggregating and elevating individual and community initiatives to a level where they can make a difference on global issues that national states often fail to agree upon.

‘Most diplomacy happens between individual people,’ Los Angeles Mayor Eric Garcetti told a German Marshall Fund seminar in September 2020, ‘whether those are business leaders, whether those are NGO leaders, whether they are students on an exchange.’ Contacts at that level also advance business links. Addressing the same seminar, US Congressman Ted Lieu added that ‘cities and local governments can deliver business deals at local level that the federal government cannot.’²² Lieu nevertheless sponsored a bill in Congress to create a new office in the State Department to ensure that local state and city initiatives in foreign affairs were consistent with federal policy.²³

On the upside, applied research offers ample evidence that popular and subnational diplomacy and networking can supplement formal state-to-state diplomacy.²⁴ Australian international relations specialist Melissa Conley Tyler, for example, points out that ‘Australia benefits when multiple actors across society engage internationally.’ She cites substantial studies in supporting that claim, along with a colourful metaphor coined by American author Parag Khanna that captures the sentiment well: ‘Diplomacy is no longer the stiff waltz of elites but the jazzy dance of the masses.’²⁵

We question that assumption on the grounds that the costs and benefits of paradiplomacy between liberal democracies and centralised authoritarian regimes have yet to be weighed and tested. Can it be assumed that mutual benefits arise from subnational and popular diplomacy with China, as they would among liberal democracies? Published reports of popular and subnational diplomacy between liberal-democratic states may well justify the enthusiasm of the artists, communities and local governments that take part, but domestic literature coming out of China defines city and provincial diplomacy as tools for attaining national goals, possibly creating incommensurable expectations on both sides.²⁶ For that reason, it isn’t self-evident that the experience of paradiplomacy among liberal democracies is transferable to subnational relations with China.

Until recent years, published case studies highlighting the benefits of diversity and innovation in paradiplomacy have largely been drawn from relations between like-minded countries, involving subnational actors in the US federal system, or liberal states and substate actors

in the EU. Those studies typically show that cities and regions in the EU and states in North America have the authority, capability, opportunity and incentive to launch out on their own in international diplomacy, and that benefits often flow both ways.²⁷ It isn't clear that relations between a federated liberal democracy and a highly-centralised Leninist state such as China would yield similar benefits without additional oversight. Congressman Lieu, a strong believer in subnational diplomacy, co-sponsored a bipartisan bill to create an office for subnational diplomacy in Washington precisely to authorise State Department officers to visit cities, counties and states in the US to inquire into their international engagements and provide federal oversight where necessary.²⁸ Convergence on the underlying risks of paradiplomacy involving China ensured that the bill would win rare bipartisan and cross-house support.

Evidence from US and European subnational engagements with China is mixed. Mayor Garcetti attributes the success of the Paris Climate Accords in part to his city-to-city engagement with China.²⁹ On trade, city twinning arrangements between the UK and China have been found to accelerate trading relations between partner cities, although more often result in higher market penetration by the Chinese partner in the UK market than in enhanced UK city access to the China market.³⁰ Local benefits can accentuate security risks rather than reduce them: the more promising the benefits, the greater the risk appetite at state and city level, and the greater the challenge for federal governments trying to balance domestic interests with national security.

While our focus is on the Australian experience, we're mindful that Australia is responding to wider challenges presented by China's subnational diplomacy on every continent and that the issues we face, and the questions we ask, have implications that go beyond this study. Australian experience is helping to inform responses among liberal democracies elsewhere, particularly among Five Eyes countries and with other federal systems in which sovereignty is shared among states, provinces, and *Länder*.

Federal states appear to be especially prone to risk from orchestrated foreign government interference. China regards local leaders as weak links in the US federal system, former US Secretary of State Mike Pompeo told a meeting of state legislators in September 2020. Having confronted serious pushback against their policy agendas in Washington, officials in Beijing began systematically targeting 'states, localities and enterprises' to circumvent American national sovereignty and bring pressure to bear on American state houses, governors and mayors to win domestic American political support for Beijing's positions on contentious policy issues and discredit Washington in the eyes of the American people. Mindful that national leaders in a federal system can't command their states as Beijing commands provinces, Pompeo reached out to the state houses with a simple appeal for assistance: 'We need your help.'³¹

In his address to the Wisconsin state house, Pompeo cited instances of Chinese consular officials and security agencies targeting particular state legislatures, mayors and city police departments across the US. The systematic nature of that effort was revealed in a separate presentation to state governors in which he referred to a Beijing think tank that provided intelligence on American state governors to guide CCP thinking on domestic political interventions in the US.

The case of D&C Think, which produced the list of American state governors, is worth exploring more closely because it reveals the contrived nature of ‘civil society’ entities in China’s paradiplomacy while highlighting their critical role in top-down strategic interventions in subnational diplomacy abroad.³²

D&C Think was set up in 2016 by one of eight authorised political parties operating under central party direction ‘to gather policy advice and suggestions from civil society’ for the benefit of the PRC Government. The organisation lists its domestic partners as the United Front Work Department (UFW) of the CCP Central Committee and the UFW’s Central Institute of Socialism.³³ D&C Think followed standard operating procedures for formal united front operations, which involve classifying a target community into three groups—friends, enemies, and a wavering or ‘muddled’ middle group—for the purpose of winning over the middle group, isolating enemy elements from their peers, and drawing friends and middle-roaders into a ‘united front’ to overwhelm the hostile holdouts. D&C Think followed the template precisely, classifying US governors into the three categories of ‘friendly’, ‘hostile’ and ‘muddled’, and making the list available to party and government agencies to assist in their efforts to persuade state governors through trade and investment deals to support Beijing’s policy positions.³⁴

Australia’s federal system is no less vulnerable. Positive signs of local engagement with China are everywhere to be seen in twin-city and sister-state relations, in cultural exchanges, in student enrolments, in changes to the urban landscape and local demography, and in cuisine, health and culture more generally. The benefits that flow from local civic ties are well attested in university budget reports and in the annual reports of Asialink and the Australia–China Business Council. The downsides of local engagements tend to be revealed in exploding headlines about the leasing of ports, or the signing of questionable agreements, or claims that public broadcasters and universities are selling principles for profit. These high and low points in bilateral relations aren’t alternative perspectives on Australia–China relations. They *are* the relationship.

Structural and political differences

The problem is both structural and political. China is a single-party state governed by a ‘proletarian’ dictatorship with an explicitly communist ideology. Constitutionally, it’s a unitary state with a single sovereign seat of government that exercises national power through five echelons of territorial administration. Provinces, cities, counties and townships administer local areas as agents of the national government under the direction of central CCP and state authorities. The relative autonomy exercised by provincial and local governments in the ‘reform and opening era’ (1979–2009) led some observers to speculate that, despite its formal constitutional arrangements, China was in effect practising a federal-like system of government.³⁵ Few make that claim today. And while other formal rights and powers set out in the national constitution are routinely ignored (freedom of speech, religion and assembly, for example), the authority of the central government over the national system of local administration in the constitution is never brought into question.

Central authority is institutionalised at each level by placing subordinate offices of higher central ministries in provincial and city administrations. Corresponding departments and bureaus at each level aren't horizontally accountable to citizens or communities (through local government) but responsible to the level immediately above them, reaching eventually to the relevant ministry in Beijing. In practice, they're also responsible to the local party secretary, who sits in a similar chain of command reaching to Beijing.

So central government and party agencies oversee 'foreign affairs offices' (*waishi banshichu* or *waishichu*) at provincial, city and county levels to manage international affairs at each level. Two party agencies with responsibility for international engagements (the central UFWD and the International Liaison Bureau) embed subordinate agencies in lower levels of the party's territorial pyramid to oversee and direct those levels' international affairs. In the case of city-twinning or international civil-society engagements, the state-run Chinese People's Association for Friendship with Foreign Countries (CPAFFC) provides briefings, connections and oversight.³⁶

These structural arrangements don't make provinces or cities in China any less active in subnational or popular diplomacy than their counterparts elsewhere (in fact, many are more active than their foreign counterparts) but they do mean that, in addition to being neither accountable nor sovereign, civic entities in China are neither 'local' nor 'para' in the sense employed by their partners in Australian, Canadian, American or German federal systems engaging in paradiplomacy. They are agents of the central party-state.

In Australia, all state governments and the federal government are both accountable and sovereign—accountable to their constituents and sovereign in their respective domains. The Australian Government exercises exclusive power in relation to immigration, foreign affairs, defence and international trade and commerce and can legislate in other areas where power is shared with the states, including health and education. States retain the right to make laws in areas over which the Commonwealth has power, including international relations and trade, on condition that those laws don't conflict with the exercise of Commonwealth powers.

These structural differences have practical and political consequences for formal subnational diplomacy. Australian states are at liberty to establish quasi-embassies overseas—there are currently around 70 subnational government trade offices overseas promoting trade, investment, tourism and education—but few Chinese provinces establish physical offices in Australia or elsewhere abroad.³⁷ Absent a formal office in a target city or state overseas, party and government officials wishing to deal directly with particular states or cities in Australia often task a local 'hometown' association (*tongxianghui*) with UFWD ties to mediate on their behalf with local business and political elites at the target site. This kind of hometown networking is frowned upon within in China, where it's associated with corruption. It's widely practised by Chinese authorities in Australia.³⁸

In practice, a team of cadres accompanying a Chinese mayor to a meeting with an Australian mayor in Australia is likely to have been briefed ahead of departure by the city arm of the central Ministry of Foreign Affairs and the metropolitan branch of the party's International

Liaison Office or UFWD, and possibly higher functional departments promoting the party's national agenda and international strategy. The CPAFFC is likely to be involved as well. On arrival in Australia, the mayoral delegation is likely to be hosted and briefed informally by a local hometown association registered as a charity in Australia, and possibly briefed as well by the local consulate (although rumour has it that consulates are the last to be informed of a mayoral delegation visit).

A matching visit by an Australian mayor's team is unlikely to have been briefed by anyone from the federal or state governments unless they specifically request a briefing.

Australian state premiers visiting counterpart provinces in China may have received no briefing from federal Australian departments and agencies and yet will meet with provincial cadres who have taken instruction on advancing China's national strategic plans from a range of CCP and government agencies. State delegations planning provincial visits to China may request a briefing from federal departments but they're under no obligation to do so before departure, and are under no expectation to advance the national agenda on arrival. They're at liberty to express misgivings about the direction of Australian Government policy if that helps to advance their state business plans or partisan political purposes.

Occasional problems arising from fundamental structural differences of this kind were once regarded as a cost of doing business. In China, local cadres were on a relatively loose leash during the reform era, when Australian civic actors and subnational governments partnered with counterparts in China that enjoyed sufficient operational freedom to build business ties and community linkages, initiate cultural exchanges, promote educational and research collaborations, and cooperate in other ways to promote mutual understanding and goodwill without making political demands. At the Australian end, the cost of confused signals coming from civic and subnational actors relating to their counterparts in China was arguably minimal.

That comfortable arrangement changed once China's reform era drew to a close. From around 2009, and particularly since Xi Jinping was appointed Chairman, authorities in China have systematically prohibited impromptu cultural engagements and civil-society cooperation with foreign countries for fear they could lead to a 'colour revolution' at home.³⁹ Independent civil-society engagements are closely monitored and often banned. Academies, universities, local governments and other institutions have been placed under increasingly tight control, and party secretaries routinely overrule initiatives that could involve open exchanges on history, culture, the economy and society (let alone politics). The result of those bans and prohibitions on genuine civil-society and cultural and academic exchanges has been to create a fundamental asymmetry in civic subnational diplomatic relations between a liberal democracy and an authoritarian state, in which one side performs a jazzy dance, to borrow Parag Khanna's metaphor, and the other moves to a parade-ground drill.

The question then arises whether paradiplomacy can be pursued between an inclusive democratic federation like Australia and an assertive authoritarian Leninist party state like the PRC without damage to the liberal state. If so, where are those points of mutual benefit likely

to be found and where are areas of potential harm best avoided? To date, no studies have set out to explore these questions in detail.

About this book

Here, we work on the assumption that paradiplomacy is an important aspect of international relations that works best when undertaken on a transparent, free, egalitarian and inclusive field of play, without fear of censorship or retribution. We don't assume that those conditions apply in every case. Hence, we dispense with the West-centric notion that global diplomacy has undergone a deft transition from the command-and-control style of an earlier era to impromptu dances of the masses. Our focus is China, where the word 'masses' isn't easily paired with jazz. In Australia's relations with China, the new diplomacy bumps up against a revamped institutional framework of a Leninist party-state—a proletarian dictatorship under a highly centralised system of government—that makes little allowance for the free play of improvised popular or subnational diplomacy. The benefits of diaspora diplomacy are difficult to realise when immigrant communities in one country fear that their families and friends in the other will be harassed or detained if they say or do anything out of turn. The free play of digital diplomacy requires a level playing field supported by an open internet—again a condition not met in China. And while subnational, twin-city and sister-state diplomacy may have mutual benefits, they also carry risks that aren't widely appreciated in a federal system and only rarely mitigated.

We weigh the risks and benefits of paradiplomacy with China, particularly relating to Australian states and territories and local governments and universities, and we draw tentative conclusions about the prospects for mutually beneficial subnational relations between a liberal federation and a centralised authoritarian state. Our conclusions may have wider international applications.

In addition to weighing risks and benefits in the abstract, we make a number of recommendations for practitioners. When the CCP launched the new program of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, it launched a new era in China's relations with Australia as well—one more complex and fraught than any that has come before.⁴⁰ Opinion polling in Australia and China indicates that four decades of goodwill built up painstakingly through business and cultural relations, tourism, study programs and people-to-people ties is rapidly running dry.⁴¹ We wish to restock that reservoir of goodwill by helping set Australia's relations with China on more secure, reciprocal and sustainable footings for the long term.

Australia stands to benefit from continuing people-to-people, diaspora and subnational diplomatic engagements with China. Maintaining those flows while minimising risks calls for responsive, coherent and resilient systems for managing relations among state and local governments and community organisations and the federal government in their dealings with China. Charting new rules of engagement for mutually beneficial paradiplomacy requires Australians to be clear-headed about their values and interests and resolved to defend them when necessary; to be clear-eyed about the risks as well as the opportunities of

China engagements; and to be clear-minded about the purposes particular initiatives serve in the wider bilateral relationship.⁴²

Legislation and enforcement are measures of last resort. Beyond enabling legislation, there's a pressing need for public education about the risks as well as the benefits of local governments' and communities' engagements with their counterparts in China. There's also a need for leadership training for those taking part.

Our contributors bring together publicly accessible information on existing arrangements between Australian states, territories and city governments and their counterparts and national agencies in the PRC, along with agreements among universities and other government-related entities, in the expectation that informed people act responsibly. Building on that information, we offer insights and analysis to help build awareness, strengthen institutional resilience and deter people from acting in reckless fashion or in bad faith.

Notes

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1. New South Wales

Dominic Meagher

Introduction

Relations between NSW and the People's Republic of China (PRC) over the past 20 years have yielded many successes as well as learning opportunities. Official relations have been dominated by business interests, but scandals and crises have increasingly disrupted official plans. This chapter traces the encounter between official optimism and some of those mounting predicaments. It focuses on what's gone wrong, more than on what's turned out well, in the hope that mistakes will help inform future decision-makers in NSW, other Australian states, and possibly in subnational jurisdictions elsewhere seeking to manage relations with China. If it wishes, China's government may also take away lessons on the pitfalls to be avoided in engaging with federated liberal democracies.

Many of the problems in NSW-China relations fall into one of three categories. In the first category are efforts by the Chinese Government, its representatives or its Australian interlocutors to act in ways that can best be described as corrupt: to covertly influence public officers to represent interests other than those they were elected or appointed to represent. The second category holds cases in which Chinese officials or their supporters have attempted to distort the free and fair participation of individuals in democratic society. The third involves efforts to shape the way Australians think about China, its history and its government, and Australia-China relations.

The NSW Government remained largely oblivious to those risks—although the problem was hardly confined to the state government. The federal government was equally optimistic, at least until 2016. The two moments that best epitomise that mood of optimism demonstrate a bipartisan view of bilateral relations to that time: they were the 2012 release of the *Australia in the Asian century* White Paper by the Gillard Labor government and the 2015 signing of the China–Australia Free Trade Agreement (ChAFTA) by the Abbott Coalition government. Judging from those earlier public commitments, it can't be said that China forced its way into Australia's political and civic space. Australia enthusiastically invited China into the country but largely turned a blind eye to the terms on which China accepted the invitation.

That optimistic mood began to change in response to China's efforts to militarise the South China Sea, its reneging on commitments to preserve Hong Kong's system of government, its mass race-based internment of Uyghurs, its intensifying use of high-tech surveillance, coercion and censorship, and, in the case of Australia, a series of revelations about cyberattacks, political interference and community intimidation.

China's National Intelligence Law had a particularly significant impact on the Australian Government's perception of risk from Chinese investment. In 2016, 10 months before the law took effect, then-Treasurer Scott Morrison rejected the sale of Ausgrid (Australia's largest

electricity network) to either State Grid Corporation of China or Cheung Kong Infrastructure Holdings in Hong Kong, citing national security concerns. A month later, in September 2016, news broke that Labor's NSW Senator Sam Dastyari had allowed a Chinese company to cover personal legal expenses and had publicly supported China's claim to the South China Sea, in opposition to Australia's policy and the position of the ALP, on the promise of political donations from figures in the Chinese community.¹ In November 2017, it also emerged that he had warned business tycoon Huang Xiangmo that Huang's phone was being monitored by the Australian Government.²

In 2016, there were also clashes between Australian and Chinese athletes at the Rio Olympics and a dramatic escalation in tensions in Hong Kong. Early in 2018, Clive Hamilton's book *Silent invasion: China's influence in Australia* was published. The book had considerable impact on Australia's national discourse about China as duelling academics and experts weighed into the debate by publishing open letters. In August, Australia effectively banned Huawei and ZTE from providing 5G technology by preventing 'high risk vendors' from supplying Australia's 5G network.³ In December, the Foreign Influence Transparency Scheme (FITS) and the *National Security Legislation Amendment (Espionage and Foreign Interference) Act 2018* came into force.⁴ A spokesperson for the Chinese Government said that they had 'serious concerns' about those decisions, rejecting their premise and declaring that the Australian Government had acted from 'ideological bias'.⁵ China's Ambassador described the decision as 'politically motivated' and 'discrimination against the Chinese company'.⁶ On 18 January 2019, three months after Australia banned Huawei's 5G involvement and one month after the passage of FITS, Australian writer Yang Hengjun was detained in Guangzhou on espionage charges.

Later, in August 2019, the NSW Independent Commission Against Corruption (ICAC) launched an eye-opening public inquiry into 'allegations concerning political donations, the NSW Branch of the [ALP], members of Chinese Friends of Labor and others'.⁷ In November, no less spectacular but less well-founded claims circulated about an alleged Chinese 'spy', Wang Lijiang, wishing to defect to Australia. The first reports of Covid-19 appeared later in the year, leading to a dramatic reduction in flights between China and Australia and to a collapse in the education and tourist markets. In July 2020, the Department of Foreign Affairs and Trade (DFAT) issued advice against travelling to Hong Kong following Beijing's imposition of a new National Security Law on that city.

Despite this series of China-related political dramas and crises, the NSW Government continued to view relations with China largely as an export and investment opportunity. This is evident in formal 'China strategies' and in the official declarations of ministerial travel over the period (analysed below). Overwhelmingly, efforts have been directed at promoting financial services, resources, education, tourism and infrastructure investments. Those efforts were rewarded with considerable political, business and cultural success.

It might have been possible to mitigate the serious problems that emerged in NSW-China relations if the reality of dealing with a large country ruled by a system that's fundamentally opposed to liberal democracy had been properly acknowledged. Belated acknowledgement came at higher cost than it need have. Continuing denial further added to that cost.

Part 1: Innocence

NSW state and local strategies

The NSW Government has consistently approached relations with China on the premise that China is becoming a market economy that operates with the rule of law, independent firms competing against each other, and a political system that functions at reasonably arm's-length from the business sector. Those assumptions have enabled the government to prioritise trade and investment aspects of its China relations.

The strategy is formalised in an official document, *China Strategy: NSW international engagement strategy*, which was launched on 2 September 2014 by NSW Premier Mike Baird at the Australia–China Relations Institute (ACRI) at the University of Technology Sydney (UTS).⁸ The document focused on trade and investment, identifying nine priority sectors to be developed across 12 target cities in China. Those priority sectors and markets are summarised in Table 1.

Table 1: NSW priority sectors across China

	Investment		Trade and investment				Trade		
	Infrastructure	ICT	Advanced manufacturing	Professional services	Agri-business	Resources	Clean tech	Tourism	Education
Guangzhou	X		X	X	X	X		X	X
Shanghai	X	X	X		X	X	X	X	X
Beijing	X	X	X	X	X	X	X	X	X
Hong Kong	X			X	X	X		X	X
Wuhan		X	X	X	X			X	X
Shenzhen		X	X		X		X	X	X
Chengdu		X			X			X	X
Chongqing			X		X			X	X
Shenyang			X		X			X	
Zhengzhou			X		X				
Qingdao					X	X		X	
Jinan					X			X	X

Source: Business NSW, *China Strategy: NSW international engagement strategy*, 2013, 7, [online](#).

Notably, the strategy aimed to attract PRC investment into NSW infrastructure projects, to explore onshore campuses in China for Australian universities and to 'double' the value of Chinese tourism to NSW by 2020. Much of the document is dedicated to describing predictions of China's GDP and the value of NSW-China or reporting the number of Chinese students and tourists in NSW.

According to the document, the strategy was developed in consultation with state government agencies and with industry advice through the NSW Export and Investment Advisory Panel. It assigns tasks to specific departments or agencies, including Destination NSW and the departments of Premier and Cabinet; Trade, Investment, Regional Infrastructure and Services (DTIRIS); Primary Industries; and Education and Communities. In the absence of risk assessments, or discussions related to the excessive concentration of effort in a single market, the document serves primarily as guidance or promotional material rather than as a detailed strategic plan.

Significantly, the primary action that the NSW Government committed to taking in its strategy is to increase engagement with Chinese provinces through regular trade and investment missions, with an explicit focus on VIP government and business stakeholders.⁹ This lead item is assigned to the Department of Premier and Cabinet. Destination NSW and the Department of Education and Communities each hold responsibility for a set of actions within their respective areas (tourism and education), while the remaining action items are the responsibility of DTIRIS, with one (focused on agriculture and resources) shared with the Department of Primary Industries. DTIRIS updated its own plan in 2017 with the release of the Competing Globally: NSW Trade and Investment Action Plan (2017–18).¹⁰ To promote its objectives in China, the NSW Government maintains trade and investment offices in Guangzhou and Shanghai with trade and investment commissioners for Greater China and North and East China, and a Destination NSW Director for North Asia.¹¹

Tourism

Within the NSW China Strategy, tourism has its own separate strategy document. In the NSW Government, tourism promotion is the work of Destination NSW, which produced the China Tourism Strategy 2012–20, budgeting \$15 million over the first four years.¹² The plan was launched by then Minister for Tourism, Major Events, Hospitality and Racing and Minister for the Arts, George Souris, who described it as the 'first strategy program in the NSW Government's response to the Visitor Economy Taskforce Report'.¹³

The key elements of the tourism strategy included marketing, supporting air routes, targeting high-value consumer segments, improving visitor experiences, and expanding business and government partnerships. Improvements already achieved included having ensured that Sydney taxis could accept UnionPay (China's main payments system) and increasing the number of flights between China and Sydney to 41 per week. The government committed further to developing tourism promotion websites in Chinese, promoting travel packages, including highlighting the Vivid light festival, and holding a travel mission in 2015. There's little

evidence of attention to risk mitigation, or consideration of the extent to which the Chinese Communist Party (CCP) is able and willing to control the flow of tourism for political reasons or of the risks of overconcentration in a market that might not be able to meet projected numbers. The reason for this approach may be that the strategic plan itself forms part of the state's promotional strategy: it's used to demonstrate the state government's commitment and engagement, attract interest from Australian businesses and help facilitate deals that require political endorsement in China. To the extent that the strategy documents are performative, it would be counterproductive to include significant attention to potential negatives.

In April 2020, China's Ambassador speculated that Chinese tourists might reconsider Australia as a destination if the Australian Government pursued an investigation into the origins of the Covid-19 pandemic, saying in response to journalist Andrew Tillett's question:

[T]he Chinese public is frustrated, dismayed and disappointed with what you are doing now. In the long term, for example, I think if the mood is going from bad to worse, people would think why we should go to such a country while it's not so friendly to China. The tourists may have second thoughts. Maybe the parents of the students would also think whether this place, which they find is not so friendly, even hostile, is the best place to send their kids to.¹⁴

The comments were widely taken as a veiled threat that the CCP could ensure that Chinese tourists made such decisions unless the Australian Government complied with spoken or unspoken edicts. That interpretation built over the year when, in November, the Chinese Embassy released to media a list of 14 grievances enumerating Australia's faults in bilateral relations.¹⁵ While NSW tourism ambitions were independently brought to zero by strict border controls to control the pandemic, there remains little strategic thinking about the risks of the industry's future reliance on China, assuming the Covid emergency conditions are eventually resolved.

Sister-state relations

NSW has a sister-state relationship with Guangdong Province, which was signed in 1979 by Premier Wran and Governor Xi Zhongxun (Xi Jinping's father). The centrepiece of that relationship is the annual NSW–Guangdong Joint Economic Meeting. The sister-state arrangement is the primary official relationship that NSW has with China. The centrality of the joint economic meeting may demonstrate an appreciation for the role that politics plays in businesses in China, but the NSW Government hasn't taken that logic any further.

Separate from the sister-state relationship with Guangdong are a number of other formal relationships, including the NSW–Shanghai Friendship Cooperation Agreement (2008); the Sydney–Shanghai Financial Services MoU (2010); the NSW–Beijing Sister State Relationship (2012); the NSW–Beijing MoU (2013) on trade and economy, culture, education, science and technology, tourism and sport; the NSW–China Overseas Exchange Association (Qiao Ban) MoU (Nov 2012) to assist the study of Mandarin in NSW and increase cultural and arts exchange visits; and the Port of Newcastle and Port of Qinhuangdao relationship.

Sister-city relations

A voluntary organisation based in Perth, Sister Cities Australia, maintains an informal but comprehensive register of Australian sister-city relationships (see Appendix, this volume). According to the register, in 2020 there were 99 Australia–China sister-city relationships, plus three that had been cancelled. It lists more with China than with any other country apart from Japan, with which there are 113 such arrangements (although the Australian Embassy in Tokyo reports only 107).¹⁶ For comparison, Australia has 86 with the US, 44 with the UK, 34 with New Zealand and 76 across the rest of the world. NSW cities have established 36 links with counterparts in China.

Although there are no overarching national or state guidelines for sister-city relations, some cities have established frameworks of their own. In 1985, the City of Sydney introduced formal guidelines applying to all twinning arrangements; the guidelines were reaffirmed in 1992. According to the City of Sydney's *Guidelines for sister city relationships*, the objectives of such arrangements are to:

- extend the hand of friendship nationally and internationally on a person-to-person basis, utilising the resources of local government
- perpetuate an understanding between people at all levels and of different countries and cultures
- bring together similar interest groups in each city
- provide a forum for the exchange of sister city experiences
- promote knowledge and understanding and extend the level of contacts through all sectors of the community
- develop economic, trade, cultural, educational, sporting and other beneficial exchanges.¹⁷

The guidelines require the council, before entering into a sister-city arrangement, to 'take into account the extent to which the prospective city complies with the following criteria':

- that there exist significant historical, cultural, social or geographic similarities between Sydney and the prospective city
- that the prospective city is, or is moving towards, being governed in a democratic fashion
- that the prospective city has, or is moving towards, a reasonable human rights record
- that the establishment of the proposed relationship will benefit specific strategic, national and/or regional interests
- that there exists significant community support for the proposed relationship
- that there is funding available for the relationship.¹⁸

It isn't clear whether those rules apply only at the time of establishment or are revisited during periodic reviews of particular sister-city ties. In Xi Jinping's 'New Era' in China, there could be real concern about whether cities have a 'reasonable human rights record' or are approaching government 'in a democratic fashion'. Besides sister-city relations with cities in China, Sydney

entered into a ‘friendship agreement’ with Wuhan in 2015. According to the City of Sydney, a friendship agreement denotes a lower level of involvement than a sister-city link.¹⁹

Political links

NSW government ministerial travel

The second action that the NSW Government committed to in its China Strategy was to attract Chinese investment in infrastructure by promoting opportunities to Chinese firms and conducting regular trade and investment missions.

The official enthusiasm for building trade and investment links is evident in the travel commitments of NSW premiers and cabinet ministers. Within the NSW China strategy, the primary action, conducted under the leadership of the Department of Premier and Cabinet, has been to build the relationship by increasing engagement at the provincial level, including through regular trade and investment missions, targeting VIP government and business stakeholders, building on sister-state relations and provincial MoUs, and promoting mutual understanding through cultural exchanges, community programs, and language education.

The implementation of that action item can be seen most clearly in the number of political delegations of NSW cabinet ministers to China. Premier O’Farrell’s first trip abroad as Premier was to China. O’Farrell had made an election commitment to visit China within the first six months of his new government. He visited China in each of the four years of his term as Premier, including four trips to both Beijing and Guangzhou plus three trips to Shanghai and two to Hong Kong. NSW Government ministers’ overseas travel information is declared on the Department of Premier and Cabinet website.²⁰ Since July 2011, the website details declarations of 82 unique trips, 13 of which included trips to China, well ahead of trips to all other countries.²¹ There have been no reported trips since March 2020, due to the Covid-19 pandemic (Table 2).

Travel reports provide useful information about the NSW Government’s views and intentions in relation to the bilateral relationship because they include details about the amount of money spent on the trip, who participated in the delegation, what the objectives were (such as which industries were being promoted), any key individuals that ministers met, and major events they attended. How ministers choose to spend their time and what they think is a justifiable use of public finances reveals a lot about their priorities for external relations.

Since 2011, NSW ministers have declared 82 trips to 124 international destinations, including 21 to Europe, 16 to the UK, 16 to ASEAN member states, 13 to the US, 13 to China, 9 to Japan, 9 to Korea, 8 to New Zealand, and 7 to Israel.

Table 2 shows the frequency of trips, who led each delegation, the destinations within China, and an indicator of the main priorities of each mission. Of the 13 trips in nine years, seven were led by the Premier, one by the Deputy Premier and five by other ministers. All delegations involving the Premier or Deputy Premier focused on Guangdong Province, with which NSW has a sister-province relationship; Guangzhou City and Sydney have a corresponding sister-city relationship.

Table 2: NSW ministers' travel to China, 2011 to 2021

		Destinations					Priorities				
		Beijing	Shanghai	Guangzhou	Hong Kong	Other	Finance	Infrastructure	Tourism	Education	Other
2011	B O'Farrell	X	X	X	X		X	X		X	Resources
2012	B O'Farrell	X		X		Chengdu Jinan	X	X			Resources
2013	B O'Farrell	X	X	X	X		X	X			
2013	A Stoner			X						X	Significant Investor Visa
2014	B O'Farrell	X	X	X		Shenzhen					
2014	M Baird	X	X	X			X	X	X	X	
2015	S Ayres		X	X	X			X	X	X	
2015	M Baird	X	X	X			X	X	X		
2016	A Constance		X		X			X			Transport (trains)
2017	A Marshall	X		X		Tianjin			X		Transport (airlines)
2017	N Blair		X	X	X	Shenzhen	X			X	Agriculture, start-ups
2017	G Berejiklian			X		Shenzhen	X	X		X	Health care
2019	J Barilaro	X	X								Agriculture

Source: Department of Premier and Cabinet, 'Ministers' overseas travel information', NSW Government, 2021, [online](#).

Eight of the 13 high-level visits focused on attracting investment for NSW infrastructure projects. The five delegations that did not focus on attracting investment in infrastructure included one by Deputy Premier Andrew Stoner in 2013 specifically focused on promoting a new visa for investors, the Significant Investor Visa.

Over the nine years from the beginning of the current government until the Covid-19 pandemic made travel impossible, NSW Government ministers spent 73 days of executive time (including 38 days of the Premier's time) in China, at a declared travel cost of \$815,501. Most of the delegations included one of the minister's senior staff and up to six government officials, adding to a total of 84 days of senior staff time and 197 days of government officials' time. Only the first of those 13 trips included any Australian journalists as part of the delegation. That delegation was also the largest, as 14 business leaders accompanied the Premier, the chief of staff and four officials.

Since 2016, the NSW Government has continued to devote significant resources and effort to encouraging Chinese investment in infrastructure (especially NSW trains) and even health care with a focus on sensitive data-intensive processes. But only one of the four delegations to China since that time has identified infrastructure investment as a priority. Relations have soured on multiple fronts.

Part 2: Experience

Turning point in relations

2016 was a turning point for Australia–China relations. In October that year, Treasurer Scott Morrison blocked the NSW Government from selling electricity network Ausgrid to a Chinese state-owned enterprise. Ausgrid is identified as critical infrastructure by the federal government. It provides critical support to the Australia–US Joint Facility at Pine Gap, which is critical to US war-fighting capability. When the state planned to privatise Ausgrid, the fact that the two leading bidders came from China—a \$12 billion bid from China’s State Grid Corporation and CKI (Hong Kong)—went without comment from any responsible federal agency, according to reporting by Peter Hartcher, who writes:

NSW’s sale process went on for month after month without any red flags going up in Canberra. Eventually, it was Australian Signals Directorate, Australia’s electronic spy agency, that raised the alarm within the government.²²

Twelve days before the deal was to be finalised, the federal government intervened to scuttle it.

Despite almost transferring capacity to shut down part of the US nuclear launch detection and warning system to a Chinese state-run company, the NSW Government was reportedly ‘furious at the disruption of its planned part-privatisation of its electricity distributor’. Former NSW Premier Bob Carr described the federal government’s intervention as a ‘sacrifice to the witches’ sabbath of xenophobia and economic nationalism’.²³ The incident caused considerable tension within the federation and between Australia and China.

Another explosive political issue that erupted in 2016 was foreign donations to political parties. In September, it became known that an ALP Senator for NSW, Sam Dastyari, had advocated China’s policy on the South China Sea, in opposition to the policy of Australia and that of his own party, on the promise of a major political donation from Chinese national Huang Xiangmo.

Dastyari also reportedly ‘tipped off Chinese Communist Party-linked political donor Huang Xiangmo to the likelihood his phone was being tapped by Australian agencies’.²⁴ Those incidents led to Dastyari quitting politics and precipitated a major national conversation on Australia’s relations with China. Amid widespread attention on China’s influence in Australian politics, the ABC reported the results of an investigation into political donations. Between 2013 and 2015, donations from Chinese-linked companies and individuals to the two major parties totalled more than \$5.5 million (a significant amount by Australian standards).²⁵

NSW ICAC

The most important institution for providing accountability for corrupt practices among governments in NSW is the Independent Commission Against Corruption (ICAC).

ICAC has been critical in uncovering covert political interference and corruption, and four major recent investigations bear directly on NSW–China political relations. Importantly, because ICAC requires thorough and sober consideration of facts before passing judgement, and because it only passes judgement on the subject that it's focused on, it has managed to provide confidence and clarity on an issue that's confounded by uncertainty and obfuscation.

NSW ICAC hearings that touch on NSW–China relations over the past decade have included the following:

- Current investigations:
 - 2021: Operation Witney: A public inquiry into allegations concerning the NSW Liberal MP for Drummoyne, John Sidoti, related to political donations, including from a Chinese property developer in September 2019.²⁶
 - 2020: Operation Keppel: A 'Chinese cash for visa scheme'.²⁷
 - 2019: Operation Aero: The ICAC is investigating whether, from January 2015, ALP NSW Branch officials, members of Chinese Friends of Labor, political donors and others have entered into, or carried out, a scheme to circumvent prohibitions or requirements under Part 6 of the *Election Funding, Expenditure and Disclosures Act 1981* relating to political donations.²⁸
- Past investigation:
 - 2021: Operation Dasha: Canterbury City Council—allegations concerning former councillors and other public officials, including Daryl Maguire. Included in the hearings were corrupt efforts to secure a cut from a Chinese property developer.²⁹

Operation Aero

Of the above ICAC investigations, Operation Aero (2019–present), which has focused on illegal donations organised through the Chinese Friends of Labor group, had the greatest political impact. The consequences of the investigation were significant in part because they involved prominent individuals, including Sam Dastyari, Ernest Wong MLC, and Chinese national and billionaire Huang Xiangmo. All three were among the most politically networked people in NSW. The case also had serious ramifications for relations with China. The events at the heart of the inquiry provided impetus for federal legislation on foreign interference and espionage. On each of these accounts they deserve closer attention here than the other listed inquiries.

Former Senator Sam Dastyari is highly intelligent and charismatic. For the Labor Party, he was also an exceptionally capable fundraiser. In 2010, Dastyari was elected General-Secretary of the NSW branch of the party and in 2013 won appointment to a vacancy in the Australian Senate.

Three years later, he was elevated to a national leadership position as Manager of Opposition Business in the Senate. Another promising community fundraiser within the NSW Labor movement was Ernest Wong, who was reported to have shown ‘prodigious ability as a fundraiser and a networker’. The ABC’s Dylan Welch maintains that Dastyari spotted Wong’s talent at work in Burwood City Council and supported his appointment as NSW Labor’s community relations director. In that capacity, Wong acted as an intermediary between NSW Labor’s organisational wing and the ALP leadership and Chinese community activists and businesspeople. One of Wong’s close supporters was Huang Xiangmo.

Huang is a PRC national who was resident in Sydney and headed the peak CCP united front body in NSW: the Australian Council for the Promotion for the Peaceful Reunification of China (ACPPRC). As a property developer, Huang was technically a ‘prohibited donor’ under NSW electoral laws (being a foreign national created no such prohibition). The ICAC inquiry was told that Huang’s substantial cash donations to the NSW party were processed through Chinese-Australian community contacts whose names were attached to donations in small lots. He also made substantial private payments to senior Labor individuals. In evidence submitted to the inquiry, it was recorded that Ernest Wong introduced Huang Xiangmo to NSW Labor Secretary Jamie Clements, to whom Huang made a personal cash gift of \$35,000, while Clements was the NSW party secretary, before employing him on a retainer valued at \$200,000 per year (plus free CBD office rental) after Clements stepped down from the role in 2016.³⁰ ICAC findings on these matters are still outstanding.

Ernest Wong’s electoral prospects were supercharged by his role as intermediary between Huang and senior ALP figures. In 2011, he had been listed in an unwinnable eighth position on the NSW Labor ticket for election to the Senate. Huang Xiangmo came to Wong’s aid by endorsing his *bona fides* as a party fundraiser and, indirectly, by offering a high-paying position in his property company to former NSW Treasurer Eric Roozendaal, who had been subject to corruption claims in ICAC, which he successfully defended. It has never been suggested that Roozendaal was knowingly involved in Huang’s alleged attempts at political interference. Writing for the *Australian Financial Review*, Neil Chenoweth reported that Roozendaal joined Huang’s firm, Yuhu, in June 2013, shortly after retiring from the Legislative Council, and that ‘Ernest Wong, who was close to Huang, was parachuted in to fill Roozendaal’s seat.’³¹ Like Roozendaal, Wong has never been linked to any of the allegations concerning Huang’s attempts at foreign interference. Wong was appointed as a member of the legislative committee (upper house) by a special joint sitting to fill the ‘casual vacancy’ created by Roozendaal’s early resignation.³² Huang Xiangmo was later stripped of his permanent residence visa.³³

Huang was also generous with senior Liberal Party figures. The ABC’s Dylan Welch report in 2016 that the China property developer built a close relationship with federal Trade Minister Andrew Robb and offered employment to Robb’s press secretary, Cameron Hill, after Robb retired from parliament to take up an advisory position with China’s Landbridge, the company operating the Port of Darwin on a 99-year lease.³⁴

The story doesn’t end there. Once in the Upper House, according to evidence submitted to the ICAC inquiry, Wong secured an access pass for property developer Alex Wu to enter Parliament

House and Wong's parliamentary office. Wu availed himself of the opportunity 'every week or fortnight'. He enjoyed access to the parliamentary system, including pending legislation and internal party communications.³⁵ Further, Alex Wu (also known as Alex Wood) ran a property development company: Wu International. As a property developer, he was also banned from making political donations in NSW. Two of Wu's staff members were named in declarations attached to modest cash donations to the NSW Labor Party at a fundraising dinner at which property-development funds were allegedly donated to Labor a fortnight before the 2015 state election. Brad Norington reported in *The Australian* that one of Alex Wu's employees, Steve Tong, denied he had donated \$5,000, despite records saying the funds were given in his name. Another former Wu employee, Leo Liao, 'cannot speak for himself because he committed suicide last year [2018], leaving a note that linked his death to the donations scandal'.³⁶

Reflecting on Huang's role in the saga, former Senator Sam Dastyari told the ICAC inquiry that 'I now have serious questions about whether or not he was, either directly or indirectly, an agent of influence for the Chinese Government ... He was a very big donor, probably outside the trade union movement, the biggest donor.'³⁷

Operation Dasha

Among the political problems in NSW-China relations, the one that most troubled the NSW Liberal Party was Operation Dasha. The relevance of China to this case centres on Liberal MP Daryl Maguire (member for Wagga Wagga), who was an adviser to the ACPPRC, attended at least 11 ACPPRC events between 2010 and 2015, and was chair of the NSW Parliament Asia Pacific Friendship Group, making him an apparent link between the NSW Parliament and the CCP Central Committee's United Front Work Department (UFWD).³⁸ Maguire's support for the ACPPRC included supporting UFWD narratives on ethnic minority harmony, which included promoting a propaganda exhibition of paintings about Tibet, travelling to Tibetan areas of China as part of the 'Eyes on China' program (which regularly took groups of NSW politicians to Tibet or Tibetan regions), and hosting a Tibetan cultural exchange delegation in Sydney in 2017 that was organised by the 'human rights department' of the Chinese Government's State Council Information Office.³⁹

ICAC's inquiry, however, focused on the conduct of council members at Canterbury Council, whose planning decisions were alleged to have been made corruptly. Maguire's role was in introducing a potential buyer: Country Garden Australia Pty Ltd, which is a property giant based in Hong Kong. ICAC lawfully intercepted phone conversations in which Maguire discussed with a council member the share of the sale they would each receive if a development application were authorised. The conversation raised the question as to whether Maguire misused his position as an MP for personal financial interests from 2012 to 2018.⁴⁰ ICAC ultimately referred the case to the Director of Public Prosecutions for advice on the prosecution of Maguire and five others.⁴¹

In 2017, while ICAC's investigations were ongoing, Maguire planned a private business trip to China to resolve a joint venture dispute between Oaten Hay Company and a Chinese conglomerate. Maguire threatened the Chinese company that, if it withdrew from the joint

venture, that would jeopardise all future joint ventures that Chinese companies might wish to pursue in NSW. The Premier's office was forced to intervene to prevent the trip, which was scheduled just before a formal delegation of the NSW Government.⁴²

Georges River Council

A further matter involving potentially corrupt political donations has also been referred to ICAC. Two members of the Georges River Council (Liberal councillor Con Hindi and Labor councillor Vince Badalati) travelled to China with a developer whose project they assisted in gaining approval. They reportedly didn't declare any conflict of interest when they voted to approve the project despite having allegedly received payments in kind. The matter was referred to ICAC on 23 April 2019. The referral referenced stories published in the *Sydney Morning Herald* and on the ABC's Four Corners program as the basis of evidence for further investigation.⁴³ Not all political scandals that have centred on China have resulted in ICAC inquiries, however.

In 2019, NSW Labor leader Michael Daley caused problems for the ALP with the Chinese-Australian community by saying, 'our young children will flee and who are they being replaced with? They are being replaced by young people from typically Asia with PhDs.'⁴⁴ The comments were criticised as racist.⁴⁵ The incident is believed by Labor strategists to have cost the party support in marginal electorates with significant Chinese-Australian and other Asian-Australian populations, and it was one of the first issues raised in 2021 when Daley considered again contesting for the leadership of NSW Labor.⁴⁶ The offhand remarks damaged his political credibility and contributed to social divisions along racial lines.

NSW MLC Shaoquett Moselmane became associated with ASIO investigations into one of his staff, John Zhang. This case became particularly ugly, as Moselmane himself was the focus of aggressive media reporting despite not being a subject of the formal investigation. The case was widely discussed and raised concerns about racism and the accountability of the intelligence agencies. The incident highlights, among other lessons, the importance of intelligence and police investigations being (and being seen to be) fair and impartial.

Education and culture

Alongside political and commercial links, relations involving schools and universities form a major part of the state's relations with China. Many Chinese-Australians who migrated to NSW came as students. Other graduates, who return to China, take new ideas, close friendships and fond memories with them. And many of the Australians who best understand China and lead our national discourse in relation to China are university experts. NSW has approached international students and academic exchanges and collaborations with China on the same premises as those with any other country, and on a case-by-case basis, but with unparalleled enthusiasm for building mutually beneficial ties.

Unlike governments in liberal democracies, however, China's communist government takes a particular interest in the political conduct of Chinese students at Australian universities and in the way China is discussed at universities, including in public arenas and in classrooms. It proactively intervenes in university and student affairs. According to former PRC diplomat

Chen Yonglin, China's 10th Ambassadorial Conference in 2004 formally aimed to bring Australia into China's 'Greater Periphery'. China envisioned Australia as 'a stable supply base of high-quality natural and energy resources, a backyard of China'. Critical to this strategy was 'infiltration into Australian tertiary institutions'.⁴⁷ That strategy has apparently led the PRC to attempt to exert influence or control over students, faculty and discussions about China. Chen Yonglin testified that:

China has been very successful in infiltrating NSW tertiary institutions. Its achievements are remarkable: successful in embedding the Confucius Institute (CI) into Australian top universities and Confucius Classroom in Australian public and private schools; successful running of Chinese Students and Scholars Associations (CSSAs) in Australian universities; success in acquiring scientists and scholars of Australian tertiary institutions and research sector snatching world state-of-the-art technologies; success in compromising universities academic freedom.⁴⁸

Confucius classrooms

Chen's comments are well illustrated in the experience of the NSW Government in hosting 'Confucius institutes' (CIs) and 'Confucius classrooms' in the state. In 2011, the Department of Education entered into a contract with China's Ministry of Education to host a CI within the department itself to oversee Chinese language and cultural education in state schools. Under the agreement, the department's internal CI set up and managed Confucius classrooms in 13 NSW primary and secondary public schools. The director of the NSW Government CI, Shuangyuan Shi, had wider ambitions. He was quoted in Chinese media as telling the *Xinhua* news agency that, in contrast with university-based CIs, the 'NSW Confucius Institute is attached to the state government department, and its education targets extend to 700,000 primary and middle school students and 500,000 high school students' throughout the state.⁴⁹

Although part of a global CI network that promotes Chinese state goals through culture and language programs on every continent, the NSW Government CI had several distinctive features. Some of the features relating to content gave local parents cause for concern. Others relating to security alarmed senior security officials. In 2017, Ross Babbage, a former head of strategic analysis in the federal Office of National Assessments, told investigative journalists that the placement of Chinese government-funded personnel inside an Australian state government department was a matter deserving serious reconsideration:

I think it is unacceptable. This sort of activity has to be put in the picture of the broader programs—propaganda, influence, cyber ... programs that the Chinese government has been sponsoring into Australia. These Confucius Institute initiatives cannot be seen as somehow separate or an abstraction from them. Accepting Chinese government-funded personnel within an Australian state government department is a very serious issue that deserves urgent review.⁵⁰

The state government conducted a review of the program in 2019.⁵¹ The review found that the NSW Department of Education was the only government department in the world to enter into a formal agreement with China's Ministry of Education allowing a CI to be established within

it. Further, the CI was managed within the NSW Government by a governing board on which a majority of members were appointed by China's government: seven Chinese board members sat alongside six NSW Government appointees. To all appearances, a NSW Government board dominated by Chinese Government appointees was responsible for personnel appointments and approving curriculums and budgets for NSW state schools under the program. In addition, teaching assistants were vetted in China before they arrived in Australia to ensure their 'good political quality' and love of 'the motherland'.⁵²

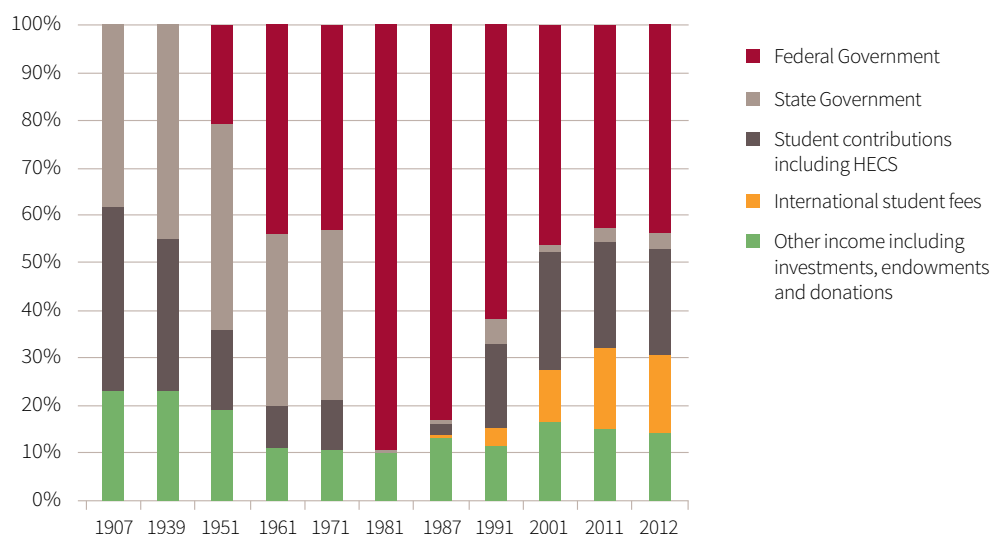
The review also disclosed that the director of the CI program for NSW had been confirmed as 'Director of China International Strategy' for the NSW Government while the CI was in operation. While employed under a unique agreement with China's Ministry of Education, which gave Chinese officials a majority say over the staffing and content of Chinese-language education in NSW state schools, the director of the CI was elevated to directing the state's engagement with China. This was not only unique but anomalous: in formal terms, the state's China Strategy was co-designed by an official working on behalf of the Chinese Government. Responding to the 2019 review, the NSW Government decided to end the agreement and wind down its Confucius classrooms program in 13 schools by the end of the year.⁵³

Universities

The experience of universities in the state was also problematic. The federal government made Australian universities more dependent on external sources of revenue at the very time that China planned to 'infiltrate Australian universities' through offers of funding and staff placements of 'good political quality'. Australia's higher education sector has for many years boasted of being one of the nation's best performing export sectors. That description fits with the business-centric view of universities that's prevailed in Australia since the early-2000s.

In NSW, there are 11 main public universities, six of which are in Sydney and five of which are in other cities or regions of the state.⁵⁴ In the 2020 NSW Budget, the state government allocated 20% of its recurrent expenditure and 11% of its capital expenditure to education (including pre-primary, primary, secondary, technical and tertiary education, plus teacher training).⁵⁵ Little of that money went to universities. State funding for universities collapsed in the 1970s in response to increases in federal government funding and never recovered, despite reductions in relative federal funding in later years. Following reforms to higher education under the federal Howard government (1996–2007), the share of university revenue coming from all levels of government shrank from 80–90% to around 50%, while international student fees emerged as a significant new source of revenue for universities (Figure 1). One consequence of that decision has been that universities have become financially reliant on attracting international students. Education has become increasingly export-commodified, and international students have often been treated as customers—flipping the traditional role of teachers as authorities and instead making students the authorities.

Figure 1: Higher education revenue, by source, 1907 to 2012



Source: Senate Standing Committees on Education and Employment, 'Chapter 2: A brief history of education reform', in *Higher Education and Research Reform Amendment Bill 2014*, report to the Australian Parliament, 28 October 2014, [online](#).

While those reforms served a purpose at the time, they also exposed Australian universities to market pressure from international students. At the same time, China's middle class began expanding at a rapid rate. Australian universities proved particularly attractive to Chinese parents and students.

Over that period, NSW educational institutions developed extensive formal and informal ties with counterparts in China and with relevant government agencies in China. Australian universities benefited enormously from collaboration with Chinese universities and with graduate students from China. However, the success that universities chalked up exposed them to risks that were often not fully understood. Concerns were raised about China's government extending its influence over ideas and narratives in Australian university campuses, classrooms and culture through organisations such as Confucius institutes, embassy-controlled or -monitored student and faculty groups, or 'cancel culture' campaigns targeting faculty, students or guests who say things that 'offend' China. Other concerns focused on Australian research resources being directed towards supporting Chinese Government priorities rather than Australian ones, and in some cases possibly involving dual-use civil and military technologies that are contrary to Australia's national interest. And concerns were raised that Australia's universities were becoming too dependent on revenue from international students and collaborative research programs involving China.

On 28 August 2019, federal Minister for Education Dan Tehan announced the establishment of the University Foreign Interference Taskforce to address those risks.⁵⁶ By November 2019, the federal government had established guidelines with five key themes to protect universities from

foreign interference, covering ‘governance and risk frameworks, due diligence, communication and education, knowledge sharing, and cyber security’.⁵⁷ In response to these federal initiatives, universities in NSW began to address risk management more seriously in 2020.

Attention to China’s influence at Australian universities has reached the federal Parliamentary Joint Committee on Intelligence and Security, which reported in July 2021 on ‘national security risks affecting the Australian higher education and research sector’.⁵⁸ The committee’s inquiry received 61 submissions, including from five universities in NSW. According to its terms of reference, the inquiry focused on institutions involved in tertiary teaching, research, the commercialisation of research, grant making, representative bodies, and the regulation of those activities.

While a federal parliament inquiry is important to universities operating in NSW, the federal parliament isn’t the only level of government that has recently been concerned about these issues. On 29 July 2020, the Education Committee of the NSW Parliament established an inquiry into the future development of the state’s tertiary education sector. The foreword to the committee’s report included the following statement:

Could a greater mess be constructed in modern Australia? Making our universities more reliant on China, and inevitably more exposed to Chinese political interference, while running down the quality of student teaching and undergraduate outcomes.⁵⁹

The terms of reference of the NSW parliamentary inquiry were to ‘inquire into and report on the future development of the NSW tertiary education sector’, with particular attention to four matters that are directly relevant to NSW relations with China, specifically:

- the post-pandemic return of foreign student numbers and the financial sustainability and risk management strategies of NSW tertiary education institutions
- the quality of campus life and student freedom of expression
- foreign political interference within the NSW tertiary education sector
- the current levels of coordination and/or support provided to NSW universities by the NSW Government.⁶⁰

The committee received 42 submissions and returned its report with 39 recommendations in January 2021.⁶¹ Twelve of the recommendations, on matters of transparency, financial dependency, privacy and safety, and free speech, were particularly relevant to NSW–China relations (see box).

Selected recommendations of NSW parliamentary inquiry into the tertiary education sector

- 1: ... improve university transparency and enhance annual reporting. This should include data on reliance on international student income, overseas student numbers in each course, staffing job security and the staffing balance between teaching and research-only.
- 3: ... expand the responsibilities of the NSW Auditor-General to grant the NSW Auditor-General a broader brief and stronger investigative capacity to ensure university financial and staffing management is transparent, effective and acting in the public interest, especially regarding reliance on international student income and the salaries paid to Vice-Chancellors and senior university administrators.
- 5: ... develop a model of precinct or 'industry cluster' planning to maximise the potential of its education, health, transport and regional development investments linked to universities, TAFE and private tertiary providers.
- 21: ... engage with universities and the Federal Government to develop a means by which New South Wales universities can diversify their revenue base to avoid any potential over reliance on foreign students and particular source countries.
- 22: ... extend the powers of the New South Wales Auditor-General to audit the state's international education sector and make recommendations to universities as part of their annual audit of university finances, especially concerning risk management, income diversification, economic resilience, and reliance on international student income.
- 23: ... require NSW universities to publish comprehensive international student data by course, country and study program through the NSW Auditor-General audits and annual reporting to the responsible NSW Minister.
- 24: ... advocate to the Federal Government to investigate requiring universities to implement a minimum independently-assessed IELTS standard of 7.0 for admission to all university courses, and increasing the requirement to 7.5 for language-intensive courses.
- 25: ... investigate the use of foundations programs at universities, to ensure that they are fulfilling their mission.
- 27: ... collaborate with tertiary education providers to ensure compliance with privacy laws in the use of online learning and assessment tools.
- 30: ... codify the Robert French free speech recommendations in NSW statutes covering universities.
- 31: ... consider complementary legislation to provide uniform protections provided in the Higher Education Support Amendment (Freedom of Speech) Bill 2020, if passed.
- 32: ... outlaw non-platforming of academics, staff and guest speakers at universities.

To appreciate why these matters came to federal and state government attention, it may help to review some of the cases that triggered community concerns.

University of Technology Sydney

Among all Australian universities, UTS has had its engagement of China scrutinised most closely, owing primarily to the circumstances of the founding of the Australia–China Relations Institute (ACRI).

Like other NSW universities, UTS has come to rely on international student fees and charges for revenue to offset the falling amount available from government grants (Table 3).

Table 3: Distribution of UTS revenue, by source, 2015 to 2019 (%)

Revenue (%)	2015	2016	2017	2018	2019
Government grants	37.6	37.0	33.8	31.9	30.0
Fees and charges	32.3	33.7	37.5	40.0	42.1
HECS-HELP	19.9	19.1	18.1	17.3	17.2
Other	10.2	10.2	10.6	10.9	10.8

Source: University of Technology Sydney (UTS), *UTS annual report 2019*, UTS, 2019, 28.

In part to attract revenue-providing international students, UTS reported 752 international agreements with 452 partners in 2019.⁶² It has been expanding agreements by participating in international education conferences hosted in Malaysia, the US and Europe. In 2019, UTS also established a ‘research and innovation institute’ in Shenzhen to provide ‘business development, technology transfer, consultancy and industry engagement services to UTS’.⁶³

UTS has three ‘controlled entities’ linked to China: Insearch Shanghai, UTS Beijing and UTS Research and Innovation Institute (Shenzhen). They report directly to the Chancellor and Council of the university. Under the responsibility of the Deputy Vice-Chancellor and VP (International), there are also UTS International, UTS IELTS Centre, UTS Global and ACRI.⁶⁴

Of those, ACRI has received the most attention. ACRI identifies as an independent, non-partisan research institute devoted to studying the Australia–China relationship.⁶⁵ However, at its inception it was intensely political: it was launched by then Foreign Minister Julie Bishop, it was initially headed by former Foreign Minister Bob Carr, the chair of its advisory board was Philip Ruddock, a former cabinet member and long-serving MP, and Huang Xiangmo was one of the largest political donors to both sides of politics.

In the first year after its founding, ACRI hosted NSW Premier Mike Baird to launch the state’s official China Strategy. As can be seen in the photo gallery at ACRI’s website, then ACRI director and former NSW Premier Bob Carr presided over the launch, and Huang Xiangmo occupied an honoured position.

Political engagement isn't intrinsically concerning. On the contrary, centres of expertise and excellence are encouraged to engage with politics, government and society. However, ACRI's early political engagement attracted particular attention partly because of the source of the donation by which it was established.

In December 2013, Huang announced a donation of \$1.8 million to establish ACRI at UTS.⁶⁶ The donation was paid in three instalments of \$588,000 over three years (2014–2016). As we've seen, Huang achieved a degree of notoriety in Australia for having also donated very significant sums to both sides of politics and for being chair of the ACPPRC, for being at the centre of an ICAC investigation into illegal political donations (Operation Aero), for being the target of ASIO investigations, and finally for having his visa revoked.⁶⁷

In 2016, the final instalment from Huang's initial grant provided 36% of funding for the institute that year; 33% came from corporate contributions and 25% came directly from UTS.⁶⁸

From 2017, none of ACRI's funding came from the initial donation from Huang. In 2017, 71% came from UTS and 29% from corporate donations (Table 4).

Table 4: UTS:ACRI funding, by source, 2017 to 2020

	2017	2018	2019	2020
UTS %	71	75	82	86
Corporate %	29	25	18	14
Total \$	\$1,842,500	\$1,798,000	\$1,465,490	\$1,298,189

Source: University of Technology Sydney (UTS), *UTS annual report 2019*, UTS, 2019, 28.

In April 2019, Bob Carr left ACRI and Professor James Laurenceson took over as director, having served as deputy director since the institute's establishment. Laurenceson reframed the identity of the institute from a 'think tank' to a research institute, properly embedding it within the university rather than partly alongside it. He changed ACRI's objective to the current, explicitly non-activist objective and changed the institute's mission to: 'UTS:ACRI seeks to inform Australia's engagement with China through research, analysis and dialogue grounded in scholarly rigour', with a specific awareness that the task is to inform on, not to 'improve' or 'strengthen', relations with China.

By accepting Huang's initial premise of the institute as serving the purpose of 'improving' relations between Australia and China, ACRI risked becoming (and was often seen as) an institute that existed to promote CCP interests. It has taken considerable effort to undo that perception. It might have been possible to avoid this problem entirely if UTS had entered the arrangement with clarity about the problems in the premise provided by Huang.

Hong Kong debates at UTS

PRC interference in the daily life and discussions of university students wasn't a risk that NSW universities considered a serious concern until recently. However, there have been several incidents that have achieved notoriety.

One prominent example of problematic PRC involvement in Australian universities came in August 2019, amid protests in and about Hong Kong. UTS students from Hong Kong and supporters of the protests imitated one of the famous protest styles by creating a 'Lennon Wall' at UTS: a wall covered in individual messages of political support for the civil liberties of Hong Kong. It was quickly found that the walls were being vandalised by supporters of the CCP-aligned Hong Kong Government and opponents of Hong Kong's civil liberties. UTS had become the latest example of normally very tightly controlled Chinese domestic politics playing out on Australian university campuses. China's prodigious efforts at 'discourse control' were being sidestepped in Australia. Not all Chinese students agreed with the messages that Hong Kong activists promoted, but the acts of aggression and threatening behaviour by individuals opposing the messages of support for Hong Kong activists were clearly intolerable for an Australian university.

To manage the conflict among students, UTS established a 'poster wall' with formal rules for posting displayed next to it. The wall was monitored by CCTV cameras and guarded by campus security during the day. Despite those efforts, Chinese-language death threats to Hong Kong students that the security officers couldn't read were still posted on the wall. Only following coverage by the *ABC* were those threats removed.⁶⁹

The incidents involving the UTS Lennon Wall are examples of a significant number of recent reports of harassment, intimidation, threats, retribution and a culture of censorship. An important recent report by Human Rights Watch focuses on China's efforts to monitor and control Chinese students at Australian universities:

Many Chinese pro-democracy students in Australia say they alter their behavior and self-censor to avoid threats and harassment from fellow classmates and being 'reported on' by them to authorities back home. Students and academics from or working on China told Human Rights Watch that this atmosphere of fear has worsened in recent years, with free speech and academic freedom increasingly under threat.⁷⁰

UTS, like all Australian universities, believes that its students should have the opportunity to debate ideas openly. For a foreign government to impose political control over discussions on campus, and for matters to reach the extent of issuing death threats, aren't what any university wants.

UTS has now begun implementing a strategy to diversify its international student body. The strategy includes marketing and school engagement, including study tours for students and workshops for teachers from Southeast Asia, South Asia and North Asia. In 2019, UTS signed agreements with universities in South America to attract postgraduate students and made its first efforts to recruit students from Africa.⁷¹

Hong Kong debates at UNSW

Another example of an Australian university experiencing efforts by the PRC state to control debate on campus came in 2020 when an article by Rachael Gray quoted Australian Human Rights Watch director and University of NSW adjunct lecturer Elaine Pearson as calling on the UN to establish a special envoy to monitor human rights in Hong Kong.⁷² The article was published by the university's newsroom website.

Dr Pearson was subjected to a campaign of harassment and intimidation in response, as China's domestic politics and political control were aggressively asserted on NSW university campuses. The UNSW Twitter account promoted the article. However, it was removed from the UNSW website the next day in response to a campaign from Chinese students, who had enlisted the support of China's Sydney consulate⁷³

Following a public outcry about the control of political speech at an Australian university, and the willingness of UNSW to comply with Chinese state censorship, the article was republished later the same day. UNSW Vice-Chancellor Professor Ian Jacobs apologised for the incident and wrote to university staff reinforcing the university's commitment to academic freedom.⁷⁴ However, the incident was further exacerbated when UNSW's Pro-Vice-Chancellor (International) and UNSW Global CEO, Laurie Pearcey, sent a Chinese-language statement. Pearcey wrote (in Chinese):

The article presented the views of an Adjunct Lecturer ... The opinions expressed by UNSW staff ... should not be taken to represent the views of the University. The posting on UNSW's Twitter account was misconstrued as representing the University. As the University does not take official political positions, the posts were considered misleading and were removed.⁷⁵

The message did not reinforce the university's commitment to its values.

The result was that the university appeared to be sending inconsistent messages. Rather than clearly supporting its faculty and the university's core values, a 'customer service' imperative couldn't be abandoned. The tendency to treat students as customers led the university to jettison its integrity at the earliest hint of customer dissatisfaction. But such an approach is inconsistent with the reality of universities. The problems that emerged could have been avoided if the university had been clear from the beginning that students are students and must earn their place in the university, not customers whom the university must placate. Similarly, viewing the PRC Government as a VIP customer led the university to act without integrity and weakened the relationships it was trying to build.

Again, by failing to consider the implications of a large portion of students at its campus being subject to pressure from a political party that demands control, the university exposed itself to reputational risk and exposed its students and faculty to other harms.

Like all Australian universities, UNSW celebrates its extensive international research collaboration. In a recent annual report, it announced 1,519 projects that received international funding from 67 different countries. Projects resulted in 6,120 joint publications

with collaborators from 159 countries.⁷⁶ International collaboration is essential to good research and the mission of Australian universities.

In 2019, UNSW commemorated the 70th anniversary of the founding of the PRC by signing an MoU with the China Scholarship Council to facilitate Chinese students doing PhDs at UNSW.⁷⁷ It also highlighted a joint venture with Qingdao International Academician Park. This was the first joint venture for the park and UNSW's second R&D institute in China. It's intended to 'promote international research partnerships and accelerate commercial applications in medical devices, renewable energy and advanced manufacturing'.⁷⁸

However, the crown of research engagement with China may be the UNSW Torch Innovation Precinct (新南威尔士大学火炬创新园区, *xinnanweiershi daxue huoju chuangxin yuanqu*). The precinct is a collaborative technological and science commercialisation precinct.

A special signing ceremony with UNSW and China's Ministry of Science and Technology at the Great Hall of the People in Beijing on 14 April 2016 allowed Prime Minister Malcolm Turnbull and Premier Li Keqiang to 'endorse' the vision.⁷⁹ A short promotional video related to the launch can be viewed at the precinct's UNSW website (torch.unsw.edu.au), where the precinct also links to UNSW Sydney's official WeChat page. According to UNSW Vice-Chancellor Professor Ian Jacobs, the UNSW Torch Innovation Precinct is backed by 'leading Chinese companies and the Ministry of Science and Technology's flagship "Torch" high technology industry development program'.⁸⁰

The Torch Program at UNSW claims that:

since its inception by the Ministry of Science and Technology in 1988, the 'China Torch Program' has created over 150 high tech zones across China and more importantly become the engine room of innovation, urbanisation and economic growth.⁸¹

Torch claims responsibility for 11% of China's GDP and has 51,764 tenant companies. Those claims aren't achievements of the UNSW precinct, but clearly place the entire project within a broader PRC Government program.

The UNSW Torch Innovation Precinct includes the Centre for Transformational Environmental Technologies, a key feature of which is an agreement between UNSW and the Jiangsu Industrial Technology Research Institute. The agreement includes \$8 million in funding for 10 projects focused on driving 'innovation in advanced materials, biotechnology, energy, and environmental engineering'.⁸²

There's remarkably little transparency about the program. Unlike UTS:ACRI, the Torch Innovation Precinct doesn't seem to publish its own annual reports or provide any other form of public transparency about matters such as who is involved, what its priorities are, how they're determined, what projects are funded, what technologies are prioritised, how commercialisation partners are chosen, who owns the results of its research or other matters relevant to the accountability of a publicly funded institution.

Even the value of agreements signed under the Torch Program appear to be inconsistent, according to UNSW annual reports. According to the reports:

- 2016: UNSW declared that it ‘officially launched the \$100 million Torch Innovation Precinct’, although the \$100 million first-of-its-kind research collaboration rated only two paragraphs of text in the annual report.⁸³
- 2017: UNSW reported that ‘the wider Torch pipeline grew to more than \$100 million of new collaborations with international industry partners spanning advanced materials, energy, water, health and advanced manufacturing and attracting close to 100 researchers.’⁸⁴
- 2018: UNSW reported that, over the two-year life of the program, ‘UNSW has signed more than \$60M in contracts with 42 Chinese partners. In September, UNSW’s Torch Innovation Precinct was named the best private/public partnership at the PIONEER Awards for International Education. In October, the Precinct opened its seventh joint industry lab with Kohodo Energy in Shenzhen, China with a sister lab under construction in Kensington’.⁸⁵
- 2019: UNSW declared that ‘to date, Torch@UNSW has led to \$77 million in research contracts involving 66 businesses from China, Australia and other countries’.⁸⁶
- 2020: UNSW’s annual report noted that the university had signed Torch contracts worth \$5 million over the relevant year and ‘more than \$10m cash received for research and development projects. Over \$200 million worth of Torch contracts since the program’s inception in 2016, well exceeding the \$50m target set for the end of 2020.’⁸⁷

The Torch Program isn’t restricted to Australia. China’s embassy in Ireland explains that ‘the Torch Programme is a guidance programme for developing new/high tech industries in China. It was approved by the State Council and is implemented by the Ministry of Science and Technology’.⁸⁸

There doesn’t seem to have been any discussion about using the Torch Program as a model to imitate rather than a network into which to deploy Australian research. There don’t seem to be public records of discussions about whether China’s national interests and governance of the Torch Program align with Australia’s national interests.

Despite its heralded significance, the precinct seems to have rarely been mentioned in Australian media and isn’t named in the report of the NSW parliamentary inquiry into the future development of the NSW tertiary education sector (which had an overt interest in international research collaborations, especially with China).

The Australian Broadcasting Corporation

The ABC is a national taxpayer-funded institution headquartered in Sydney. In 2014, driven by a need for revenue and lacking federal guidelines for managing relations with China, the ABC acted in ways that compromised its editorial values.

In 2014, the Australian Government cut the ABC’s base funding and cancelled a \$220 million contract for the ABC to run an Asia–Pacific television service on behalf of DFAT.⁸⁹ ABC International, which delivered the Asia–Pacific program, was severely affected. As if to

compensate, the *ABC* negotiated 'landing rights' in China on a model that sold advertisements on the *ABC* (not permitted in Australia) and abolished the Chinese-language news and current affairs programs that had long been a source of embarrassment to the CCP.

On the 25th anniversary of the 4 June 1989 Tiananmen massacre, the *ABC* announced a new deal with China's state-owned Shanghai Media to launch a new platform in China. As John Fitzgerald noted at the time, ahead of the deal the *ABC* eliminated news and current-affairs content from its Chinese-language programming in Australia and overseas that could otherwise have been accessed through that site. One result was that *ABC* Chinese programs ignored mention of the 25th anniversary of the massacre on the day in 2014 when the deal was signed.⁹⁰

Another outcome was that the *ABC* censored Chinese translations of its own commentaries on the *ABC China* site during Prime Minister Malcolm Turnbull's visit to China in April 2016 where those commentaries touched on human rights and the South China Sea dispute. On the maritime dispute, the *ABC*'s English-language commentary reported that 'Mr Turnbull confirmed he had "very frank discussions" with Premier Li on the issue and urged a peaceful resolution of territorial disputes with the five other nations that make overlapping claims', but the *ABC*'s Chinese site omitted mention of the five nations and their claims to sovereignty. Further, where the *ABC*'s English-language report noted Mr Turnbull raising human rights issues, that paragraph was deleted from the *ABC*'s Chinese translation of the national broadcaster's own article.⁹¹

The CEO of ABC International boasted that the agreement would 'enable us to put the full range of Australia Network programming and content from other Australian media into China and for China to connect more closely with our media'.⁹² For Chinese-language readers, it had the opposite effect. They were redirected from the *ABC*'s Chinese-language news services to a PRC domain in which content was restricted to anodyne stories and advertisements about tourism, culture, education and business opportunities, along with censored accounts of the Australian Prime Minister's China tour. In this case, *ABC* journalists who were concerned by the organisation's willingness to compromise core editorial values reported the story, effectively blowing the whistle on *ABC* management.⁹³ The Chinese-language news and current-affairs services resumed within a year of reports exposing the deal.

The better solution would have been to ensure that the public broadcaster was adequately financed to maintain its international obligations without having to confront a potential conflict of interest. In the absence of clear foreign policy and security guidelines, a public-service philosophy that encourages publicly funded agencies to seek additional revenue from alternative sources risks compromising institutional integrity and national interests.

Conclusion and recommendations

For many years, the NSW Government sponsored and encouraged business, investment, educational, tourism and other links with China in the belief that the state could reap the upside benefits of an expanding Chinese economy without exposure to downside risks. Other states and territories did the same. It was in NSW that the potential hazards of open-ended

engagement with China were first exposed through media revelations of unorthodox political party fundraising activities, private benefits conferred on party figures, intimidation of students and staff at universities and editorial compromises in ABC International, and through the state government's own investigation into its Confucius classrooms programs. Those revelations alerted Australians in all states and territories to the downside risks to parliamentary sovereignty, institutional integrity and community cohesion of engaging uncritically with China.

Many of those risks could have been mitigated or averted if NSW had entered into relations with counterparts in China on a more realistic understanding of that country's approach to subnational relations. Instead, the optimistic assumption that China's political system would have no bearing on the way politics, business, tourism and education relations could be managed set the relationship up for failure. Worse, at the state level, each of those domains was viewed primarily from a business perspective while ignoring or minimising other aspects of relations.

The outcome is that a relationship that was celebrated just five years ago is now approached warily and with suspicion. It's increasingly common for investments from the PRC to be rejected by the federal government on a range of security grounds. Had expectations been clearer at the outset, it's difficult to imagine that the State Grid privatisation would ever have reached the point it did.

One lesson from NSW relations with China is that states need to approach relations with the PRC conscious of the problems and challenges likely to arise in dealing with a very large country with a massive economy that's controlled by a single party—the CCP. The PRC political system isn't one that allows pluralism or significant autonomy among independent actors. That premise governs PRC engagement with major institutions involved in public discourse, such as media and universities. In all dealings with major PRC organisations, a state government needs to appreciate that it's dealing with agents of a central government that will act to control ideas, discussion and the terms of engagement.

A second lesson relates to the integrity of democratic institutions. Opaque political processes are easy to exploit. Political donations and party finances in NSW and Australian politics are anything but transparent and are in urgent need of attention. Independent local journalism has proven to be critical in bringing to light many of the issues that emerged over recent years in relations with China. Corrupt political practices, coercion of university students and faculty and poorly considered plans by local and state governments would have gone unreported and largely unrectified without the transparency and political pressure provided by independent media.

Third, the NSW case shows that well-designed formal anticorruption institutions have an essential role to play in following up on media allegations. Formal accountability processes can protect politicians and political parties as well as defend the integrity and interests of open democratic societies.

Fourth, there's a need for greater awareness among subnational partners of how China operates as a state, and hence how best to engage with counterparts in China. The PRC didn't force its

way into NSW or other states. Chinese counterparts were invited to partner with institutions in NSW and they behaved as they're structured to behave. The CCP is involved in everything in China, and its united front operations are integral to its international engagements. At the same time, China's central government is involved at all levels of government, business and society and is active in guiding local government engagements with foreign counterparts. Problems emerge through failure to acknowledge those particularities of the PRC political system.

In NSW, city governments are rarely experienced in international relations or foreign systems of government; nor are they well equipped to recognise or manage sustained efforts at foreign political influence. To ensure their institutional integrity as representatives of local communities, councils and local government agencies need support in managing their international engagements. Importantly, this should be done in a way that builds trust and facilitates legitimate political participation, not in a way that erodes trust or isolates Chinese-Australians from the democratic process.

It isn't too late to adjust. All levels of government, business and society have the opportunity to invest in developing each other's capabilities and to demand the highest standards of integrity. Independence, transparency, accountability and clarity of purpose are some of the best defences against campaigns of control, corruption, manipulation and diversion. If Australia and NSW had invested more in institutions and processes that provide for political integrity, the problems discussed here are unlikely to have arisen, and relations with China are less likely to have been marred by grievances on either side.

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2. *Victoria*

John Fitzgerald

Introduction

Victoria enjoyed extensive and mutually beneficial ties with China for many years before national bilateral relations soured over the term in office of CCP General Secretary Xi Jinping. How and why those relations soured is largely a matter of national government-to-government relations, but the indifference of the Victorian state government to signals coming out of Canberra and Beijing complicated matters. In October 2018, for example, Victorian Premier Daniel Andrews signed on to China's Belt and Road Initiative (BRI) in a memorandum of understanding and 12 months later signed a framework agreement on 'Jointly Promoting the Silk Road Economic Belt and the 21st Century Maritime Silk Road'. The flow-on effects of the state's decision to enter into these formal agreements with the national government of China, on terms the Australian Government wouldn't concede, highlighted the vulnerability of Australia's federal system of government to subnational governments acting locally and within their powers without due consideration of the geopolitical implications of their actions.

In many different respects, the Victorian case illustrates the risks that subnational governments and local stakeholders present for national security, institutional integrity and social cohesion when they promote international trade and investment and people-to-people ties without regard to wider national interests. With respect to Australia's system of government, the case highlights some of the political and constitutional challenges that a federal system confronts when trying to manage relations with the PRC in the 'New Era' of Xi Jinping.

Context

Before the 2010s, Victoria's relations with China were little different from those of other Australian states and territories. With the establishment of formal relations in 1972, governments at all levels in Australia were instrumental in building business and community relations with China. That involved negotiating government-to-government agreements, facilitating business deals, convening bilateral meetings and stimulating cultural, educational and people-to-people ties. After China began to open its economy and society in 1978, state and territory governments worked closely with local business associations, universities, community organisations and the professions to explore opportunities that China's 'reform and opening' could offer for trade, investment and closer educational and community relations, confident of bipartisan support at the federal level. State and federal approaches ran roughly in parallel.¹

Some of those early explorations bore fruit in later years, some brought sobering lessons, and others left a sweet-and-sour taste. Possibly the most fruitful Victorian Government initiative was its twinning agreement with Jiangsu Province in the late 1970s, which seeded business,

education and cultural linkages between Victoria and Jiangsu over the decades that followed. A number are discussed in this chapter.

Among early failures, the standout case was Fosters Brewing Group's joint-venture agreements with firms under China's national Ministry of Light Industry—the flagship Australian investment in China of that era. The catalyst was political. Early in the 1990s, Prime Minister Bob Hawke's office approached Fosters to host China's Minister for Light Industry in Melbourne during a state visit. During that visit, the company saw promising commercial prospects but was given to understand that any investment would need to involve a joint-venture partnership with state-owned enterprises under central ministry management. Fosters then invested heavily in several of the central government's run-down facilities. Intentions were mismatched from the outset. Fosters wanted to make money brewing beer, but the ministry wanted a cashed-up foreign partner to meet its industry pension and welfare obligations. Fosters left China in 2006 after 13 years, writing off \$250 million in the process.²

A more ambivalent initiative of that early period, which left a bitter after-taste, was Melbourne commercial media's role in incubating *The China Daily*, which later emerged as China's foremost international propaganda organ. *China Daily* was developed and launched in 1981 with technical assistance from Melbourne's *Age* newspaper group and with the help of financial support from the federal government's Australia–China Council.³ That early investment in party-state propaganda paid a bizarre dividend in 2017, when *China Daily* funded the Fairfax Group to insert its *China Watch* offshoot in *The Age*, the *Sydney Morning Herald*, and the *Australian Financial Review* to burnish China's image in the Australian media.⁴ For business and government, lessons are still being learned on all sides.

The respective roles of the federal and Victorian governments in Australia's relations with China were thrown off balance following the election of Daniel Andrews at the head of a state Labor government in 2014. Up to that time, Victoria had enjoyed strong subnational links with China at the state-to-province and city-to-city levels. Andrews was impatient, however, signalling early in his term that he proposed to boost the state's relations with China out of their subnational orbit into more direct contact with the central government in Beijing. The following year, he launched a state China Strategy and entered into a formal cultural agreement with the National Ministry of Culture, reported in 2015 to be the 'only time an Australian state has signed an agreement with the national government of the People's Republic of China'.⁵ With that first national agreement, Andrews signalled that he intended to go beyond diversifying local ties with regions outside of Jiangsu, as other premiers had done before him, to dealing directly with the central government in Beijing. Culture was just the starting point. In time, he would deal directly with Beijing on matters of greater strategic interest to China.

Andrews's decision to go national with China was awkwardly timed. In the year he took office, China's new President, Xi Jinping, rolled out a strategic initiative in economic diplomacy that came to be known as the Belt and Road Initiative. Moving out of provincial and into central government orbit, Andrews broke with the federal government and with other states and territories by entering into an agreement on the BRI with China's national government.

In 2021, Andrews triggered a further precedent when the federal government overruled that agreement in what was reputedly the first intervention of its kind since federation in 1901, effectively vetoing an agreement between a state government and a foreign national government, using a new piece of legislation passed to clarify federal powers to end such state and territory level agreements judged to be inconsistent with Australian foreign policy interests.

That decision precipitated a third precedent, this time in Beijing, where Victoria's co-signatory to the agreement, the National Development and Reform Commission, announced China's first formal freeze of a diplomatic mechanism involving Australia since relations were established in 1972. The timing of that decision indicated that Chinese Government authorities suspended the national-level bilateral strategic economic dialogue with Australia partly in response to the Australian Government action in overruling the Victorian agreement—regarded by Beijing as an instance of 'normal exchanges and cooperation'.⁶ In fact, there was little that was normal about the Victorian Government's exchanges and cooperative agreements with the national government of China. They were exceptional in Australia and, with respect to the BRI, without precedent internationally.

China wasn't behaving normally, either, at least not according to the norms established over three decades of reform and opening. In the years following the global financial crisis of 2007–2008, China's government progressively abandoned Deng Xiaoping's 'low profile' posture [*taoguang yanghui*] in favour of more assertive positioning abroad, captured in Xi Jinping's expression 'to take centre stage in the world'.⁷ In wake of the financial crisis, Beijing openly pursued power-projection capabilities to intervene in the region, it deployed the BRI and economic statecraft to create and wield leverage over others, and it began to build international institutions that would set new rules for the region and position itself in the UN to rewrite the postwar rules for the world.⁸

Around the time Xi came to power (he was appointed as President in March 2013) some business leaders and university executives in Victoria who were closely attuned to the pitch of China's national politics and international relations could sense that Beijing's freewheeling approach to engagement with liberal-democratic countries was over. They don't appear to have been consulted by the Victorian Government. Under Xi, the PRC Government was limiting the freedom of manoeuvre of local governments, domestic business leaders and university presidents; it was boosting interference activities overseas through 'united front' operations; and it was employing economic statecraft more aggressively to wield leverage over other countries for political advantage.⁹ None of those approaches was new in itself. Still, the Victorian Government and those whom it approached for advice appear to have been deaf to signals echoing from Beijing in their dealings with the national government of China and in particular in entering into a strategic national-level partnership with China in Xi Jinping's 'New Era'.

Government-to-government relations

Conservative governments were in office in Canberra and Melbourne when China opened to the world in the late 1970s. Bilateral relations were first established on the initiative of Labor Prime Minister Gough Whitlam in 1972, but a high-profile visit to China by Liberal Prime Minister

Malcolm Fraser in 1976 put a bipartisan stamp on the relationship.¹⁰ When China opened up in the late 1970s, Premier Rupert Hamer (Liberal/National 1972–1981) led a conservative coalition government in Victoria. Neither Fraser nor Hamer saw great prospects for bilateral trade with China at that time, but both supported closer cultural, educational, tourism and general people-to-people ties.

Premier Hamer launched Australia's earliest state-to-province relationship by twinning with Jiangsu Province in 1979 and seeding many of Victoria's most successful China engagements in the decades that followed. Jiangsu was well chosen. Stretching north and inland from Shanghai, it's one of China's most prosperous provinces with a strong record in commerce, science, technology and education. In 1987, under Premier John Cain Jr (Labor, 1982–1990), the state and provincial governments established the Victoria–Jiangsu Joint Economic Committee (VJJE) to serve as a biennial forum for canvassing general cooperation, identifying specific projects and exploring new areas of cooperation.¹¹ During the state administrations of Joan Kirner (Labor, 1990–1992) and Jeff Kennett (Liberal/National, 1992–1999), six MoUs were signed through the VJJE facility, covering collaboration in tourism, innovation, higher education and health as well as cultural exchange agreements.¹² Under Premier Steve Bracks (Labor, 1999–2007), the state opened a representative office in Nanjing, the capital of Jiangsu Province, in 2003. In 2006, the Jiangsu provincial government reciprocated by opening a Jiangsu Victorian Economic and Trade Office in Melbourne, ensuring regular contact between the two subnational governments in coming years.¹³

Those long-term twinning relations laid the foundations for private Victorian educational investments in Jiangsu, including Caulfield Grammar opening a high-school campus in Nanjing in 1998 and Monash University establishing its Suzhou Graduate School in 2012. Both were national firsts: Caulfield Grammar was the first Australian high school to operate a campus in China and Monash was the first foreign university granted a licence to operate a graduate school, in this case in collaboration with Southeast University in Suzhou.¹⁴

In 2014, Premier Denis Napthine (Liberal/National 2013–2014) extended state–province relations with Jiangsu to the subprovincial level by creating the Victoria–Jiangsu Regional City Alliance, aimed at enhancing ties between regional cities in Victoria and Jiangsu. Victoria has around 20 city-to-city ties with partner cities in China, of which around one-quarter are cities in Jiangsu Province. Some appear to have been based on personal relationships. Napthine's state-level initiative lent greater focus to Victoria–Jiangsu city-to-city ties and lifted them from bilateral to multilateral linkages among regional cities. Those measures were facilitated by state-wide and province-wide mayoral dialogues convened for regional city mayors from Victoria and Jiangsu in 2016 and 2019. Napthine also launched the Victoria–Jiangsu Business Placement Program, later renamed the China Business Program, to offer Victorian businesses a 'tailored immersion experience' of China. The program 'takes participants to China's Jiangsu province to build skills, gain first-hand China experience and benefit from our guanxi (relationships) developed over decades that money can't buy.'¹⁵

Some years after his death in 2004, Premier Hamer's role in seeding close relations with China through bilateral relations with Jiangsu Province was acknowledged through the creation of the Hamer Scholarships Program to support Victorian professionals wishing to study in Jiangsu.

Issues of national security don't appear to have been considered in framing these early initiatives, presumably on the grounds offered by Premier Ted Baillieu (Liberal/National, 2010–13) that it wasn't the government of Victoria but the Australian Government that 'kept an eye on Australia's strategic interests'.¹⁶

Beyond Jiangsu

Starting with Labor Premier Steve Bracks (1999–2007) and Treasurer John Brumby, Victorian governments laid the foundations for extending the state's horizons to China nationally. Bracks won office in 1999 and in April 2004 issued a state action plan, 'Victoria: Leading the way', highlighting Victoria as a destination for international investment and education and anticipating greater investment in infrastructure to boost Victoria's position in international trade. China rated mention in the plan as a growing economy and competitive player 'in areas such as textiles where Victoria traditionally has been a leading player'.¹⁷ John Brumby, the Treasurer and Minister for State Development in the Bracks administration, was later credited with developing the 2004 Victorian action plan. Before entering state politics, Brumby had spent seven years in national politics as a backbencher (Labor, Bendigo, 1983–1990) under the Hawke Labor Government. He brought a national vision to Victoria when he was elected to the state assembly in 1993, later claiming Victoria to be 'the first state in Australia to have a trade and investment strategy for China'.¹⁸

In October 2004, Premier Bracks followed up on the state action plan with a visit to China, where he hoped to win greater access to the China market and attract Chinese investment into Victoria for the construction, automotive, design, tourism and biotechnology industries. The outcome was disappointing. He came away with signatures on two minor agreements: one reaffirming existing relations with sister-province Jiangsu, the other to train Chinese car industry workers in Melbourne.¹⁹

Treasurer Brumby wasn't deterred. He had visited China six years earlier, during his first year in the treasury and development portfolios and, as he told *China Daily*, he 'could not believe the development that was taking place'.²⁰ During that initial visit, he opened Victorian Government business offices in Nanjing and Shanghai—the first Victorian state offices to be set up in China outside Hong Kong. In July 2007, John Brumby replaced Steve Bracks as Premier and visited China again six months into office. *China Daily* reported that he 'took every opportunity to tell everyone who would listen that China would eventually become one of Victoria's biggest trading partners'. Following defeat in the November 2010 state election, Brumby left politics and pursued a further career promoting commercial ties with China. He served as an independent director of Huawei Australia (2011–2019) and as President of the Australia–China Business Council (ACBC; 2014–2019).

During his term with the ACBC, Brumby led the organisation in advocating for the Australian Government to sign on to the BRI. 'Australia needs a strategy to become part of the BRI if it wants to grow its economy,' he told an ACBC event in Canberra in June 2019. 'As China does more to shape the future, the fundamental question is whether we want a seat at the table.' He supported Victorian Premier Daniel Andrews's decision to sign his state on to the BRI, saying that it would bring more jobs, trade and investment to the state.²¹

Premier Ted Baillieu (Liberal/National, 2010–13) replaced John Brumby at the head of a Liberal-National coalition government following state elections in November 2010. Cautious but optimistic about relations with China, Baillieu headed a state government that was mindful of the federal Labor government's role in monitoring security issues relating to trade and investment. On his first visit to China as Premier, in September 2011, he was reported as saying that he had no concerns about the rapid expansion of Chinese investment in Victoria 'given the Foreign Investment Review Board kept an eye on Australia's strategic interests'. During his week-long visit, he found that 'there are so many opportunities ... We can do business here.'²²

In May of the following year, Baillieu announced a China Tourism Strategy and before the end of the year laid out a China Engagement Strategy that looked well beyond Jiangsu. In September 2012, he returned to China at the head of a delegation of 650 people representing more than 400 Victorian firms and organisations—reported at the time to be Australia's largest-ever trade mission.²³ In Shanghai, he launched an \$8 million advertising campaign aimed at luring Chinese tourists to Victoria. Designed in China, for a Chinese audience, the campaign captured attention on TV, print and social media. This was Victoria's first nationally targeted dedicated brand campaign, Baillieu said, 'specifically developed for China'.²⁴ In Beijing, he held a private, closed-door meeting with 20 heads of the largest Chinese state-owned enterprises and infrastructure companies, with total funds of half a trillion dollars at their disposal, to test their appetite for investment in Victoria. Baillieu told *The Age* that he wouldn't blink if China were to fund, build and operate major Victorian projects such as the east-west tunnel and a metro rail link.²⁵ His initiatives established China as Victoria's largest export market and were reported to have resulted in an additional \$1.5 billion in exports, \$280 million in foreign investment and 1,500 jobs.²⁶

National Party leader Denis Napthine replaced Baillieu as Premier in March 2013. In October that year, Napthine led a further trade mission to China, this time focusing on food and agribusiness and representing 300 businesses from metropolitan and regional Victoria. A preliminary report estimated that the visit increased exports by \$385 million and created 200 jobs over the following two years. Tourism promotion paid off during Napthine's term when Sichuan Airlines began direct flights from Sichuan's provincial capital, Chengdu, to Melbourne in 2013. A further Victorian Government Trade and Investment office opened in Chengdu in the same year.²⁷

Labor leader Daniel Andrews inherited a substantial and expanding relationship with China when he took office as Premier after defeating Napthine in the November 2014 state election. In some ways, he built on those earlier initiatives. In others, he went out on his own in the conviction that the China strategy he inherited was not, as he put it, 'fit for purpose'.

The outgoing coalition government had crafted a China strategy for Victoria three years earlier, he told the Melbourne Press Club in June 2015, but ‘it may as well be thirty years old because it’s out of date and it’s holding us back.’ He had more ambitious plans. With the assistance of external consultants, the Andrews government drafted a China strategy that sought to tap the wealth and potential of China’s western provinces, especially Sichuan. The old plan was redundant, Andrews said, because it was written ‘before we started working closely with the booming provinces in western China’.²⁸ In time, he embraced Xi Jinping’s BRI through direct relations with the national government in Beijing.

The western province of Sichuan was a focus of state government attention before Andrews took office. The outgoing Napthine government, we’ve noted, opened an office in Sichuan’s provincial capital, Chengdu, in 2013, and Sichuan Airlines began regular flights to Melbourne from Chengdu in the same year. Sichuan was an increasing focus of national government attention within China as well. In 2013 and 2014, President Xi Jinping began drafting his Belt and Road Initiative to consolidate economic and political relations with neighbouring states and international partners around his vision of ‘common destiny for humankind’ under the leadership of the Chinese Communist Party. The domestic centrepiece of the plan was China’s western region, where Sichuan served as a major BRI hub.

Bearing the imprimatur of CCP General-Secretary Xi Jinping, the BRI was mandatory and all-embracing at the provincial level: future international partnerships involving provinces in China’s western regions would fall under the BRI, and all aspects of those relations would be encompassed by the BRI. As China-based lawyer Xiaoyan Jin told Corrs Chambers Westgarth senior associate Celeste Koravos, ‘this [BRI] initiative is huge. Nowadays in China if you do not know this concept I guess you are totally out.’²⁹ When the Andrews government proposed to extend relations with the western regions on the model of the state’s earlier relations with Jiangsu Province by twinning with Sichuan Province, it confronted geopolitical issues of a kind Victorian governments hadn’t faced before, and which it was ill-prepared to manage.

The initiative came from Sichuan, which selected Victoria as its preferred Australian partner.³⁰ According to Xie Kaihua, head of the Sichuan Department of Commerce, following Xi Jinping’s BRI directives the provincial government selected 20 countries, 50 projects and 100 enterprises for provincial engagement along the Silk Road Economic Belt and the 21st century Maritime Silk Road, which together make up the BRI.³¹ At the state–province signing ceremony in Chengdu, on 24 September 2016, provincial Party Secretary Wang Dongming listed Sichuan’s key position in the BRI as one of several opportunities the province could offer Victoria.³² The government of Sichuan Province courted and engaged Victoria in a twinning relationship that sat at the heart of the evolving BRI.

On the Victorian side, there was no shortage of champions for BRI engagement. The ministerial personnel, external consultants and business leaders consulted in drafting Andrews’s 2015 China Strategy were keen supporters of the BRI. John Denton, the Corrs Chambers Westgarth partner who helped to draft Andrews’s China strategy, was a BRI advocate who saw no strategic or geopolitical side to Xi Jinping’s initiative. The BRI ‘is not a foreign policy of the Chinese government’, he told *Australian* journalist Glenda Korpelaar, ‘it is an economic development

play.’ Denton maintained that Australia had been far too slow in coming aboard the BRI and sharing in its potential.³³

A Multicultural Adviser in the Premier’s office, Marty Mei, played an important role, while the Australian Sichuan Business Association championed the proposed sister-state relationship in the background of the state’s BRI engagement. In 2016, association chairman Deng Chongli travelled separately to Chengdu one week ahead of Andrews to attend the formal twinning ceremony.³⁴

Andrews didn’t wish to jeopardise Jiangsu provincial relations by moving prematurely on the Sichuan agreement. *The Age* reported in September 2015 that when Sichuan Province pressed for a sister-state relationship with Victoria, Andrews initially held off. Referring to the longstanding relationship with Jiangsu, he said that ‘in my judgment it was not appropriate on the very first visit to be signing up new friends; it was best perhaps to pay our respects to old friends first.’³⁵ On his first visit to Sichuan that month, he nevertheless signed a letter of intent to establish sister-state relations and told local officials ‘I will be back in 2016.’³⁶ Once both sides formally endorsed the Victoria–Sichuan twinning relationship, in September 2016, the pace of cooperation accelerated.

At the time of signing, the Premier’s office announced seven collaborative programs with Sichuan involving the state government’s Department of Health and Human Services, the State Library of Victoria, the University of Melbourne, La Trobe University, Holmesglen Institute of TAFE, and the Royal Children’s and Women’s Hospitals and their counterparts in Sichuan, along with a ‘comprehensive partnership involving six chambers of commerce to drive economic exchange and trade’. This was a ‘modern and ambitious’ relationship in the making, Premier Andrews said.³⁷ At a later stage, the state’s Hamer Scholarships Program was extended to applications for language and culture study at Sichuan University in Chengdu. In June 2017, a group of directors and CEOs of 15 Sichuan companies visited Victoria to explore opportunities for trade and investment. The two sides launched the Victoria–Sichuan Liveable Cities Program, and the cities of Melbourne and Chengdu entered into a joint program on water management, urban design, architecture and planning, and environmental protection and regulation.³⁸

Initially, the Sichuan twinning relationship didn’t come at the expense of relations with Jiangsu. In 2016, Victoria University hosted the Victoria–Jiangsu Lawyers Executive Training Program covering various aspects of Australian law, including principles of contract law and corporation law. The program included practical training, meetings with state MPs and with court personnel, law firms and the state Attorney-General. The most important new developments involved intensified R&D collaboration with Jiangsu. In 2015, Premier Andrews signed the Victoria–Jiangsu Program for Technology and Innovation Research and Development, under which the state and province each contributed \$2 million to a common Cooperation Fund for realising the commercial potential of R&D in designated areas of research. Clean technology and environmental protection were priority areas in the initial phase of the program.³⁹ The initiative complemented ongoing cooperation under a number of Monash University agreements, including the Monash–Kunshan Industrial Innovation Centre and Monash Engineering and Technology Company Ltd and the Monash–Suzhou Joint Research Institute.

Also in Andrews's term, the Jiangsu–Victoria Innovation Centre opened in Melbourne in August 2017, jointly sponsored by the Jiangsu provincial Suzhou High-Tech Venture Capital Group, the City of Melbourne, RMIT, the University of Melbourne, and the Australia–China Association of Scientists and Entrepreneurs. The Suzhou High-Tech Group pledged to provide up to \$80 million to the new centre to help Victorian start-ups expand into the Asian and China markets.⁴⁰ At the time the agreement was renewed in 2019, it covered biotechnology; novel medicine and medical devices; new-generation information and communication technology; food and fibre industries; clean technology and environmental protection; and advanced manufacturing and aerospace industries.

In 2019, however, the announcement of collaboration in advanced manufacturing and aerospace industries hit a raw nerve. Public exposure of covert Chinese interference operations in universities, political parties and community organisations had by that time prompted the federal government to introduce legislation covering foreign interference and intelligence in December 2017.⁴¹ Other security concerns led the government to exclude China's national telecommunications champion, Huawei, from participating in the national 5G network. Beijing had begun to apply diplomatic and commercial pressure to revoke those decisions.

In this setting, the federal government welcomed infrastructure investment that could flow from Xi Jinping's signature BRI but declined to sign on as a partner. Canberra's official position, announced in May 2017, was that 'Australia supports initiatives which improve infrastructure development and increase trade and investment opportunities in the Asia–Pacific region.' It entered into agreements consistent with that position.⁴²

Victoria broke with the Australian Government by entering into two formal BRI agreements. A senior national security analyst at ASPI, Michael Shoebridge, observed that the state government action 'is a glaring wedge that Beijing is driving into Australia—at a time when national cohesion on dealing with the Chinese state is essential.'⁴³ It also placed Victoria's more successful relations with China under the spotlight, including those involving longstanding partners in Jiangsu Province and several cities in China.

It was in that light that collaborative research projects announced under the Jiangsu–Victoria Innovation Centre agreement in 2019 became a litmus test of the state's longstanding collaboration with China. Nathan Attrill, a researcher at ASPI, was reported as saying that deals of this kind may have been common five years earlier but needed 'a lot more scrutiny' in the light of the changing geopolitical context. Paul Monk, a former head of China analysis in Australia's Defence Intelligence Organisation, said the collaborative R&D program could allow firms linked to the CCP to obtain access to sensitive Australian intellectual property.⁴⁴ One of the researchers involved in the R&D projects, Professor David Anderson of Melbourne's Burnet Institute, defended collaboration in medical research by saying that no Australian institution would sign up to an agreement surrendering existing intellectual property that had been years in the making.⁴⁵ With the federal and state governments at loggerheads over the BRI, however, even the most innocuous Victorian agreements with longstanding partners in China were coming under close public scrutiny.

On the 40th anniversary of the sister-state relationship in 2019, there was still much to celebrate in Victoria and Jiangsu. Almost 60,000 tourists from Jiangsu visited Victoria that year—a 42% increase on 2014, and expanding at a faster rate than the overall growth of tourism to Victoria over the period. The Monash – Southeast University Graduate School at Suzhou passed 647 graduates and hosted 633 students on its Jiangsu campus that year. By 2019, the Hamer Scholarships Program had sent 138 Victorian students for intensive language, culture and business study at institutes in Jiangsu.⁴⁶ And yet, 40 years on, with Victoria signing on to Xi Jinping’s BRI, the state’s longstanding relations with Jiangsu and with China were all placed in jeopardy.

The Belt and Road Initiative

On top of his enthusiasm for building trading ties with China’s western regions, which fell under the BRI, Daniel Andrews sought national-level investment from China to rebuild Victorian infrastructure. Before the 2014 state election, Andrews pledged to remove 75 level crossings in Melbourne. His government committed \$2.4 billion in the 2015–16 budget to removing the first 20, and the privatisation of the Port of Melbourne gave him \$6 billion to remove another 30 crossings. He further committed in 2016 to build the North East Link at a cost of approximately \$10 billion, and in the 2018 state election proposed building the Suburban Rail Loop—an orbital 90 kilometre rail network that would take more than 25 years and cost over \$50 billion to build. Those proposals called for massive public–private investment.

In March 2017, He Lifeng, the chairman of China’s National Development and Reform Commission (NDRC), visited Sydney. The NDRC was reputed to be China’s ‘mini-state council’, and He, a personal associate of Xi Jinping, was placed in charge of BRI projects.⁴⁷ On that occasion, Andrews signed an MoU with He Lifeng not on the BRI but on ‘cooperation in the development and implementation of public–private partnership in infrastructure fields’. The Victorian Government hailed the agreement:

In a world first, the Victorian Government signed an agreement with China’s National Development and Reform Commission (NDRC) on public private partnerships (PPPs) in March 2017. The occasion marked the first time the NDRC has entered into an agreement with a sub-national government on this subject, recognising Victoria as a valued partner.⁴⁸

The 2017 public–private partnership agreement built on an investment deal in September of the previous year, when China’s sovereign wealth fund, China Investment Corporation, invested in a 50-year lease of the Port of Melbourne.⁴⁹ According to Salvatore Babones, the corporation owned a controlling 50% stake in a private equity fund (Global Infrastructure Partners) that itself owned 40% of the port lease. ‘Judged by both its stated intentions and its proclaimed results, the essence of Victoria’s China strategy seems to be a *quid pro quo* in which Victoria offers China political support in exchange for Chinese state-directed investments in Victoria.’⁵⁰

In signing the 2017 agreement with the NDRC, Andrews may have had in mind an MoU between Western Australia and the NDRC signed in 2011—the first MoU the NDRC entered into with a subnational government in Australia. That agreement covered resources, resource-related technologies, energy, agriculture and food, machinery, chemicals and infrastructure, and long pre-dated the BRI.⁵¹ Since then, however, Xi Jinping had taken command and the BRI was the centrepiece of what he called his New Era.

The NDRC then followed up the public–private partnership infrastructure MoU with Andrews with an invitation to attend the First BRI Forum for International Cooperation in Beijing from 14 to 15 May 2018. Andrews accepted the invitation and joined more than 1,500 delegates from 130 countries, including 29 foreign heads of state and government leaders, as ‘the only subnational leader from Australia’.⁵² In October 2018, Andrews signed an MoU on the BRI and one year later the Framework Agreement on the BRI with China’s NDRC.

Launching the BRI agreement in October 2018, Andrews highlighted the trade and investment opportunities that the agreement would deliver to the state. In the face of criticism, he defended the decision on the ground that ‘it means more trade and more Victorian jobs’.⁵³ To his critics it wasn’t clear how, when trade and investment were already substantial. Former Premier Jeff Kennett noted that the BRI agreement ‘sold Victoria’s soul to China ... for no purpose’.⁵⁴

The Andrews government’s efforts to highlight its contributions to Victoria’s relations with China reveal little about how its China strategy or BRI agreement came about. According to *Age* journalist Anthony Galloway, Andrews didn’t consult with key departmental officials or even secure the agreement of his cabinet for the BRI deal. *The Age* reported that the department that housed Global Victoria, which managed state offices in China, which employed in-house China expertise, and which enjoyed links into DFAT, wasn’t consulted either; nor was the state Trade Minister of the day.⁵⁵

Multicultural officers helped to shape Andrews’s China strategy. Mike Yang and Marty Mei, although initially employed to advise on local community affairs, advised Andrews on relations with China. The two started on the road to the Premier’s office as electoral officers working for Labor MLA Hong Lim, who represented the state electorate of Clayton (renamed Clarinda in 2013) for over two decades to 2018. Clarinda is adjacent to Andrews’s electorate of Mulgrave. Hong Lim acted as an informal adviser to Andrews on community affairs and formally advised on Asian engagement. He accompanied Andrews on his visit to China in 2015 as the Premier’s parliamentary secretary for Asian engagement.⁵⁶

Mike Yang left Hong Lim’s office to work for Daniel Andrews in 2011, while Andrews was the leader of the opposition. Yang also helped to found the Australian Hubei Chamber of Commerce, in which he served as inaugural chairman, and later served as a bridge between the Andrews government and the local ‘Chinese community’. Melbourne’s Hubei community is a case study in itself, with unique links to the government of Victoria. Hubei turned out to be a goldmine for Melbourne’s Crown Casino and, through tax revenues, for the state government.⁵⁷

According to reports in the *Australian Financial Review*, documents tendered in Shanghai’s Baoshan District Court showed that Crown distributed \$35.8 billion in ‘rolling chips’ to

Chinese VIP clients in 2016.⁵⁸ That represented 55% of all high-roller turnover from all sources of \$65.1 billion that year. Of the \$35.8 billion paid out to Chinese VIPs, clients from the cities of Shanghai and Wuhan (in Hubei) between them accounted for \$15 billion, or 42% of overall China high-roller turnover. For Crown's reporting purposes, Shanghai and Wuhan are listed together as a single field of VIP operations. Most of the recorded turnover appears to have involved VIP gamblers from Wuhan in Hubei.

Subsequent media investigations into mismanagement at Melbourne's Crown Casino exposed links to money laundering and organised crime involving a prominent leader of the Hubei association.⁵⁹ It emerged that Hubei's capital, Wuhan, stands out in Crown's high-roller revenue stream on account of the key role of 'junket' operators tied to that city in the recruitment of VIPs for Crown's Australian operations. The undisputed king of Crown's junkets at the time was Wuhan native Tom Zhou, who cut a figure around Melbourne as 'Mr Chinatown'. By 2013, Zhou had settled into a \$15 million mansion in Toorak. Journalist Nick McKenzie reported that a senior Crown executive allegedly authorised a casino staff member to transfer \$500,000 to a Melbourne drug trafficker without notifying authorities of the transfer, as required. There's no suggestion that the executive knew the recipient was a drug trafficker, but the source of the money was Zhou.⁶⁰

Within Victoria, Zhou served as patron and honorary president of a host of community organisations and was a prominent figure in the Hubei Association of Melbourne and the Australian Hubei Chamber of Commerce. Both organisations were generous in their support for Beijing's 'soft power' operations in Australia: in November 2018, they hosted a controversial tour of the PLA-inspired drama 'Red Guards on Honghu Lake', a revolutionary musical from the organisations' home province of Hubei that extols the virtues of the CCP. The performance attracted heated criticism from Chinese Australians less fond of China's Red Guards.⁶¹

The public face of the association was the respected business figure, Mike Yang. There's no suggestion that Yang was in any way involved in illegal activity, but in view of his earlier role in Dan Andrews's office he remained a key point of contact for the Andrews government with the local 'Chinese community' represented through the Hubei association.⁶²

After Yang left the Andrews office, another of Hong Lim's electoral officers, Marty Mei, moved across to work for the new Premier. Initially holding the position of Multicultural Affairs Adviser to the Premier of Victoria (in the Office of the Premier), Mei accompanied Andrews to China on several trips over five years, including those involving BRI agreements. According to *The Australian*, he is reported to have claimed that, while employed in the multicultural role, he 'played a key role in Victoria's new "China Strategy"'.⁶³ Mei also served as adviser to the Confucius Institute at Victoria University and as an unofficial spokesman for the Victorian Government in the Chinese-language press on trade, immigration and international students.⁶⁴ In his official role, he regarded himself as representing interests outside of government to government: in 2015, he told a Chinese state media outlet that his role was to 'prevent the state government from doing things that might harm the interests or feelings of the Chinese community'.⁶⁵ He worked at one time for China's state media, and before his appointment to Andrews's office helped secure a \$100,000 donation for the Labor Party in the lead-up to the 2014 state election

that brought Andrews to office. After that, he became Andrews's multicultural adviser and worked on the BRI deal, according to *The Age*.⁶⁶ There's no suggestion that Mei was in any way involved in illegal activity through any of those associations.

Former Premier John Brumby also had the ear of Andrews as an eminent ALP figure, as a board member of Huawei Australia and as national president of the Australia China Business Council. Brumby maintained that 'Australia needs a strategy to become part of the BRI if it wants to grow its economy' because the 'BRI will drive investment and lift trade in goods and services, and revolutionise freight and logistics'.⁶⁷ The Australia–China Belt and Road Initiative (ACBRI), founded in Melbourne by Jean Dong as a not-for-profit lobby in 2015, engaged a group of well-connected former politicians, current business leaders and deal-making lawyers, including Malcolm Broomhead, Andrew Robb, Lindsay Tanner, Paul Cooper, David Olsson and Mark Allison. Former Trade Minister Andrew Robb was retained as an adviser by Chinese firm Landbridge, the managers of Darwin Port, which was linked to the BRI, according to Landbridge chair Ye Cheng. Robb launched the Belt and Road lobby group in Melbourne Town Hall with the goal of 'putting Australia into the BRI strategic fast track'.⁶⁸ Founder Jean Dong told Consul-General Zhao Jian in May 2017 that ACBRI had secured financial support from the federal government and that on her initiative the BRI lobby group would in effect focus on Victoria and be 'responsible for planning and implementing specific projects, and strive to make Victoria a model for Sino-Australian "Belt and Road Initiative" cooperation'.⁶⁹ There's no suggestion that any of these figures was in any way involved in illegal activity.

Robb led Australia's first ACBRI delegation to Beijing in October 2016 to promote Australia's engagement with the BRI, heading a stellar party of government, business and legal delegates. Ou Xiaoli, head of the Belt and Road Leading Group Office of China's central government, endorsed the delegation, and Chinese media classified the visit as 'one of the top 10 highlights of Australia–China economic relations' that year.⁷⁰ One year later, Robb and Broomhead led another high-profile ACBRI delegation to China with support from the Victorian Government. This BRI forum was in Robb's judgement 'Australian industry's highest level private business catalyst between Australia and China. Australian CEO's cannot afford to miss out on ACBRI's annual industry mission when doing business with China.'⁷¹

At the China end, however, trade and investment with Victoria played no more than an incidental part in Beijing's BRI strategy. Before Xi Jinping took over, China had long been involved in country-to-country investment and infrastructure deals with neighbouring states and other countries to secure goodwill and diplomatic advantage, often on generous terms. At that time, China's foreign aid and investment strategies weren't unlike those of Japan and the US—self-interested but not particularly strategic. Xi consolidated those myriad bilateral deals into a transcontinental strategy, which he named the BRI. From that point forward, countries wishing to enter into infrastructure or investment deals with China needed to sign up and share Xi Jinping's vision for his New Era in their part of the world. It was a strategic play.

Victoria's agreement with Beijing makes explicit reference in its opening paragraphs to Xi Jinping's strategic 'New Era'. The agreement commits Victoria to 'the aspiration of promoting the silkroad spirit centring on peace, co-operation, openness, inclusiveness, mutual learning

and mutual benefits and aspiration to further enrich such spirit in keeping with the New Era’—a reference to President Xi’s ‘New Era for Socialism with Chinese Characteristics’. Two weeks after the BRI Forum in Beijing, Premier Andrews attended a BRI forum in Melbourne on 30 May 2017, attended by China’s Consul-General Zhao Jian and former Trade Minister Andrew Robb. Andrews spoke of the enormous benefits BRI projects would bring. After attending a further BRI Forum in Beijing in 2019, at which President Xi extolled the virtues of the BRI, Andrews was reported in the Chinese media as saying that Xi’s speech was ‘extraordinarily exciting’.⁷²

One geopolitical goal of Xi Jinping’s New Era is to break the US alliance network by enticing Japan, South Korea, Australia, the Philippines and others to embrace the opportunities China offers and sever their ties with the US. It worked with spectacular success in the Philippines, where President Duterte declared his country’s separation from the US during a visit to China in 2016. Duterte unilaterally abrogated the Visiting Forces Agreement with the US (since restored). Beijing was also hoping to pry Australia away from its alliance commitments and was initially misled into thinking its prospects in Australia were strong when it found political parties, business leaders, retired ministers and other thought leaders willing to speak out on its behalf, sometimes in return for rewards and opportunities. After its clandestine united front operations were exposed and Canberra began to take more outspoken positions on foreign interference, cyberattacks, the South China Sea, Huawei and mass incarcerations in Xinjiang, China’s foreign policy circles lowered their expectations, and their tone. Disappointed, China’s Australia-watchers began labelling Australian critics of Xi Jinping’s strategies as racists and bigots and swore to wipe Australia from beneath their boots.⁷³

Sister-city ties

By 2020, Victorian towns and cities enjoyed formal agreements with just over 100 cities abroad, including around 20 each in Japan and China. Sister-city ties are largely a postwar phenomenon reflecting historical concerns among wartime adversaries in France and Germany to build friendly ties with one another after the war, and extending over time from Europe to Asia, Africa, the Americas and Australasia.⁷⁴ Australian experience reflects that legacy, with some of the earliest agreements linking Australian cities and town with partners in former wartime adversary Japan. After Australia established diplomatic relations with China, the number of twin-city agreements with Chinese cities rose to match those with Japan. A quarter of Victoria’s sister-city ties with China involve links with the state’s sister-province, Jiangsu, indicating the impact at city level of the longstanding state-to-province relationship.⁷⁵

There’s no overarching policy framework in Australia for sister-city relations but in general they seek to build cultural and social ties between communities.⁷⁶ On the China side, the focus is more often commercial. China’s twin-city ties with Germany, for example, have been found to involve little by the way of community linkages and greater effort devoted to building ‘local Chinese infrastructure, transferring technology and introducing Germany’s unrivalled vocational training system’. In return, German partners secure access to markets in China.⁷⁷ Australian researchers have urged Australia’s towns and cities to follow China’s example and repurpose sister-city relations ‘into trade facilitators for SMEs in pursuing trade with China’.⁷⁸

However, a nationwide survey of sister-city relations with China in 2019 found that few Australian partners were ‘convinced about how effective these relationships had been in developing Chinese markets for Australian businesses or in attracting Chinese investment and tourists’.⁷⁹

For the PRC Government, the value of local linkages in Australia lies in deploying formal sister-city ties to exert political influence. In 1980, the City of Melbourne entered into an enduring sister-city partnership with China’s northern coastal city of Tianjin, and the mayors of the two cities have led delegations either way with persistent regularity. The relationship with Tianjin appears to have made Melbourne City Council particularly sensitive to political pressure from China on matters of religious freedom and human rights.

Lord Mayor John So (Mayor, 2001–2008) worked carefully to promote the Tianjin sister-city relationship and to prevent politically embarrassing incidents that might stand in its way. His council banned the Chinese meditative religious group Falun Gong (banned in China) from taking part in the city’s historic Moomba parade in 2003. The council was later ordered by the State Appeals Tribunal to apologise to the group in Chinese newspapers.⁸⁰ In May 2007, Lord Mayor So hosted a delegation from China’s National People’s Congress but refused to meet His Holiness the Dalai Lama during the Tibetan leader-in-exile’s visit to Melbourne. Prime Minister John Howard and opposition leader Kevin Rudd both met His Holiness on that occasion, despite opposition from the Chinese Government. So is also reported to have used his numbers on Melbourne City Council to quash a proposed reception for a group of Falun Gong members in October 2007 when they led the Human Rights Torch Relay through 37 countries ahead of the Beijing Olympics. When Greens councillor Fraser Brindley motioned for a reception at the Town Hall, Councillor So responded that ‘everyone is welcome here in the city, but I believe this council should not support Falun Gong’.⁸¹

Later mayors were persuaded less by personal belief than by direct political pressure from China. In 2019, on the 30th anniversary of Beijing’s crackdown in Tiananmen Square in which some thousand people were killed, Melbourne City councillor Jackie Watts planned to move a ‘simple and respectful motion’ to acknowledge the anniversary of the massacre, which had a heavy impact on the Chinese community of Melbourne and disrupted the lives of many students studying in the city at that time. She was dissuaded from proceeding with the motion after ‘political influence’ from the Chinese Consulate, which, she said, triggered ‘acute distress’ among some of her colleagues. A Melbourne City Council spokesperson acknowledged that the council had been in contact with the Chinese Consulate on that day. Lord Mayor Sally Capp reportedly had to fight back tears at the night’s council meeting. Councillor Watts regretted bowing to foreign ‘political influence’ and said ‘I have little doubt that such political influence will come into play again in council affairs’.⁸²

In Victoria, it’s striking that no city or town has established a twinning relationship with a counterpart in Taiwan. New South Wales and Western Australia each have Taiwan sister-city links, and Queensland has five of them. The absence of a Taiwan connection could be taken as indirect evidence of Victorian Government oversensitivity to anticipated political pressure from Beijing.

With the souring of bilateral ties, Victoria's style of local political compliance brings hints of further challenges when aggrieved local communities seek to 'send a message' about China's political interference in their localities by moving to cancel sister-city agreements with China—adding a further layer of difficulty for the federal government's management of bilateral political and economic ties at the national level.

Confucius institutes and classrooms

Four of Australia's 13 university-based Confucius institutes (CIs) are based in Victoria at the University of Melbourne, La Trobe University, Victoria University and RMIT. While each is embedded in its host university on a different institutional model with a discrete pedagogical mission, all have certain features in common. They're founded and funded through a contractual agreement with the Confucius Institute Headquarters (Hanban) in China's national Ministry of Education; they each partner with a university in China; they teach about China in ways the CCP wants it to be taught; and they're supplied with a co-director and in some cases teachers who are selected not by their Australian hosts but by agencies in China, where they remain answerable to the Hanban and to their home institutions.

The University of Melbourne was the first Victorian university to sign on to China's CI program, in 2005, and the second in Australia after the University of Western Australia. Melbourne's decision to come aboard the new CI program was a feather in the cap of China's Consul-General in Melbourne. At that time, the university was the highest ranking university in the world to join the global CI network, lending credibility and prestige to a program that was just getting under way.

For Melbourne University, it was a political rather than an academic gesture. According to Stuart Macintyre, Dean of Arts at the time, Victorian Premier Bracks approached Vice-Chancellor Alan Gilbert (VC, 1996–2004) with the suggestion that the university should host a CI on campus.⁸³ Academic China specialists at the university opposed the idea, but Gilbert was actively pursuing the matter on the Victorian Government's behalf when he left the university in 2004 to take up a position in the UK. A non-academic unit on campus, Asialink, then advocated on behalf of the proposed CI over the university's leadership transition and offered to house the CI on its own premises, off campus, on the understanding that it wouldn't offer academic courses for credit. Those were the terms on which incoming Vice-Chancellor Glyn Davis (VC, 2005–2018) signed on with the Hanban in his first year heading the university.

When Melbourne University signed on to the CI program, the university was acting on advice that it was to be the sole university hosting a CI in the state. That promise proved hollow when other universities lined up behind Melbourne to sign on. A scheduled internal review of the program at the university three years into the agreement then recommended shuttering the CI, but in view of potential sensitivities the university decided that it would be preferable to retain it at a modest level of activity. Vice-Chancellor Davis subsequently declined Hanban offers to fund expansion of the CI program on campus and turned down an invitation to join Hanban's global CI advisory panel.⁸⁴

Building on its apparent success at the University of Melbourne, the Hanban signed up three further Victorian universities on terms that compromised their standing or extended its influence in ways that the original Melbourne University arrangement had not. RMIT's Chinese Medicine Confucius Institute opened in 2008 under a five-year agreement, renewed in 2013. Under the agreement, the Hanban was granted decision-making authority over the relevant curriculum through a clause stating that the CI must 'accept the assessment of the Hanban Headquarters on the teaching quality'.⁸⁵ That clause didn't appear in the Melbourne University agreement. The RMIT program embraced explicitly geopolitical content, including a program in November 2016 to promote Xi Jinping's BRI and Chinese medicine.⁸⁶

In 2016, Victoria University launched its Victoria Business Confucius Institute in collaboration with the University of International Business and Economics in Beijing. According to Vice-Chancellor Peter Dawkins, the institute 'contributed to some of the core teaching and learning at the College of Business. Chinese academics from the UIBE had co-designed and co-taught some classes, mainly in the bachelor of business degree'.⁸⁷ The university's agreement with Beijing required the university to accept the Hanban's assessment on teaching quality in the CI program, but alongside the university's own requirements in relation to award courses. In addition, the CI was positioned within the university with a status that enabled it to trigger central management decisions at the behest of China's Consul-General. It was reported that, in September 2018, a phone call from China's government representatives in Melbourne to the CI on campus led the university to cancel the booking of a scheduled event that would have been critical—ironically—of the role of CIs on university campuses.⁸⁸

Under La Trobe University's 2011 agreement with the Hanban, the university 'must accept the assessment of the [Confucius Institute] Headquarters on the teaching quality' in the La Trobe program.⁸⁹ The university's CI engagement extended the Hanban's reach into schools-based Confucius classrooms, encompassing around one dozen schools in metropolitan Melbourne (managed through the La Trobe and Melbourne University CIs) in addition to 28 schools in the Bendigo region, which reach a further 5,800 students.⁹⁰ Bendigo Senior Secondary College hosts more than 2,000 students from 20 primary schools and two secondary colleges in Confucius classrooms.⁹¹ The Hanban provides financial support and China-approved teaching materials for all schools involved in the Confucius classrooms programs.

Locally produced text books for Chinese language and culture programs offer little improvement on imported PRC teaching materials for Victorian schools. In 2020, journalist Benjamin Silvester reported that a locally produced Victorian Certificate of Education textbook used widely in Victorian schools—with acknowledged assistance from the Melbourne University CI—included a 'map of China' showing the country's territorial boundaries extending throughout the South China Sea to the limits of Beijing's so-called 'nine-dash line'. Rory Medcalf of the ANU National Security College told Silvester and fellow journalist Daniel Hurst that 'it is highly misleading to portray the nine-dash line in an educational textbook as a legitimate map of China and the region.' The school textbook was 'at odds not only with the sensitivities of much of the region, but also with international law and Australian government policy'.⁹²

On other sensitive issues, the Victorian textbook included sections of text that drew closely on online materials drafted by CCP propagandists in Shanghai. One excerpt reads: ‘The Chinese view the Western notion of personal and political freedoms as unfeasible in a huge country like China ... Instead, they value a strong central government led by people who have the people’s interests at heart.’⁹³ This style of party-speak appeared in all copies of the textbook that circulated in Australian classrooms before the publisher felt compelled to withdraw the book in the light of Silvester’s report. The state Department of Education was quoted as saying that it hadn’t endorsed the book and implying that it bore no responsibility for materials used in classrooms. Yet the ‘key contacts’ listed on the department’s website for Chinese-language teaching are the teachers’ association whose members produced the book, along with two CI and the Chinese Embassy in Canberra.⁹⁴ Further, Confucius classrooms programs in Victorian schools might not be compliant with the Victorian Education Department’s own guidelines on publications.⁹⁵

In NSW, the schools’ Confucius classrooms programs were scrapped by the state government in August 2019 for fear it could serve as a vehicle for foreign government interference in the state’s school system. The NSW Government offered to inject an additional \$1.2 million into schools affected by the closures to enable them to continue teaching Chinese language and cultural programs without Hanban support.⁹⁶ The report leading to that decision carries implications beyond NSW.⁹⁷ While the NSW program had certain distinctive features, elements shared with other states include the dominant role of China’s government in approving their curriculum; their dependence on China for funding; their obligation to abide by Chinese law (including censorship on sensitive issues); and their inability to select their own teaching assistants, who are instead chosen by Chinese authorities to teach in Australian schools. In the light of the common features exposed in the NSW report, and Victoria’s problems monitoring textbooks and other matters in its own classrooms, the state would be well advised to reconsider its willingness to allow schools to host Confucius classrooms and compensate any schools affected by a decision to terminate the programs.

Community

Diverse Chinese heritage communities have called Victoria home for 170 years. According to the 2016 Census, 356,000 of the 1.2 million people who identify nationally as Chinese-Australians live in Melbourne, with smaller numbers in regional Victoria. Around half of Victoria’s Chinese community members (176,000) were born in the PRC and the remainder elsewhere, including Australia, Taiwan and countries of Southeast Asia.⁹⁸ Community organisations reflect that: an estimated 500 community associations are involved in business, charity, cultural, welfare and China-hometown activities, along with several peak community councils. Their politics reveal a comparable diversity of views that are played out locally in town and city relations with China, in local civic events and in state and federal elections.

As we see in this report’s chapter on the CCP Central Committee’s United Front Work Department (UFWD), that organisation actively co-opts and advises ‘patriotic’ leaders in community groups, business associations and media companies among Chinese communities overseas.

In Melbourne, the party targets a small number of influential organisations and events to bind them politically to China. Since 2015, for example, the national flag of the PRC has been raised annually on China's national day over Box Hill Police Station to the accompaniment of China's national anthem. State government and opposition members who have participated in the ceremony include Labor MP Paul Hamer, state Liberal MP Neil Angus and federal Liberal MP Gladys Liu. Wayne Viney, Eastern Region Commander of Victoria Police, said the flag-raising ceremony was 'trying to support the local Chinese community'. Many community members don't feel supported by this activity. 'It is a police station honouring a police state,' one local listener told Neil Mitchell on Melbourne's popular 3AW radio station.⁹⁹ The event organiser, Zheng Yutang, explains that his mission in Melbourne is to 'get more China elements to play a greater role in the Belt and Road's economic, trade and cultural reconstruction.'¹⁰⁰

Another example of the UFWD co-opting 'patriotic' leaders in community groups and business associations came in the early days of the Covid-19 pandemic. At that time, the SARS-CoV-2 virus was believed to be contained in Wuhan and there was a strong sense of solidarity in Australia with people suffering in China, both among the diaspora and more broadly in the community. Victoria went as far as to express solidarity by lighting up public buildings across Melbourne in China's national colours. Feelings of solidarity turned sour when it emerged that the UFWD was coordinating a clandestine purchasing campaign to buy up all the retail stocks of personal protective equipment (PPE) and off-the-shelf medication across Australia and many other countries for forwarding to Wuhan.¹⁰¹ Those actions contributed to an acute supply crisis for PPE in Australia and much of the world. The Australian Medical Association warned in March 2020 that Australia needed to protect its stocks of face masks and other PPE.¹⁰² Through this covert orchestrated PPE procurement operation, China's united front networks delayed crucial supply signals reaching producers in the critical early weeks of the pandemic, exacerbating PPE shortages that were to become a significant factor in early failures to contain the virus in Italy and other countries around the world.

Very few of Victoria's Chinese community associations have direct ties with CCP organisations in China, but those that do often gain privileged access to city and state political leaders through their positions on peak councils, their political donations, and their links to major businesses in the city, including Crown Casino. The Hubei Provincial Association, we have noted, which was linked to Crown junket operator Tom Zhou, exercised outsized influence over political, cultural, sporting and other events in the city before the Crown Casino scandal broke in 2019.¹⁰³ At a higher level, the peak Federation of Chinese Associations (Vic) Inc. was founded in 1979 and has 102 member associations. Although not a united front organisation, it's occasionally co-opted into politically sensitive Chinese Government activities. In 2014, shortly after taking office, the newly elected president led the board to meet with China's Consul General in Melbourne to thank the consulate for its assistance in the past and anticipate new activities requiring consular support. The Consul General congratulated the federation for playing an important role in bridging the community and the consulate and presented each member of the board with a copy of General Secretary Xi Jinping's collected essays, *The governance of China*.¹⁰⁴

The PRC Government interferes directly in Australia's political life and electoral processes through Chinese community media, including interventions in Chinese-language radio and publications and the censorship of WeChat exchanges. Nationally, some of Australia's most influential community media with UFWD ties are based in Melbourne. In association with Beijing's *China Radio International (CRI)*, Tommy Jiang's CAMG Media (party owned by CRI) operates half a dozen radio stations in Australia along with media outlets in the Pacific islands and elsewhere. His China partner *CRI* is a wealthy media entity under the CCP's Central Propaganda Bureau, which was amalgamated into *The Voice of China* in 2018.¹⁰⁵ Through his firm, Ostar, Jiang also operated Chinese-language print publications before the firm went into liquidation in July 2021 owing over \$5 million.¹⁰⁶

Melbourne journalists have participated in media training exercises under UFWD auspices in China, alongside community-media specialists from 30 or more countries at any one time. The impact of those programs is highlighted by the online reflections of one Melbourne newspaper editor who reported live from a media training exercise in Beijing in June 2016:

Although many of us are registered as nationals of the countries in which we reside, we are still all Chinese (*zhongguoren*) and, as the saying goes, we would stand up for our own kind ... This is simply not an issue.

Referring to the role Chinese-language media could play in delivering outcomes in Australian elections favouring China's strategic position on the South China Sea, the editor continued:

Although we are just a minority in our country of residence, we nevertheless have this advantage, that our million strong can vote in elections. This is not something to be dismissed. We can forge a unified voice through public opinion targeted at social organisations and overseas Chinese leaders and promote our unified voice to government and to local parliamentarians, and through this route achieve our aims.¹⁰⁷

Back in Australia, local Chinese-language media operations maintain close connections with the consulate in Melbourne, which periodically summons local editors to focus their work more closely on China's immediate interests.¹⁰⁸ Melbourne-based Australia-Pacific Media (*Aozhou dayang chuanmei*) has a close relationship with the consulate and with Chinese state media. It signed a partnership with *China News Service* in 2011 and added *Pacific Daily* to a portfolio that already included the weekly newspaper *Pacific Times*, *Pacific Classifieds*, the *au123.com* website, and a WeChat account. In 2016, Pacific Media handed out printed placards to representatives of local associations with UFWD ties as they rallied in Melbourne's CBD to protest Australia's position endorsing the 2016 Permanent Court of Arbitration ruling on the South China Sea.¹⁰⁹

Social media platforms extend the range of Beijing's control over what Australians can say to one another beyond the reach of traditional media. An SBS report found that the most popular platform, WeChat, has more than 3 million users in Australia. Among them, according to Chinese-Australian analyst Alex Joske, approximately 690,000 are active daily users.¹¹⁰ WeChat is widely deployed in messaging voters during state and federal elections in Victoria. In the 2019 federal election, it was the primary channel for Labor's Jennifer Yang and the Liberal

Party's Gladys Liu to reach out to the Chinese-Australian population in Victoria's Chisholm electorate, where more than 20% of voters are of Chinese heritage. Beijing's control over media platforms such as WeChat ensures that messages it doesn't like are censored, even when they're sent by Australians to Australians.

The Prime Minister is as likely to be censored as anyone. Around the time of the 2019 election, Prime Minister Scott Morrison was asked whether his WeChat account could be censored by the Chinese authorities. 'No,' he replied, 'we haven't experienced any such censorship.' He stood corrected in December 2020, when his office posted a Chinese-language message to the Chinese-Australian community, which was blocked the following day by authorities in Beijing because it allegedly used 'words, pictures, videos' that would 'incite, mislead, and violate objective facts, fabricating social hot topics, distorting historical events, and confusing the public'.¹¹¹ An Australian Prime Minister couldn't communicate with fellow Australians on WeChat during an election campaign without being censored by Beijing.

When all else fails, Chinese authorities intimidate families in Melbourne to compel their submission. Under Beijing's Operation Fox Hunt, undeclared security officers from China have threatened and harassed Chinese-Australian immigrants targeted by authorities in China for reasons known only to themselves. Few are prepared to talk.¹¹²

Other Australians suffer harassment as well. John Garnaut, a former adviser to Prime Minister Malcolm Turnbull, left government service at the end of 2018 after the Australian Parliament passed anti-foreign interference laws that were based in part on his classified report on covert foreign government interference in Australia. Garnaut and his wife were later intimidated by four men and women who approached them, suddenly and separately, and drew uncomfortably close. 'They said nothing but would stare at John and Tara until the couple turned to look at them, and then quickly look away,' wrote *Age* political editor Peter Hartcher. 'One even sat at the same table, but without ordering, until the waiter asked him to move ... The message was plain: you have displeased the Chinese government and we are going to punish you. We can always find you. We know where you live.'¹¹³

The family of Olympic 400-metre freestyle gold medallist Mack Horton has been targeted at their home in Glen Iris. During the 2016 Rio Olympics, Horton labelled China gold medallist Sun Yang a drug cheat, and at the 2019 World Swimming Championships in Gwangju, South Korea, he declined to join Sun Yang on the podium in a defiant defence of drug-free sport. Vitriolic attacks against him on social media in 2016 were followed in 2019 by physical harassment at his family home and at his father Andrew's business in the city. 'Dog turds were hurled at the family home,' Luke Slattery reported in *The Australian*. 'Their trees and plants were poisoned. A passing parade of youths gathered at the back fence to chant slogans while banging pots and pans in the dead of night or stood in the driveway hurling abuse. Someone who spoke broken English took to phoning Andrew every second day to detail what he would like to do to Andrew's daughter (he has no daughter). And there was the broken glass in the family pool.'¹¹⁴

Party and government officials might not be directly responsible for these cases of physical harassment and intimidation, but their control and manipulation of Chinese-language media nourish a virulent nationalist resentment that risks poisoning community relations in Australia.

Conclusion

While they limited their sights to equivalent provincial and city governments in China, Australia's state and territory governments were relatively isolated from the political risks that accompany national-level engagement with China. In Victoria's case, state and city governments may have bowed to pressure from China on matters that compromised their integrity but generally didn't compromise national security or social cohesion.

As things turned out, this was just the beginning. In the absence of responsibility for national security, and lacking substantial international security expertise in-house, state and city governments tended to see the upside benefits without regard to the possible downside risks of dealing with counterpart governments that were measurably different from their own in scale, power, political system and strategic vision. Those downside risks peaked with the appointment of Xi Jinping as CCP General Secretary and PRC President. What had been risks to principles and standing presented as risks to national security, integrity and cohesion.

State and territory governments are certainly within their rights to develop trading relations and attract international investment for the benefit of their communities through subnational diplomacy. It's irresponsible, however, for states to ignore other national interests when pursuing jobs and growth by hiding behind claims that they bear no constitutional responsibility for national security. In seeking commercial openings and investment from China, they need to be mindful that, for China, trade and investment are instruments of geopolitical statecraft. China isn't a market economy. The PRC Government doesn't share a commitment to maintaining the postwar liberal trading order. Beijing's model of investment-led economic growth and foreign infrastructure investment, under tight CCP control, is not one that can be emulated or integrated easily into an open liberal trading order.

The country's economic growth is based on a highly distorted development model that involves massive investment through state-owned banks and offloading excess capacity to neighbouring countries through credit-based infrastructure projects, while ensuring that the CCP remains in control of everything and achieves its strategic objectives (chiefly, keeping itself in power). Where it encounters countries that operate on a liberal model, such as Australia, the Chinese party-state deploys economic leverage to get its way and to punish those that stand in its way.¹¹⁵

Given those risks, some local housekeeping is in order in state and city governments.

First, the role of external consultants in the international business planning of states and territories warrants closer examination. Agencies and experts in the state public service would normally be expected to curb the impetuosity of political leadership. Based on available public information, it appears that Premier Andrews didn't seek advice from departmental experts

in his own government, that he circumvented his cabinet, and that he employed external consultants who most likely held the same views as him and didn't question his direction and strategy.¹¹⁶ As a rule, governments should call on their own public service expertise before reaching out to external consultants. When they're employed, external consultants working on major government initiatives shouldn't have or appear to have a personal or corporate interest in the outcomes of the initiative. Similarly, former politicians and former senior officials privately advising or publicly advocating on issues should be required to publicly disclose their commercial and financial interests at all times.

Second, the part played by multicultural officers in Victoria's strategic engagement with China deserves closer scrutiny. Multicultural affairs are important in state politics, but they shouldn't as a rule determine a state's international relations or international business strategies. The catalytic roles played by multicultural officers with privileged access to the Premier in developing Victoria's engagement with China point to a particular vulnerability in states and territories that conflate multicultural policy with formal relations with foreign governments. Chinese-Australians shouldn't be confused with China.

In relation to culture and education, government representatives shouldn't equate the celebration of cultural festivals with loyalty to particular foreign political parties or governments. State and territory governments should consult closely with communities before promoting the flags and anthems of foreign states on ceremonial occasions.

In relation to Confucius institutes and classrooms, state and territory governments would be advised to review their practices in the light of the NSW Government report on Confucius classrooms and to take appropriate action where necessary. Victoria, in particular, should reconsider its willingness to allow schools to host Confucius classrooms in the state, and compensate schools affected by any decision to terminate their programs. On independently produced textbooks and other materials developed for use in Victorian schools, the Department of Education should at a minimum require that they don't reproduce foreign government maps or talking points uncritically or borrow slabs of text from foreign government propaganda publications without acknowledgement.

On community media and social media, the state government should work with federal authorities to legislate against foreign government ownership and partnerships with local community media, and act to halt foreign government censorship of conversations among Australians in Australia.

With respect to the intimidation of Victorian residents by foreign agents, the state should prioritise police protection for people who are targeted by agents of foreign governments and should work with federal authorities to expose and prevent foreign government intimidation of Australian citizens and residents on Australian soil. That is completely unacceptable.

Notes

- 1 For a review of relatively congruent subnational relations with China over this period, see David SG Goodman, 'China's provinces and Australia's states: sister states and international mates', in Colin Mackerras (ed.), *Australia and China: partners in Asia*, Macmillan, Melbourne, 1996, 171–195; Elizabeth Pitts, 'Collaborators, business partners, friends: Australia–China sub-national government relations', In Nicholas Thomas (ed.), *Re-orienting Australia–China relations: 1972 to the present*, Ashgate, London, 2004.
- 2 Mona Chung, *Doing business successfully in China*, Chandos Publishing, Singapore, 2011, 37–38, 69–70, 74, 86.
- 3 Kirsty Needham, 'How Australians set up Communist China's official propaganda tool', *The Age*, 5 December 2018.
- 4 John Fitzgerald, 'Overstepping Down Under', *Journal of Democracy*, April 2018, 29(2):59–67.
- 5 Farah Tomazin, 'Victoria signs historic five-year deal with China for cultural exchange programs', *The Age*, 24 September 2015. This wasn't strictly true: WA signed an agreement with the NDRC in 2011.
- 6 National Development and Reform Commission (NDRC), 'Proclamation of the National Development and Reform Commission of the People's Republic of China on the Indefinite Suspension of All Activities under China–Australia Strategic Economic Dialogue', PRC Government, 6 May 2021, [online](#).
- 7 Charles Clover, 'Xi Jinping signals departure from low-profile policy', *Financial Times*, 20 October 2017.
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3. Queensland

Caitlin Byrne

Introduction

‘Queensland has what China wants.’¹ That statement, taken from a 2018 Deloitte Access Economics report on the China–Queensland relationship, points to the underlying realities driving both parties’ pursuit of deeper relations. While Chinese communities in Queensland can be traced back to pre-federation times, official engagement between the two governments began in the 1970s. Queensland’s early interactions with counterparts in the PRC were slow and challenging but were cultivated by political leaders (across both sides of the political divide), industry, municipal governments, universities and academics. A proliferation of interactions over the past two decades has positioned China as Queensland’s most significant international partner.

In large part, that shift reflects China’s global economic influence. The PRC’s insatiable demand for Queensland commodities, combined with a more recent appetite for services in education, tourism, health care and even sporting infrastructure, has been the major driver in the relationship. Queensland has profited enormously from Chinese demand, which lends credence to an alternative narrative of China as ‘Queensland’s golden goose’.² There’s little argument that subnational interactions—which have evolved over time—have enabled Queensland to pursue larger economic ambitions vis-a-vis China. And yet, particularly given the inherent and increasing asymmetry in the relationship, they’re also a source of concern. As China’s global influence and power grow, and its broader relationship with Australia deteriorates, it’s timely to review the scale, scope and reach of this subnational relationship.

In her work examining the scope of subnational relationships between Australia and China, Elizabeth Pitts identifies subnational diplomacy as typically occurring through the following connections:

- Australian state to Chinese province/municipality
- Australian state level department to Chinese provincial or municipality level commission
- Australian region to Chinese city or region
- sister-city and sister-shire relationships.³

As Pitt’s research demonstrates and this study affirms, all four dimensions occur in Queensland–China engagement. However, that’s just the beginning. As is further demonstrated through this study, evidence of engagement pursued by governments, institutions, business and individual actors from Queensland and China reveals multiple and at times complex subnational diplomacy in play. An examination of the interaction reveals an array of formal and informal formats: high-level visits and receptions; business launches; academic and cultural exchanges; research collaboration; language learning; media engagement; fundraising; community networking;

seminars; and more. All this feeds into a far more complex picture of the relationship. Questions arise as to the underlying and longer term intent of the two actors and the sustainability of interaction, particularly given the distinct power asymmetries in the relationship.

This chapter delves into the evolution, nature and complexity of Queensland's subnational diplomacy with China. My aim isn't to capture or dissect every interaction; nor is it to besmirch the role and validity of subnational diplomacy. Rather, by surveying the evolution of interactions between the two actors, this chapter aims to:

- reveal the scope and texture of the relationship
- highlight the role that subnational interaction can play in building meaningful connections
- draw attention to the asymmetries, risks and vulnerabilities associated with such engagement.

Overall, this study shows that Queensland's relationship with China is underpinned by a substantial array of positive and mutually beneficial connections. Complementarities in economic and trade interests have fed into important government, business, academic, cultural and people-to-people exchanges that have brought material benefits while embedding cross-cultural awareness and appreciation for 'the other'.

In reviewing the vast number of connections and interactions—crossing all layers of government, geographical regions, institutions and sectors—tensions are apparent. They're driven mainly by:

- significant incompatibilities in strategic ambition
- fundamental differences in the nature and reach of political organisation and authority
- a mismatch in political values.

Furthermore, China's political ambitions for the 'strategic rejuvenation of the great nation' simply outsize Queensland aspirations, which are set to the beat of a four-year electoral cycle.

Subnational diplomacy relies, far more than traditional diplomacy, on personal links and connections. Those personal relationships, often cultivated over time, can enable the actors to gain deep and nuanced understandings of one another. They open doors, drive collaborations at the community or institutional level, and are often essential in developing cooperation and trust between the actors over the long term. Yet, when viewed against the backdrop of an increasingly asymmetrical relationship, those personal links are also threads of vulnerability, particularly in the face of recent and now widely reported CCP influence operations. Queensland, as the smaller subnational partner in the relationship, is increasingly under pressure to recognise the potential risks and their implications for the nation's international engagement. That reality is now made clear by the federal government's Foreign Influence Transparency Scheme.

In this chapter, I take a broadly thematic view of the subject. I start with the more formal aspects of interactions that tend to be mediated and monitored within official political process and then traverse the range of engagement types from there, including some less formal channels that have emerged organically and with fewer constraints or mediating factors. The information

contained in this chapter is drawn from a range of public sources. I offer short vignettes or case studies to bring to light the key issues or tensions in play.

Political linkages

It isn't possible to refer to Queensland's China relationship without noting the facilitation role played by career politician Tom Burns. As the federal president of the ALP, Burns accompanied Gough Whitlam, then leader of the federal opposition, on Whitlam's initial visit to China to meet with Premier Zhou Enlai to discuss diplomatic and trade relations. That visit set the scene for Australia's subsequent diplomatic recognition of China after the election of the Whitlam Labor government in 1972. It also established Burns's longstanding role as a facilitator of engagement with China—a role that he carried into his subsequent positions in the Queensland Parliament, including as leader and deputy leader of the Queensland ALP and subsequently as Deputy Premier during the Goss government.

Burns was widely regarded as 'one of the first to recognise the importance of China to Queensland's economic prosperity', and his interest in China influenced Queensland's China engagement over subsequent decades. Indeed, he was 'one of very few Australian political leaders to have met four generations of Chinese leaders'⁴ and was at the centre of several significant agreement opportunities (see 'Bilateral agreements', below). Yet, it should be noted that Queensland leaders across the political divide embraced opportunities to strengthen the state's relationship with China.

Queensland's National Party Premier, Joh Bjelke-Petersen, was one of the first Australian leaders to visit China, in 1984, following the establishment of diplomatic relations in 1972.⁵ Bjelke-Petersen subsequently approved a program of trade promotion, including a trade mission to China that included some 20 industry representatives.⁶ A coal export trial to Hong Kong was also established over that period. Cabinet documents suggest significant interest on the part of Queensland business representatives to join the mission at their own cost, but also doubt and concern about the prospects for Queensland–China cooperation. Queensland Mines Minister Ivan Gibbs reportedly told the cabinet that 'previous discussions have indicated that unless Chinese policies change, the prospects for the export of Queensland coal cannot be said to be optimistic.'⁷

Such concerns were short-lived. In 1989, the Queensland Government secured a sister-state relationship with the powerful Shanghai Municipal Government with a view to expanding cooperation. Shortly after, in 1992, the state established its first Trade and Investment Office in Hong Kong, and a second office in Shanghai in the same year. Today the Queensland Government hosts a network of five trade and investment offices spanning Beijing, Shanghai, Chengdu, Guangzhou and Hong Kong.

Engaging with the Chinese community in Queensland has been a consistent feature of Queensland's political leadership. It wasn't until 2001, however, that the state elected the first Chinese-Australian member of the Queensland Parliament: Michael Choi, the ALP member for Capalaba. Delivering his opening remarks to the 50th Queensland Parliament,

the Queensland Governor remarked, ‘there is strength in diversity ... the election of the state’s first Chinese-Australian MP ... represents another step toward parliament reflecting the multicultural diversity of Queensland.’⁸ Choi held the seat of Capalaba alongside various positions, including Parliamentary Secretary for Multicultural Affairs, until his election defeat in 2012. Despite leaving parliament, he has continued to play an active role in the state’s China engagement, serving as Honorary Ambassador for Brisbane, fostering ties between Brisbane and Asia-Pacific countries, as chair of the Sister City Committee for Shenzhen, and within the Queensland branch of the Australia China Business Council.

Cultivating connections with China, including through regular official visits and tours, has until recently been another consistent feature of the engagement playbook, particularly with China. Peter Beattie, who travelled extensively across the globe during his term as Premier (1998–2007), made the point: ‘The relationship with China is such that short but regular visits by senior Government officials from between both countries is both desirable and warranted.’⁹

Others have followed Beattie’s lead. During her term as Premier (2007–2012), Anna Bligh used her two trade missions to China to formalise institutional links between Queensland and China in key areas. In particular, she oversaw the signing of an MoU between the state of Queensland and China’s Ministry of Science and Technology. The MoU—the only one of its kind for an Australian state—facilitates scientific and technological collaborations in the areas of climate change; human health and medical research; and renewable energy. It was accompanied by the launch of the Queensland–China Climate Change Fellowship Program, as its first initiative. Through the same visit, Bligh also articulated the Queensland Government’s support for ongoing dialogue and collaboration between Griffith University and Peking University through the establishment of an annual leaders’ lecture named in honour of Tom Burns, in recognition of his distinguished contribution to building China–Australia ties.

Campbell Newman visited China once as Premier of Queensland (2012–13). Accompanied by a delegation of Queensland municipal business and academic leaders, he maintained a fast-paced schedule of high-level commercial and political engagements through the short visit. Notably, he met with Wang Yang, one of four vice premiers within Premier Li Keqiang’s government at the time and today a member of the Politburo Standing Committee and Chairman of the Chinese People’s Political Consultative Conference. During the visit, Newman conveyed his government’s ‘commitment to broadening its relationship with China through the expansion of collaborative partnerships in trade and investment, science and technology, education, tourism, and culture.’ The record notes that he also ‘sought the Vice Premier’s views on how China will, under the new leadership, respond to economic, social and regional prospects and challenges facing its economy and its implication for the future Queensland–China relationship.’¹⁰

Since coming to office in 2015, Premier Anastacia Palaszczuk has continued Queensland’s longstanding engagement with China, overseeing a total of 19 trade missions and leading three of them. The high number of visits reflects the government’s deep interest in developing and expanding Queensland’s trade relationship with China. Like her predecessors’ visits, Palaszczuk’s tend to involve high-level delegations of senior municipal, business and academic leaders, all of whom are looking to advance key opportunities for collaboration and investment.

Official public diary records maintained by the Queensland Parliamentary Office also confirm that Queensland leaders are engaged regularly in routine official meetings and receptions with the Chinese Consul-General, and occasionally with the Canberra-based Chinese Ambassador. However, one important highlight from the official calendar deserves a mention. On 14 November 2014, ahead of the Brisbane G20 meeting, Queensland Premier Newman Campbell met Chairman Xi Jinping on his arrival to the state for the global leaders' summit.¹¹ Two days later, Newman hosted a bilateral meeting with Xi, and just days later hosted the first Australia–China State–Provincial Leaders' Forum. The dialogue was attended by the governors of Guanxi Zhuang Autonomous Region, Chongqing Municipality and Jiangsu and Hubei provinces alongside business delegations from both Queensland and China.¹² President Xi and Prime Minister Tony Abbott were also at the table.¹³

Taking place in the early days of his leadership, Xi's visit to Brisbane was emblematic of a peak in the Australia–China relationship and struck a chord with Queensland leaders. Before Xi touched down in Australia, the *Australian Financial Review* published an editorial piece penned by Xi, in which he pointed to the ancient Chinese saying, 'A tree has to strike a firm root before it can flourish.'¹⁴ Later in the piece, he returned to the quote, noting that:

We need to encourage people-to-people exchanges to reinforce the cultural bond between our people. It is important to expand exchanges and co-operation in education, culture, tourism, between the youth, and tell the China story and Australia story well so that the China–Australia friendship will take root deep in the hearts of our people.

Although intended for a wider Australian audience, it appears that Xi's message resonated well in Queensland, setting a fairly positive mood and tone for the relationship.

In a review of Queensland political connections with China, there's limited evidence of significant Chinese donations to Queensland political parties, although broader, nationwide influence has been shown to implicate Queensland officials. Instances of small donations to both parties have also been reported, including from long-time donors.¹⁵

Navigating problematic political relationships

Quite apart from the issue of donations, Queensland politicians have occasionally found themselves caught up in problematic relationships with influential Chinese business and political interests. This is murky territory in which interests intersect and integrity is open to question, particularly when viewed against the backdrop of broader strategic dynamics.

Queensland's federal Liberal National Party (LNP) member for Fadden, Stuart Robert, is a case in point. In August 2014, while Assistant Minister for Defence, Robert made a personal visit to Beijing, during which he attended the signing of an agreement between Chinese company Minmetals and Australia's Nimrod Resources. The head of Nimrod, Paul Marks, a Liberal Party donor, was known to be a personal friend of Robert.

Subsequent media investigation into the visit indicated that Robert's interests exceeded the bounds of the personal. Minmetals reported that Robert 'congratulated the company

on the deal on behalf of the Defence Department.¹⁶ Furthermore, the Chinese Government's Ministry of Land noted on its website that Robert discussed resource developments with a senior Chinese minister. When questioned, Robert's ministerial office confirmed that he was on approved leave during the trip and did not speak on behalf of the department. Further investigations revealed that Robert officially advised Defence of the private visit after the fact. Ultimately, Robert resigned from his ministerial position (then as Human Services Minister) in 2016, when an internal investigation ordered by Prime Minister Turnbull showed that he had received shares in a trust linked to the Nimrod Resources.¹⁷ Turnbull stated at the time, 'Dr Parkinson concluded that Mr Robert had acted inconsistently with the Statement of Ministerial Standards, although he accepts that Mr Robert may not have intended to do so.'¹⁸

At the state level, Queensland LNP member for Southport, Rob Molhoek, faced similar issues arising from perceived engagement in official business while on personal visits to China.¹⁹ Molhoek's involvement in establishing the Australian–Queensland chapter of the World Unmanned Aerial Vehicle (UAV) Federation—a Chinese-backed lobby group and networking platform for the development of drones—has come under particular scrutiny. Molhoek, photographed alongside senior Chinese official and 'special expert of the Chinese Ministry for Public Security' Jincai Yang at the launch of the Brisbane-based chapter, claimed he was unaware of links between the Australian chapter and the Chinese Government.²⁰ He also noted that the launch was a side event to the third World Drone Congress, which was sponsored by the Palaszczuk Labor government and promoted by the Australian Trade and Investment Commission. When the story broke, the *Courier-Mail* reported that the Shenzhen UAV Industry Association (the world's largest producer of drone technology, founded by Jincai Yang) had paid for Molhoek's accommodation during an otherwise private trip to China and provided him with a briefing.²¹ Both interactions had been declared by Molhoek via the parliamentary Register of Members' Interests, but they highlight the complex and long-term implications of personal engagements with the Chinese Government.²² Providing comment on the story, former defence and intelligence official Dr Ross Babbage made the point that politicians needed 'to exercise caution in their dealings with China, especially when it came to being courted by high-ranking officials and those linked with technology.'²³

Molhoek has also been linked to the establishment of the Chinese Heritage Branch of the LNP on the Gold Coast. There's limited information about the branch or about a similar splinter group formed at around the same time in the outer Brisbane suburb of Sunnybank. The LNP state member for Mermaid Beach, Ray Stevens, noted via Facebook his attendance at its inaugural meeting in May 2017 alongside federal counterpart Karen Andrews. Stevens commented that it 'was a wonderful opportunity to meet with the new members, many of whom speak English as a second language, and hear their views on LNP's economic agenda, strong border security and crime.' While officials recognised the move as important in embracing Chinese-Australian supporters and giving a platform for deeper political engagement, some questions were raised initially about why the branch had to be separate, leaving many divided on the issue. Former LNP President Gary Spence defended the establishment of the Chinese-only branch, suggesting that it's 'no different to the establishment of Young LNP or LNP women branches'.²⁴

While this move for inclusion and participation presents obvious benefits, the branch has very little visible profile beyond LNP member news stories and Facebook mentions. There's no website or point of contact, and no mention of the branch within the LNP structure.²⁵ The branch has been visited by members of the state government (John-Paul Langbroek posted his thanks to the branch via social media in 2019 for its support at recent elections²⁶), and the newly elected member for Moncrieff, Angie Bell, extended her thanks to the branch in her maiden speech to federal parliament.²⁷ There's no question that the branch offers a unique platform for Australians of Chinese heritage to engage in party political discourse and build networks within the local Chinese constituency, but the very opaque nature of the group raises important questions about its contribution to the political process.

Trade and investment patterns

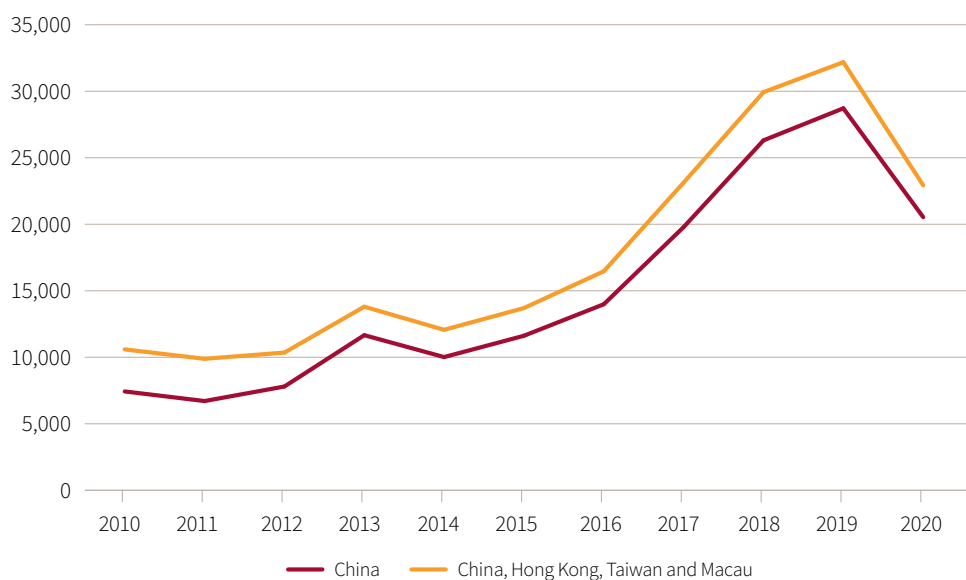
In 1984, while Premier Bjelke-Petersen was considering the state's first trade mission to Beijing, Queensland donated two koalas to Japan, the state's major trading partner and destination for some 70% of its coal exports.²⁸ By contrast, trade with China was virtually non-existent.

Over the next two decades, the pattern changed quickly (Figure 2). By 2005, China had become Queensland's third largest export destination and third largest source of imports, with total trade flows of \$3.9 billion. Exports (\$1.8 billion) were dominated by coal and mineral ores, while imports (\$2.1 billion) included textiles, clothing and footwear. By 2019, when exports reached a peak at \$28 billion, China had become Queensland's number one trading partner by a significant margin. While the bulk of merchandise exports remain in energy and resources, accounting for 50% of all merchandise exports, the contemporary trading relationship is marked by a significant shift towards services exports, with international tourist and student numbers at an all-time high.

Before the onset of Covid-19, China had become the largest and fastest growing international visitor market in terms of visitor numbers for Brisbane, Cairns and the Gold Coast. Queensland tourism data shows that by December 2019 Queensland had welcomed a record 497,000 Chinese visitors during the year, who spent a total of \$1.6 billion during visits. As a state, Queensland has been a preferred destination for Chinese tourists, 82% of whom identify as holiday-makers.²⁹ Covid-19 has had a significant impact on Queensland export figures, as the loss of Chinese tourists and international students has taken its toll on the economy. As yet, the impact of the deteriorating bilateral relationship is less visible.

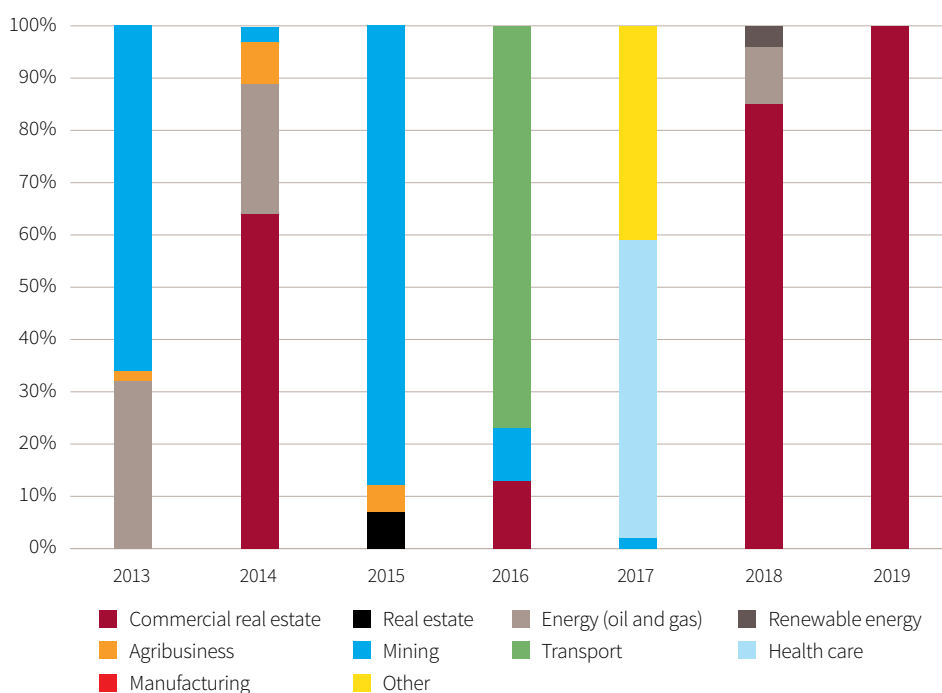
Overall, Queensland has benefited as a destination for Chinese foreign direct investment, although it appears to be a highly erratic aspect of the bilateral relationship. Recent data suggests fairly inconsistent flows and patterns of investment (Figure 3). In July 2004, Premier Beattie agreed to a framework agreement for investment cooperation with China's National Development and Reform Commission to facilitate investment cooperation. The agreement set the scene for subsequent Chinese investment delegations to Queensland.³⁰ Between 2007 and 2013, Queensland attracted a third of all Chinese investment into Australia. For a range of reasons, including changes in Chinese Government regulation of outbound investment, the rates of investment evident in the 2007–2013 period haven't come close to being sustained.

Figure 2: Queensland exports to China, by year, 2010 to 2020 (\$ million)



Source: Australian Bureau of Statistics, 'International trade in goods and services, Australia', various years, [online](#).

Figure 3: Chinese investment into Queensland, by sector, 2013 to 2019 (%)



Source: KPMG / Sydney University database.

While the mining, energy (oil and gas) and real estate sectors feature most prominently as key investment areas, again the picture from year to year is one of volatility. Investment deals have been concluded in transport, agribusiness and manufacturing, and more recently in health care, albeit at much smaller volumes. Over the past decade, Chinese inbound direct investment to Australia has slowed markedly, reflecting shifts in global trends, changes in the regulatory environments of both China and Australia, and deeper deterioration in the bilateral relationship. Those shifting conditions have had impacts on Queensland as a destination for Chinese investment. Today, the state consistently ranks fourth or fifth behind other Australian states while gaining only 5%–6% of the overall investment share (see Appendix).

China Bloom and the campaign to reclaim Keswick Island

Commercial real estate, including high-profile tourism destinations and resorts, is increasingly seen as priority investment for Chinese development companies.³¹ Indeed, it made up 100% of direct investment into Queensland in 2019. While the Queensland Government looks favourably on such deals, public opinion doesn't always follow.

The China Bloom development investment in Keswick Island is a case in point. Located near Mackay, just off the Great Barrier Reef in Far North Queensland (FNQ), Keswick Island has been the focus of tension between the public and the Chinese development company, China Bloom. China Bloom acquired the head lease over the island in 2019, rendering residents of the island its sublessees. Initially, residents were concerned over the environmental impact of changing boat ramps and developments destroying turtle habitats. When the developer began erecting 'Keep out' signs throughout the island, deeper sensitivities emerged.³²

The issue of access is central to the emerging tensions. Residents claim that China Bloom isn't actively communicating its development plans, is skirting council approvals for new boat ramp structures, and is preventing legitimate access to the island, including via the commercial airstrip. Public concerns have been advanced through online petitions and, most poignantly, a protest on Australia Day in which 20 boats sailed into Keswick Island, flying Australian flags in protest against the foreign developer. While residents claim the Queensland Government has done nothing to protect or support them, the Mayor of the Mackay Regional Council has suggested that the issue is far more complicated and nuanced than just a private foreign company antagonising locals.³³

The issues surrounding the Keswick Island investment entered into national discourse after the federal LNP Member for Mackay, George Christensen, launched the 'Reclaim Keswick Island Campaign' with support from state-based counterparts including Amanda Camm, the state Member for Whitsunday.³⁴ A backbencher known for his conservative views and strident stance on China, Christensen has strong public support across central and northern Queensland, and could have taken the issue further.³⁵ However, the recent announcement that he won't contest the next election dampens his political influence. Meanwhile, the Queensland Government maintains that the issues raised by sublessee residents don't fall under the terms of the lease and that 'to date, no party has formally applied to undertake mediation or arbitration, an option available to them under the *Land Act 1994*.'³⁶

The Chinese-Australian community

Today, Queensland's Chinese community, though growing, is relatively small compared to Australian totals. The 2016 Census reported 136,444 people claiming Chinese ancestry, or 2.9% of the population, including 47,114 who were born in China.³⁷ After English, Mandarin is reported to be the most common language spoken in Queensland homes (by almost 70,000 people, or 1.5% of the Queensland population).

It's worth reviewing the historical links that provide the foundations for Queensland's contemporary Chinese community. The emergence of Chinese communities in Queensland traces back to the 1840s. Pre-federation indentured-labour programs involved Chinese men initially working on pastoral stations in the districts of Darling Downs and Burnett. During the 1860s, many migrated further north, while others arrived directly from China (primarily from Guangdong Province) to participate in new and emerging opportunities in the Hodgkinson and Palmer River goldfields and the expansion of settlements in northern Queensland.³⁸ As Heather Burke and Gordon Grimwade observe, the 'Chinese who came to FNQ were following a well-established—and much wider—pattern of seeking material advantage and individual autonomy.'³⁹

The early influx of Chinese immigrants led to the emergence of distinctly Chinese communities and commercial centres across the state. The very notion of those early 'Chinatowns' reflected on anti-Chinese sentiment across Australia at that time. The settlements themselves were often described by Europeans in fairly dim terms. Yet, as Keir Reeves suggests, those communities provide evidence of broader cultural and economic organisation and cooperation and indicate the inherent sense of connection that underpinned the organisation of early Chinese migrant communities in Queensland.⁴⁰ That might also be said of Chinese communities elsewhere in Australia.

One of the earliest and most important of those hubs emerged in Cooktown, on the east coast of the Cape York Peninsula in Far North Queensland in about 1873. Initially a mining camp, it quickly expanded into a commercial centre, providing a 'gateway for about 15,000 Chinese who participated in the goldrush'.⁴¹ Similar 'Chinatowns' emerged through the 1880s in other parts of FNQ, including in Cairns, Atherton and Croydon. While most of those communities declined through the White Australia era, it's still possible to catch a glimpse of the contribution made by the Chinese migrant communities in the local architecture, heritage sites and trails, some of which has been revived in recent years.

Indeed, several Queensland city centres have looked to revive links to the Chinese community of late. In part, this reflects the advocacy of influential local Chinese business networks and the rising domestic interest in promoting Queensland as a destination of choice to Chinese tourists, students and investors. In 1987, Brisbane City opened the Chinatown Mall in Fortitude Valley as a major market and commercial centre, which was subject to significant redevelopment in 2010. In 2013, Gold Coast Mayor Tom Tate, working with the Gold Coast Chinatown Association, launched a Chinatown precinct development for the Southport centre. Some 20 years in the making, the redevelopment offered a nod to the Gold Coast's early though limited Chinese

connections, but more importantly signalled the city's broader pitch to the Asia–Pacific region. In the public promotions for the precinct, Mayor Tate noted, in contrast perhaps to perceptions that might have existed 100 years earlier in the state, that 'Chinatowns are a symbol of maturity, urban life and global identity.'⁴² Gold Coast Chinatown Association President Ted Fong affirmed the importance of a precinct where 'Chinese and other Asian communities will have a place to share our culture, and come together and celebrate our history and common future.'⁴³

Community networks play a vital role for Chinese-Australians in connecting and advancing their interests within the domestic state landscape, as well as with mainland China. It's a diverse and potentially fragmented space involving more than 40 community-based associations and interest groups in Queensland—each advancing particular sectoral, geographical or thematic interests.

The Queensland Chinese Forum identifies itself today as the 'official peak organisation of the Queensland Chinese community'. Its origins lie in the Council of Chinese Organisations of Queensland, a network of Chinese community leaders who came together in 1984 to mobilise a more coherent community response to national controversy about Asian immigration. The forum evolved through various iterations, formally establishing its peak status in 1984 with seven founding members, including the Cathay Community Association, the Chinese Business and Professional Association Queensland, the Chinese Ethnic Broadcasting Association of Queensland, the Chinese Fraternity Association of Queensland, the Hong Kong Business and Professional Association of Queensland, the Queensland Chinese Food and Beverage Hospitality Association, and the Taiwan Friendship Association Queensland.⁴⁴

Queensland Chinese Forum activities, particularly visible during the 2000–2015 period, emphasise its role in organising celebrations of Chinese culture and contributions to Queensland society; fundraising for disaster relief (including the 2006 Cyclone Larry and 2011 Queensland floods appeals); fundraising for community commemorations (the Chinese-Australian war memorial at the Sunnybank RSL and the Queensland Chinese Museum); and consultation and advocacy on key issues (including crime prevention). However, it would appear, at least from public-facing communications, that the forum has been inactive since the Chinese New Year celebrations of 2015.

By contrast, the Queensland branch of the Australia China Business Council (ACBC)—while not itself a Chinese community organisation—continues to grow and is increasingly visible and engaged, with strong participation from and representation by the Australian and Chinese business and government communities. Working through a new partnership with Trade and Investment Queensland (the state's trade and investment promotion arm), ACBC Queensland has stepped up its commitment to supporting Queensland business connections with China, particularly through the Covid-19 period.

As the state-based chapter of a larger national network, ACBC Queensland connects individuals and institutions to a business constituency locally, nationally and across China. Working closely with Australian federal and state government representatives, it has become a trusted and authoritative gateway for current knowledge about and practical strategies for engaging in the contemporary Chinese business landscape.

A final feature of the Queensland Chinese community relates to the role and relevance of Chinese-language media. Quite apart from that available through national channels (including for example, *SBS*), Chinese-language media are primarily focused on print, supplemented by increasingly active social media channels (such as WeChat and Facebook). In 2016, the Australia–China Relations Institute highlighted key outlets in Queensland, which include:⁴⁵

- *Asian Community News Weekly* (华友周报)
- *Australian Chinese Times* (澳华时代周刊)
- *Epoch Times (Brisbane)* (布里斯班大纪元报)
- *Queensland Immigration Mirror Weekly* (昆士兰移民镜报周刊)
- *Queensland Asian Business Weekly* (昆士兰华商周报)
- *Queensland Chinese News* (生活情报)
- *Queensland Chinese Times* (昆士兰日报)
- *World Weekly (Brisbane)* (世界周报 (布里斯班)).

It isn't possible in this study to analyse the sentiment and tone conveyed through the Chinese-language media in Queensland, but such an analysis, conducted over time and on a regular basis, would be of value.

Educational and cultural ties

Queensland's educational and cultural links with China have played a significant although perhaps secondary role in the evolving relationship. However, as noted in the introduction to this chapter, the personal links forged through education and cultural exchange have provided the necessary ballast upon which the more significant government, business and institutional engagements have been built. This section examines the role of universities and cultural institutions in setting the scene for personal and institutional connections.

Higher education institutions have been instrumental in enabling and deepening connections over time. Queensland's Griffith University, established in 1971—the year of Whitlam's visit to Beijing—is notable because its formation is explicitly identified with the concept of engaging with modern Asia. Early on, the founding Chancellor, Theodor Bray, famously declared, 'If we do nothing else in this University, we will teach Asian Studies and we will cultivate good relations between Asia and its neighbours around the Pacific Rim.'⁴⁶

In 1973, Bray and Vice-Chancellor John Willett visited Fudan, Peking and Sun Yat Sen universities with the aim of establishing collaborations. The invitation to do so was a first for any Australian university. When interviewed after the visit, Willett made the point that, while there were differences, notably on issues of freedom, 'in some senses the experience of visiting China, was to reinforce the fact that Griffith and some of the Chinese universities are moving from quite different social backgrounds, to explore the same sorts of issues of the socially responsible graduate.'⁴⁷ The establishment of Griffith's Modern Asian Studies program, and the subsequent appointment of China specialist Colin Mackerras as Foundation Professor in the program in

1974, accelerated Griffith's engagement with China. The program produced a cohort of alumni who have gone on to develop enduring and successful connections with China. Mackerras, too, has continued his deep engagement with China. His contribution to the relationship has been widely recognised by both the Australian and the Chinese governments, and including through the conferral of a Friendship Award by the Chinese Government in 2014. When Xi Jinping spoke to the Australian Parliament during his visit in 2014, he noted Colin Mackerras's attendance, commenting that:

... over the past five decades, he has visited China over sixty times and he has made tireless efforts to present a real China to Australia and the world based on his personal experience of China's development and progress ... With his unremitting efforts and devotion, Professor Mackerras has built a bridge of mutual understanding and amity between our people.⁴⁸

Mackerras's longstanding engagement with Chinese academic institutions, especially with the Beijing Foreign Studies University, where he has taught Australian Studies each year for several decades, has brought significant recognition and positive benefits to Queensland. Indeed, Mackerras was instrumental in establishing the beginnings of Australian Studies in China, a program that now supports teaching and research on Australia in more than 30 university centres in China. As David Walker, inaugural Chair of Australian Studies at Peking University, notes, there are 'more Australian study centres in China than there are in the rest of the world combined'.⁴⁹ And yet, for Mackerras, as for other academics who have established close connections with China over time, the achievements developed over decades also highlight points of tension, particularly as the bilateral relationship deteriorates and public opinion polarises.

Today, all Queensland universities can lay claim to rich and textured engagements with Chinese universities, scholars and students extending across most faculties and degree programs. This is reflected in staff and student recruitment, research collaborations and academic and student mobility and research outputs. The University of Queensland (UQ) makes the significant claim to have 'more student mobility, research collaborations, and commercialisation partnerships with China than with almost any other country'.⁵⁰ There's no doubt that it stands ahead of its state counterparts on each measure. Notably, though, and despite early suggestions that there would be only one Confucius Institute (CI) established in Queensland, each of the three Brisbane-based universities (UQ, the Queensland University of Technology and Griffith University) now hosts one. Each has been established in partnership with a Chinese counterpart institution and with significant funding from the Chinese International Educational Foundation (formerly the Confucius Institute Headquarters) as part of China's efforts to 'go global'.

Queensland's CIs are all different in where they sit within the university structure, the emphasis they bring to the curriculum, their audiences and their forms of outreach. For example, Queensland University of Technology's CI, established in 2008 with the Jiangsu Provincial Department of Education, sits within the university's International portfolio and focuses primarily on language training (including for language teachers). It has a strong school outreach program, partnering with 10 Queensland schools in regional and metropolitan areas to deliver

language programs under the Chinese Classrooms program. Additional support is provided for language programs in another seven affiliated network schools.⁵¹ By contrast, UQ's CI, established in 2009 with Tianjin University, sits within the university's Provost portfolio and offers a range of language and cultural courses, seminars, outbound mobility and Chinese-language proficiency testing. When officially opened in the presence of Premier Anna Bligh and Chinese Ambassador Chen Yuming, it was identified as 'Australia's first science and technology focused Confucius Institute'.⁵² Since that time, the CI has secured important collaborations across the sciences alongside a more traditional focus on culture and language learning. Finally, Griffith University's Tourism CI, established in partnership with the China University of Mining and Technology in Xuzhou, is situated within Griffith's International portfolio. The Tourism CI has no direct engagement with university degree programs and is largely focused on the delivery of community outreach in language and cultural studies, including through schools, libraries and retirement facilities. A member of the Queensland Tourism Industry Council, the Tourism CI brings a distinct emphasis on tourism. Its aim, which is to 'advance cooperation in the field of tourism',⁵³ makes sense, given its unique location on the Gold Coast (the nation's unofficial tourism capital), tying in to municipal and state-based industry priorities.

Heightened concern about Confucius institutes

Across Australia, the presence and operation of CIs has been controversial.⁵⁴ Questions about the influence that these institutes might exert over academic freedom and institutional integrity, raised nationally, came to a head in Queensland in 2019 when UQ undergraduate student, Drew Pavlou, led an on-campus student protest against China's activities in Xinjiang and Hong Kong. What was intended as a peaceful protest drew a violent response from a pro-Beijing student group, attracting the attention of Chinese officials and media.

The incident highlighted irregularities in UQ's CI, including suggestions that the institute exerted control over wider university activities,⁵⁵ as well as concerns about the university's connection to senior Chinese officials.⁵⁶ For example, Chinese Consul-General Xu Jie, an honorary professor at UQ (the fifth such appointment of a Chinese diplomat at the university),⁵⁷ praised the individuals who responded violently to Pavlou's protests for their 'spontaneous and patriotic behaviour'.⁵⁸ The CCP tabloid, the *Global Times*, reported the incident from Beijing, calling for Pavlou's expulsion from UQ for his role in the protests. Within Australia, however, a groundswell of domestic support emerged, including funding campaigns and online petitions to support Pavlou. Pavlou wasn't expelled, but was suspended from the university for two years—a decision that inspired debate about whether the move was politically motivated.⁵⁹

The matter escalated. Pavlou sued UQ for defamation and a breach of contract and took legal action against the Chinese Consul-General in Brisbane for his comments on the protests, thus elevating the issue to diplomatic and political levels.⁶⁰ Following sustained pressure, UQ reduced Pavlou's suspension from two years to one semester, but he remained committed to protesting Chinese involvement in Australian universities—a campaign he took directly to the UQ senior executive. After running and winning a student position in the UQ Senate, Pavlou petitioned for the sacking of UQ Vice-Chancellor Peter Høj.⁶¹

Høj's connections to China were widely known. Not only had he worked as a consultant to the Hanban, which was the global headquarters for the CIs, and served as a member of its governing council, in 2015 he had received a Confucius Award for 'outstanding individual of the year' at an event in Shanghai.⁶² His close engagement in China, previously rewarded in the university system, including through substantial bonuses, attracted scrutiny and questions from the media and wider public.⁶³ In 2018, as the Foreign Influence Transparency Scheme was introduced in Australia, Høj resigned from the Hanban board. Soon after, at the conclusion of his contract with UQ, he was appointed to the position of Vice-Chancellor and President at the University of Adelaide.

Pavlou's case against UQ highlights deeper complexities that exist for universities in balancing the economic gain and prestige of international collaborations—including those with China's CIs—against the fundamental underpinnings of academic integrity and institutional independence. Patrick Jory, a senior lecturer at UQ who had taught Pavlou, made the point via Twitter: 'The fact that UQ academics are silent on the Drew Pavlou issue while media and politicians from all sides of the political fence in Australia and around the world condemn UQ's actions says volumes about academic freedom at UQ.'⁶⁴

While Queensland universities have the most longstanding and visible connections to China, educational exchanges extend well beyond the university sector. Queensland's vocational and educational training sector and schools offer another case of collaboration across a range of program areas. For example, capitalising on China's need for skills development and the sister-state/province relationship with Shanghai, TAFE Queensland has partnered with the Shanghai Municipal Education Commission to deliver a range of vocational programs through the Shanghai Second Polytechnic University. TAFE Queensland has similar collaborations in place with another seven Chinese universities.

It's clear that Queensland's educational institutions have pursued and benefited from a multitude of two-way academic collaborations with counterpart institutions in China, spanning research, teaching, exchanges and capacity building. Those engagements have been largely pursued on an institution-by-institution basis. However, the 2018 partnership forged by a coalition of seven Queensland universities alongside TAFE Queensland and the state's Department of Health is a notable exception. The coalition underpinning this partnership offered a more coherent state-based response to China's emerging health reforms and changing healthcare industry needs. To that end, it flags the potential for Queensland institutions to work together in their efforts. In launching the initiative, the Queensland Government noted that the significance of the initiative in 'activating Queensland Health's agreements with Zhejiang and Sichuan Provincial Health Commissions and the Government and Consortium member's relationships with Shanghai and Guangdong'.⁶⁵ Although the implementation of the partnership has been constrained by changing political dynamics and restrictions brought about by Covid-19, it nonetheless demonstrates an important evolution in institutional approaches. And, while it's too early to judge, the willingness to leverage complementary strengths, skills and linkages may build greater heft and resilience into Queensland's positioning with its Chinese counterparts.

Beyond education, the landscape of Queensland–China cultural engagement is diverse and significant. In 1988, recognising the advantages to be gained from harnessing the many cultural interactions in play, National Party Premier Mike Ahern established the Queensland China Council ‘to facilitate commercial, cultural, educational, scientific and technical interchange between Queensland and China’.⁶⁶ Taking on a similar role to its national counterpart the Australia China Council (established in 1978), the Queensland China Council brought together a range of high-profile business, academic and community representatives to advise the Premier on the development of economic and cultural relations between Queensland and China. The council also had a special role in overseeing the sister-state/province relationship between Queensland and Shanghai and the business cooperation agreement with Jiangsu Province. With support from the Queensland Department of Trade, the council was a significant initiative aimed at cultivating the state’s relationship with China for more than two decades. However, ultimately reliant on political support and funding, the Queensland China Council was caught up in a series of Queensland budget cuts implemented in 2012 by the incoming LNP state government, and was quietly disbanded.

Champions for cultural exchange

Queensland’s cultural engagement with China pre-dated and outlasted the existence of the Queensland China Council. Striking examples of early and ongoing connection are found at the core of Queensland’s cultural heartland. They include:

- the Queensland Youth Symphony Orchestra (QYSO) which, under the leadership of its founding director, John Curro, began exchanges with Shanghai in the late 1980s
- the Queensland Ballet, a company that has, with Li Cunxin at the helm as artistic director, seen exchanges with Chinese dancers and institutions flourish to the benefit of the institution⁶⁷
- the Queensland Art Gallery/Gallery of Modern Art, which has engaged and supported Chinese artists, including famed Ai WeiWei, throughout the 30 years of its Asia Pacific Triennial of Visual Art.⁶⁸

John Curro’s contribution to Queensland cultural engagement with China deserves particular mention. Having first visited China in 1966 (the same year he founded the QYSO) at the invitation of Premier Zhou Enlai, it wasn’t until the 1980s that he took the 90-member orchestra on a tour of China at the invitation of Premier Zhao Ziyang.⁶⁹ The QYSO performed in Shanghai in 1989 at the signing ceremony for the sister-state/province relationship, marking the beginning of a long relationship for the youth orchestra with its Shanghai counterpart. Decades later, the orchestra took its place in Premier Palaszczuk’s 2019 delegation to Shanghai to perform at celebrations marking the 30-year anniversary of the relationship. It was at that later event that an MoU was signed formalising the connection between the QYSO and its counterpart, the Shanghai Young Philharmonic Orchestra.

Curro's personal commitment to Queensland's cultural engagement with China underpinned the growth and development of the orchestral exchange, offering Queensland young people in particular an avenue through which to know and understand China. Curro observed of these interactions:

... education and the arts, especially in classical music, are inextricably linked, providing great opportunities for young peoples' career development ... Life-long friendships develop providing a lifetime of opportunities that benefit individual careers, the development of the arts and culture at institutional levels, as well as national gains, opening doors for other opportunities in broader spheres of influence, such as trade and business.⁷⁰

In 2019, the federal government announced the establishment in the following year of the National Foundation for Australia–China Relations to replace the Australia China Council and continue its work in promoting Australia–China ties and enriching the national effort in engaging China. A number of Queensland institutions contributed to the early thinking about the purpose and objectives of the foundation through the initial consultation process. One of the key questions garnering significant attention related to the physical location of the foundation. While the decision was ultimately made to base it in Sydney, the opportunity for Queensland input remains important. Three Queensland Government officers based in Brisbane have been seconded to the foundation for an initial 12-month period from the start of 2021. The secondees bring experience of the China market and provide Queensland input to the national approach to Australia–China relations. The foundation is an important model for ongoing engagement of the states in Australia's broader cultural diplomacy profile.

Bilateral agreements

Queensland's sister-state/province relationship with Shanghai, signed under a memorandum of agreed cooperation in 1989, has been a significant pillar of Australia–China engagement. The relationship brings significant political heft to Queensland's engagement with China, given the political positioning of the Shanghai Mayor, and it has provided Queensland political leaders with important opportunities to showcase the offerings of the state to an elite audience. For example, when Shanghai hosted the World Expo in 2010, the Queensland Government sponsored Queensland Week, which was attended by the then Treasurer and Minister for Employment and Economic Development, Andrew Fraser, and the then Vice Mayor of Shanghai, Tang Dengjie, who both reaffirmed the level of cooperation.

Queensland has welcomed the mayors of Shanghai to the state to celebrate the 10th, 20th and 25th anniversaries of the sister-state relationship. In 2019, Queensland Deputy Premier Jackie Trad joined the Shanghai Vice Mayor, Xu Kunlin, to sign the 12th iteration of the memorandum of agreed cooperation, extending the agreement for a further three years. According to Queensland Government records, over its lifetime the agreement has:

- focused on developing closer ties in education, science, technology and the arts
- fostered joint collaborations between start-ups, health practitioners, tourism operators and cultural institutions
- enabled the establishment of direct flights by China Eastern Airlines between Shanghai and Brisbane.

The 30-year anniversary was marked with cultural events in both Shanghai and Brisbane, including, as I've noted, a special joint performance by the QYSO and Shanghai Youth Philharmonic Orchestra at an event hosted by the Queensland Government.

In 2004, some years after the signing of the agreement with Shanghai, Premier Peter Beattie and the Governor of Guangdong, Huang Hua, signed an MoU at the state–province level to promote friendly exchange and cooperation in trade and investment focused on tourism; education and training; environmental protection; urban planning; and agriculture. At the same time, and in his capacity as Chair of the Queensland China Council and Queensland's Special Representative to China, Tom Burns actively advanced various subnational cooperation agreements, including in 2002 with a Shandong agricultural delegation on agricultural trade and exchange, and in 2004 with Jiangmen City on developing cooperation in project development and planning, landscaping and construction.

Burns was appointed as an Overseas Council Member of the 8th Council Conference of the Guangdong People's Association for Friendship with Foreign Countries, and also appointed Honorary Chairman of the Jianmen 5th People's Foreign Friendship Association.

In 2008, Queensland was the first Australian state to sign an MoU with the Chinese Ministry of Science and Technology to support cooperation in key areas, including agriculture; human health and medical research; cleaner and renewable energy technologies; the marine and terrestrial environments; advanced materials and nanotechnology; and digitally enabled technologies. An early initiative under the MoU saw the establishment of the Queensland–China Climate Change Fellowship program, which allowed short-term reciprocal programs between researchers and professionals. At the time of signing, Queensland Premier Bligh noted that 'this is a significant development in our State's relationship with China.'⁷¹

Queensland sister-cities

According to the Queensland Government, sister-city relationships between cities in China and Queensland (Table 5) are also valued platforms for collaboration and exchange and contribute significant goodwill and connectivity at the community level. As part of city-to-city and regional-level relationships, local governments across Queensland lead initiatives to foster and enhance collaboration at the city and regional levels between Queensland and China, including, for example, education and training scholarships and exchanges; reciprocal missions; exchange forums; and cultural programs.

Table 5: Queensland–China sister cities

Queensland city	Chinese sister-city	Date established
Brisbane	Chongqing	2005
	Shenzhen	1992
Bundaberg	Nanning City, Guanxi	1998
Cairns	Zhanjiang	2004
Charters Towers	Daqing	2000
Gold Coast ^a	Behai	1997
	Chengdu	2019
	Zuhai	2012
Griffith	Harbin	2004
Hervey Bay	Leshan	1999
Ipswich	Changde	2011
	Pengzhou	2014
	Wenzhou	2011
Logan	Suzhou	2005
	Panjin	2014
	Xuhui district	2014

a Gold Coast Mayor Tom Tate has entered into Friendship arrangements with Jining (2014) and Wuhan (2015).
Source: Directory of Sister City Affiliations, Sister Cities Australia, 2021.

Sister-city relationships offer an important introduction to China. A review of the annual reports of each of the Queensland cities notes at least one official visit to the sister city each year, and return visits are also occasionally reported. The relationships cultivated between cities are generally benign, comprising gestures of goodwill, trade and investment promotion and cultural exchange with a distinctly local flavour. However, it would be a mistake to ignore political dynamics and sensitivities or to dismiss such relationships as merely symbolic. Colin Mackerras made that point in comments about former Brisbane Mayor Jim Soorley leading a delegation to Kao-hsiung in Taiwan with the intent of establishing a sister-city relationship, noting, ‘Shenzhen in Guangdong, which already had such a relationship with Brisbane, made its displeasure known in no uncertain terms.’⁷²

Rockhampton City and the case of the Taiwanese flags

In 2018, Rockhampton became the focus of attention in the Queensland–China relationship when the controversial matter of Taiwan’s status was inadvertently raised by local schoolchildren. The issue was set against the backdrop of the CCP sending out instructions to major airlines that they were required to recognise Taiwan, Macau and Hong Kong as part of China in all relevant material. That incident had generated some heat in the bilateral relationship, and Foreign Minister Julie Bishop warned China against exerting political pressure over Taiwan.⁷³ Quite separately, and in the lead-up to an industry Beef Week event, school children in Rockhampton were invited to paint a statue of a cow to celebrate the cultural diversity of the region. Two Taiwan-born siblings chose to paint the Taiwanese flag. The local council made the decision to conspicuously paint over the flags, arguing that it ‘made a decision to change one bull statue on display ... in line with the Australian Government’s approach of adhering to the one-China policy’. The Australian Government, however, had not issued any directive that bodies aren’t allowed to display the Taiwanese flag—an indication of the misunderstanding on the Australian position on the issue of Taiwan.⁷⁴

In response to the incident, and following a request from the Australian Association for Taiwan Public Affairs for an apology, the Mayor of Rockhampton defended the decision, highlighting the importance of balancing China’s position. In making the statement, the Mayor noted the contact made by the Chinese Vice-Consul in Brisbane, which had alerted the council to the flag problem. Deeming the issue to be too sensitive in a politically charged environment, the Mayor justified the decision on the basis of Australia’s foreign policy.⁷⁵ The response raised several concerns, including about the way in which the Chinese Consul sought to push CCP politics in the local environment.⁷⁶ This case underlines the fact that Chinese influence can be felt at the local level, especially in situations in which inconsistencies in Australia’s position towards China are apparent.

Conclusion

If Australia is to engage effectively and successfully with the world, subnational diplomacy—involving state and local governments, universities, industry, cultural institutes, media and academics, to name a few key actors—must play a role. That position is reaffirmed by the Australian Government’s *2017 Foreign Policy White Paper*. Proponents of innovative diplomacy argue the more touchpoints the better, in order to enable understanding and build opportunities for mutual gain, for example in trade and investment. Additionally, research demonstrates that, when it comes to engaging in difficult or contested relationships, the further removed the actors are from strategic policy the greater the opportunity for dialogue, cooperation and, ultimately, trust.⁷⁷ For all those reasons, subnational diplomacy can bring real benefits to international engagements.

However, as becomes clear through reviewing the case of Queensland and China, not all diplomatic interactions are equal. Asymmetries, particularly between the fundamental operating principles that govern actors’ behaviours, such as strategic ambition, political organisation, authority and values, bring greater challenge and risk, particularly where there

are multiple, complex and unmediated interactions in play. The greater the distance in the fundamental operating principles of the actors involved, the greater the risk.

Since the 1970s, Queensland has actively pursued its relationship with China. More recently, that pursuit has been reciprocated, because, to return to our opening quote, 'Queensland has what China wants.' The relationship that has evolved is complex and multidimensional, and therein lies its strength. However, it's also a relationship marked by significant and growing asymmetry. Personal relationships have and will continue to be central. Queensland has clearly benefited from the involvement of key individuals who have, over the past five decades, brought depth of cultural knowledge and language skills alongside the necessary networks and expertise to navigate the complexities of China's political and power structures. There are also instances in which individuals, political leaders, government institutions and universities have been caught off balance in the interplay. Examples offered in this chapter offer points of caution.

Queensland should continue to develop the many, rich and varied opportunities for interaction with China into the next decade, but it's clear that subnational engagements will be increasingly challenged. Casting forward, perhaps the underlying theme is that greater attention and investment will be required in developing the skills and capabilities of the key actors—governments, institutions, communities and individuals—leading Queensland's China engagement, so that they might recognise the ambitions in play and effectively navigate the complex asymmetries, without falling victim to missteps or miscalculations.

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4. Western Australia

Wai-Ling Yeung

In an interview with the influential *Guangming Daily*, Madam Dong Zhihua, the PRC Consul General in Perth at the time, described Western Australia (WA) as the state that ‘plays a leading role in the China–Australia comprehensive strategic partnership’ (西澳在中澳全面战略伙伴关系中发挥着引领作用).¹ The statement was made in October 2019, when the US–China trade war had just claimed its first WA victim—the plantation woodchip industry.²

The Chinese diplomat’s statement was a reminder of the convergence of views among PRC diplomats, China’s diaspora affairs agencies and local business and political leaders based in Australia’s mining capital. Preserving WA’s leading role in the China–Australia Comprehensive Strategic Partnership is a paramount goal of state government and business communities in the state. Ensuring that the state’s elites recognise that they have important roles to play in shaping Australia’s national relationship with Beijing is a goal of China’s subnational relations with WA—even if that means driving a wedge between the state government or WA mining interests and Canberra over relations with China.

Their determination to preserve this relationship partly explains why political and business leaders in WA have openly endorsed China’s criticism of Canberra over its foreign affairs and defence policies.³ On China’s side, Beijing’s effort to showcase its ‘win–win’ relationship with WA amid rapidly deteriorating Australia–China relations highlights Beijing’s willingness to leverage its influence over subnational governments and business elites in targeted countries to undermine the positions of national governments in pursuit of its own strategic objectives. In view of China’s forward-leaning geopolitical ambitions under Xi Jinping, Beijing’s propensity to mobilise local governments and elites against national governments presents political challenges and security risks for Australia.

This study reviews major milestones in WA–China relations in order to illustrate and explain how the relationship has been fostered at both ends to complement China’s development strategies. That includes the incremental growth of economic and cultural ties through trade, investment, education, tourism and diaspora engagement. I also examine how Beijing’s efforts to promote the relationship have been reciprocated by political leaders in WA. The importance of this ‘mutually beneficial cooperation’ is amplified in WA’s highly monopolised local English-language media and echoed by a growing Chinese digital diaspora whose members are heavily influenced by pro-Beijing content often disseminated through popular China-based social media.⁴ In conclusion, I reflect on the price that WA is called upon to pay to sustain this relationship. Some of the examples cited are useful for evaluating WA’s strategy of engagement with China and its potential impact on national cohesion and security.

Securing resources for growth

WA is the world's largest supplier of iron ore—a mineral that has propelled China's economic growth. The first consignment of iron ore was dispatched from WA to China in 1973, less than a year after diplomatic relations between Australia and China were normalised.⁵ Economic growth in the 1980s under China's Reform and Opening Up policy prompted Chinese state-owned enterprises (SOEs) to venture into iron ore exploration as a way of securing future supplies. In 1987, Sinosteel reached its first agreement with Rio Tinto to establish the Channar Mining joint venture at the Pilbara region.⁶

Under CCP General Secretary Hu Jintao (2002–2012), China shifted its economic focus from encouraging private-sector growth to accelerating the amalgamation of strategically important industries into mega-sized state enterprises.⁷ Government interventions took the form of loans and subsidies at home and government-to-government negotiations abroad to secure resources from overseas suppliers. In a historical first during his visit to Australia in 2003, Hu Jintao addressed a joint meeting of the Australian Parliament before he proceeded to sign a series of trade agreements, including a \$25 billion liquefied natural gas (LNG) contract.⁸ Under the contract, an LNG receiving terminal was built at Dapeng in Guangdong Province in preparation for receiving the first consignment of LNG exports, which arrived in China from Woodside's North West Shelf project in May 2006.⁹ The success of negotiations leading to that agreement, in 2002, is attributed to the Regional Director of Western Australia's Trade and Investment Promotions office in Shanghai at the time, 'BJ' Zhuang Binjun.

The strategic importance of WA to China was noted in subsequent formal visits by Premier Wen Jiabao in 2006 and President Hu Jintao in 2007.¹⁰ On both occasions, the PRC political leaders kicked off their Australia tour with visits to Perth, where they met with WA politicians and community representatives, before proceeding to Canberra. The arrival of large Chinese-owned mining companies in WA and a rapid increase in economic activities prompted the Bank of China to open its first branch in Perth in 2010.

2011 was an important year in WA–China relations. In April 2011, Jia Qinglin, chairman of the National Committee of the Chinese People's Political Consultative Conference, visited Perth and Sydney as a part of his three-nation tour. In Perth, he held talks with Governor Ken Michael, Premier Colin Barnett and business representatives about trade, mining, major joint resource projects and a direct flight between Perth and major cities in China.¹¹ According to China's state-owned media, Jia commemorated the occasion with an article in the *West Australian* in which he elaborated on his ideas of a peaceful and harmonious partnership between Australia and China.¹²

In a move to build stronger bilateral ties, WA Premier Colin Barnett signed an MoU in September 2011 with China's National Development and Reform Commission to establish a China–WA Investment Facilitation Work Group. The MoU, which covers areas such as resource technologies, energy, agriculture and food, machinery, chemicals and infrastructure, stipulates that WA and Chinese officials will meet regularly to discuss policy issues and to explore areas of cooperation.¹³ This was the first formal agreement between an Australian state government and a national agency in China.

Economic landscape transformed

China's craving for resources to power its economy has fundamentally transformed the WA economy. Historical data from two WA government sources indicates that, in terms of gross state product (GSP), the WA economy expanded more than threefold in less than two decades, from \$89 billion in 2003 to \$316 billion in 2019.¹⁴ That represented average annual growth of over 20%. Powering that remarkable economic expansion has been China's insatiable appetite for WA mineral and petroleum products. Tables 6 to 10 show the dramatic change in WA's economic landscape brought about by the mining boom.

Table 6: Shares of export commodities, 1964–65, 2001–02 and 2019–20

Commodity	1964–65	2001–02	2019–20 ^a
Mineral and petroleum	13%	62%	94%
Agriculture	57%	5%	4%
Other	30%	33%	2%

a Major export commodities for 2019–20, in order of gross sales income, were: iron ore, petroleum, gold, alumina, nickel ore, wheat, copper ore, lithium, chemicals and mineral sands. Commodities that had China as their top buyer were iron ore, nickel ore, copper ore, lithium and mineral sands.

Notes: Measured in terms of percentage of total export income. 1954–55 data is not available in this series.

Table 7: Export by destination, 1954–55, 2001–02 and 2019–20

Country	1954–55	2001–02	2019–20
China	0%	12%	54%
Japan	2%	29%	12%
UK	40%	2%	7%
Other	58%	57%	27%

Note: Measured in terms of percentage of total export income.

Table 8: Share of employment, 1954–55, 2001–02 and 2019–20

Industry	1954–55	2001–02	2019–20
Services	n.a.	73%	73%
Mining	n.a.	4%	8%
Construction	n.a.	8%	9%
Manufacturing	18%	10%	7%
Agriculture	15%	5%	3%
Other	67%	0%	0%

n.a. = not available.

Table 9: GSP share by industry, 2001–02 and 2019–20

Industry	2001–02	2019–20
Mining	18%	36%
Property and finance	15%	9%
Construction	8%	6%
Manufacturing	9%	5%
Agriculture	5%	2%
Other	45%	42%

Table 10: Business investment by industry, 2001–02 and 2019–20

Industry	2001–02	2019–20
Mining	56%	73%
Other	44%	27%

The data in tables 6 to 10 demonstrates how WA has transformed from an agricultural producer into an exporter of mineral resources. The growth of the mining industry, particularly in the past two decades, correlates with the emergence of China as WA's number one export destination. It also matches a similar increase, albeit less dramatically, in business investment for the mining industry. In short, export data suggests that the remarkable growth of the WA economy has been achieved at the expense of economic diversification.

Table 8 draws attention to the fact that mining doesn't contribute directly to the growth in jobs. Census information shows that employment in the mining sector increased by an impressive 66% between 2006 and 2016.¹⁵ However, the number of workers employed by the mining sector, at 106,897, was only 6.3% of WA's 1,683,872 total workforce. The increase in mining jobs wasn't significant enough to offset the loss of employment caused by businesses downsizing in the manufacturing, agriculture and wholesale sectors. Consequently, WA's workforce has followed the national trend in moving into the services industry. The healthcare and retail sectors are now the biggest employers in WA. Together they employ close to 400,000 workers (12.6% and 9.9% of the total workforce, respectively). Education, construction and tourism have also registered impressive growth in revenue and in job creation.

International education in WA is a services export that draws considerable student numbers from China. According to statistics published by education consultants Study Perth, 53,404 international students were enrolled in WA education and training institutions in 2019.¹⁶ Among those, 15.7% were from China (excluding Hong Kong). It's estimated that income from this market alone had supported 2,260 direct and indirect full-time equivalent jobs in WA. Interestingly, the 2020 Study Perth paper recommended further growth in this market without including an evaluation of potential risks. Another paper published earlier, in 2015,

by the John Curtin Institute argued for the need for a state-level international education strategy to significantly boost WA's national share of enrolments in the Chinese market.¹⁷

Influential Chinese mining SOEs

Given the importance of mining to the WA economy, there's been surprisingly little public reflection on the risks of growing dependence on a single country. As noted in the introduction to this volume, China has long been aware of the strategic risks of economic dependence on Australia. While the PRC Government openly professed confidence in a stable relationship with Australia, China's foreign policy specialists were more circumspect. A 2014 study based on official Chinese documents, public statements and media reports revealed that from as early as 2007 Beijing began to express reservations about Australia's strategic alliance with the US. Policy analysts recognised that Australia remained a faithful ally of the US and was hedging its relations with China by building closer working relations with Japan and India. China's analysts assumed that, in any serious conflict between the US and China, Australia would partner with the US at the expense of its bilateral relations with China. From Beijing's perspective, China's growing dependence on Australia as a supplier of minerals and energy presented long-term risks.

Partly to mitigate those risks, Beijing sought to build stable and cooperative relations with Australia based on a broad range of 'mutual benefits' that went beyond minerals and energy supplies to infrastructure and services, including wider tourism and educational and cultural exchanges. Beijing saw value in fostering frequent dialogues with Australian leaders, diplomats and military officers; those dialogues were seen as a preferred way to manage risks and to protect China's interests in Australia. Investment in services, infrastructure and telecommunications were also considered necessary to secure stable supplies of resources from WA.¹⁸

SOEs, educational and cultural agencies, and diaspora community organisations all had parts to play in China's efforts to extend what it regarded as the foundations for a stable relationship—including united front activities. The most powerful agents of influence in WA are China's SOEs, particularly those in mining and exploration. Together, they promote the interests of WA's largest trading partner and export market. Figures released by the PRC Consulate in Perth provide a glimpse into the size of the transactions at stake. In 2019–20 alone, WA exported \$98.5 billion or 54% of its commodities to China, Australia's largest overseas market for iron ore, copper ore, nickel ore and lithium. Eighty-two per cent of WA's iron ore exports, to the value of \$103.4 billion, were shipped to China. China's dependence on WA was almost as great: WA ore accounted for 61% of China's total iron ore imports.¹⁹

There are more than 60 China-funded companies in the state. The main ones are Sinosteel, Baosteel, Ansteel, Shagang, CITIC Pacific Mining and China National Offshore Oil Corporation (CNOOC). Like many mining SOEs worldwide, the WA branches of these mining and exploration conglomerates play active commercial and regulatory roles on behalf of the nation they represent.²⁰ They take part in exploration through joint ventures, mergers and acquisitions to ensure that adequate resources are available for exploitation. Their regulatory role requires them to manage agreements and monitor operations in order to maximise output.

The commercial and regulatory roles of Chinese mining SOEs in WA often require those companies to lobby the WA Government and other stakeholders on investment and policy matters that may affect mining. For example, in 2014, Baosteel joined other companies to lobby for the development of a major port at Anketell in Karratha.²¹ The Anketell project had the potential to open up a port and linked railway services in the Pilbara that would significantly improve the logistics of iron ore transportation, allowing an additional 350 million tonnes to be transported each year. However, the project was abandoned in 2015 due to exorbitant costs and falling iron ore prices.²²

Some lobbying activities of Chinese mining SOEs have direct impacts on WA politics. In 2016, Baosteel and Sinosteel met with Colin Barnett, the WA Premier at the time, to voice their objections to a mining tax proposed by Brendon Grylls, the leader of the National Party in WA. The Premier set up the meeting after he received a joint letter warning that the proposal was ‘threatening all future investment from the nation that is WA’s largest export customer’ (China).²³ The use of the term ‘sovereign risk’ in the letter was cited in a federal parliamentary debate by a parliamentarian who voiced his concern about the proposal possibly affecting foreign investment in WA.²⁴

The WA branch of the sector’s representative body, the Chamber of Minerals and Energy of Western Australia, regarded the intervention from Baosteel and Sinosteel as a direct warning from China and a wake-up call of the risks to job security in WA entailed in the tax plan.²⁵ Those objections to the tax proposal from WA’s largest national customer contributed to ending the political career of Grylls, who lost his seat in the 2017 state election.²⁶

The political lobbying role of Baosteel in WA is consistent with findings of WA-based research into the strategic role played by SOEs within China’s national political system. In a study published in 2012, Jeffrey Wilson of the University of Western Australia found that Beijing maintained close control over Baosteel and Ansteel during corporate reforms introduced under Hu Jintao. The Central Organisation Department of the CCP retained the power to appoint senior executives to those companies. The State-owned Assets Supervision and Administration Commission of the State Council was responsible for crucial operational matters, including capital raisings, joint ventures and mergers. Most directors of the two companies were senior cadres within the CCP hierarchy who were moved around among enterprises and government agencies.²⁷

Baosteel’s former Chairman Xu Lejiang, for example, was recalled to Beijing after completing his tenure with Baosteel to become the Deputy Minister of the Ministry of Industry and Information Technology. He was later assigned to the roles of deputy chief of the CCP Central Committee’s United Front Work Department and secretary of the Party Leadership Group of the All-China Federation of Industry and Commerce.²⁸ The implication of tight state control over Chinese mining SOEs in WA is that those companies have limited autonomy to make independent commercial decisions; they’re required, instead, to assist in promoting Beijing’s policy imperatives, which might not be directly related to their core businesses. Under Xi Jinping, similar levels of party control have been extended over private Chinese firms as well, as we have seen in the business chapter of this volume.

Sinosteel and the China Chamber of Commerce Australia

The importance of Sinosteel in promoting China–WA relations can be seen from the leadership role that its managing director, David Sun Xiaoxuan, plays in the China Chamber of Commerce in Australia (CCCA). That role has afforded Sun the credentials and flexibility to venture outside of his company's core business into areas of broader strategic importance to Beijing, Perth and Canberra.

CCCA represents the interests of China-funded companies in Australia. It enjoys patronage from China's State Council and Chinese diplomats in Australia. The inauguration of CCCA in 2006 was officiated by Bo Xilai, China's Minister of Commerce at the time.²⁹ Its 10th anniversary in 2016 was celebrated with a keynote speech by Cheng Jingye, the Chinese Ambassador in Australia. Cheng took the opportunity to urge Australia to build closer economic ties with China through participating in the BRI. The Ambassador envisaged, that 'through constant dialogues and interactions with all walks of life in Australia, CCCA will play a more active part in helping Australian society to have a deeper understanding and more objective view about China'.³⁰

The membership of CCCA has grown almost fourfold since its inception. It's now an organisation of close to 400 corporate members and has branches in five Australian states.³¹ The areas of business that it represents include energy, mining, trade, finance, real estate, manufacturing, tourism, communications, transportation, agriculture and farming.³² In short, CCCA is a powerful association of PRC SOEs in Australia with many trillions of dollars of capital behind them that acts on behalf of China's state interests in this country.

David Sun has served as president of the Perth branch of CCCA since 2013, the year he was appointed managing director of Sinosteel Australia.³³ As indicated in the previous section, Sun has been a skilful lobbyist on issues that concern his core business. He created a media sensation when he used the term 'sovereign risk' in 2016 to attack Brendon Grylls's mining tax proposal. His media skills were on display in 2020 when he attempted to invoke the term once again to describe the less-than-ideal operating environment for Chinese investors as Australia–China relations were on a downward trend, and as Sinosteel was attempting to secure the Jack Hills expansion for its Midwest project.³⁴

Sun's attendance at a Huawei briefing in China for a visiting WA group during 2019 demonstrates his broad involvement in issues across the Australia–China relationship apart from his CCCA and Sinosteel roles. In a written answer tabled on 13 March 2019 at a parliamentary session, Bill Johnston, the MLA for Cannington, noted that Sun had accompanied him, together with a delegation of more than 20 representatives from the government, education institutes and business sectors, to attend a technologies briefing at Huawei's Research and Development Centre during their 2017 trip to China.³⁵ According to a paper tabled on 12 February 2019, Sun attended in his capacity as 'President of China Chamber of Commerce Australia'.³⁶ A separate statement issued by Premier McGowan's office stated that the Premier was also visiting China on exactly the same date.³⁷ However, since the Premier's name wasn't in the 12 February paper, it wasn't clear whether Sun was also a part of the Premier's delegation.

Nevertheless, Sun accompanied McGowan when the Premier visited Beijing again in June 2018. During the trip, McGowan attended a discussion forum hosted by the MinterEllison China team and the Australia China Business Council WA (ACBC WA) at Sinosteel Corporation headquarters in Beijing.³⁸ Sinosteel joined more than 10 other leading Chinese corporations in holding a dialogue with the Premier in an effort to highlight the importance of ‘actively engaging with Australia’s largest trading partner in order to further opportunities for mutually beneficial economic ties’.³⁹ According to Sinosteel Group’s website, Sun spoke during the meeting as the general manager of Sinosteel Australia and president of CCCA WA. Xu Siwei, the chair of Sinosteel’s board, reiterated his commitment to upgrading bilateral economic ties through the BRI.⁴⁰

As the president of CCCA WA, Sun provides support for the business endeavours of its corporate members. In July 2020, Cai Jianping, the chair of the Agriculture and Foodstuff Committee of CCCA WA, visited the Qingdao City Federation of Returned Overseas Chinese to negotiate the setting up of a Shandong office in Qingdao. Sun joined the negotiation via a video link.⁴¹ Cai is a director of the New Overseas Chinese Qingdao Alliance for Innovation and Entrepreneurship, which was established in September 2019 as a united front body by the Qingdao Federation of Returned Overseas Chinese.⁴²

Sun’s advice is sought by the media on issues such as doing business in China, on which he speaks forthrightly. In 2018, for example, he spoke with the *Australian Financial Review* ‘on the traps for small to medium-sized business trying to do business in China’. He said that ‘it was vital to find the right partner and to build a strong relationship with the government. Mr Sun warned it could be dangerous to get too close to officialdom and urged Australian businesses to heed Alibaba founder Jack Ma’s “fall in love but don’t marry” advice on government relations.’⁴³

Sun also features prominently in the Chinese media for his community liaison roles, both within the Chinese diaspora and in the wider WA community.⁴⁴ For example, in February 2021, *Xinhua* published an English-language report about a generous \$50,000 donation made by CCCA WA to three WA organisations for bushfire relief. The report quoted Sun, who said, ‘Our members are encouraged to contribute and be involved in the broader Western Australian community, not just its business community. When Western Australia has challenges, we like to make a contribution.’⁴⁵ The report was subsequently translated into Chinese by the *People’s Daily* and further amplified on many different media platforms.⁴⁶ Some netizens, however, pointed out that the *Xinhua* report omitted mentioning the contributions that local city councils in affected areas had already made in providing bushfire victims with financial assistance. That might have created a false impression that CCCA WA had answered calls for help from a community that had otherwise been abandoned by its own government.⁴⁷

CNOOC and the WA Chinese Petroleum Association

While CCCA WA occasionally dabbles in community liaison, its main targets of engagement are ultimately WA’s political leaders and business communities. The WA Chinese Petroleum Association (WA CPA), however, is far more community focused; its set-up enables it to harness support and resources from the Chinese diaspora for advancing China’s strategic objectives.

WA CPA is set up as a non-profit organisation for members of the WA Chinese diaspora, with links to the oil and gas industry. Its members include company executives, scientists, engineers, IT specialists and sales managers from oil and gas companies, government departments, research institutions and universities. The organisation offers networking chances for members to share professional knowledge and to explore business opportunities. Judging from its mission statement, the WA CPA's intention is to appeal to new migrants and international students through organising social and group events and offering career advice to members.⁴⁸

The inaugural ceremony of WA CPA in 2014 was less elaborate than that of the CCCA WA. It was officiated by the Chinese Consul General in Perth at the time, Huang Qinguo, who expressed his hope that WA CPA would play a positive role in promoting WA's cooperation with oil and gas companies in China.⁴⁹ More significant, however, is the role of *qiaowu wang*, an official website dedicated to overseas Chinese affairs, hosting an entry specifically dedicated to WA CPA.⁵⁰ This signals that the WA CPA is identified as an organisation officially linked to the CCP's overseas Chinese affairs network contributing to the building of Xi Jinping's 'China Dream'. It's seen as an avenue through which resources from the Chinese diaspora can be channelled to support the BRI; it's a form of leverage for Beijing to exercise transnational governance.⁵¹

WA CPA was a CNOOC initiative, even though its current President, Jian Fengxu, doesn't work for a Chinese SOE. In a 2018 farewell party, Jian attributed the founding of the organisation to Lu Yongfeng, the managing director of CNOOC (Australia) and the deputy president of WA CPA. Lu was also honoured for being the 'driving and unifying force' and for 'gifting his broad network to WA CPA'.⁵²

Open-source information indicates that Lu had a pivotal role in connecting WA CPA with similar Chinese community groups through social functions. One event in March 2016 was labelled as the second social gathering of WA's Chinese professional associations. Close to 200 members and families of three WA diaspora groups took part: the WA Chinese Scientists Association, the WA Chinese Engineers Association and the WA CPA. It was also a chance for members to network with representatives from other pro-Beijing community groups, including the Chung Wah Association, the Association for the Promotion of Australia–China Trade and the Confucius Institute.⁵³

The most important contribution of Lu to the WA CPA, however, was his effort to link the local diaspora to a national-level organisation in China charged with planning Beijing's economic blueprint and overseeing the ambitious BRI. In September 2017, the WA CPA launched its first LNG Forum. Eight WA state politicians attended, alongside representatives from the PRC Consulate in Perth. The keynote speaker, who presented a lecture on China's LNG policy, was Hu Weiping. WA CPA's records describe Hu as 'the chief architect of China's LNG industry, currently the President of China Overseas Development Association'.⁵⁴

Open-source information suggests that this association is a part of the China Industrial Overseas Development and Planning Association, which is managed by the PRC's National Development and Reform Commission (NDRC).⁵⁵ The NDRC was one of the three government agencies authorised by the PRC State Council to issue an official outline for the BRI in 2015.⁵⁶

It was tasked with overseeing the implementation of the initiative, and a leading group under the NDRC was set up to guide and coordinate related work.⁵⁷ As we note in the chapter on Victoria in this volume, it was the NDRC that initiated and signed the BRI agreement with Victoria.

Through the LNG Forum, a carefully assembled team guided participants to the inevitable conclusion that WA needed to reform its policy settings in order to optimise its LNG trade with China. Those changes would require WA to simplify its regulatory and legal framework to make it more attractive to investors from China.⁵⁸

Subnational activities in higher education

China's Ministry of Education stepped up its engagement with universities in Australia from around 2003. The effort went beyond the normal practice of offering scholarships and facilitating academic exchanges. For the first time ever, an Education Office Counsellor from the PRC Embassy in Canberra travelled around Australia visiting universities, including those in WA, to facilitate networking among Australian academics of Chinese heritage and to forge new educational cooperation through an initiative called the Confucius Institute.⁵⁹

In 2004, the effort paid off with the founding of the Federation of Chinese Scholars in Australia (FOCSA)—an association of ethnic Chinese scholars. The federation claimed to represent more than 500 Australian scholars who were members of five affiliated Chinese diaspora groups, including the WA Chinese Scientists Association. Two of the 17 inaugural executives of FOCSA were from WA. Dr Eric Tan, the Chancellor of Curtin University at the time, sent a congratulatory letter to mark the occasion. During the inaugural ceremony, Madam Fu Ying, the Chinese Ambassador at the time, noted in her speech that the sustainable development of China's rapidly growing economy would require adequate supplies of energy, mineral resources, advanced technology and management expertise. She hoped that the federation would act as a bridge to bring China and Australia together to jointly build capacities in the areas of agriculture, energy and resources.⁶⁰

FOCSA was developed in close consultation with Chinese Government representatives. An entry on the Baidu online encyclopaedia attributes the establishing of FOCSA to Professor Zhang Shuanggu, the Education Office Counsellor at the Chinese Embassy at that time. The entry reads: 'In 2004, Lu Gaoqing (Max) was selected top 100 most influential engineers in Australia. In October, with the encouragement and support of Professor Zhang Shuanggu, five Chinese professional groups and individuals from across Australia formed the FOCSA. Lu was elected the Inaugural Chair.'⁶¹ A few months later, Zhang attended another FOCSA meeting in Queensland, where the executives mapped out the 2005 strategic plan for the federation.⁶²

The University of Western Australia (UWA) hosted Australia's first Confucius Institute (CI) in 2005. This was a significant breakthrough in Beijing's effort to gain a formal foothold in Australia's higher education system. The CI at UWA is a joint venture between UWA and Zhejiang University and is overseen by the Office of Chinese Language Council International (the Hanban).⁶³ At the time of its inauguration, both partners in the joint venture hailed the UWA CI as a shining example of WA's strategic partnership with China.⁶⁴ Following the WA initiative, 13 universities

in Australia hosted CIs, enabling the Hanban to achieve one of the highest rates of penetration of national higher education sectors in the world (around one in four of all Australian universities).

For many years, people concerned about the place of CIs in Australian universities have been puzzled by the ease with which the Hanban achieved this breakthrough by sealing a deal with the state's oldest and most prestigious university. Those formally involved at the university appear to be deterred by ethical or institutional constraints from commenting on the matter. However, a line in the biography of a contributor to a 2018 publication provides one missing piece of the puzzle. The contributor is Eva Chye. A sentence in her biography reads: 'Engagements with China which Eva has initiated and established include the first Confucius Institute in Australia, three joint research laboratories and 150 joint scholarships.'⁶⁵

Open-source information indicates that Chye, an international trade adviser at PricewaterhouseCoopers (PwC), worked in various capacities at UWA from 2000 to 2019.⁶⁶ She's also the current chairperson of the Women's Committee of Australia's oldest group connected to China's united front network, the WA branch of the Australia China Friendship Society (ACFS WA).⁶⁷ Eva Chye isn't the only person from ACFS WA who has a long association with the UWA CI. Geoffrey Davis, a 'pioneer Chinese language teacher in WA', is listed as an Honorary Fellow of UWA CI.⁶⁸ Davis is also a senior member of ACFS WA. In 2019, Madam Dong Zhihua, the PRC Consul General in Perth, presented Davis with a special award for his services to ACFS WA.⁶⁹

By its own account, the WA branch of ACFS is an independent homegrown movement that had no ties to the CCP's united front network in its early years. It campaigned in the 1950s and 1960s for Australia to normalise diplomatic relations with China, and it supports Chinese-language teaching in schools and universities. It was only after Australia formalised diplomatic relations with the PRC that the National ACS Council extended friendly greetings to the Chinese People's Friendship Association, a united front organisation. Since then, ACFS WA has taken pride in maintaining close relationships with the PRC Consul General and other Chinese diplomats.⁷⁰ Again by its own account, it 'endorsed the principles of cultural understanding, trade relationship and peaceful relations between Australia and the PRC'.⁷¹

In recent years, WA universities have been the target of talent recruitment conducted by companies with undeclared links to the Chinese Government and the People's Liberation Army. *The Australian* newspaper published a report in January 2021 alleging that a Perth-based recruitment agency had gone to some lengths to hide its association with China's Ministry of Industry and Information Technology when it advertised on Curtin University's career hub.⁷² The ministry is the government agency that handles internet regulation in China. Activities of this nature will continue to create tension between Beijing and Canberra; they'll make it more challenging for WA's political and cultural elites to argue for the need to build closer ties with China.

The WA Government's China engagement

An ABC report filed from Perth in November 2019 highlighted the warm relationship with China that WA's politicians and businesses continue to enjoy, notwithstanding diplomatic tensions between Beijing and Canberra.⁷³ WA's political leaders appear to believe that they have few options for reconsidering the state's economic reliance on the Chinese market. When Labor's Mark McGowan became Premier in 2017, he duly followed the pro-engagement approach of his Liberal predecessor, Colin Barnett, to build stronger ties with China. The continuity with tradition was welcomed not just by Beijing and its local agents but also by WA's business communities.

McGowan undertook his second trip to China in June 2018. In July, on his return, his government awarded a contract to Huawei for the installation and maintenance of Perth's railway communication network, despite security-risk warnings from WA officials.⁷⁴ WA's Huawei deal put Canberra in an awkward position at a time when other countries had started to follow Canberra's lead in banning Huawei from their 5G networks.⁷⁵ It took almost two years and pressure from all sides for the WA Government to terminate the deal. In an attempt to deflect criticism, a media statement issued by the WA Transport Minister put the blame on trade restrictions imposed by the US on Huawei, saying that the sanction 'had created a *force majeure* event under the contract, which could not be overcome'.⁷⁶

McGowan has worked to deepen trade cooperation with China. Much to China's disappointment, however, he announced in June 2019 that WA wouldn't sign up to the BRI.⁷⁷ The Premier gave no specific reason for the decision. Instead, he took a jab at Canberra for failing to show an interest in visiting China.⁷⁸ When the media pressed him for an explanation, the Premier said: 'We already have a great trading relationship, a great economic relationship, a great cultural relationship, it's working well.'⁷⁹ Given the commitment of WA's business communities to continue to 'create momentum' for a BRI deal, many China experts had been expecting more pressure for WA to sign up.⁸⁰ The passing of the *Australia's Foreign Relations (State and Territory Arrangements) Act 2020*, however, may have put an end to that option.⁸¹

As the dispute between Beijing and Canberra escalated in 2020 into full-on trade sanctions and tariffs from the China side, the WA Premier continued to focus on promoting China engagement.⁸² His efforts were reciprocated by Beijing via its diplomatic service and state-owned media. For example, when Fairfax published a report on 2 December 2020 about McGowan's claim that WA would do everything it could to preserve the trade relationship with China, a Chinese version of selected passages of that report was published the following day in the overseas edition of China's state-owned nationalistic tabloid the *Global Times*.⁸³ The *Global Times* report was then reposted by a plethora of Chinese-language news portals and disseminated through WeChat to the Chinese diaspora in WA. Similarly, when the PRC Consulate in Perth showcased messages of solidarity from the WA Premier regarding China's fight against Covid-19, the news quickly found its way onto other Chinese-language media platforms.⁸⁴

The governments of WA and China aren't alone in trying to highlight the value of their relationship amid China's intensifying dispute with the Australian Government. WA's media landscape is dominated by Kerry Stokes's Seven West Media, which owns the TVW Perth TV

channel, a regional radio network, 23 regional newspapers and magazines including the *West Australian* and the *Sunday Times*, and other media outlets.⁸⁵ Stokes himself has held significant business interests in China.⁸⁶

However, the WA Premier has stood out as one of the most outspoken critics of Canberra's China policy. His position against the federal government has drawn praise from Beijing and received open support from some WA business leaders who are fearful of how the falling out with Beijing will place their exports at risk. The *Sydney Morning Herald* reports that 'McGowan's position has been bolstered through key WA community groups backed by influential Chinese businessmen and the Chinese consulate.'⁸⁷

The price of complacency

The November 2019 *ABC* report used the expression 'tight-lipped' to describe Andrew Forrest's response when the reporter asked him a question about China's human rights record.⁸⁸ The WA Premier has also warned against criticising China and argued for the use of nuanced language about the PRC.⁸⁹ The political, business and cultural leaders of WA are clearly aware of China's obsession with projecting a positive national image, achieved often through media control designed to silence dissent. The question is: how far are WA's elites prepared to go to cooperate with Beijing in silencing its critics? Some recent developments suggest that some of those costs are being borne by the WA community.

A *WA Today* report in February 2020 revealed that the venues director of the government-owned State Theatre Centre apologised in person at the PRC Consulate in Perth after he had received a complaint about allowing a Taiwanese performing arts group to hire its facilities.⁹⁰ The general manager of Perth Theatre Trust, the management agency of the State Theatre Centre, defended the apology in a subsequent media interview by foreshadowing that a new policy would be put in place to prevent the misuse of taxpayer-funded theatres for political purposes.⁹¹

A year later, *The Australian* newspaper reported that the WA Government had introduced a new policy covering the hiring of venues managed by the Perth Theatre Trust. The new policy, effective from 1 July 2021, prohibits the trust from accepting bookings from organisations that identify themselves with countries whose political status is unclear or in dispute. This will practically bar groups linked to Taiwan or Tibet from hiring most of Perth's major performance venues. Many ethnic groups, human rights advocates and foreign policy experts have expressed serious concerns about the new hiring policy; it will adversely affect many people and groups from countries that have been occupied or annexed or have unilaterally declared their independence.⁹²

Conclusion

In this chapter, I've highlighted some of the challenges that WA's dependence on China for trade, investment and fiscal revenue present for subnational politics within the state and for the governance of Australia as a federal system. I've focused, in particular, on the mechanisms that China put in place to secure an uninterrupted supply of resources from WA to feed its

strategic expansion. Examples of carefully orchestrated subnational activities that involve Chinese SOEs, PRC diplomats and pro-China groups provide insight into the extent to which Beijing's influence activities have shaped WA's politics, civil society, culture and education.

The lack of economic diversity in WA certainly makes the state vulnerable to pressure from Beijing. However, the state government places social harmony at great risk by going out of its way to facilitate China's coercive approach towards silencing its critics. As diplomatic relations between Australia and China deteriorate, it's doubtful whether WA can continue to go against the national trend and refuse to push back against China's interference.

Beijing is no less vulnerable. This chapter has drawn attention to the long-term risks for China arising from its growing dependence on Western Australia as a supplier of minerals and energy. To mitigate risks of dependence, the PRC Government expended considerable effort on building comprehensive relations at all levels with Australia in the late 20th and early 21st centuries. However, the way it went about that mission over the second decade of this century had the perverse effect of undermining its credibility and standing in Australia, particularly where Chinese party and government officials took advantage of Australian hospitality to interfere in domestic politics, community life, the media and educational institutions. The exposure of united front networks operating at will in diaspora communities, and working to co-opt local business and political elites with lucrative contracts and vanity projects, exposed a side of the CCP and PRC Government that was familiar to people in China but long hidden from most Australians. Rather than acknowledge that the exposure of improper behaviour was partly responsible for deteriorating bilateral relations, Beijing chose to damage its long-term interests in Australia by declaring economic war on the country and its people.

Other countries looking on may wonder whether they're witnessing Australian pig-headedness or Chinese hubris, or both. Either way, Australia's experience of political and economic bullying at the hands of Beijing, despite decades spent building intensive connections through trade, investment, government-to-government and people-to-people ties, offers an example to the world of the Faustian bargain China demands under Xi Jinping in return for access to markets and capital in a communist party-state. As John Lee has observed, 'Australia is showing that smaller nations still have agency and options and that it's no easy matter for China to cow liberal democracies into subservience.'⁹³

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- 67 The ACFS WA website stated, 'Eva Chye Chairperson of Women's Committee: We are very proud to have Eva on board helping us project the importance our society places on women's agendas and the development of conscious and meaningful initiatives to encourage more woman to play important roles in and around the ACFSWA', [online](#).
- 68 Geoffrey Davis AM is listed as an Honorary Fellow on the UWA Confucius Institute website, [online](#).
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5. *South Australia*

Gerry Groot

Introduction

Much has changed since 2011, the last time a chapter was published on South Australia (SA) – China relations.¹ In retrospect, that was a turning point in China, the last full year of the bland and underestimated Hu Jintao – Wen Jiabao administration, ahead of Xi Jinping’s appointment as CCP General Secretary in November 2012. There was much optimism and little naysaying about the benefits of South Australians relating to China, mirroring the general tenor of Australian attitudes in Lowy Institute polling of the time.

Deepening economic ties were widely regarded as a win-win for both sides, while increased Sino-Australian cultural, academic and other engagement was assumed to lead to better mutual understanding. Business migration from China would bring new dynamism and investment, while increasing numbers of tourists would do much to help SA’s development. Many of those assumptions were well founded. SA offered ample unique natural attractions, along with clean-and-green food and wines that were renowned in China. Constantly increasing numbers of Chinese students, attracted by good universities and high-quality education providers, helped to enliven inner-city Adelaide and fostered hopes of long-term positive knock-on effects. What wasn’t so clear in 2011 was that 2012 would also be a turning point of sorts for South Australia.

Around that time, SA began to systematically expand engagement with China, led by dramatically increased coordination between the state government, business and other sectors to better avail themselves of the opportunities provided by China’s rapidly growing economy. The state government, already keen on international engagement, adopted and began implementing a pro-China business strategy, which it sought to complement with closer engagement in cultural areas—the arts being a field in which South Australians shine nationally and internationally. One notable example of productive cooperation between business, government and cultural groups was the success of the Port Adelaide Football Club (PAFC) in China. The club succeeded in attracting major Chinese sponsors and hosted games for competition points in Shanghai. This was a South Australian achievement. The enthusiasm for working with Chinese partners extended beyond business and sports organisations to local governments, which sought benefits from cooperation with like-minded partners in areas of mutual interest.

To understand this complex mix of elements bringing SA and China together over the decade since 2011, this chapter argues that the role of the South Australia – China Engagement Strategy was crucial in helping focus local efforts on developing substantive linkages with China and contributed to deepening economic and other ties, not least the success of PAFC. Additional efforts were made to complement those ties through education and the arts for economic and

cultural benefits. SA, though, had to work hard on building relations at the Chinese subnational level with provincial and municipal governments, to convince prospective partners in China that SA was as desirable a partner as more powerful Australian states with similar ambitions.

That those efforts survived the change of governing parties is also notable. The Marshall Liberal government, which won power in 2018, kept much of the policy framework left by the Weatherill Labor government, but its task was made much harder by the changing nature of broader Australia–China ties and the distinct cooling of relations that began to set in just as Marshall took office. This continuity says much about the importance of the drivers of the engagement, which remain constant no matter which party is in power on North Terrace. The announcement in May 2021 of a former Ambassador to China, Frances Adamson, as the state’s new Governor was yet another indication of China’s continued importance.

Despite the state government’s positive approach towards China relations, Beijing’s actions against Australia after 2018, most notably its anti-dumping claims regarding wine, have had a disproportionate effect on SA. This unexpected turn of events, well out of the hands of state governments, has left SA’s leaders navigating between the federal government and the PRC under CCP General Secretary Xi Jinping and his ‘wolf-warrior’ diplomats.

Why China?

The reasons for SA’s pronounced pivot to China from 2011–12 relate directly to the state’s economic and demographic vulnerabilities. As of mid-2020, the population of the capital, Adelaide, was almost 1,380,000 out of a total state population of 1,771,000—less than 7% of Australia’s population of some 25,700,000. Further, this population is ageing rapidly, and there have long been fears of young people moving interstate or abroad for better career opportunities. One consequence is that SA has its own Skilled and Business Migration Office to attract migrants able to contribute directly to economic development.² The Australian Government assists by designating the state and its capital as a ‘regional’ area, which carries additional points for intending immigrants (including students) under the Skilled Regional Visa program.

That SA accounts for only 5.5% of Australia’s GDP³ while coping with a small population and fragile tax base, especially since the loss of much of its manufacturing sector (notably cars) over the past few decades, compounds local worries and increases the attractiveness of foreign investment, inbound tourism and international students and the imperative of increasing exports. Moreover, the state’s economic growth rate has long struggled to surpass 1% per year. These issues were highlighted again in 2019 in the new state government-commissioned Joyce report, which applauded the goal of increasing growth to 3% but pointed out the difficulties of achieving that.⁴ In this context, any success in harnessing South Australian potential to the dynamically growing China, at around 10%, or even SA’s sister-state, Shandong Province, at 3.6%, would be of enormous benefit economically and therefore also politically. While SA already derived considerable benefit from existing exports to China, getting beyond raw minerals and grains to sell high-value goods and services was an enormous challenge.

It's surprising, then, that SA lacked any comprehensive strategies for harnessing state government and private resources to try to maximise the state's attractiveness to Chinese investors and others before 2012–2014. Between 2002 and 2011, Mike Rann's Labor government did commission stand-alone trade offices in Asia, including the Shandong Province capital, Jinan, and Shanghai. In 2004, SA was the first state government to launch a strategic plan, but a decade later its aims were far from realised.⁵ There were a series of restructures of government departments to help promote trade, but a review in 2011–12 resulted in the abolition of all such trade offices and moves to embed initiatives in the Australian Government's Austrade offices, as well as numerous reorganisations of state government departments and staff.⁶ And while Rann was very interested in India, that pursuit didn't result in any noticeable strengthening of economic linkages.⁷ Meanwhile, most parliamentarians seemed much more interested in visiting Commonwealth countries or Europe; few ventured to Asia, let alone China, although most visits that did take place were trade related.⁸

The 2019 Joyce report largely omitted any direct explanation for much of the government reorganisations around trade issues after 2011; Rann's successor, Jay Weatherill, and his advisers' wish to boost international trade and engagement with India, Southeast Asia⁹ and China. One contributor to the China push came in 2011, when the University of Adelaide's Confucius Institute, as part of its China Briefing series, supported the SA branch of the Australia China Business Council's (ACBC's) *Business Engagement with China: a strategy for SA's Future?* report.¹⁰

The most relevant and most influential of those efforts became the policy documents on boosting ties with China, which culminated in 2014 in the South Australia – China Engagement Strategy.¹¹ Released in the names of the Department of State Development and the ACBC, the strategy built on earlier iterations and was strongly lobbied for by Sean Keenihan, the president of the ACBC (SA). Like many of the proponents of foreign engagement, Keenihan had a longstanding interest in promoting international engagement and had learned Chinese at the University of Adelaide while studying law. He had been lobbying the government for such a comprehensive approach for some years before the initiative won enough support. Over time, the new Labor government under Jay Weatherill warmed to the idea of a China strategy and much of Keenihan and the ACBC's plan. Two years earlier, when launching the initial idea of such a strategy in 2012, Weatherill and Manufacturing Minister Tom Koutsantonis stressed that the 'social and cultural links that have been fostered by migration and SA's 26-year sister-state relationship with Shandong' provided a solid foundation for further growth. 'By 2030 China will be the world's largest economy—an economy that during the past 30 years has grown US\$7.7 trillion,' Weatherill stated, continuing:

China's amazing pace of growth and continued urbanisation means its increasingly conscientious consumers are now looking to overseas markets to provide safe and reliable products and services.¹²

As a provider of such items, SA stood to benefit. Tom Koutsantonis declared that the state had a once-in-a-century opportunity to share in the growth of the world's most dynamic economic zone.¹³

In one brief news release, Weatherill and Koutsantonis laid out their hopes of having SA benefit from China's rapid growth while also hoping that immigration and decades of formal sister-state ties with Shandong Province (established in 1986) would assist economic development while building social and cultural links. Weatherill, Koutsantonis and Martin Hamilton-Smith proceeded to promote the cause with vigour. Hamilton-Smith, another keen proponent of engagement, had extra reason to make the new policy a success: in May 2014, he had defected from the Liberal Party to join Labor as Trade Minister and helped keep Labor in power.¹⁴ His interest in China, however, was longstanding.

The timing of the 2014 version of the new policies was fortuitous, as the strategy was released shortly before the China–Australia Free Trade Agreement (ChAFTA) came into effect in December 2015. That broader agreement also held great promise for the state. Another fillip occurred in November 2014 when, as part of ChAFTA negotiations, it was announced that SA would have its own Chinese Consulate. Jay Weatherill emphasised that the consulate would assist trade.¹⁵ It should also make realising the goals of the China Strategy easier. What's far less clear is which party requested this opportunity. The state government would have appreciated potential trade advantages, but the gains for the Chinese side were very likely to do with other considerations, given that SA is otherwise very small and economically unimportant to China.

The key policies of the new strategy were to consolidate SA's capabilities as partners for Chinese organisations in social, cultural and economic development, to coordinate the offices of government to better promote trade and investment, to create China-ready businesses and to focus government resources to better support the strategy. The last of those policies included appointing a strategic adviser on China and building a specialist China Team in the Department of State Development. As a result, a China Strategy Team was established in the Department of Premier and Cabinet, 'building on the China desk with additional resources brought in'.¹⁶ A China Advisory Council was also established but was later merged into an International Advisory Board.¹⁷

The clear intention behind the international multiagency team model championed by Weatherill's International Adviser, Andrew Hunter, was to maximise synergies between all those focused on international engagement, including with China.¹⁸ Well-known Adelaide Chinese figure and former Lord Mayor of Adelaide, China-born Alfred Huang, was the government's 'Special Envoy to China' in 2009 (but paid considerably less than the envoy for India),¹⁹ and retained that position into 2015.²⁰ Sean Keenihan then became the SA Government's adviser on China—a position he held until July 2018.

What's notable about SA's China Strategy is that, while it talks broadly about China at one level, the focus is on potential opportunities for the SA Government, businesses and councils to target Chinese provincial and municipal governments as one way to get ahead. The second emphasis is that, instead of concentrating on already hotly contested first-tier cities (Beijing, Guangzhou and so on), it instead focuses on emerging second- and third-tier markets identified by McKinsey & Company in 2009.²¹ That made success much more likely than competing for attention in Shanghai, as New South Wales planned to do.²² South Australia's strategy was also explicit about harnessing the state government as a partner in attracting

business in ways that Chinese business and government would find reassuring because it to some extent mirrored Chinese business–government relations.

Also clear from the strategy was the need to improve China literacy among SA businesses and the public more broadly if the state was to have ‘China-ready’ businesses. While there were already private providers of cultural training and interpreting and translation services, and the local Confucius Institute was willing to assist if there was demand, it seems that the most compelling way to convince the often-insular local businesses was to expose as many as possible to the possibilities of Chinese markets by having them accompany state political and business leaders on trade delegations to Shandong. That way, the close relationships between governments at provincial and lower levels and Chinese business could be both shown and utilised by having SA officials of roughly similar status being shown working with and endorsing SA businesses. There was some scepticism in Adelaide circles about this strategy and including organisations such as the universities and local governments, but having as large a delegation as possible was certainly an asset, even if the benefits might be longer in coming. The Joyce report criticised these efforts as resulting in mainly a series of MoUs, but building up familiarity with Chinese partners and ways of business and ultimately, mutually beneficial business relations was always going to take time in the best of circumstances, given SA’s small size and generally niche offerings.

Among the more concrete outcomes of those efforts was a rise in economic interactions, although nothing as dramatic as the investments in the dairy industry in Tasmania (see the chapter on Tasmania in this report). Wine was one area in which SA has a comparative advantage. It produces 50% of the nation’s production, and wine became a poster child of sorts for promoting the state, exports and investment. Even better, wine could be easily harnessed to promoting tourism, and the Weatherill government promoted all those points in the South Australian Tourist Commission’s Activating China-2020 strategy from 2013.²³ The aim was to double visits from 18,000 to 34,000 by 2020. In 2016, that initiative was supported after SA lobbying efforts succeeded in having Adelaide named ‘a great wine capital’, joining 10 other such wine regions globally.²⁴ The securing of direct flights from China Southern Airlines from late 2016 would also help.²⁵

Winemaker Jarrad White from McLaren Vale spent a decade building up his business in China, including living in Shanghai to help do so, and it eventually paid off.²⁶ A key development had been the lifting of tariffs on Australian wine after the signing of the ChAFTA in 2015, after which sales of Australian wine grew from \$73 million in 2008 to over \$1 billion by 2018.²⁷ Chinese investment in wineries also grew, and by 2018 it was estimated that some 10% of wineries in the Barossa Valley, a key wine region nationally, were in Chinese hands.²⁸ Those changes were generally considered a major boon that would aid the growth of all wine exports to China.

By 2020, there were very clear outcomes of at least some of the efforts behind SA’s China Strategy. Over five years, exports to China had increased to \$3.47 billion to make it by far the biggest market, well ahead of the number 2 partner (the US, at \$871 million) and constituting 27.4% of exports. A significant portion of the state’s \$1.897 billion in alcohol exports was made up of wine exports to China.²⁹ The year before, the Minister for Trade, Tourism and Investment, David Ridgway, had lauded the success of the state’s Shanghai trade office in working with

exporters to help bring about an increase in wine exports to \$803 million, which was already a 10% increase over 2018.³⁰ The other big SA export success was in the education of fee-paying students from abroad, which overtook wine exports in 2019 as their numbers passed 40,000.³¹ For the University of Adelaide, China was the main source of such students.³² This trajectory was very positive indeed. Direct investment from China, apart from some in wineries, while relevant, proved disappointing.

SA attracted only about 1% (around \$38 million) of Chinese investment in Australia at the end of 2019, mirroring a wider decline in investment generally—a decline attributed largely to regulatory changes in China itself.³³ Much of the investment was in real estate, but fears about Chinese buying up farmland to any significant extent failed to materialise. Even Gui Guojie's much-discussed stake in Kidman Station was only 33%, despite some accounts assuming otherwise.³⁴ Some projects that were touted as major initiatives, and endorsed by both SA and Shandong leaders (notably, the 2015 potentially billion-dollar collaboration between China Railway Group and Iron Road to collaborate on the Central Eyre Iron Project) eventually fizzled out. In early 2020, though, some \$45 million was promised for the commercialisation of health and medical research by private investors from Nanjing.³⁵ The largest recent Chinese investment in SA was the 2012 purchase of a \$500 million share of SA's ElectraNet by China's giant state-owned enterprise, State Grid Corp,³⁶ but that hasn't been replicated since.

The South Australia – Shandong relationship

The focus of the Weatherill and subsequently the Marshall government on Shandong was a significant development over that of their predecessors. The sister-state relationship with Shandong was signed in 1986 after several years of effort but had largely languished until around 2012, its potential underappreciated, perhaps on both sides.³⁷ Still, it was a relationship with ramifications, such as deciding with which province SA should concentrate its efforts and, to a lesser extent, with which provincial university Confucius institute links would be established. As the need to engage with China became more pressing, Shandong was a natural focus for South Australian efforts, although in the interim the province had become *much* more powerful.

Despite the enormous and growing imbalances in wealth and power between Shandong and SA, the increased importance that SA placed on the bilateral relationship was reciprocated by officials in Shandong. In 2020, Shandong's population exceeded 100 million and its GDP ranked third in the country,³⁸ just behind Guangdong and Jiangsu, while Qingdao is China's fifth largest megacity in terms of GDP at 1.24 trillion (about A\$250 billion).³⁹ Significantly, Shandong is also one of China's largest and most important wine producers, and among the flow-on effects was an increase in Chinese students enrolling in wine-related massive open online courses at the University of Adelaide and subsequently also in dual masters programs with Shanghai Jiaotong University.⁴⁰

Having large trade delegations visit Jinan and key provincial cities such as Qingdao paid off in the form of high-level access to the provincial governor and senior officials. South Australia's business delegations also included representatives of local government areas, and they too

tried to woo investment and look for ways to cooperate with counterparts in Shandong. By 2014, SA's Governor was receiving Ji Xiangqi, Vice-Governor of Shandong, and a delegation of Shandong culture, tourism and foreign affairs officials, and in 2016 great efforts were made to celebrate the relationship's 30th anniversary.⁴¹

Local governments and China

South Australia's inclusion of representatives of local government areas in trade delegations to China was a reversal of the pattern two decades earlier. In the late 1990s and early 2000s, many councils had been visited by Chinese local authorities seeking advice and investment but, as economic reform in China accelerated, the visits transformed into mainly junkets from China, as the Australian side had less and less to offer and in any event was unable to act through local state-owned enterprises, as was the case in China.⁴² In SA, the Local Government Association set up a special for-profit body to handle such requests, as they had become too burdensome for individual councils.⁴³

By the time of the China Strategy, in SA as elsewhere, local governments had become more like Chinese ones in that they were increasingly concerned with trying to boost their own economies and seeking out potential support from China for investment and capacity building. Friendship, mutual understanding and idealism came lower down the list of priorities.⁴⁴ The boot was well on the other foot.

Before 2011, there were only about six relationships between SA local governments and China (Charles Sturt – Yicheng in Shandong; Renmark Paringa with Shishi City in Fujian; Whyalla with Erzhou in Hubei; Port Pirie and Port Adelaide with Yantai in Shandong; an older relationship between Murray Bridge and Sanmenxia had lapsed). Very little, if anything, had been generated by those agreements. The Joyce report found that more sister-city relationships were entered into after the state government began encouraging more organisations to get active in seeking out China for investment and capacity building in areas of mutual interest (Table 11).

Table 11: SA local governments' sister-city relations with Chinese cities

Adelaide City Council	Sister city with Qingdao, Shandong Friendly City relations with Dalian (Shandong) and Chengdu (Sichuan)	2014
Adelaide Hills Council	Yichang, Hubei	2001
Renmark–Paringa	Shishi, Fujian	2001
Whyalla	Erzhou, Hubei	1997
City of Charles Sturt	Yantai (Friendly City Cooperation), Shandong	2017
City of Playford	Zibo, Shandong	2016
City of Salisbury	Linyi Prefecture, Shandong	2016
City of Onkaparinga	Changli, Shandong	2014

The 2014 agreement between Onkaparinga and Changli in Shandong was lauded at the time for its potential to bring in investment and due to Shandong being one of China's largest wine regions, allowing some complementarity. The Mayor, Lorraine Rosenberg, was enthusiastic about the likelihood of investment after hosting six different delegations from Shandong in the previous year.⁴⁵ Other local government areas, such as Salisbury, developed 'China action plans', while the ChAFTA was seen as promising much. Economist Tim Harcourt waxed lyrical about the possibilities: 'South Australia is sure to be involved by contributing to the "Great Mall of China" as one of the booms I think we will experience will be for architectural firms.'⁴⁶

Despite the promise, little seems to have happened subsequently to realise this vision. In 2018, Adelaide City Council opened the Qingdao Rose Garden in Veale Gardens with a 'sister' of the Adelaide sculpture, 'Song of the Wind', in Little Qingdao Park in Qingdao.⁴⁷ There were also soccer matches between teams from some councils and their Chinese counterparts, as well as links between some of their schools.⁴⁸

The results of Onkaparinga's extensive attempts to attract investments aren't clear. In 2015, though, there were grand plans for a \$400 million investment in the Noarlunga Centre development.⁴⁹ In 2019, there was some controversy over a 25-year contract entered into with a Chinese firm to manage sewage treatment.⁵⁰ The same year, in a scenario familiar to many in China, the council became embroiled in scandal about alleged maladministration, which may have put paid to any progress on developing China ties.⁵¹ Another proposal in 2015 by Salisbury Council Mayor Gillian Aldridge, to use the nearby Edinburgh RAAF base to airfreight goods to China, also faded away.⁵²

The project with the most promise seemed to be Charles Sturt's encouragement of an aged-care consortium, which seemed set to apply lessons learned in Australia to the treatment of the elderly in Yantai.⁵³ After a promising start,⁵⁴ this initiative too seems to have faded away. In early 2020, this project was reported to be on the verge of yet more investment, this time from Shandong Iron and Steel Group, but its present status is unclear.⁵⁵

Education and culture

An attractive feature of South Australia to Chinese parents has been the three local universities and recently established campuses of well-known foreign ones. To secure university entry, the local state and private school systems have also proven attractive. The sandstone Group of Eight University of Adelaide, the University of South Australia and Flinders University each have their particular strengths, while the American Carnegie Mellon University and the private Australian Torrens University cater to slightly different markets. There are also satellite campuses of other Australian institutions, such as Federation University, the Australian Catholic University and Central Queensland University. In addition, there are several colleges, such as the Australian Lutheran College, Helpmann (dance) Academy and others. The TAFE system complements these offerings for vocationally minded international students.

Chinese parents often consider the small size of Adelaide to be a plus, to the chagrin of their offspring, expecting that there would be fewer distractions to draw their children away from

studying. From the early 2000s, state governments actively promoted Adelaide as a site of high-quality education, particularly in wake of a speech by Mike Rann in 2006 when he launched the idea of Adelaide as a ‘university city’. That, too, was a bipartisan initiative with former conservative Liberal Party Foreign Minister and local establishment figure, Alexander Downer, who had been very active in promoting it.⁵⁶ Downer was also instrumental in helping attract Carnegie Mellon University to Adelaide.

The state government’s Study Adelaide organisation (established in 2011) works in partnership with the three state universities, Adelaide City Council and other education providers, including schools, to attract as many international students, including Chinese ones, as possible. It has two dedicated ‘Greater China – North-East Asia’ staff.⁵⁷ According to Study Adelaide, international education in SA was worth \$1.921 billion in 2018–19, making education the state’s largest export.⁵⁸ Of the 43,000 international students in the state (5% of the nation’s total), over one-third or 15,000 were PRC nationals.

Education exports also include ventures by the universities in China. Flinders University’s Nankai masters level programs, for example, have been running for two decades.⁵⁹ In 2020, the University of Adelaide had its program with Ocean University approved by the Chinese Ministry of Education. Chinese students can now enrol in the Adelaide Overseas Learning Centre in Qingdao, Shandong. Similar centres are being established with Dongbei University of Finance and Economics in Dalian, and Southwest University in Chongqing,⁶⁰ outside the sister province of Shandong. In 2017, UniSA also established a series of programs with Xi’an University of Architecture and Technology for both bachelors and masters courses.⁶¹ It has key relationships with Shandong University, Tianjin University, Shanghai Jiao Tong University, Beijing Jiaotong University of Technology and the private provider Maple Leaf Educational.⁶² The universities also rely on agents in China to help attract students.

All three universities have numerous collaborative and cooperative relationships with many other Chinese universities and institutions. Some are formalised at the university-to-university level, but many others are concluded at the faculty, school, department and research centre levels and relate to routine issues such as student exchanges. Individual researchers can also engage with Chinese partners of their choice.

There are several high-profile cooperative ventures at each university. For example, UniSA has the China–Australia Centre for Sustainable Development (with Tianjin University), the China–Australia Centre for Health Science Research (with Shandong University) and the Australia–China Joint Research Centre for In-Line Chemical and Mineral Sensing for Sustainable Mineral Processing (Central South University). Flinders has Australia–China Research Centre for Personal Health Technologies and the Australia–China Joint Research Centre for Personal Health Technologies (with Nankai). Adelaide University and Shanghai Jiao tong University are partners in the Australia–China Joint Research Centre of Offshore Wind and Wave Energy Harnessing and the Australia–China Joint Research Centre of Grains for Health. Importantly, these are the result of federal government initiatives to boost research ties with China.⁶³

Other indications of university relationships identified in the Joyce report are MoUs signed by, witnessed or observed by the state government. A majority of state MoUs involve partners in China, including universities.⁶⁴ Such centres are also different in nature from other past initiatives, such as UniSA's Australia Centre for Asian Business, which was largely China focused under then Vice-Chancellor Peter Høj in 2011, and Adelaide's Global Institute of Traditional Medicine established in 2016.

These initiatives by the universities were all very much in keeping with the 'China optimism' of the time. They also reflected the increasing necessity of universities recruiting international students, including students from China, to shore up research funding as the Australian Government reduced its relative funding contributions. In addition, because China was increasingly important as a source of both researchers and research funds, it was imperative that Australian and SA universities find ways to win support there. For example, Peter Høj, after leading UniSA from 2007 to 2012, was appointed as the Vice-Chancellor of the University of Queensland in 2012. In 2013, he was appointed as an honorary senior consultant by the Hanban (the governing body of the Confucius institutes).⁶⁵ That would certainly have helped lift his profile in China. In SA, when Peter Rathjen succeeded Warren Bebbington as Vice-Chancellor of the University of Adelaide in 2018, he faced the same issues and responded by making Chinese student recruitment an important part of his own strategic plan, emphasising the expansion of the student base. In China, he waxed lyrical to the *People's Daily* about his love of China and the Chinese people as he sought to make Adelaide an attractive destination for Chinese students.⁶⁶ It was under one of Rathjen's predecessors, Vice-Chancellor James McWha, that a Confucius Institute had been established at the University of Adelaide, also in part to potentially help to attract more Chinese students.

The Confucius Institute at the University of Adelaide

In more recent years, the most controversial element of China–Australia cooperation through universities relates to Confucius institutes (CIs). The University of Adelaide hosts the state's sole CI, which is formally linked to Shandong University in the SA's sister province. That university provides a director, teaching staff and student volunteers. The CI was inaugurated in 2008 at the initiative of then Deputy Vice-Chancellor (International), Professor John Taplin and his China adviser, who saw it as a way of helping promote Adelaide University in China and making Adelaide more attractive to Chinese students.⁶⁷

It wasn't initially welcomed by academic members of the university's own Centre for Asian Studies, whose staff were concerned about the long-term practical implications of hosting a CI. Nevertheless, with direct support from the university executive, the institute was set in place in 2006 and 2007 under an interim director, Gerry Groot (the author of this chapter), before it formally opened in 2008. Mobo Gao was recruited from the University of Tasmania and promoted to professor to serve as its inaugural Australian director—a position he held until 2017. At the time, there was very little criticism of Adelaide's move. Instead, it enjoyed support across political and social lines.

It was some years before the Adelaide CI received a Chinese director to serve alongside Gao. Subsequent director appointments, and those of teachers and student volunteers from Shandong University, highlighted the lack of influence that Australian university partners exercise in CI staffing appointments. Adelaide University could offer suggestions, but the final decisions on appointments are made at the discretion of its Shandong University partner in consultation with the CI's main body, the Hanban, within the Ministry of Education in Beijing.⁶⁸

The Hanban was, until recently, also a funder of many of the institute's projects, and the CI submitted an annual budget and funding requests to it. The CI project proponents in China appear to have imagined that the institutes would fill unmet demand for education in Chinese language, culture and business in places such as Adelaide, but that assumption proved unfounded. Adelaide University already offered substantial programs in those fields, and there were also enough private businesses supplying those services. In consequence, the institute continued to rely on Chinese funding for particular projects. Currently, the Institute is operating completely independently of Hanban and Shandong University funding.

From 2008, visiting teachers from Shandong helped with teaching Chinese courses at various levels, using Adelaide's curriculum, and were coordinated by centre staff. There have also been numerous cultural events, from painting exhibitions to sculptures, scissor art to cooking. In its earlier years, in addition to arranging student in-country study at Shandong University, the CI also organised a number of China tours for both state politicians and school principals.

Another important activity has been support for the SA Chinese Teachers Association and numerous activities carried out in schools in support of learning about Chinese culture and reading and writing characters. The most prominent support of schools has been in participating in or organising state and national level Chinese proficiency courses (the Hanyū Qiao competition). The greatest challenges to increasing literacy in Chinese for South Australian students though, include the reduced role of humanities courses in the SA Certificate of Education and the gap between the effort needed to master Chinese and the likely reward.

Perhaps the most serious part of the CI's activities has been the annual Confucius Institute Lectures, some presenting PRC perspectives on issues and others offering more critical perspectives. Among the former were Professor Daniel Bell (Shandong University) speaking on meritocracy in the Chinese party-state, Professor Wang Hui (Qinghua University) on the Tibetan question, and Professor Xu Xianming (President, Shandong University) on the CCP's view on human rights. Alternative perspectives were provided by Professor Joseph Cheng (Hong Kong City University) on Chinese politics and Professor Ann-Marie Brady (University of Canterbury) on China's attitudes towards the polar regions.⁶⁹

The lecture that attracted the widest national and international attention was the one delivered in 2017 by Frances Adamson, who was then the Secretary of Australia's Department of Foreign Affairs and Trade. In a landmark address, Adamson spoke of the importance of the China–Australia bilateral relationship for Australia but didn't shy away from broaching the question of foreign interference in Australian universities. 'While we are complementary

economies, there is no getting around the fact that Australia and China are very different places, with different political and legal systems, values and world views,' she said:

Australia's university campuses have a proud history of supporting free debate—of enabling the robust exchange of viewpoints. Universities don't just give students qualifications, but prepare citizens capable of participating fully in political, social and economic life.⁷⁰

Addressing international students, she continued:

No doubt there will be times when you encounter things which to you are unusual, unsettling, or perhaps seem plain wrong. And can I tell you, as someone who has studied overseas in three different continents, if you aren't encountering strange and challenging things you aren't getting out enough! So when you do, let me encourage you not to silently withdraw, or blindly condemn, but to respectfully engage. The silencing of anyone in our society—from students to lecturers to politicians—is an affront to our values. Enforced silence runs counter to academic freedom. It is only by discussion, and of course discussion which is courteous, that falsehoods can be corrected.

Addressing universities more broadly, Adamson urged administrators:

... to remain true to our values, 'immune from intolerance or external influence' as Adelaide University's founders envisaged ... We want to ensure these institutions remain secure and resilient. Our success depends in part on the legal framework, but also on the attitudes and responses of all of us when exposed to unexpected pressure.

The clarity of Adamson's speech offered a paradoxical demonstration of the value of CIs in reminding university executives of their responsibilities towards their students and faculty, beyond financial returns to the university.

The other issue with the CIs in general, one which became clearer over time, was whether any benefits accrued from teaching, exchange or cultural activities wouldn't have been achieved without the institutes. That there's been a net benefit isn't at all clear. However, whether universities would have funded many of the activities that CIs carried out without the institutes is also far from certain.

Cultural exchanges

In 2016, a meeting in Adelaide between Chinese and Australian arts administrators concluded an agreement for the Australia–China Cultural Dialogue, which one Chinese news site dubbed the 'Adelaide Consensus'. On the Chinese side, this would complement similar dialogues with countries such as France, Germany and the US.⁷¹ One outcome was the 2019 *Australia–China arts and cultural exchange report* tabled during the Australia–China Arts and Cultural Symposium at the Adelaide Festival Centre. The report called for the establishment of ministerial-level meetings, clear and consistent relationships (which might take years), study exchanges to report actionable outcomes and recommendations, and building relationships with Chinese

tourists.⁷² The report itself was an example of joint efforts between UniSA, including the Centre for Asian Business, and Beijing Normal University.

A key figure in the discussions was Douglas Gautier, the CEO of the Adelaide Festival Theatre and Artistic Director and a major supporter of the state's annual OzAsia festival. From its inception in 2007, OzAsia had a broad Asia program and, from 2010, a focus on particular countries. In 2014, the country in focus was China, and particularly Shandong Province. This was the outcome of an MoU signed by Jay Weatherill in Jinan in April 2013. Some 140 performers travelled to Adelaide from Shandong to participate. The 2014 OzAsia had a particular focus on kites, as Shandong is known in China as the birthplace of kites, as well as a panel session of the World Confucius Forum, because the province was the birthplace of Confucius. Shandong University sent speakers.⁷³ The Confucius Institute also integrated some of its activities with the festival to the point of including CI lectures and becoming a minor sponsor in 2017.⁷⁴

Another innovative outcome of SA-Shandong interactions was the use of the annual Adelaide Show, held in September, to showcase Shandong to the widest possible audience. This occurred for the first time in 2015 and included a wide range of activities from dance to noodle-making. The advantage for both the SA Government and Shandong was that the potential audience was around 500,000—far larger than could be attracted by any other method.⁷⁵

Another prominent event with Shandong as focus occurred in September 2018 when the State Library of South Australia opened the 'One Mountain; One River; One Sage: Treasures from the Shandong Library' exhibition. Over four months,⁷⁶ the library experienced considerably increased foot traffic and numbers of visitors, many of whom would otherwise be unlikely to see such an exhibition.

Alexander Downer's efforts to support SA included panda diplomacy. He actively promoted the move to the Adelaide Zoo of two giant pandas, Wangwang and Funi. Despite them being the only two pandas in Australia, their presence has been a mixed blessing for the zoo since their arrival in 2009. They failed to attract the expected numbers of interstate visitors, and their associated costs contributed to the zoo's subsequent financial problems. Despite that, in 2019, the lease of the pandas was extended for another five years in the hope that they might, eventually, breed successfully.

Other state government initiatives have included the establishment of the first school in the state to teach half of the K-7 curriculum in English and the other in Chinese. William Light School R-12 became the Plympton International College (普林顿国际学校) in 2017. From Year 8, students continue to learn Chinese several times a week. The idea was to also build strong links with schools in China.

Port Adelaide plays in China

While the large business delegations were a key sign of SA's commitment to its China Strategy, the most dramatic sign of its success was undoubtedly when Port Adelaide Football Club (PAFC) played its first match against the Gold Coast Suns in Shanghai in May 2017. The drivers behind

this and subsequent matches were very similar to those driving SA's China Strategy more generally—the limitations of the state's small population and stiff competition at home—but combined with declining spectator numbers and rising debt levels. To solve those problems, in 2012 the Australian Football League's management installed Sydney media identity David Koch as the club's president. Shortly afterwards, the club developed a new business plan but was stymied in finding major sponsors within Australia. Then, in 2014, in a speech that went largely unremarked at the time, Koch floated the idea of playing games in China, although initially he was thinking about Macau.⁷⁷ This China strategy meshed well with the state government's goals and the supports they implied.

In 2015, to help implement the new plan, PAFC appointed Andrew Hunter as General Manager (China Engagement), and Hunter worked hard to realise it. That he had moved from the state government to the club, had been a professional sport player (volleyball), had international experience and was a believer in the potential of sports diplomacy to help build international relationships all helped. That Victoria had a Chinese AFL team in the 1892 wasn't even well known in Australia,⁷⁸ but to help build interest in China for a sport that wasn't played much outside of Australia PAFC first recruited a pair of Chinese players, Chen Shaoliang and Zhang Hao, in 2015.⁷⁹

The club's big breakthrough came in 2015, when it met with developer Gui Guojie of Shanghai CRED Real Estate. Hunter was introduced to Gui by ANZ Bank's Loretta Lai. He organised a PAFC guernsey with #8 on it for Gui and took him to a match. Gui apparently grasped it with little effort. The efforts of Hunter and the club paid off in February 2016 when Gui's company signed on as major sponsors: \$1 million per year for three years.⁸⁰ Hunter points out that, at the time, the deal was seen by many in the Australian media as an attempt by Gui to garner support for his acquisitions of Australian farmland but that, in the club's dealings with him, Gui never came across as instrumentalist. Moreover, over the next few years he became the club's largest ever sponsor, although that was largely unacknowledged.⁸¹

The deal with Gui and Shanghai CRED also helped in dealings in China at a time when relations with Australia were going well. Prime Minister Turnbull was also keen to boost ties and to announce the first match to be played in China in 2017. Austrade and the Australian Ambassador in Beijing, Frances Adamson, all helped realise the dream of AFL in China. David Koch is said to have been inspired by his own father's efforts selling coal to China decades before.⁸²

The first match, in May 2017, was preceded by documentaries on Chen Shaoliang on Chinese television, the broadcasting of a match between PAFC and Essendon, a visit by a team of Aboriginal players to China as goodwill ambassadors and another documentary about PAFC on Christmas Eve 2016.⁸³ The benefits to the club were the mutually reinforcing ones of success breeding success and accruing more Chinese sponsors. For Hunter, the fact that SA had just announced its first bilingual (English–Chinese) international school, the opening of the new consulate, a new Bank of China branch and direct flights from China all helped to secure cooperation in China for the match. Another coup was getting Premier Li Keqiang to a football match in Sydney in March 2017—a feat that Hunter implies was helped by Adelaide's new Consul General, Rao Hongwei (饶宏伟).⁸⁴

There was much sceptical opinion in Adelaide that, even if the matches in Shanghai came off, there would be little enthusiasm among football fans to fly there to participate. In the event, the doubters were wrong. Even the famously largely working-class base of Port fans proved interested and willing to learn more about China, just as they had embraced Chen. More than 5,000 made the trip to see Port defeat Gold Coast.⁸⁵ Some 6,000 Chinese spectators also attended. There was a match in 2018 versus Gold Coast and a third in 2019 against St Kilda. The 2020 match was cancelled due to Covid.

The success of PAFC said much about how cooperation between the state and federal governments and with Chinese central and provincial (Shanghai ranks as a province), business and local levels can work with the result that an Adelaide club could end up playing in Jiangwan Stadium. This success was also a success for SA's whole-of-state China Strategy and those involved. For PAFC, it helped save the club finances. In 2018, Gui's company signed a five-year extension of its sponsorship, taking it to 2023.⁸⁶ In 2020, PAFC also secured sponsorship from the state-owned Shanghai Automotive Industry Corporation (the owner of British auto brand MG), which signed up for five years.⁸⁷ The club also signed a five-year 'premier' partnership with Jincheng Holdings, an education company, and with the University of Adelaide.⁸⁸ Despite its importance to the club, though, Gui's sponsorship has remained very low key.

Gui was active in areas other than AFL. His company's attempts to take a controlling interest in the Kidman Station pastoral properties aroused much controversy in 2016, and some linked that directly to his interest in PAFC.⁸⁹ In 2017, he succeeded in gaining a minority share of Kidman in partnership with Gina Reinhart. In the same year, Reinhart and Gui sponsored the Royal Flying Doctor Service.⁹⁰ In addition, Gui has his own Australian registered charity, the Virtue Australia Foundation, for people in rural, regional and remote communities.⁹¹ Gui is listed as a director, along with Jia Ma and Ying (Maggie) Jiang, who was formerly of the University of Adelaide and who was appointed as director of the Confucius Institute at the University of Western Australia in 2018. John Taplin was also a trustee and director for several years.⁹²

Reading Hunter's accounts of how the deals to bring off the football matches in Shanghai came about, it's clear that PAFC made full use of any help from business, local Chinese and Chinese communities, the ACBC and its members, and the state and federal governments. The recently established Chinese Consulate also played a part in facilitating the deal.

The establishment and consequences of the Adelaide PRC Consulate office

While it isn't yet clear where the main push for establishing a Chinese Consulate in Adelaide came from, it's very clear that, at the time of initial negotiations, the SA Government would very likely have been very supportive. Given the prevailing positive attitudes to China, any opportunity that might aid trade, tourism and exchanges was to be grasped. The success of PAFC was certainly one that benefited from the presence of the consulate and the actions of the Consul General. The increased ease in applying for visas was certainly appreciated by many Australian citizens after the consulate opened a visa office in the city centre.

Given that SA is very small in terms of population and economy, siting a consulate in Adelaide rather than other, larger and perhaps more significant places might seem odd. However, when Chinese authorities were negotiating the ChAFTA with Australia, the outlook was still positive, and Australia had enormous potential to help meet China's needs for raw materials, goods and services. Moreover, even Adelaide has plenty of areas of interest to Chinese authorities in addition to mines, wine and koalas. The three major universities produce world-class research in areas that are often of high economic and strategic value. One consequence is that the newly established Lot 14 on North Terrace is home to many high-tech companies and research operations in areas that China also deems crucial, such as machine learning. Adelaide is also home to ASC Pty Ltd, which builds warships, and has many other strategic and military assets of interest, including the Edinburgh RAAF Base, the Defence Science and Technology Organisation and the Woomera rocket range.

The first iteration of the consulate offices in 2015 was a co-location with the SA Overseas Chinese Association at a former school in Findon, immediately associating it with local Chinese communities.⁹³ Despite Adelaide's size, the Adelaide Consulate, now in the inner suburb of Joslin, has 11 accredited diplomats and reportedly many more employees. In addition to promoting economic engagement, it now has plenty of people to look after the interests of Chinese students in the state, ethnic Chinese and present and former Chinese nationals.

The CCP, especially under Xi Jinping, has always sought to have influence over all overseas Chinese, and part of the work of its United Front Work Department (UFWD) is to ensure and maximise that influence and to prevent diaspora Chinese becoming enemies of the state. In 2015, the mandate of the UFWD was extended, and one of the new groups to come under its purview was Chinese students abroad. While postgraduates and researchers had long been UFWD targets, students had until then been largely under the purview of the Ministry of Education. That SA is also the home of ethnic Uyghurs and Tibetans, some of whom came as refugees fleeing PRC rule, as well as adherents of the Falun Gong religious movement means there are plenty of locals of potential interest to at least some consulate staff. In addition, any good consular official will do their best to understand, if not influence, local elites more generally. The third Consul General, He Lanjing (何岚菁), who arrived in November 2018, is notable for her past work in united front areas, mainly dealing with overseas Chinese and Hong Kong.⁹⁴

Local Chinese communities

The Chinese population of South Australia, which is concentrated in Adelaide, has continued to grow, helped by the readier access to migrants afforded by the bonus migration points for moving to a 'regional' area. There were 37,136 people of Chinese ancestry in 2011, and that number increased to 52,000 (around 3% of the state's population) by 2016. People of Chinese ancestry now make up the seventh largest source of residents, outnumbering people of Greek background but well behind Italian-Australians. In the same period, the PRC had been SA's second largest source of migrants (7,538 people).⁹⁵ However, the use of 'China' as a designation does obscure the ethnicities of some with Chinese nationality, and Adelaide is home to

Australia's largest number of Uyghurs and some Tibetans as well as a smattering of other members of China's ethnic minorities.

The numbers of those who identify as ethnically Chinese in some contexts is also probably higher, as many migrants from Southeast Asia, including many who came from Vietnam and Cambodia as refugees in the 1970s and 1980s, are ethnically Chinese. There's also a small community of migrants who are happy to identify as coming from Taiwan. To this already complex mix are added the thousands of young people from China, Hong Kong and Macau, although their visas are temporary student ones.

Among the consequences of the rising numbers of PRC migrants is a change in the Chinese media and association landscape. The increase occurred at the same time as the pre-existing Chinese communities (fractured by differences in places of origin, language and religion) were getting older. Older established Chinese associations have been joined by new PRC-focused ones, while the memberships of the older associations have also changed to reflect the new demographics. Recently arrived Mainland Chinese and the children of 1980s PRC migrants who are well-integrated and highly educated children are increasingly coming to dominate in part as a result of a generational turnover.

Over the years, several notable figures have emerged from this mix. The chef, Cheong Liew, has been succeeded by Adam Liaw and Poh Ling Yeow, but prominence in politics has been more elusive. As in the case of Alfred Huang, one way to get experience is to contest local government elections, become a councillor and, later, vie to be the Lord Mayor of Adelaide. A Bruneian, Francis Wong, was one such example. Currently, businessman Simon Hou may be on a similar trajectory. By far the most prominent Chinese-background politician in SA is a Liberal Party member of the Legislative Council, Malaysian-born Jing Lee, who was elected in 2010. An indefatigable campaigner and speaker at community events, Ms Lee has been rewarded for her efforts by being appointed Assistant Minister to the Premier.

While the numbers of Chinese in South Australia are relatively small, the PRC wants to speak for them all and wishes to know what they think and what they do.⁹⁶ Part of this concern is driven by the official fear of the 'Five Poisons': Uyghurs, especially supporters of a Uyghur state; Tibetans seeking autonomy or independence for Tibet; Falun Gong followers; democracy activists; and supporters of Taiwanese independence. Since the rise of Hong Kong's Umbrella Movement in 2014 and the major protests in support of democracy in 2019, the city's pro-democracy activists are also of increasing concern, even as Hong Kong activism has been crushed by the PRC's imposition of the National Security Law of 30 June 2020. That unrest had echoes in Australia, so the CCP perceived a need to undertake united front work to identify, isolate and delegitimise even those in Adelaide who might identify with or support such 'anti-China' sentiments.

Even before the establishment of the Adelaide Consulate after 2014, the CCP was concerned about the number of Uyghurs and Tibetans in SA. A significant portion of South Australia's approximately 1,600 Uyghurs seem to support the idea of an independent East Turkestan. and Adelaide has its own East Turkistan Australian Association branch and Facebook page. The state's Uyghurs are well aware of their status as a target of Chinese intelligence and united

front work and have long been worried about efforts directed towards neutralising their influence. Those concerns came to the forefront at the formal opening of the consulate in Joslin in March 2021. According to SBS news reports, community members fear that ‘their cultural activities will be monitored by diplomats and reported to the Chinese government’.⁹⁷

The Uyghurs have also been upset by the existence and actions of the consulate-supported SA Xinjiang Association.⁹⁸ That group proclaims its mainly Han Chinese members’ links to Xinjiang and was endorsed at its establishment in 2009 by the Chinese Embassy, which congratulated its first head, Chinatown and Adelaide arts circle identity Irena Zhang. It continues to be endorsed by the consulate.⁹⁹ The association has been active in Adelaide, promoting itself as an important part of multicultural Adelaide and inviting local politicians to its events. In doing so, it often displaces Adelaide’s Uyghur groups, as happened on Harmony Day in 2019.¹⁰⁰ When, in 2020, the group was invited by Jing Lee to visit Parliament House, that made news. On being criticised, the association denied any links with united front work. Lee was then criticised for her support of the association as well as for her links with the Confucius Institute and for appearing at a consulate-organised event promoting Xi Jinping’s BRI.¹⁰¹ In response to the criticism, Lee removed photos of herself with the association from her web pages.¹⁰²

And, while it might have been a decade or so ago, the UFWD has sent cadres to Adelaide to talk directly to local Tibetans, promising help with visas and family reunions if they promise to stop supporting the Dalai Lama or Tibetan independence.¹⁰³

SA seems to lack a formal iteration of one of the key united front bodies working among overseas Chinese: the Association for the Peaceful Reunification of China (华侨华人促进中国和平统一大会). However, one local identity, Yong Koh (Xu Rong, 许榕) was named as the SA branch head at a conference of the world body held in Macau in 2006.¹⁰⁴ Yong was also for a long time the head of the Overseas Chinese Association of SA, the group that shared its premises with the consulate and a representative of SA Overseas Chinese in the Chinese People’s Political Consultative Conference, China’s key united front representative organisation, which extends from local to provincial and national levels.¹⁰⁵

The Chinese Xinjiang Association is only one small part of the wider web of Chinese community associations in Adelaide. The older established groups, such as the Chinese Welfare Association, have been joined by a profusion of hometown/province groups, such as the Foochow, Teo Chew, Hubei and Inner Mongolia associations. Those are joined by a plethora of business-related groups, including branches of the Shanxi, Henan and Shanghai chambers of commerce and the Chinatown Adelaide South Australia group. The latter were active in the early stages of the Covid pandemic, when fear of the virus led to business in Chinatown’s shops and restaurants largely drying up. Given the area’s heavy reliance on Chinese students and other Chinese for custom, however, accusations by some of racism as the reason for the loss of business seemed misplaced.

Given the nature of such groups and Adelaide’s small size, there’s often a degree of overlapping membership and leaders in the groups. Most of them are supported by the consulate as part its normal outreach to Chinese communities, but there’s inevitably an element of united front

work involved. There's even an association for Chinese and state-owned enterprises in the China Chamber of Commerce, which opened an Adelaide branch in 2018 with a welcome from Premier Marshall and other dignitaries.¹⁰⁶

To help keep the children of Chinese migrants involved with their culture, SA also has a number of community ethnic schools teaching Mandarin, reading and writing on weekends: the Chinese Association Chinese Ethnic School, the Chinese School of Chinese Welfare Services, the Chinese School of the SA Overseas Chinese Association, the Ethnic Chinese Language Cultural School and the Xing Guang Chinese School.¹⁰⁷ There is, however, no school for learning Cantonese, despite the large number of migrants with it as their mother tongue, especially those from Hong Kong and Guangdong.

One significant change in local Chinese communities that coincided with the establishment of the consulate and the expansion of united front categories to include students abroad was the sudden rise of Chinese international student activism on campus. Previously, very few such students ever became active in much campus life, let alone student politics. The last time that had happened was in the wake of the killings of students and civilians in and around Beijing's Tiananmen Square in June 1989. Then, a considerable number of the then far fewer Chinese students organised and took part in protests and actions on campus as well as a major demonstration along King William Street in the city condemning the actions of the CCP in its violent suppression of the student movement. They were joined by a considerable segment of the local long-established Chinese communities, who were similarly shocked and outraged. That activism wasn't repeated and, soon after, Chinese students resumed their low profile.

What has happened over the past few years has been different. Small groups of Chinese students have become active in organising to become part of student politics, establishing political groups and standing for the various offices available. While this might seem normal, something has clearly changed. Such students no longer feel that becoming active on campus will be reported to their parents or Chinese authorities to their detriment, as was long the case. After all, those who supported the 1989 student movement also worried about the ramifications back in China. The nature of Australian campus politics and the widespread confusion about its nature and disinterest in it by most students means it has been left to small groups of committed students from various political groups (Labor, the Greens, the Liberal Party and socialists) to mobilise small proportions of the student body to vote and thereby enable them to win office and develop their political skills. Chinese students, too, can play that game and have been convincing enough other mainly fellow Chinese international students to vote for them.

The involvement of PRC students on campus seems to have taken off around 2014, when Du Renjie ran for office on a list of mainland students. He and his team went to great efforts to recruit Chinese students to vote for them.¹⁰⁸ Du has also maintained an involvement with the Young Greens. Chinese campus activism only came to wider public attention in 2018 with the case of the student campaigner (Leo) Liu Zihan. Campaigning for International Voice, Liu reportedly removed posters of the rival Progress group and posted a claim on his personal WeChat account 'claiming that he had reported members of Progress to the Chinese Embassy for displaying banners that were "openly against socialism and communism"'. Liu was subsequently

barred from office by the student union,¹⁰⁹ but his actions garnered enough attention to make it into works on threats to academic freedom.¹¹⁰ In the years since, PRC Chinese and overseas Chinese students have, however, taken on much more importance in student politics.

The potential benefits of having Chinese students active in student politics became more obvious a year later, with the sudden rise of the Hong Kong democracy movement. Hong Kong students, mainly it seems from UniSA, organised protests on campus and in the city centre in Rundle Mall. The protests were generally peaceful, apart from heckling and some abuse from some mainland Chinese students, but the issue of surveillance again came to the fore. One Hong Kong student had her personal details revealed on WeChat (the practice is called ‘doxing’), while others were threatened via the same social media.¹¹¹ Around the same time, a car appeared on city streets with Chinese police decals, which, even it might have been intended as a joke, added to an atmosphere of surveillance for protesters.¹¹²

Significantly, most of the activism in support of events in Hong Kong was at UniSA. There was little if any activity on University of Adelaide campuses or at Flinders. The student unions, which have historically been active in support of student movements elsewhere, were all very quiet.

Another area that’s been conspicuously quiet on events in Hong Kong, about Uyghurs or threats to Taiwan has been SA’s Chinese-language press. In 2016, Wanning Sun published an extensive report on how the number of Chinese news outlets might have increased by virtue of the rise of internet publications in addition to print media, but the diversity of their outlooks had shifted towards positions supportive of the PRC.¹¹³ Adelaide hosts the Australia China Newspaper Group, which publishes across media platforms and presses, and I-Age Media, which publishes *Shidai zhoubao* (时代周报, *Today Adelaide*), while some other papers from interstate are distributed, notably Falun Gong’s *Epoch Times*, which is virulently anti-CCP.

While I-Age Media’s Facebook page might be stuck in 2019,¹¹⁴ its webpage claims some 30,000 followers of its Today-Adelaide WeChat account and a weekly readership of 60,000+ as well as some 10,000 for its Adelaide Social Circle (阿村卷) app.¹¹⁵ The other key publisher is the Australia China Newspaper Group, which also mixes print and Chinese social media, including Sina Weibo.¹¹⁶ This group, established in Adelaide in 2008, was also welcomed by Chinese consular staff and expanded to Canberra in 2017.¹¹⁷

Another measure of the growth of the Chinese community in Adelaide is the addition of a new Buddhist temple in the city’s south. The Nanhai Putuo Temple flags its connections with similar ones in China and complements the western suburbs Zhulin Temple opened in 1994. The SA Zhu-Lin Buddhist Association, established in 1987, attracted Chinese from across the various communities, including increasing interest from PRC migrants and students as the latter’s numbers increased. The Nanhai Putuo Temple is notable for the prominence of its 18-metre granite statue of Guanyin. Many other elements of the temple are still under construction, but its establishment and the drawcard of the statue were generally welcomed by residents.¹¹⁸

Religion is also a vector for CCP united front work in South Australia. The abbot behind Nanhai, Miaoqing Shi, came to Australia for the first time in 1993 at the invitation of the Bright Moon Buddhist Society Inc. and migrated here in 1995. He has since been very active around the east

coast of Australia promoting Buddhism and establishing temples.¹¹⁹ His China connections mean that many of those invited to participate in events, such as blessing Australia, are often also representatives of the Chinese Peoples' Political Consultative Conferences. When not representatives, all such visitors from China must be approved by the PRC's Religious Affairs Department, which since 2018 has been placed unambiguously under the direct control of the UFWD. In practice, this means that any monk or abbot, or any other religious figure who leaves China, has done so with UFWD approval and has passed through UFWD vetting and training procedures. Documents lodged with the Australian Charities Commission also indicate that the Nanhai Temple is better at fundraising than the Zhulin Temple.

Conclusion

China's overt use of trade as a political weapon under Xi Jinping, combined with efforts to punish Australia for slights real or perceived and the closure of Australian and Chinese borders, have had significant consequences in SA, at least in the short term. The slapping of up to 200% tariffs on Australian wine and the loss of the lobster market in November 2020 were also felt. In March 2021, punitive wine tariffs were extended for another five years. An estimated 35% of the wine formerly sold in China could no longer be sold there.¹²⁰ That followed Chinese refusals to accept some beef imports, and new tariffs on ostensibly dumped barley, all of which had knock-on effects in SA. One backlash was a call for a boycott of Chinese-owned wineries, which ignored the likely effects on local employment and failed to distinguish between those owned from China and those owned by local Chinese businesses.¹²¹ What's far less clear is the extent to which these actions by China, and the pandemic itself, have changed South Australians' attitudes towards China more generally. Certainly, local fears contributed to strong resistance to any idea of making special arrangements to allow Chinese and other international students to return, notwithstanding their vaccinations and the extremely low incidence of Covid in China.

Even though to date SA has seemingly weathered the pandemic and the consequences of the tariffs reasonably well,¹²² their longer term effects remain to be seen. What hasn't changed is the need for SA governments and businesses to seek out opportunities for trade and investment. It isn't surprising that many in SA look askance at what has happened to Australia's relationship with China since around 2018, and many blame Canberra.

South Australia's Chinese communities have largely been quiet about what's happening but they were also very quiet about what was happening in Hong Kong in 2019 and what's happening in Xinjiang. They would, of course, be hard pressed to have any support for those protests or opposition to the treatment of Uyghurs appear in the Chinese press. They would also probably be all too aware of the potential for such sentiments becoming known to the consulate, given its ever more extensive community connections. That quiescence can also be read as a success for the CCP's united front work, even in South Australia.

Despite problems in the China–Australia relationship, the state government is unlikely to abandon its China Strategy, particularly its focus on Shandong Province. Hard-won positive relations between the two sides, built up over many years, hold out the prospect that

approaches will continue at the subnational level. Shandong and SA each have interests of their own, aligned with those of their respective national governments, and they remain potential conduits for conveying information to and from their national levels of government. Nevertheless, the highs of the SA–China relationship after 2011 and before Covid seem unlikely to be revisited anytime soon.

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6. *The territories: NT and the ACT*

Amos Aikman and Samantha Hoffman

Introduction

The Northern Territory (NT) and Australian Capital Territory (ACT) occupy distinctive positions in the Australian system of subnational government. Each is a self-governing territory constitutionally subordinate to the Commonwealth and yet with its own government elected by popular franchise and exercised through independent legislative, executive and judicial branches of government. Both territories are dominated by public-service cities—Darwin in the NT and Canberra in the ACT—whose residents have the major say in who is elected to govern each territory. Economically, they rank second and third among states and territories behind Western Australia in terms of per capita gross state product, well ahead of the national mean. And yet both are more heavily reliant on Australian Government employment and cross-subsidies than state jurisdictions. That said, the two territories are markedly different from one another in their demography, history, topography, patterns of land ownership, economic composition, and proximity to Asia and the Pacific. In this chapter, we focus on the distinctive features that guide the two territories in their relations with China.

Northern Territory

The NT is the central part of northern Australia, a vast region above the Tropic of Capricorn that stretches from Australia's Red Centre northward to its tropical coast. As the site where the 'Crocodile' Dundee movies were shot, the territory is popularly associated with outback adventure and the dangers of frontier life. And yet Darwin, the capital, is a public-service town sustained by tax transfers from the south as a service centre supporting disadvantage, national security and development. Darwin is the NT's administrative hub and home to more than half of its roughly 250,000 population. It's situated more than 2,000 kilometres from the next-nearest state capital and closer to several important Asian cities than to Canberra.

Policymakers have long eyed the North's abundant land and water resources as a potential 'food bowl' for Asia and promoted opportunities for new resources and tourism developments. Progress has been slower than expected, despite billions of dollars in public and private spending. Many once-plausible projects have fallen foul of the region's high costs and want of infrastructure.

The NT is home to many of Australia's most intact Aboriginal cultures. Aboriginal people own about half the territory's land and 80% of its coastline. Aboriginal stories, ceremonies and art are among Australia's most precious national treasures. They're also powerful tourist draws. As a social-economic group, however, Aboriginal people suffer crippling levels of disadvantage. This a national, not an NT-specific, issue.

Darwin claims status as Australia's 'face' to Asia and plays an important role in Australia's defence, foreign engagement and trade. In 2008, Japanese energy giant INPEX chose Darwin as the site for the onshore component of its \$50 billion Ichthys LNG project—the largest single investment by a Japanese company in Australia and a vital part of that country's energy security. Australian forces have long used Darwin as a base for defence, humanitarian and border patrol operations in the Southeast Asian region. In 2011, Australian Prime Minister Julia Gillard and US President Barack Obama struck a deal for US Marine Corps soldiers to visit the Top End for six-month annual training rotations, positioning the NT as the linchpin of US–Australian military cooperation in the Indo-Pacific. The territory hosts a joint US–Australia defence facility at Pine Gap, and F-35 Joint Strike Fighter jets are expected to operate from a base near Katherine.¹ There have been rumours about plans to develop a new military port outside the harbour to service Australian and US forces.²

The NT is also subject to geopolitical pressures from other quarters. When the long-term lease of Darwin Port to China-based firm Landbridge was announced in October 2015, some observers linked Darwin Harbour to contests over the South China Sea.³ Visiting in 2018, INPEX boss Takayuki Ueda acknowledged that his firm was closely monitoring Chinese investments in the territory and warned that any failure by the local government to maintain standards of 'democracy, openness and transparency' could deter others from spending.⁴

The NT Government is heavily indebted and relies on Canberra for over 70% of its revenue. Much of the money comes in the form of consumption tax redistributed under a formula intended to tackle remote disadvantage, but, because the electoral system concentrates power in urban areas, governments are usually more attentive to the interests of Darwin-based voters. The economy depends heavily on public-sector spending and employment, and many businesses survive on government grants and contracts. In practice, this means that, although Australia's national interests are more bound up with defence and border protection, regional development and improving the circumstances of Aboriginal residents, NT politicians are more often preoccupied with the concerns of Darwin residents.

Remote disadvantage and the slow pace of northern development are among Australia's most compelling policy challenges. The NT's lack of a sustainable economy and over-reliance on the public sector incentivises governments to court outside capital, rather than risk more difficult structural reform. Foreign investment is often advertised to domestic audiences as a solution, on the grounds that more overseas money will bring socio-economic advancement where government schemes have not.

A landmark 2018 fiscal report commissioned by the government of Michael Gunner, *A Plan for Budget Repair*, opened with the caustic observation that 'Over the past 20 years, the territory has incurred fiscal deficits not only during contractions in the economic cycle but also in times of expansion.'⁵ The NT's public service has grown by almost half since the early 2000s. Nearly 40% of those bureaucrats are in administrative rather than frontline roles. That compares with only about 16% of clerks and administrators in Western Australia's public service, or 9% in the NSW public service. More than 3% of the territory's bureaucrats are executives, compared with less than 1% in Victoria. Public servants are the NT's largest voting block and the public

sector is a huge issuer of contracts. The government ‘has tentacles everywhere ... [and] is such a centrepiece of the economy,’ according to a former treasurer. The 2018 report continued ruefully that ‘in the absence of immediate and sustained expenditure restraint, the next generation of Territorians will bear a growing burden of current expenditure through interest costs and reduced capacity for service delivery.’¹⁶

This results in a perennial drive to attract more and larger projects and to engage with foreign countries to attract investment. A brief review of recent sets of budget papers shows that, since the early 2000s, the economy has been through several boom–bust cycles driven to a large degree by major projects. Businesses, real-estate markets, public-sector coffers and the public service have all been activated by these injections of outside capital, allowing successive governments to spend beyond their means, accumulate enormous debts, and coddle an array of inefficient but politically expedient policies.

Darwin Port

The Darwin Port lease fits this established pattern. In October 2015, the territory government earned \$506 million by leasing the port for 99 years to China’s Landbridge Group, a subsidiary of Shandong Landbridge, which has interests in port logistics, petrochemicals and other industries in China. According to the *ABC*, the firm’s billionaire owner, Ye Cheng, told an interviewer in 2016 that his port investment ‘served China’s foreign policy goal known as One Belt, One Road.’¹⁷ ‘One Belt, One Road’ was the original name of the BRI.

The government was desperate for revenue. The Country Liberals governed from 2012, during the peak of the Ichthys LNG project construction boom, and an election loomed in 2015 at a time of public concern about a forthcoming economic slump as the Ichthys project wound down. Neither Canberra nor Darwin appeared inclined to invest in upgrading the ageing Darwin Port. Going into the election, the leasing option appeared to be a good-news story about attracting foreign investment and renovating the port. Once the deal was done, part of the money earned through the lease was spent on election sweeteners, and part put into an infrastructure development seed-fund, which was wound up when it failed to attract further capital. That, too, was rolled into consolidated revenue and spent. In addition to the lease, the government of Adam Giles awarded Landbridge rights to build a six-star hotel overlooking Darwin Harbour ahead of competing bids from Darwin-based luxury goods firm Paspaley Group, among others. The hotel project suffered lengthy delays and was suspended indefinitely when the coronavirus pandemic broke out.

While the Darwin Port lease fits a well-worn pattern of investment and expenditure in the territory, the security fallout in this case was unprecedented. When NT Territory Chief Minister Adam Giles raised his glass and thrust an arm around the shoulders of the controversial Chinese billionaire to whom he had just sold control of the critical strategic asset, he couldn’t have imagined that the moment would become infamous. In 2015, Giles’s Country Liberal Party government was desperate for a break. The Country Liberals had fought their way to victory three years earlier but dismissed their elected leader seven months into office, and lost their parliamentary majority, while ricocheting between crises during Giles’s premiership.

The deal to lease Darwin Port—the most significant defence and logistics hub along Australia’s northern coast—was meant to woo voters by unleashing an ‘economic snowball’ in the NT. The contours of Chinese President Xi Jinping’s foreign policy weren’t so clear back then, and the phrase ‘Belt and Road Initiative’ was still unfamiliar. But Giles had been to Beijing and grasped the CCP’s expansive narrative; he cast the deal in the light of Xi’s ‘Maritime Silk Road’. ‘It’s not just the half a billion dollars for the port; it’s what comes on the back of it. It will bring tourism, manufacturing, airlines,’ he said. ‘The key thing about this is it’s the start of our relationship with China. We’ve had a couple of boatloads of iron ore go over before, but we’ve never had that relationship.’⁸ The upfront lease payment gave the embattled Giles government a handy windfall to spend ahead of an election that it looked very likely to lose—and subsequently did.

Had things gone differently, Giles’s gambit might have been viewed more favourably in retrospect. Just months ahead of the Darwin Port lease, the Australian Government released a White Paper on developing the northern parts of the continent, outlining ambitious schemes with implicit expectations of Asian investment and showing little recognition of national security risks. To the contrary, the federal government promised that it would be ‘getting out of the way of business’ in the north and would convene a major investment forum in Darwin to attract international investors.⁹ At the time the lease was announced, the responsible federal minister, Josh Frydenberg, commended the deal as ‘a positive and tangible sign of foreign investor confidence in the economic opportunities available in Australia’s north’.¹⁰

The long-term lease of the port was consistent with then-current security thinking and made economic sense for a territory government struggling to fund the port’s operations and invest in its development. Officials in Canberra didn’t appear to mind. At that time, senior federal officers were still working on the assumption that a ‘red line separated economic and national security policies.’¹¹ That was soon to change as Australians awoke to the prospect that trade and investment with China carried strategic costs that they were unwilling to bear. Under different circumstances, the deal could have boosted Giles into the federal political career he was then believed to crave. As things turned out, the port lease proved a political liability.

Australians were generally taken aback by the news that the NT was handing a strategic asset to a firm with alleged links to the CCP and that framed the deal as part of Xi Jinping’s BRI. Defence analysts warned of espionage risks and of betting unwisely on a century of friendly relations. US President Barack Obama expressed concern.¹² Prime Minister Malcolm Turnbull was forced to admit that federal cabinet became aware of the deal only hours before it was announced. Australia’s Defence Minister appeared to learn of it, somewhat embarrassingly, during a trip to the US for the unveiling of a commitment to enhanced naval cooperation with a special emphasis on the Darwin forward base. Defence officials had to brief their American counterparts after the fact.¹³ If anyone was at fault, Canberra was as remiss as Darwin.

At the time of writing, there are as many plans for the port as there are interested parties—including the NT Government, the Defence organisation, the US Government, the Japanese firm INPEX and China’s Landbridge—resulting in confusion and delay.¹⁴ Meanwhile, Landbridge appears to operate Darwin Port at a significant loss, and outgoing Landbridge boss Mike Hughes has accused opponents of ‘carping’ about imaginary risks.¹⁵ A parliamentary committee has

recommended that the lease be reviewed for compatibility with tough new national security laws, amplifying calls for renationalisation and setting up the Morrison government for a test of its China policy.¹⁶ China appears to view the controversy purely as an expression of US interests in Australia. Rather than catalyse Chinese investment into the Top End, the port deal looks poised to further destabilise diplomatic ties and potentially disrupt inbound flows of Chinese money more broadly into Australia.¹⁷

Business links with China

The Darwin Port lease drew public attention to other deals with China-based firms and to the decision-making processes behind them. China is a regular international partner for local business and investment in the NT, as it is in other regions of Australia. China and Japan are the territory's two largest overseas trading partners, followed by Taiwan, Korea, Malaysia and Singapore.¹⁸

Diplomatic engagement on behalf of the NT is usually the responsibility of the Chief Minister. Before the coronavirus pandemic intervened, territory politicians were making semi-regular trips to the Chinese mainland, with a particular focus on the city of Shenzhen, adjacent to Hong Kong. Leading a business delegation to that city in 2019, Chief Minister Michael Gunner remarked:

We know that increasing private sector investment creates strong economic growth and more local jobs—especially more permanent jobs. This is why delegations like this ... are so important. Businesses will benefit from face-to-face contact with local businesses from Shenzhen, which is a market of around 20 million people.¹⁹

The focus on Shenzhen, while welcome to many in the NT, hints at wider imbalances in the relationship. Although a city, Shenzhen has 80 times the territory's population. Whereas the city government and China generally have sophisticated administrative systems and comprehensive strategic plans for growth and development, the NT's politicians and government haven't always shown themselves equally adept at international politics and diplomacy and come from a country where subnational and national foreign policy are less connected. In 2016, then Deputy Chief Minister Willem Westra van Holthe was forced to resign after it emerged that he had negotiated a \$570,000 private share deal with a Vietnamese firm he was simultaneously courting to invest in the NT, and had begun an affair with the private secretary of the president of that firm.²⁰ To put this into perspective, numerous CCP members and government officials at the central and provincial government levels have been subject to corruption charges in recent years.

Several major business deals between the NT and China-based firms have been quite successful and well received. In 2018, Jemena, owned by China State Grid and Singapore Power, completed the Northern Gas Pipeline between the territory and Queensland. That scheme was developed to boost onshore gas development and help the territory offload surplus gas contracted to its public utility. Onshore gas development has been a bugbear for environmentalists, but the pipeline project appears to be successful and may be expanded.

Another welcome investment in 2018 was Hong Kong-based investment company CK Hutchison Holdings' purchase of a melon farm near Katherine for \$27.5 million in what was described at the time as one of the most significant horticulture deals in the NT's history.²¹ The same company had earlier that year been blocked for 'national interest' reasons from taking a controlling interest in the company owning a majority of Australia's gas transmission pipelines, and before that was blocked for similar reasons from buying electricity poles and wires in NSW. The purchase of a melon farm in the territory raised few concerns.

In 2018, Gunner signed a deal with Donghai Airlines, a Chinese company, to run direct flights between Shenzhen and Darwin. Given the difficulties other airlines experienced in making Darwin routes profitable, ahead of the pandemic, the initiative signalled new hope for the China tourism market. Still, it remained unclear whether the flights were commercially feasible. Reports soon after the launch suggested that many seats were unoccupied, and Donghai flights were suspended once the coronavirus pandemic broke out. It's unclear whether the Donghai deal is a value-for-money one for Australian taxpayers.

A former employee of China's Ministry of Metallurgical Industries turned international investor, Jerry Ren, was forced to put three newly established mining companies into receivership in 2014 due to problems with a loan. The arrival of Ren's Australian Ilmenite Resources had been greeted with fanfare as the first new mine in over six years. The ilmenite deposit was said to be worth as much as \$8 billion.²² Other large mines in the NT—where mining is the biggest contributor to own-source revenue—are slated for closure within a few years. In 2018, the Gunner government granted an exploration licence to Winchelsea Mining, which is a joint venture between an Aboriginal corporation and AUSChina International Mining, registered in 2017 as an Australian private company.²³

China-based investors have also purchased several large pastoral leases. Agriculture company Xinjiang Yikang purchased Florina Station south of Katherine in 2016 under a subsidiary named YK Group. The company was expected to grow cotton, but those plans were delayed due to regulatory issues. In 2020, the company was accused of cooperating with a controversial 'political indoctrination' program in China's far-western Xinjiang region, where more than 1 million Uyghurs and other mostly Muslim minorities have been detained in camps.²⁴

Other China-related investments in the territory have shown particularistic patterns of personalised contracting and bidding. Jemena wasn't the only bidder for the construction of what was initially called the North East Gas Interconnector pipeline. Another firm that was shortlisted ahead of global infrastructure heavyweights, including Berkshire Hathaway Energy and Macquarie Capital, was Merlin Energy, a company that registered after the initial round of bids closed. It had \$100 in equity and one director and for its business address listed a Sydney residential home. In defence of picking Merlin among four 'top quality' bidders, the NT Government argued that it had strong ties to China and was a 'special purpose vehicle' for a larger group.²⁵

Merlin was supported by a then newly created Hong Kong-based company with two directors who each contributed US\$1 in equity—one an Australian and the other a Chinese partner.

It later emerged that the NT Government would pay Merlin \$1 million for participating in the bidding process. At that point, Chief Minister Adam Giles claimed that Merlin Energy Australia was a ‘special purpose vehicle’ linked to the China Petroleum Pipeline Bureau, which is a subsidiary of China National Petroleum Corporation.²⁶ The reasons for using such a ‘special purpose vehicle’ and not being transparent about the identity of the larger group were never explained.

In early 2021, the NT awarded its largest ever groundwater licence to a firm part-owned by a Melbourne-based media mogul with alleged links to the CCP. Tommy Jiang, also known as Jiang Zhao Qing, has been involved with Chinese-language newspapers and a broadcast network part-owned by *China Radio International*, according to corporate filings. An ASPI report about Chinese influence connects Jiang to the CCP’s United Front Work Department.²⁷ The licence to extract up to 40,000 ML per year—enough to fill 16,000 Olympic-sized swimming pools—from the desert region around Tennant Creek was issued to Fortune Agribusiness Fund Management against the wishes of some Aboriginal traditional owners. Fortune won’t have to pay for the water, which it says it plans to use for horticulture. Environmentalists and some industry players believe Fortune’s ultimate goal is to grow cotton in the desert, although Fortune denies any such plans. Meanwhile, the *ABC* reported that one of Jiang’s companies, Ostar Media, went into receivership in July 2021 owing creditors (including the Australian Taxation Office) more than \$5.5 million.²⁸

Many Chinese companies and individuals have done business with the NT with little controversy. However, because some arrangements appear to be based on personalised deals, and governments don’t make complete information readily available, it’s difficult to say with certainty that those that have attracted critical scrutiny are outliers. Territory politicians rarely discuss circumstances such as Jiang’s alleged links with the United Front Work Department, making it hard to know whether and how those factors were considered by regulators. The public is left to weigh competing claims by itself; unsurprisingly, it’s often unsatisfied with the result. In the case of Darwin Port, the lease offered an opportunity to ease local anxieties about asset sales, but controversy surrounding the buyer, Landbridge, damaged public confidence instead.

The Belt and Road Initiative

Politicians and businesses in the NT find the attractions of Chinese markets and investment all but irresistible, consistent with the policy settings for Australia more broadly for expanding trade with China that were in place for decades. As a vehicle for trade and investment, the BRI is especially attractive. Darwin Mayor Kon Vatskalis said of the BRI: ‘We would be stupid, as Australians, to let this opportunity escape us.’²⁹ The NT Government isn’t formally affiliated with China’s BRI, but the unstated policy of recent governments had been to encourage federal government engagement and to position themselves to benefit from it without officially joining.

Together, the support of the NT and Darwin city governments for the BRI made Darwin a national centre for promoting the BRI in Australia. In August 2018, the Confucius Institute at Charles Darwin University hosted an event with Professor Wang Yiwei, from Renmin University in Beijing, promoting the BRI.³⁰ In October 2018, the NT office of the Australia China Business Council (ACBC) hosted Australia’s largest forum exploring opportunities for Australia’s

engagement with the BRI—the ‘One Belt One Road in Australia Conference’ at the Darwin Convention Centre.³¹ The conference drew leading figures from local, national and international government, business, legal and academic fields, including former Victorian Premier John Brumby, former ambassador now businessman Geoff Raby, former and current chief officers of the territory, serving ministers in the NT Government, and eminent leaders from the fields of law, investment, infrastructure, tourism, pastoral and agricultural industries, and academic research. The Chinese delegation was headed by the serving ambassador and leading figures in commerce, investment, tourism, government and media—including Ms Cheng Lei, representing *China Global Television News*.

At the close of the conference, the ACBC (NT) hosts summed up the sentiment of the event with the assertion that ‘investment and business proposals have a greater chance of success if they are framed within an OBOR framework.’³² The NT positioned itself in that framework. In his keynote speech to the BRI conference, Chief Executive Michael Gunner promoted the territory as ‘Asia’s gateway—the belt and road’s gateway—into the markets and minds of Australia. The Northern Territory welcomes and is better because of Chinese investment,’ he said. ‘More than any other jurisdiction, our eyes, ears, hearts and minds are naturally northward looking.’ Referencing the Darwin Port deal, he added that the NT and China were ‘showing the rest of Australia how Chinese investment can work in Australia and how it can work well’ and portrayed the partnership as ‘our gift to Australia’.³³

Gunner made similar remarks at a reception staged in Darwin by the Chinese Embassy to mark the 70th anniversary of the founding of the PRC. ‘I’d like to think of it [the BRI] as a win-win,’ he said. ‘It’s how do we work together to develop common bonds or economic opportunities.’ Chinese Ambassador Cheng Jingye said such local cooperation was ‘an important part and a solid basis’ of China–Australia relations.³⁴

Such platitudes may have been harmless in good times, but, as national diplomatic ties soured, Gunner walked back some of his remarks and sought to shift blame elsewhere. Commenting on the decision to lease the port, he told reporters in May 2021 that ‘we do have potential reputational harm as a result of that decision.’³⁵ He pointedly reminded the electorate that it wasn’t his Labor government that leased the Darwin Port.³⁶ Infrastructure minister Eva Lawler signalled that she would work with the federal government if it decided to overturn the lease.³⁷

Agreements

By 2018, the NT already had 10 times more agreements with China than it did with Japan and the US combined, excluding defence deals and those related to the Ichthys project.³⁸ The list includes token trade deals, sister-city relationships and a municipal friendship agreement with Rizhao, the city in which Landbridge is based.³⁹ Questions have been raised about those agreements, many of which aren’t public, but which Chinese media tend to characterise as falling within China’s BRI framework.

Darwin Mayor Kon Vatskalis signed one such deal with the wealthy Guangzhou municipality of Yuexiu in 2018. Chinese media reports described the deal as falling within Yuexiu’s BRI economic

and cultural exchanges. Vatskalis was quoted as saying that ‘we can work with the Chinese and benefit or we can ignore it and be isolated ... it will pass us by, maybe go to New Zealand.’ He argued that BRI cooperation was happening but that it was ‘not official yet because the federal government won’t agree to it’. Nevertheless ‘a lot of people in China want to park their money outside China, and Darwin would be a very good market for them,’ he said.⁴⁰

Vatskalis has been accompanied on trips to China by his third wife, Ai Hong Amy Yu-Vatskalis. Yu-Vatskalis lectures in Mandarin at Charles Darwin University, after she was seconded to Australia from China by China’s Ministry of Education Hanban (Confucius Institute) Headquarters in 2012 to serve as Confucius Institute lecturer in the School of Creative Arts and Humanities.⁴¹ Media reported the relationship as representing a conflict of interest for Mayor Vatskalis, a keen BRI advocate, who denied the claim. ‘My wife is not involved in delegations, and she just came with me in the meetings ... she hasn’t got a position in any Chinese company, she’s a lecturer at the Charles Darwin University teaching Chinese, and that’s about it,’ he said.⁴² As noted, the Confucius Institute, although ostensibly committed to promoting Chinese language and culture, hosted an event promoting the BRI.

Vatskalis has also been accompanied on visits to China by Darwin Council executives formally associated with the Whitsunday Regional Council. One of those executives was reportedly responsible for a letter on behalf of Darwin Council inviting a Chinese billionaire to explore for gas, uranium and oil.⁴³ In fact, Darwin Council has no jurisdiction over the territory’s resources. There’s no suggestion that any of these individuals acted illegally. Fellow councillors have, however, questioned what ratepayers stand to gain from the council spending tens of thousands of dollars on official visits to China.⁴⁴

At the territory level, in 2020 local news sources published photographs of Chief Minister Gunner signing documents with Chinese officials in the city of Shenzhen some time previously.⁴⁵ The agreement hadn’t been disclosed. The Shenzhen deal had reportedly been left off a list of foreign deals given to the ABC, and access to documents about it was denied to an independent newspaper that requested them using freedom of information laws.⁴⁶ Gunner revealed the substance of the Shenzhen agreement after the federal parliament passed legislation requiring states and territories to disclose all deals with foreign powers. The agreement was for cooperation with the Shenzhen Education Bureau to provide teacher and student exchanges and remote and face-to-face learning. According to a Chinese-language Austrade website article, Gunner and a trade delegation entered into three agreements while visiting Shenzhen: a previously reported natural gas contract between private companies, the education agreement and an apparent deal between Gunner and the Mayor of Shenzhen on ‘future strategic and pragmatic cooperation’.⁴⁷

University of Technology Sydney associate professor Feng Chongyi, a critic of the NT’s China policy, believes friendship agreements are ‘usually the first step to co-opt or recruit fellow travellers in the CCP United Front operation.’⁴⁸ ‘Transparency is the key,’ he told the *NT Independent*. ‘Chinese [organisations] conduct their business through covert operations.’

Professor Feng has described China's Australian diplomacy as a 'sophisticated operation' using flattery and special treatment to persuade politicians to further China's agenda. 'In China, all officially registered social organisations, mass organisations, are subsidiary front organisations of the CCP,' he told the *NT Independent*. 'The CCP has now exported that model to foreign countries and extended its control over civil society organisations in the overseas Chinese community. As a consequence, these organisations have carried out CCP political tasks in host societies.'⁴⁹

Community organisations

Professor Feng Chongyi's critique of local Chinese community organisations may be justified in some cases, but certainly not all. Chinese community organisations have been an integral part of Darwin public life since well before the CCP was founded in 1921.

Legend has it that a Chinese secret-society fraternity, known as the Yee Hing Company (or, alternatively, as the Hung Men Brotherhood), came to Australia in the trail of the Red Turban and Taiping rebellions that shook southern China in the middle of the 19th century. One fable that circulated in Melbourne community circles told of a Taiping leader by the name of Tock Gee who fled with his followers from south China to Darwin before leading them south to seek their fortunes on the goldfields of western Victoria. Whatever the truth of the story, it points accurately to a network of Yee Hing community organisations that linked every Australian colony, including Darwin town in the late 19th century.⁵⁰

The first recorded Chinese migrants in Darwin (then known as Palmerston) arrived shortly after the city was founded in 1869. In 1874, 186 Chinese labourers arrived on a ship from Singapore, and a further 1,000 labourers followed four years later. Some stayed on and built local government buildings, including the town courthouse. Others worked on laying the Darwin to Pine Creek rail line; others took up mining or developed market gardens to feed the town and businesses to service it; others moved on to goldfields in north Queensland and to the southern colonies. By the late 1870s, Chinese residents made up the largest non-Aboriginal ethnic group in the Top End, outnumbering European inhabitants for 30 years until the NT passed from South Australian to federal jurisdiction in 1911.⁵¹

Probably the best known of the old Darwin families are the descendants of wealthy business owner Kwong Sue Duk. His descendants (including celebrity chef Kylie Kwong) now number almost 1,000 people around the world. Kwong Sue Duk arrived in Southport in the territory in 1882 and moved to Palmerston in 1888. The stone storehouses he built at the time are the last substantial buildings extant in Darwin's old Chinatown.⁵² Nineteenth-century visitors to the town thought it resembled 'more of a little Asia or China than a European colony'. Historian Diana Giese observes that 'what European officials defined as Darwin was in large part a creation of Chinese labour.'⁵³

Despite the introduction of the Immigration Restriction Act at federation, and other race-based policies and practices, Darwin retained a bustling Chinese business community and Chinatown precinct up until the outbreak of World War II, when Chinese still made up a quarter of the

non-Indigenous population. Clan associations prospered alongside political associations. When the worldwide Chinese Nationalist Party (Kuomintang, KMT) network established its Oceania headquarters in Sydney, in the 1920s, the Sydney office oversaw 11 sub-branches, one of them based in Darwin. The Darwin KMT sub-branch, founded in 1924, was recognised internationally for promoting women's rights within the wider KMT movement: it was reputed to be the first in the world to appoint a woman to an executive leadership position.⁵⁴

The most enduring of the local community organisations is Darwin's Chung Wah Society, which was established shortly after World War II as a membership organisation for Chinese of all backgrounds in the city. The society continues to operate a museum and temple in Darwin and aims to 'promote harmony and goodwill between Chinese residents in the NT and people of other nationalities; promote the general, cultural education, social interests and welfare of its members; and provide and maintain the Chinese Temple as a place of worship.'⁵⁵

Historically, the Chung Wah Society served mainly Cantonese-speaking immigrants from south China and their descendants in Australia. A more recent organisation with close institutional connections to China is the Chinese Community of Northern Australia Association (CCNAA), which was founded in 2018 to serve Mandarin-speaking immigrants and visitors from the PRC.⁵⁶ Amy Yu-Vatskalis was listed as CCNAA president in a public presentation at the NT Library.⁵⁷ Yu-Vatskalis has served in the local Confucius Institute and was later employed by Charles Darwin University to teach Mandarin. The CCNAA has jointly organised cultural activities with the Confucius Institute.⁵⁸ Registration documents show that Darwin Mayor Kon Vatskalis personally signed paperwork establishing the CCNAA.⁵⁹

Australian Capital Territory

The ACT Government has built relations with China since the early 1980s. Its relationship with the country is far less significant than those of other Australian states and territories. This is partly attributable to the ACT's status as a self-governing territory under the *Australian Capital Territory (Self-Government) Act 1988* with less autonomy from the federal government than state governments have.⁶⁰ Still, China has been a significant market for the ACT in terms of investment and tourism. Moreover, the ACT's position as the site of Australia's capital creates unique circumstances for the relationship and makes the presence of Chinese Government and government-linked interests in the territory notable.

The ACT's approach to relations with China

The ACT Government's '2050 Vision for Canberra', which is set out in *Canberra's International Engagement Strategy* (2016), identifies China as a 'priority market' where the government geographically concentrates its international engagement activity (the list includes Singapore, New Zealand, China, US, Japan, India, Indonesia, Malaysia, Thailand and South Korea).⁶¹ Within China, the cities Shenzhen and Guangzhou are identified for 'immediate targeted engagement'. Moreover, Beijing, Shanghai and Wuhan were all identified as priority markets with which the ACT would work to improve its economic relationship.⁶²

The 2050 Vision says that the ACT Government's Office of International Engagement (OIE) builds international relationships and supports industry through 12 practical actions. Among those is 'Defining and implementing a targeted program of ACT Government, Ministerial and industry trade missions to priority markets.'⁶³

The government began running trade missions to China in the early 1980s. On a visit to Shanghai in 2014, then Chief Minister Katy Gallagher visited Huawei's R&D facility in Shanghai.⁶⁴ Just two years before then, in 2012, Huawei had become a major sponsor of the Canberra Raiders, the ACT's National Rugby League team. That sponsorship continued until 2020, when Huawei ended the partnership from the end of the 2020 rugby league season, citing a lack of resources due to the company's negative business environment in Australia. In a statement at the time, Huawei said, 'Even after the Turnbull government banned us from 5G we managed to find the resources to continue the sponsorship but we just can't financially support it any longer.'⁶⁵

On another trade mission in 2016, Chief Minister Andrew Barr led a delegation to Singapore and China. According to the ACT *Hansard* for 3 May 2016, the 'primary objective of the mission to China was to attend the Australia Week in China activities' and 'the mission also focused on promoting opportunities to grow Canberra's inbound tourism market with China and international education through partnerships with universities in the ACT.'⁶⁶

The ACT Government's engagement with China has focused largely on tourism. During a visit to China in 2014, then Chief Minister Katy Gallagher said that the ACT had 'more tourist visits from China than any other country and recent research indicated that the Chinese in general have a high awareness of, and desire to, visit Canberra. This led to the ACT Government focussing on the Chinese market in its 2020 Tourism Strategic Plan.'⁶⁷ This objective was determined based on an assessment of consumer demand at the time.⁶⁸

In 2018, as part of the government's effort, VisitCanberra completed a two-week promotional program in China, offering a training module on ACT tourism to 202 China-based travel agents. At around the same time, a similar event was held in Canberra for a group of about 40 travel agents from China Youth Travel Service.⁶⁹ The ACT Government has also participated in events hosted in the PRC by Tourism Australia, including the Greater China Travel Mission (which was re-branded in 2019 as the Australia Marketplace China).⁷⁰ Statistics indicate that the effort had been successful until the Covid-19 pandemic halted international travel. Canberra's top source of international visitors has been China since 2008.⁷¹ In 2019, Chinese tourists from China made up about 20.5% of the market; the second highest was the UK, at 8.2%.⁷² This was a significant increase compared to the 13.5% from China in 2013, when China was also the top visitor market.

Another action from the 2050 Vision is to provide 'strategic leadership over ... international inbound and outbound activities', including city-to-city engagement.⁷³ City-to-city engagement has long been a part of the ACT's official government-to-government relations with China. The government has a sister-city relationship with Beijing; an MoU on economic cooperation with Shenzhen and a friendship agreement with Hangzhou.

The first of those arrangements was the friendship agreement with Hangzhou in 1998, during a visit to Australia by then Hangzhou Mayor Mao Linsheng. At that time, the ACT Government signed an MoU with the Hangzhou Municipal People's Government that identified mutual areas of interest, including 'environmental management technology, building techniques, information technology, education and tourism promotion'.⁷⁴ It's unclear whether their relationship is at all related to the MoU, but the University of Canberra and Hangzhou Normal University collaborate on a joint master's degree program in educational leadership and management; Hangzhou Normal University runs the program, and the University of Canberra is the awarding body.⁷⁵

In September 2000, the territory signed the sister-city Agreement with Beijing municipality during a visit of then Beijing Mayor Liu Qi. The ACT Government website for the Chief Minister, Treasury and Economic Development Directorate says that the 'main focus of the relationship presently is economic, through business, trade and promotion of the ACT. To date, delegations between Canberra and Beijing have covered environmental management (especially water), agriculture, public administration, tourism, education and hospitality training.' In previous years, this cooperation included a 12-week training program for senior officers at the Beijing Finance Bureau focused on public administration through the Crawford School of Executive education.⁷⁶

In early 2016, after his visit to Beijing, Chief Minister Andrew Barr announced an exhibition of Qing dynasty artefacts on loan from the National Library of China in Beijing to the National Library of Australia in Canberra. Also, as part of the sister-city arrangement, Beijing gifted Canberra the Canberra Beijing Garden, which is located within Canberra's Lennox Gardens and opened in 2014.⁷⁷

Also in 2014, Canberra and Shenzhen signed the MoU on economic cooperation. An announcement at the time said that the MoU highlighted the 'two-way investment and cooperation between the companies and institutions of Canberra and Shenzhen, on areas of shared interest including technology, innovation and industry', adding that opportunities to connect were taking place through "Digital Canberra Action Plan initiatives", including through a proposed Digital Hub.⁷⁸ The MoU also focused on educational cooperation, and an Innovation Intern Exchange Program was expected to raise the profile of Canberra's tertiary institutions in Shenzhen.⁷⁹

The ACT Government has also focused its attention on attracting Chinese investment, although Australia's increasingly tense relationship with China has also affected the territory. In August 2020, according to China's Ministry of Commerce, the ministry was investigating subsidies (countervailing duties) on state government projects, including those involving the ACT. Previously, the China Australia Trade and Investment Council hosted events in Canberra. According to the council's website, in April 2016, March 2017 and January 2018, it hosted multiple visits to the ACT by an Invest Shenzhen delegation and Tencent's Incubator Manager to discuss a potential Tencent incubator program involving the ACT Government, the ANU, the University of Canberra, the Canberra Business Chamber and the Canberra Innovation Network.⁸⁰ Beyond those meetings, there's no record of a Tencent incubator program being started in the ACT.

Trade and investment patterns

DFAT publishes an annual *Australia's trade by state and territory report*. In every report of the past five years, all Australian states and territories with the exception of the ACT have included China among their top export destinations. The major difference is that the ACT's top exports aren't resource commodities or products, such as meat or pharmaceuticals, which are traditionally Australia's key exports to China.⁸¹ The ACT's wine industry is represented in China, where Australian wines accounted for about 23% of the total value of the wine market.⁸² The ACT is mostly a service economy.

In 2018–19, the ACT's key exports included gold coin and legal tender coin; arms and ammunition; aircraft, spacecraft and parts; measuring and analysing instruments; telecom equipment and parts; machine tools for removing metal; rotating electric plant and parts; and leather. For those goods, the ACT's top export destinations were Switzerland, Canada, the Netherlands, the US and Chile. The ACT, unlike other states and territories, wasn't hit as hard by China's coercive economic diplomacy targeting Australian exports such as wine and barley in 2020.

Like all other Australian states and territories, the ACT (although only recently) has counted China among its top import sources.

The Chinese-Australian Community

According to the 2016 Census, there were 11,334 residents in the ACT who were born in the PRC, or about 2.9% of the ACT's population at the time.⁸³ That meant that China was the third most common country of birth for ACT residents, behind Australia and England.

According to the Federation of Chinese Associations of the ACT (澳大利亚首都华人社团联合会), there were only six Chinese associations in Canberra when it was established in 2001. By 2019, there were nearly 30.⁸⁴ The federation is a joint organisation of local Chinese associations. The member associations are largely engaged in cultural and volunteer activities, but they also engage in advocacy for the Chinese-Australian community and, perhaps increasingly, political advocacy. Recently, for instance, the federation has released statements criticising the Australian Government's alleged 'sinophobia'. The *Canberra Times* noted that the organisation made a submission to the Senate inquiry into nationhood, national identity and democracy, which said: 'We see Australia's Sinophobia (arguably influenced by other countries); with a series of policies and actions have been taken to close the door for co-operation and mutual benefits that was well established until now.'⁸⁵ In 2019, the Deputy Head of Mission of the Chinese Embassy, Wang Xining, gave a speech at the federation's event marking the 70th anniversary of the founding of the PRC, which was also attended by the ACT's Minister for Multicultural Affairs, Chris Steel.⁸⁶

One of the oldest organisations, and a founding member of the Federation of Chinese Associations of the ACT, is the ACT Australian Chinese Association (堪培拉澳华理事会), which was established in 1988. The association's current president and one of its founders is Chin Wong (黄陈桂芬), who migrated to Australia from Malaysia in the 1970s to study nursing

and moved to Canberra in 1976 to work for the federal government in the Department of Health, where she worked for 39 years before retiring in 2014.⁸⁷ Chin Wong has long volunteered in activities organised by Canberra's Chinese communities. She is also married to one of the most prominent Chinese-Canberrans, Sam Wong (黃樹樑/黄树梁), who migrated to Australia from Hong Kong in the 1970s. Sam Wong has served as an Honorary Ambassador for the ACT Government since 2002, was one of 40 Australians named as a 'People of Australia Ambassador' for the Australian Government in 2012, and was awarded the Order of Australia in 1999 'for his services to the community and to multiculturalism in the ACT'.⁸⁸ His civic engagement work has ranged from promoting multiculturalism to advocating for Chinese-Australian families.⁸⁹ Although those activities are largely service oriented, Wong's public standing in Australia is deployed by state media in China to advance views supporting Beijing in its disputes with Australia. In 2020, for example, *Xinhua* responded to what it called Prime Minister Morrison's 'baseless accusation against the national security legislation on Hong Kong' by citing Wong to the effect that Australian politicians should 'know the situation of Hong Kong better'. A number of other prominent Australians, including Geoff Raby and Bob Carr, have been cited by China's state media in similar fashion.⁹⁰

The Federation of Chinese Community of Canberra Inc. (堪培拉华联社), established in 1994, is another founding member of the Federation of Chinese Associations of the ACT. Its activities have ranged from cultural performances to advocacy against anti-Asian violence.⁹¹ Its current chairwoman, Ouyang Lijun, was also one of the organisation's founding members. The organisation runs a Chinese school, the FCCCI Chinese School, which was also founded in 1994. The school is currently based at the Lake Ginninderra College in Belconnen.⁹²

Another notable organisation is the Canberra-based Australia–China Youth Cooperation (中澳青年合作组织, ACYC). The ACYC states that its mission is to 'pass on Chinese culture and awareness among young Australians and to help Chinese young people in Australia merge into the mainstream society by establishing connection networks, providing professional training and operating practical projects between Australia and China'.⁹³ Beyond cultural activities, the activities of the association have included promoting volunteerism and civic engagement.

The ACYC's founder and president is Robert Johnson, who was a Liberal candidate for the seat of Kurrajong in the 2020 ACT election.⁹⁴ Johnson, a former Australian Army reservist, was also reportedly a former president of the ACT branch of the Australian Council for the Promotion of Peaceful Reunification of China, which is a CCP Central Committee United Front Work Department body.⁹⁵ Johnson's links to that and other Chinese organisations tied to the Chinese party-state were scrutinised during the election.⁹⁶

Education

The leading country of origin for international students enrolled in the ACT is China. In 2016, there were 7,121 students from China; the next largest number was 680 from India. In 2019, the figures were 10,264 from China and 1,166 from India. In 2019, the number of students from the

PRC declined by 7.9% to 10,264, but it was still much higher than the number from India, still the second largest at 1,508.

In 2014, the ACT Government and its Education Directorate signed an agreement with Shanghai Normal People's University to expand sister-school relationships between Canberra schools and Chinese schools.⁹⁷ At that time, a number of primary and secondary schools in the ACT already had sister-school relationships with schools in China (Charles Conder Primary School, Erindale College, Garran Primary, Gungahlin College, Harrison School, Melba-Copland Secondary School and Mawson Primary School).⁹⁸ The nature of those relationships isn't entirely clear, although it seems that occasional exchange programs have been hosted. For example, in March 2014, at Charles Conder Primary School, a group of students and teachers from Beijing participated in a study tour at the school.⁹⁹ Since the 2014 agreement was signed, Alfred Deakin High School has also signed a sister-school agreement with China, and Dickson College hosted a Chinese sister-school visit in September 2015.¹⁰⁰

In 2015, the ACT Government's Education Directorate published the 'Mandarin Blueprint' intended 'to enhance the learning of Mandarin and promote understanding of Chinese culture through education in the ACT'. Publication of the blueprint involved not only ACT Government and educational bodies and Chinese organisations, but also the Taipei Economic and Cultural Office in Australia.¹⁰¹ The blueprint identified priority initiatives in Cultural Awareness and Engagement (such as the sister-school partnerships at primary and secondary schools in the ACT and language proficiency competitions for students); priority initiatives on Working with Teachers and Students (such as the Mandarin Language Scholarship Program and the Senior Studies and University Pathways initiative); Cultural Resources (such as support for curriculum delivery and Mandarin education programs); and Communication (such as increased networking for language teachers and the development and provision of community and education websites).¹⁰²

The ANU has extensive research ties to China and enrolls a large number of students from the PRC. In 2020, it hosted about 5,000 such students. PRC students have been particularly affected by travel restrictions due to Covid-19. Immediately after the pandemic began, about 80% of the ANU's international students from China were unable to return to Australia to undertake their studies in person.¹⁰³ Due to the large volume of students located in China, the ANU opened 'study hubs' in Beijing, Chengdu, Shanghai and Shenzhen for its students left studying remotely due to Covid-19. The first opened in Shanghai in August 2020, and all were continuing operations through 2021.¹⁰⁴

According to the ANU's China Liaison Office, 'China is the Australian National University's 4th largest overseas research collaborator (by publication volume),¹⁰⁵ and the university has '89 partnership agreements in place with 43 institutions and organisations in Mainland China'. The ANU runs or has run exchange programs with several China-based universities (and many universities globally).¹⁰⁶ The Chinese educational institutions are the Beijing Institute of Technology, China Academy of Art, Fudan University Harbin Institute of Technology, Nanjing University, Peking University, Shanghai Jiao Tong University, Tsinghua University and Zhejiang University. It also has other agreements with the Nanjing University of Science and Technology,

Xiamen University and the China University of Geosciences (Wuhan), and had a program (which ended in 2019) with the China University of Mining and Technology. In fact, several arrangements are listed as ‘not currently accepting applications’, and it’s assumed that for the most part that’s due to the Covid-19 pandemic and travel restrictions.

The Beijing Institute of Technology is listed on the ANU’s website as ‘not currently accepting applications’. According to the public register of the federal government’s Foreign Arrangements Scheme, an MoU that the ANU signed with the Beijing Institute of Technology in 2004¹⁰⁷ appears to have been formalised in 2008 with the ANU College of Engineering and Computer Science, whereby students from Beijing Institute of Technology can take a 2+2 program (two years at each university).¹⁰⁸ According to ASPI’s *China Defence Universities Tracker*, the institute is a ‘very high risk’ university because, as one of China’s ‘Seven Sons of National Defence’, it has ‘top-secret security credentials, [a] high number of defence laboratories and defence research areas, and deep involvement in weapons research.’¹⁰⁹

The China Academy of Art and the ANU School of Art and Design run an exchange program, but it’s listed as not currently accepting applications. Under the program, ANU students can attend the China Academy of Art to undertake about 10 different course modules.¹¹⁰

Fudan University (based in Shanghai) has a 2+2 program with the ANU College of Engineering and Computer Science. Through an agreement announced in May 2019, Fudan students can ‘obtain up to two years of Advanced Standing or Credit, for the Bachelor of Advanced Computing or the Bachelor of Software Engineering at the ANU College of Engineering and Computer Science.’¹¹¹ According to the *China Defence Universities Tracker*, Fudan University is a ‘medium risk’ university due to its involvement in defence research.¹¹²

The Harbin Institute of Technology’s Shenzhen Campus and the ANU’S College of Engineering and Computer Science signed a 2+2 agreement on 24 February 2011.¹¹³ This arrangement is also listed as ‘not currently accepting applications’. According to the *China Defence Universities Tracker*, the Harbin Institute is a ‘very high risk’ university due to ‘its top-secret security credentials, high number of defence laboratories and defence research areas, inclusion on the [US] Entity List, strong defence industry links and involvement in covert activity’.¹¹⁴

Nanjing University and the ANU run an exchange program. Students at the ANU who are non-Chinese nationals are allowed to apply to the program in the disciplines of art history; business and management studies; computer science and information systems; engineering; environmental and sustainability studies; geography; history (ancient and modern); language and culture studies; law; medical science; philosophy; physics and astronomy; psychology; and sociology.¹¹⁵ According to the *China Defence Universities Tracker*, Nanjing University is a ‘medium risk’ university due to its ‘moderate number of defence laboratories and involvement in cyber security research’.¹¹⁶

Nanjing University of Science and Technology and ANU have a ‘comprehensive articulation agreement, where we give credit to students who have done the first two years of their degree at NUST with an average of 75% or above for Bachelor of Information Technology and 80% or above for Bachelor of Advanced Computing (Honours) Bachelor of Software Engineering

(Honours).¹¹⁷ According to the *China Defence Universities Tracker*, Nanjing University is designated as a 'medium risk' university due to its 'moderate number of defence laboratories and involvement in cyber security research'.¹¹⁸

Peking University's agreement on academic exchange with the ANU, signed in 1980, appears to be the ANU's oldest arrangement with a PRC university. The program, which is administered by the ANU's College of Asia and the Pacific, allows ANU PhD students and academic staff to undertake research at Peking University.¹¹⁹ According to the *China Defence Universities Tracker*, Peking University is a 'high risk' university due to its 'involvement in defence research and links to China's nuclear weapons program'.¹²⁰

Shanghai Jiao Tong University and the ANU's John Curtin School of Medical Research signed an MoU in April 2015 to establish the Joint Research Centre for Personalised Immunology. According to an ANU press release, the MoU was to 'serve as a framework for cooperation between the two universities and will see ANU Professor Carola Vinuesa and Shanghai Jiao Tong's Professor Nan Shen work together to progress the centre'.¹²¹ The centre appears to be based at Shanghai Jiao Tong University School of Medicine's Renji Hospital in Shanghai. An 7 August 2020 announcement on the centre's website said that Professor Carola spent three months in China with co-director Professor Nan Shen to establish the centre.¹²² According to the *China Defence Universities Tracker*, Shanghai Jiaotong University is a 'high risk' university because of 'its high level in defence research and alleged links to cyberattacks'.¹²³

Tsinghua University (listed as 'not currently accepting applications') and the ANU run a Master of Management program (in Mandarin) at Tsinghua University in Beijing. The 1.5-year program leads to graduate degree awarded by the ANU College of Business and Economics.¹²⁴ According to the *China Defence Universities Tracker*, Tsinghua University is a 'very high risk' university due to its 'high level of defence research and alleged involvement in cyberattacks'.¹²⁵

Zhejiang University and the ANU run an exchange program in which students from the ANU who are non-Chinese nationals can attend Zhejiang University to undertake coursework in philosophy, economics, law, education, literature, history, art, science, engineering, agriculture, medicine and management.¹²⁶ According to the *China Defence Universities Tracker*, Zhejiang University is a 'high risk' university because of its 'moderately high number of defence laboratories, relationship with defence industry, and links to economic and cyber espionage'.¹²⁷

China University of Mining and Technology and the ANU's College of Engineering and Computer Science had an advance standing agreement that became inactive in 2019 and applied to bachelor's and master's programs.¹²⁸ According to the *China Defence Universities Tracker*, China University of Mining and Technology is a 'low risk' university due to its 'low levels of defence research'.¹²⁹

Xiamen University Malaysia and the ANU signed an admission pathway agreement on 13 March 2019. Xiamen University Malaysia is the Malaysian campus for Xiamen University, Fujian. According to an announcement on Xiamen University's website, 'MUM students to enter Master of International Management (MiM) program at ANU with a few privileges. Agreements pertaining to programs in the fields of Finance and Accounting will also be signed in the future'.¹³⁰

China University of Geosciences Wuhan and ANU signed an MoU on education and research collaboration on 31 August 2003.¹³¹ The arrangement appears to allow for Bachelor of Science coursework credits arrangements for students studying at China University of Geosciences Wuhan.¹³² According to the *China Defence Universities Tracker*, the China University of Geosciences Wuhan is a 'medium risk' university because of its 'involvement in defence research'.¹³³

The University of Canberra (UC) also enrolls a large number of international students from China, but fewer than the ANU. The precise number isn't clear, but a report in February 2020 (when Covid-19 travel restrictions left international students from China unable to return to Australia) said that 380 UC students were left in China.¹³⁴ The university offers its students courses in China with its Chinese 'partner institutions', which include the East China University of Science and Technology, Ningbo University and Hangzhou Normal University.¹³⁵ The UC's Health Research Institute also has an international collaboration agreement with the China National Health Development Research Centre. According to the institute's website, this currently involves several collaborative research projects, including in 'examining challenges of health system transition and development, including ageing, urbanisation and technological change, comparing health efficiency within China and with other countries [and] estimating the burden of non-communicable disease and health costs'.¹³⁶

Both ANU and UC host Chinese students and scholars associations (CSSAs).¹³⁷ CSSAs' membership consists of general Chinese student populations, but they're also known to maintain close relationships with Chinese embassies.¹³⁸ The associations are also reported to participate in Chinese nationalist protests, and in one instance in Canberra in 2016, ANU CSSA students allegedly harassed a pharmacy owner on campus for displaying a Falun Gong newspaper at the on-campus pharmacy.¹³⁹

The Chinese Embassy participates in cultural events at the universities and schools. For instance, in February 2018, Ambassador Cheng Jingye attended a Chinese New Year celebration at ANU and delivered a speech.¹⁴⁰ In 2019, the Embassy hosted a ceremony for the 'Chinese Language Award' for middle-school students in coordination with the local branch of the China Australia Friendship Association.¹⁴¹

Conclusion

Australia's continental territories aren't strictly comparable to states and are more heavily dependent on the Australian Government for employment and services. Nevertheless, territory governments tend to follow state precedents when engaging in paradiplomacy on trade, investment and community ties, and encounter similar challenges in balancing their paradiplomacy with national security interests. Where local and national interests or actions misalign, the consequences can be negative and enduring, not just for the territories but for the country as a whole.

As the seat of the Australian Government, the ACT is most heavily exposed to security risks in areas of federal responsibility that fall outside the scope of this study. Here we have focused on city-to-city ties, trade and investment in services (particularly universities) and community organisations, and noted vulnerabilities in partnerships with a number of universities in China.

In the NT, both levels of government have long sought to attract international investment to develop the territory and reduce its dependence on federal tax transfers. To date, those efforts have attracted few substantial investors due to a range of difficulties in getting developments off the ground. The largest and most successful have involved Japan.

While politicians and businesses in the NT find the prospects of Chinese markets and investments highly attractive, habits of secrecy and personal networking, and in the past a particular focus on the BRI, carry risks. Inadequate risk assessment, poor regulation, short-term thinking and limited transparency on international agreements reduce the likelihood of success in assessing and executing potentially beneficial agreements involving China. In particular, government secrecy on approaches to China undermines public confidence. A public alarmed by stories of Chinese political interference finds it difficult to separate beneficial paradiplomacy from less benign intent without openness and honesty on the part of its elected representatives. For their part, authorities in China may well feel aggrieved if their intentions are in fact benign. In this way, both sides are harmed by lack of transparency and due process.

That's particularly the case with China's geopolitical BRI project, in which the NT has played a prominent national role in Australia. As Charles Darwin University law professor John Garrick has pointed out, 'the BRI is vital to China's ability to influence international trade, finance and legal frameworks.' Given the inordinate attention paid to the BRI in the NT, geopolitics has come to hover over territory governments and elections. It's up to electors to 'demand greater awareness of the risks involved and more transparency from their leaders about any over-reliance on a single market'.¹⁴²

The Australian Government has a role to play as well. Problems of risk assessment based on national security interests become acute when subnational governments bear no direct responsibility for national security and when federal agencies fall short in exercising their responsibilities. In 2017, the federal government alerted all states and territories to the risks of covert influence and interference operations linked to agreements with the PRC. The federal government could usefully assist state and territory governments in co-designing risk assessment protocols for dealings with China and other countries in order to build more open and mutually beneficial trade and investment relations. In the case of the territories, it should more systematically exercise its constitutional responsibilities.

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7. Tasmania

Mark Harrison

Introduction

On 18 November 2014, Xi Jinping arrived in Tasmania for a five-hour visit. State government policy and politics had been oriented around his visit for more than a year before, and it remained the most important event in Tasmania–China relations for several years afterwards. The visit also highlighted specific features of state-level paradiplomacy, in which both Tasmania and China sought to institutionalise a relationship but were constrained by history and ideological imperatives and policy capacity on both sides. The result is a relationship that's characterised by a partial institutionalisation that has generally failed to achieve what either side has promised and has been overtaken by broader issues in Australia–China relations.

History

Tasmania, like other parts of Australia, has a long history of relations with China. Sojourners leaving the Qing empire began arriving in small numbers in the remote colony in the early 19th century. From the 1830s to the 1870s, there were only some dozens, but after the gold rushes in mainland Australia more people from China began to find their way across Bass Strait. While there was some goldmining in Tasmania, it was tin mining that attracted settlers and led to the establishment of a Chinese community.

At its peak in the 1880s and 1890s, there were between 1,000 and 1,500 such people concentrated in the north. Although those numbers fell to a few hundred by the 1920s, the community left a legacy of social and cultural life that endures across Tasmania.¹

A notable arrival in the 1880s was Willi Chung, who became a successful market gardener and the head of an extended family who settled in northern Tasmania. He travelled frequently between Tasmania and southern China over the subsequent decades. A descendant of the Chung family, Helene, would become the first non-white television reporter for the *ABC* in 1974 and its China correspondent in 1983.²

There are accounts of a Chinese Association established in the early 20th century. A stratum of Tasmanian society was also interested in China as a part of international affairs. In 1938, the *Launceston Examiner* reported on a visit by a journalist from China, Mrs Fabian Chow, to raise awareness and support for China in its war with Japan. She was hosted by the Mayoress of Launceston, Mrs JJ Wignall, and was accompanied by a member of the Chung family, Annie. Chow is reported to have addressed a packed Launceston Town Hall and said of Tasmania, 'Here is it so peaceful. There is an atmosphere of culture and a seeming knowledge of how to live. That is very hard to find today.'³

However, only one member of the Tasmanian Parliament since its establishment in 1856 has had a meaningful Chinese connection. Thomas Bakhap, whose stepfather was Chinese and who spoke Cantonese, held the seat of Bass from 1909 to 1913, before he was elected as a senator for Tasmania from 1913 to 1923. As a senator, he visited the then Republic of China in 1922.⁴

The Chinese community grew after World War II, the founding of the PRC and the gradual dismantling of Australia's race-based immigration laws. In 1968, led by the Chung family, the Chinese Community Association of Tasmania was founded. It continues to operate. The association has managed the Tasmanian Chinese School, which has run Chinese-language classes for Tasmanian children on weekends, and also engaged in a wide range of community events and official functions with local and PRC government officials.⁵

In the first half of the 20th century, interest in trade with China was sporadic and opportunistic but not insignificant. In 1923, following Thomas Bakhap's visit, the prospect of Tasmanian apple exports to China was promoted by the Australian trade commissioner in Shanghai, ES Little.⁶ The chairman of the State Fruit Board, AV Cross, travelled to Asia in 1950 and reported that Hong Kong was an important potential market for Tasmania.⁷ The Electrolytic Zinc Company in Risdon, on the banks of the Derwent River, expanded into ammonium sulphate production in the 1950s, and is reported to have sold half its annual output to the PRC in 1962.⁸

After the opening of Australia–China diplomatic relations in 1972, Australia's trade relationship with China began to develop through formal negotiations at the national level. By the late 1970s, primary industry exports from Australia were well established, and wheat, sugar and minerals began to dominate the trade.

The picture in the 19th and 20th century is of a small but successful community that experienced the vicissitudes of Tasmanian social and economic life over many decades but remained largely excluded from and of limited interest to Tasmanian Government policy and state politics. At the same time, while China was never a major export market for Tasmania, its potential had been recognised through the 20th century.

China's reform and opening

Developments in the late 1970s in China, however, signalled a new era. With the end of the Mao period and beginning of the PRC's 'reform and opening up' policy, the Tasmanian Government joined other Australian state governments and the federal government in engaging more actively and directly with China. That set the conditions for a distinctive form of state-level paradiplomacy that would structure policy and politics in China–Tasmania relations over subsequent decades.

Premier Doug Lowe visited China in May 1980, and a sister-province relationship with Fujian was signed in March 1981 by a visiting delegation from Fujian to Tasmania led by the then governor, Ma Xingyuan. The implementation of the agreement and its characterisation by Lowe were prototypical of a relationship with China that has been mobilised by successive Tasmanian governments in the decades since:

The relationship will cover trade, educational and cultural exchanges, specialist assistance and a range of other matters, and will, I believe, be of great value to Tasmania and the Fujian Province. Already a number of projects are being looked at which will develop the Fujian economy and also provide new economic opportunities for Tasmania.⁹

Lowe's statement in the early 1980s was broad but defined the parameters of Tasmania–China paradiplomacy. This specific style was distinct from national diplomacy, which emphasised a disinterested calculation of the national interest through alliances, defence and national security, and the negotiated development of bilateral and multilateral trade systems.

In contrast, Tasmanian paradiplomacy towards China maintained its emphasis on economic links, the promise of which, as noted above, had been identified for decades, but the addition of culture and education was consequential for building the structure of the relationship and moving to a mode that actively sought to balance the instrumentalism of trade.

In this way, China–Tasmania relations were established fundamentally as a political vision for the future of the state. They were intended to offer an aspirational and expansive imagining of social as well as economic prosperity for Tasmania. Relations at that time took on a characteristic tone: positive and progressive and premised on the promise but not the actuality of opportunities. That created a dialectic in which the tension between an instrumental policy emphasis on an export-oriented political economy and encouraging a progressive Tasmanian social, cultural and community life in the face of exposure to rapidly global markets could be reconciled in a relationship with China. It gave Tasmanian paradiplomacy a form that went beyond the boundaries of disinterested policymaking to become closer to the tone of a political manifesto for the future of the state.

Reform and opening up from the PRC side, therefore, made the sister-province relationship possible, but the way Lowe identified its parameters pointed to a response to the political and social changes in Tasmania at the time.

From the Tasmanian side, state-level engagement with China in the post-Mao period occurred along with the corporatisation and developmentalism of Australian state politics in the 1980s. Governments, especially state governments, emerged out of the period of relatively greater government regulation in the 1970s to orient more explicitly as facilitators of business activity in developing export-oriented industries.

This was the era of 'Asian engagement', bookended at the national level by Ross Garnaut's *Australia and the north east Asian ascendancy* in 1989 and the *Australia in the Asian century* White Paper from 2012, in which Australian policy and politics sought to position Australia towards the rapidly growing economies of northeast Asia. In the 1980s, that meant Japan, then the east Asian 'tiger economies' and, ultimately, China.

For Tasmania, those initiatives were framed by its self-identification as the most isolated state in the federation and the most relatively economically deprived. Tasmania has historically poor health and employment outcomes and is notable for its history of colonial violence and its

monocultural identity. The state is distinctive for the historical scars of colonial violence and injustice and extractive political economies based on whaling, forestry and mining.¹⁰

Tasmania's identity as the poorest and most marginal state in Australia, territorialising a form of Australian class identity, has entrenched a distinctive political dynamic in which the relationship with China has been a potent intervention. On the one side, parochialism and lack of opportunity are perennial themes in Tasmanian politics and social life and are met by a concomitant pursuit by political leadership of ways forward for the state through developmentalist policies. Those pursuits have in turn been met by forms of political activism to protect the state's unique identity and environment. Since the 1970s, Tasmanian political life has come to follow a particular script. Political leadership has committed to a specific solutions to the state's problems, especially through resources, such as hydroelectric power, wood pulp, gambling and salmon, in the name of employment and prosperity, which have been challenged by activists in the name of Tasmania's unique identity and fragile natural environment. Institutionalised politics have urged the state to embrace developmentalist policies, while activist politics have often resisted change in the name of Tasmania's sense of place.

Tasmania's distinctive political and social imaginary was especially potent in the late 1970s and early 1980s as China was opening up. The establishment of the sister-province relationship with Fujian came less than a decade after Britain's entry into the European Economic Community in 1973, which ended the last vestiges of the Imperial Preference trade system and devastated the Tasmanian orchard industries. Apple production dropped by half over the second half of the 1970s and continued to decline through the 1980s.¹¹ Therefore, Tasmania's international relationships were connected to notions of crisis, isolation, development and progress, and a new relationship with China offered promise rather than inexorable decline.

At the time, however, the sister-province relationship was overshadowed by far bigger issues. Doug Lowe is mostly remembered as the premier who attempted to enact the construction of the Franklin Dam. That proposal developed into one of the most complex and bitter political disputes in the state's history. It tested the boundaries of state and federal politics and international law over five years in the 1980s, until the Franklin River was listed as a World Heritage site by the UN and the Australian Parliament passed legislation introduced by the newly elected federal Labor government to prevent the dam's construction. In the context of these bitter state politics, which have subsequently been reflected in controversies over the Bell Bay Pulp Mill, the collapse of the forestry company Gunns and the conduct of the salmon-farming industry, the China relationship represented an opportunity for the state's political leadership to express political vision beyond the state's borders.

Developments in the 1980s and 1990s

The sister-province relationship with Fujian was a significant paradiplomatic event for Tasmania and was established at a challenging time of economic and social change. At the same time, Tasmania's China paradiplomacy remained fixed within Tasmania's parochial and personalised politics. There were no systematic policy capacity-building mechanisms in government and

politics on the Tasmanian side, which meant that the relationship remained conceptually constrained by the policy and political parameters set at the beginning of the 1980s.

Tasmania–China relations did gradually continue to develop, however, and through the 1980s and 1990s established a set of codified practices through which the relationship validated its parameters of trade, investment, culture and education. Those practices emphasised government-led business delegations from both sides, formal dinners, tours of notable sights and speeches through which the relationship was affirmed. The activities were premised on relationship building and the promise of opportunity. The outcomes were difficult to quantify but conducive to political mobilisation.

In the 1990s, there were delegations in both directions, including a Fujian delegation to Tasmania in 1997 led by You Dexin, Chairman of the Fujian Provincial Committee of the Chinese People's Political Consultative Conference, who observed a sitting of the state parliament.¹² There were also notable interventions in Tasmania–China relations, such as a motion in parliament by Greens MLA Peg Putt in 1996 condemning China's human rights abuses, which expressed the dynamic between establishment and activist politics in the state.¹³

At the same time, in the mid-1990s, Premier Ray Groom could comment in parliament that:

The contact with Fujian has not been as significant in recent years as it was when that sister province relationship was first established ... [I]n recent times we have not further developed that relationship to that extent because we have seen more evident benefits from our principal markets which are, at the moment, Japan, Taiwan, Korea and, to a lesser extent, Hong Kong.¹⁴

The re-election of the Labor Party to government in 1998 under premier Jim Bacon, however, brought a renewed impetus. Bacon visited Fujian as Premier several times but had already been a regular visitor to China since the 1970s. Bacon had been a member of the Communist Party of Australia (Marxist-Leninist) in the 1970s and had visited China at that time in that role. The CPA (ML) was itself a splinter of the Communist Party of Australia. It was established in the 1960s as a result of the Sino-Soviet split and led by Ted Hill. Bacon became involved through a student group called the Worker Student Alliance that had been founded for building the CPA (ML), which itself split in the post-Mao period leading to the establishment of the Red Eureka Movement.¹⁵ In the 1980s, Bacon had moved into the union movement and then the Labor Party, leaving communism behind.¹⁶ Bacon became somewhat mythologised in Tasmanian political history in the 2000s for his very direct response to Tasmania's systemic social and economic problems. In 2000, he convened the public consultation process known as 'Tasmania Together', which aimed to build a reformist agenda with bold goals for addressing the state's poor outcomes in health, education and employment, but which notably did not mention China or Asia.¹⁷

It was during a visit to Fujian in 2001 to commemorate the 20th anniversary of the sister-province relationship that Bacon was awarded honorary citizenship of Fujian by the then Governor of the province, Xi Jinping, although his earlier political commitments are largely occluded in his legacy.¹⁸ Bacon died at the age of 54 in 2004.

Thus, the Tasmania–China relationship slowly became institutionalised under the parameters established in the early 1980s with specific practices, but was overshadowed by bigger local development issues and remained largely a curiosity for politics and the local community. A Chinese film festival was held in Hobart in 2006 to commemorate the 25th anniversary of the sister-province relationship, organised in partnership with the Australia China Friendship Society Tasmania and the University of Tasmania and sponsored and opened by the PRC Ambassador of the time, Li Hong.¹⁹ But such activities were of limited significance in the 2000s, when the Bell Bay Pulp Mill project and the rise, and later fall, of Gunns, for a time one of the largest forestry corporations in the world, dominated politics and community and political activism in Tasmania.

Developments in the 2000s

Throughout this time, the PRC was a relatively small export market for Tasmania. Even in the decade of the 2000s, China was only Tasmania's sixth largest export market, far behind Japan but also behind the US, South Korea, Taiwan and Hong Kong. Nor was the state particularly attuned to China's sensitivities. As late as 2009, the Tibetan spiritual leader in exile, the Dalai Lama, visited Hobart and met with Greens politicians Bob Brown and Nick McKim and state Labor politician Lisa Singh. He also visited the University of Tasmania and was greeted by the then Vice Chancellor, Daryl Le Grew. However, controversy over a proposal by the Vice Chancellor to award the Dalai Lama an honorary degree from the university, and the subsequent cancellation of the offer, pointed to the shifting geopolitical landscape and growing sensitivity to the politics of the PRC.²⁰

In the following decade, from 2010 to 2020, relations began to change fundamentally. China's growing economic power began to remap geopolitics and reshape Tasmania–China relations. Most importantly, the PRC grew through the decade to become far and away Tasmania's largest export market, more than two and a half times the second largest, Japan, over the whole decade. As exports began to rise, the Tasmanian Government under Premier Lara Giddings began to develop a political and economic policy strategy oriented to Asia.

This was a step change in the institutionalisation of Tasmania–China relations. It left behind the personalised relations driven by individual political figures such as Jim Bacon and, with a measure of bipartisan political support, built international relations as a core purpose of the state government. At the same time, the process of institutionalisation continued to occur within the constraints of state politics and Tasmanians' preoccupations with the state's identity. It was partial and in a continuum with the long history of Tasmania–China relations.

The key development in this process was the Tasmanian Government's March 2013 publication of a White Paper on Asia. The paper was titled *Tasmania's place in the Asian century*, reflecting the federal government's 2012 *Australia in the Asian century* White Paper. Written by the Crawford School of Public Policy at the Australian National University, the paper recognised the dominant theme of Tasmanian identity—relative economic deprivation—and offered an economic orientation towards Asia as the solution. In this way, it echoed the parameters of

Doug Lowe's comments on the Fujian sister-province relationship in 1980 and the historical references to regional markets. However, it also addressed the longstanding predilection to gravitate towards extractive resource industries such as woodchips with an expansive and forward-looking social vision for the state. The White Paper said:

Tasmania faces many challenges in the Asian century. As a state it is less well equipped to engage with Asia than other states in Australia as a result of relatively limited existing economic links and a more homogenous community. Goals of socioeconomic and cultural enrichment will be difficult to achieve without increasing the awareness and recognition by the Tasmanian community of Asia, Asia's culture and ways of doing business, and the potential opportunities that Asia and the Asian century present.²¹

It also said:

The rise of Asia offers an unprecedented chance for Tasmania to lift its economic prospects, productivity and workforce participation by increasing the scale of production in areas of strength (such as primary production, education and tourism, and high-quality goods and services) through improved connections to Asian markets.

Although the White Paper was nominally a policy document, Premier Lara Giddings promoted the paper's vision for the state in rhetoric that evoked a political campaign:

You've all heard the claims—Tasmania is backward, a mendicant State, the Greece of Australia, closed for business ... We are positioning ourselves to take advantage of the next great wave of Asian demand ... On the downside, Tasmania currently has the lowest number of Asian-born or Asian-language speaking residents in the country ... And of all Australian States we are the furthest from achieving our trade potential. ... So we need to become more 'Asia focussed' and boost our trade effort.²²

In an empirical sense, the White Paper simply restated Tasmania's existing trade profile and was fully aligned with Australia's national foreign and trade policies of the early 2010s. Asia had been Tasmania's biggest export market for many years. But the paper also articulated a vision for the state as economically and socially dynamic. As part of the institutionalisation of Tasmania's paradiplomacy, the paper mobilised political and policy sentiment in the state and created vectors of opportunity and opportunism for government and the business sector that were a step beyond previous *ad hoc* historical moments.

Yet this period of institutionalisation came with limited formal foreign policy infrastructure or policy capacity. The most significant governmental development was the appointment of a Tasmanian state trade representative in Shanghai, working at the Australian Consulate. The specific emphases on economic development and social change were shaped by the state's distinctive politics, historical preoccupations and limited policy capacity rather than the kind of well-resourced and disinterested policymaking that could be mustered at the national level. That form of institutionalisation of the relationship created the conditions for policy monomania in different sectors, rather than systems of coherent policy planning and oversight. It interfaced

inconsistently with national foreign and investment policies and was vulnerable to purposeful action by China.

The state government White Paper was a partial institutionalising practice from the Tasmanian side, but the relationship was also being institutionalised from the PRC side, when Xi Jinping ascended to the leadership of the CCP in November 2012 and to the PRC chairmanship in March 2013. In his new roles, Xi engaged very actively with the international community through overseas travel and his attendance at multiple international events. He visited Australia in November 2014 as part of the G20 summit in Brisbane, following a series of meetings with Australian leaders in China: the Bao'ao Forum in April 2013 between Xi and Prime Minister Julia Gillard and a meeting in April 2014 between Xi and Prime Minister Tony Abbott, who had led a 600-strong Australian business delegation to China. Between those national-level engagements, Tasmanian Premier Lara Giddings visited China in September 2013 and extended an invitation for the CCP General Secretary to visit Tasmania.

In March 2014, a new Tasmanian Liberal government was elected. Will Hodgman became the Premier as one of a line of members of the Hodgman family who had sat in parliament. Hodgman's father, uncle and grandfather were all members of the Tasmanian Parliament.

Regardless of the change in government, the commitment to the China relationship continued and was hugely energised by the news that Xi Jinping planned to visit Tasmania during his state visit to Australia in November 2014.

Xi's visit to Australia was consequential for Australia–China relations and included a formal agreement to establish a 'comprehensive strategic partnership'. Addressing a joint sitting of the Australian Parliament, Xi said:

Dear friends, tomorrow I will fly to Tasmania, which means that I will have covered each and every Australian state and that I will gain a fuller understanding of Australia. I do not know whether I can get a certificate for that! Before I embarked on my visit to Australia, my wife and I received letters from 16 pupils of Tasmania's Scotch Oakburn College Junior School. They are at the age of 10 or 11, and they each sent me a letter. In their letters they described Tasmania's unique products and beautiful scenery, and they wrote their letters in Chinese ... Their words have filled me with curiosity. I look forward to my visit to Tasmania tomorrow and to meeting these children. I am sure that Tasmania will give me wonderful memories and my visit there will broaden my understanding of your great country.²³

Xi arrived for a five-hour visit on 18 November with his wife, Peng Liyuan. He did not leave Hobart but visited the lookout on kunanyi/Mount Wellington and had a state lunch at Government House that included the family of Jim Bacon. He met with students from Scotch Oakburn school, who travelled from Launceston to Hobart, and he and Peng also held a baby Tasmanian devil. On his short visit, he went to the waterfront and toured the PRC icebreaker *Xuelong*, which was docked for the visit, and gave a speech. However, he did not visit the University of Tasmania's Institute for Marine and Antarctic Studies.²⁴

The visit was reported by the *People's Daily* as cordial and positive and located within the national tour and the comprehensive strategic partnership and the forthcoming Australia–China free trade agreement. From the Chinese side, specific elements formed the codification of the visit into its key points: the relationship with Jim Bacon, the letter from the school students and the trade relationship. The visit was framed as an expression of China–Tasmania amity and the beneficence of Xi Jinping himself.²⁵

The visit was brief, but the Tasmanian Government sought to maximise its potential for the state. It arranged a week-long event around it called ‘Tasinvest’, in which hundreds of potential investors from China were taken on a series of tours of the state to see various sites of industry, agriculture and commerce. The Tasinvest event concluded with a gala dinner at the Grand Chancellor Hotel hosted by the former Chief Minister of the Northern Territory, Shane Stone, and attended by the PRC Consul-General from Melbourne and the Premier.²⁶

Institutionalising community relations

The Xi visit and the events around it were in continuity with the *Tasmania's place in the Asian century* White Paper as form of institutionalisation of Tasmania–China relations. The visit was a contingent event but it worked to orient state politics and policy towards China. It also signalled the distinctive institutionalisation of Tasmania–China relations from the China side, using united front work and memorandums of understanding.

In the early 2010s, the state's political strata had already begun a contingent and opportunistic reorientation towards the Tasmanian Chinese community. The state government retroactively re-engaged the community, noted Tasmania's Chinese history in its policy language and began to emphasise Tasmania's diversity and Chinese community history. A significant moment was the staging of an inaugural Chinese New Year Festival in February 2013 by the Chinese Community Association of Tasmania. The event went beyond the normal family-oriented lunar new year activities and was held in the form of a street festival. It was attended by the Premier, the Deputy Lord Mayor of Hobart, state government minister and son of Jim Bacon, Scott Bacon, and the PRC Consul-General, Mei Yuncai, from the consular office in Melbourne.²⁷

This was a break from a relationship created out of the historical patterns of migration and settlement from China and in which the Chinese community had been largely excluded from Tasmania's political life. At the same time, the marginalisation of the Chinese community in Tasmania over decades meant that the state's political leadership had limited capacity to address the complexities of community relations and the purposeful mobilisation of actors in the community in the interests of China. This created the conditions for the activation of the CCP's united front work in Tasmania at level that hadn't been seen before.

A number of community organisations in Tasmania established at that time work closely with PRC consular officials based in Melbourne. These include the Australian Fujian Association Tasmania Branch, launched in 2016 to mark the 35th anniversary of the sister-province relationship, and the Tasmanian Chinese Business Association.²⁸ They share leadership and membership with the Australian Tasmania Council for the Promotion of the Peaceful Reunification of China.²⁹

Another is the Chinese Scholars and Students Association at the University of Tasmania, founded in 1990 but reformed in 2018 as a new organisation. It works, as all Chinese scholars and students associations do, to mobilise and police students from China enrolled at the university.

These organisations have developed both an inward-facing and an outward-facing presence in the public life of the state in accordance with united front principles. The number of key figures is relatively limited, but they circulate between the different organisations and work to manage the representation of China in cultural, social and political life in the state, with the support of the PRC Consulate in Melbourne.

This mode of institutionalisation is distinct from that driven by the state's political and policy leadership but has interfaced effectively with it. One example since 2016 has been the annual Tasmanian Chinese Lantern Festival. The festival has been held at the Hobart City Hall and Wrest Point Casino and has been variously sponsored by the Tasmania Chinese Art and Communication Society, the Tasmanian Chinese Business Association and the Australian Fujian Association Tasmania Branch. External sponsors have included the University of Tasmania, *The Mercury* newspaper and the National Australia Bank, and the state and Hobart City governments. It is attended by members of the Chinese community and also state and local government politicians. The event works to mobilise the Chinese community in Hobart and normalise specific forms of China representation in Tasmanian public life. The event, and many others on a smaller scale, offer a style of cultural representation of China that's proscriptive and conformist. It's ahistorical, even as it invokes 'tradition', and obviates a sense of place, even under the label 'Chinese'. The lantern festival does not address the specifics of Tasmania's colonial or indigenous history or the state's very foregrounded sense of place.

The remaking of the concept of the Chinese community and identity in Tasmania as part of the PRC's institutionalisation of relations came together in 2017 in the founding of Australian Tasmania Council for the Promotion for the Peaceful Reunification of China (ATCPPRC). At the national level, the Australian Council for the Promotion for the Peaceful Reunification of China (ACPPRC) is a critical united front organisation, and the establishment of a branch in Tasmania filled a notable gap in its national coverage.³⁰ The ATCPPRC was launched at the Tasmanian Parliament House with a range of guests from the local Chinese community, national council members and local politicians. They included Rob Valentine MLC, property investor William Wei, members of the Australia–China Friendship Society and former premier Lara Giddings.³¹ The launch included letters of support from the then national council chairman—controversial Sydney property investor Huang Xiangmo—as well as the PRC Consul-General and representatives of PRC organisations, including the China Council for the Promotion of the Peaceful National Reunification. The Premier was invited but did not attend.³²

The ACPPRC is a peak united front organisation in Australia, and in Tasmania its policy purpose was clearly shown in its association registration:

This council insists on the One China principle, opposes all words and action of splitting the land and sovereignty of China, and promotes the ultimate reunification of China. United overseas Chinese and friendly people from all walks of life. To strive for the development of relations between Australia and China.

The council, therefore, has the explicit policy goal of challenging Australia's One China policy by normalising Beijing's One China principle,³³ as well as mobilising the Chinese community in the interests of the PRC party-state.³⁴

Establishing a key organisation such as the ATCPPRC in Tasmania was a significant step forward for the PRC party-state's management of relations. But, like the partiality of the state government's efforts to institutionalise Tasmania–China relations, the PRC side has also been constrained by personalistic politics and Tasmania's parochialism. The president of the ATCPPRC is Wang Xinde, known as Master Wang, the president of the Tasmanian Chinese Buddhist Academy of Australia and the leader of the Jin-Gang-Dhyana Buddhist sect. The Tasmanian Chinese Buddhist Academy of Australia has substantial membership and significant property holdings and has been a fixture of Chinese-themed activity through the academy's lion dancing troupe at the annual Hobart Christmas pageant for many years. Wang has lived in Tasmania since 1990 and is frequently seen at public events with the political and business leadership of the state accompanied by a small retinue. The academy has plans to build the Tasmanian Chinese Cultural Park of Australia on extensive landholdings north of Hobart.

Wang is well resourced and has extensive political connections cultivated over many years in Tasmania. He has stated as recently as June 2021 that he is critical of the CCP.³⁵ Wang is an example of the contingency of PRC activities in the state. The party-state apparatus mobilises the resources available to it even if those resources might not be as reliable or politically legitimate as the system would prefer.³⁶

Nevertheless, in the 2010s, and specifically taking advantage of the visit by Xi Jinping, the PRC party-state did not rely only on united front work to institutionalise Tasmania–China relations. Associated with the Xi visit were a series of memorandums of understanding (MoUs) signed by the state government and the PRC that formalised relations in key economic sectors and supported numerous delegations and exchange visits over several years.

As is typical, the MoUs were kept confidential, until being gradually released after they lapsed. During the Xi visit, four were signed:

- Memorandum of Understanding on Planning for Cooperation' between the Tasmanian Government and the China Development Bank
- Agreement on Establishing the Joint Committee for Cooperation and Development with Fujian Province
- Agreement—Joint Development of a Testing Wind Farm in Tasmania between Hydro Tasmania and the Shenhua Group
- Memorandum of Understanding—Modern Agriculture System with Shaanxi Province.³⁷

The MoU with the China Development Bank (CDB) was for the purposes of 'a strategic cooperation relationship in planning' to support infrastructure development and investment from China into Tasmania. The Tasmanian Government and the China Development Bank, which is the primary state-owned development bank under the direct authority of the State

Council, agreed to the establishment of the 'Joint Sino-Australian Committee for Planning and Development', the members of which were to be CDB and Tasmanian Government officials. The committee would assess infrastructure requirements for Tasmania and facilitate CDB investment in potential projects.

While such a committee would represent a very significant intervention in the state's planning regulations and would raise important questions about national sovereignty, there is no public record of the committee ever having met. The MoU was active for three years and lapsed in 2017. The MoU included specific confidentiality provisions and was first released under a freedom of information request by the Tasmanian Greens in 2018.

The Agreement on Establishing the Joint Committee for Cooperation and Development with Fujian Province also created a joint committee and committed the Tasmanian and Fujian governments to regular meetings, including between the Premier and the Fujian Governor. Notably, the agreement was signed by Fujian CCP Provincial Secretary You Quan, who later became the head of the United Front Work Department of the Central Committee of the CCP.

The MoU called for a range of cooperative activity in agriculture, forestry, fisheries, trade and education. It included a commitment to establish a Confucius Classroom at Hobart College, which is a state school.

After the signing of the MoU, the Fujian–Tasmania Joint Committee for Cooperation and Development met the following year in 2015. The Confucius Classroom was discussed during a state government delegation visit to Fujian Province in 2015 but was never implemented at Hobart College. A significant disruption in the relationship was the arrest and removal from office that year of Fujian Governor Su Shulin under corruption charges.³⁸

Since then, there have been semi-regular state-to-province meetings that have been reported in PRC Government and CCP statements and news reports, including between then Tasmanian premier Will Hodgman and Fujian Party Secretary You Quan in 2015 and 2016. A delegation from Fujian visited Tasmania in October 2019, led by Vice Governor Guo Ningning.

The Memorandum of Understanding—Modern Agriculture System with Shaanxi Province was followed up in a visit to Shaanxi in April 2015 by a delegation that included representatives of Fruit Growers Tasmania. The industry association reported establishing a relationship with Jean Dong, who promoted the PRC Government's Belt and Road Initiative in Victoria. As noted in our chapter on Victoria, Ms Dong claimed that her BRI lobby group would 'strive to make Victoria a model for Sino-Australian "Belt and Road Initiative" cooperation'.³⁹ A delegation from Shaanxi visited Tasmania in December 2015 and met with Fruit Growers Tasmania; however, there's no record of substantive activity after 2015.⁴⁰

The picture in the mid-2010s was different from that in the early 2000s and earlier decades. China was Tasmania's largest export market, and substantial mechanisms developed in both directions worked to secure the relationship. However, on both sides, in continuity with the past, those modes of institutionalisation remained partial. On the Tasmanian side, they were constrained by the state's parochial politics and historical preoccupations. On the PRC side,

they were energised by the visit Xi Jinping, which led to significant policy interest in Tasmania from China but was also limited by the local resources available to the PRC to manage the relationship.

The relationship also retained and energised its distinctive forward-looking and positive register. It remained highly temporalised in imagining a future of growth, prosperity and opportunity. There were also specific contact points between the Tasmanian Government and the PRC party-state system that mutually validated their respective approaches.

Those contact points were visible in a 2015 policy campaign by the Department of State Growth called 'Be China Ready'. The campaign was focused on tourism and deployed a range of characterisations of China to shape local business preparedness and to normalise the relationship. It sought to promote skills and understanding of China so as to maximise the market potential of Tasmania for Chinese tourists.

A feature of Be China Ready was its culturalism. The campaign material highlighted the concept of 'face', noting that 'Receiving "face" or winning "face" is what it's all about and Chinese people try to "give face" to others in all their dealings.' It also observed that 'Chinese society is based on respect of seniority, so within any given group of people the most senior person will be the decision maker.' It also advised adding Chinese condiments to menus and being aware of superstitions about numerology, colours and *feng shui*.⁴¹

The culturalism promoted by state government policymaking interfaced with the kinds of activities promoted by united front groups, such as the Chinese New Year Festival and the Chinese Lantern Festival, which similarly occluded China's political system and presented China in reified cultural terms. Framing the relationship in terms of cultural styles and habits served to manage the relationship within limits and maintain its positive, forward-looking impetus.

A year after the Xi Jinping visit, the state government issued the *China engagement report*, which noted:

Increased engagement with China offers Tasmania opportunities to boost our future economic prosperity by encouraging investment and increasing the supply of goods and services to the Chinese market. Importantly it presents an opportunity to further diversify our economic relationship with China beyond the traditional focus on mining and resources. It also creates opportunities to increase numbers of Chinese people coming to Tasmania to visit, study or to live which, in turn, can strengthen our cultural and people-to-people engagement.⁴²

The report summarised the parameters of Tasmania–China relations as they had developed over the previous decades. Those parameters were the delegations led by the Tasmanian Government and the growth in trade in identified economic sectors: agriculture, mining, tourism and education. The report also noted the importance of Antarctic cooperation. In its section on planned activities, it described the institutionalisation of the relationship: building commercial and political partnerships through commerce and events. The report noted that exports to China, including Hong Kong, were already 25% of the state's total exports.

The Van Diemen's Land Company

Tasmania–China relations reached a zenith in late 2015, when the Van Diemen's Land Company dairy cooperative in the northwest of the state was put up for sale by its New Zealand owners, Taranaki Investment Management. The cooperative traced its history to the 1820s and was a collection of 23 farms that together formed Australia's largest dairy operation. Although two significant bids were put forward, one by an Australian investment company and another by China-based investors, in November 2015, Lu Xianfeng from Ningbo in Zhejiang Province outbid both, offering \$280 million for the cooperative as part of an aggressive expansion of his business, Pioneer New Materials Corporation, beyond its core focus on manufacturing window blinds.

The buyout was carried out under the name 'Moonlake Investments' and was approved by the Foreign Investment Review Board in February 2016, but the property passed almost immediately through a complex set of ownership transfers within Lu Xianfeng's business activities to realise share price gains.⁴³ There is no suggestion that Mr Lu acted illegally.

The new owner promised significant investment and jobs for the northwest of Tasmania. In October 2016, at a high-profile event to launch a rebranding of the Van Diemen's Land Company to 'Van Milk', Moonlake announced a plan to air-freight fresh milk directly from Tasmania to Ningbo in mid-2017. The event was attended by Circular Head Lord Mayor Daryl Quilliam, member of the non-executive board Dr David Crean, former Tasmanian Governor Sir Guy Green and Premier Will Hodgman. The state government described the initiative as 'Tasmania's trade bridge to China' and suggested that the flights would enable Tasmanian producers to freight time-critical produce directly to China. The following month, the national carrier, Qantas Airways Limited, was announced as the air-freight service for the arrangement, and weekly and then biweekly flights were to begin in the first half of 2017. Media reports included a photo opportunity at Hobart Airport with the Premier and Moonlake's manager, Sean Shwe.⁴⁴

The facilitation of the investment and the heavy political promotion of proposed direct flights expressed the partial structure of the institutionalisation of the Tasmania–China relationship at the state level. The boundaries between policy, politics and corporate activity were blurred as the state government sought to leverage a business activity into a paradiplomacy that ultimately reduced to local politics. Relations that had been built out by policy and political statements, events and delegations had not developed any substantive government policy capacity to manage the investment.

In China, in contrast, the buyout of the Van Diemen's Land Company was opened to vast policy capacity and subject to an audit by the China Securities Regulatory Commission when the parent company proposed a share offering on the Shenzhen stock market. The audit raised significant issues about the Van Diemen's Land investment, and the share listing was blocked. Share trading in the parent company was suspended for extended periods in 2016 and 2017.⁴⁵ The investment, along with others by Lu Xianfeng, attracted significant negative media coverage in China as an example of the perils of acquisition-driven corporate expansion.

The direct flights did not eventuate, and by late 2017 the failure began to attract local media attention. In 2018, the entire local board of non-executive directors resigned from Moonlake Investments over the company's failure to invest in capital infrastructure and over the governance structure of the business.

In 2019, animal welfare concerns were raised by managers of the farms. Those concerns were raised again in 2021 in a state government audit conducted by the Tasmanian Dairy Industry Authority (a statutory body of only four staff members), which noted very significant issues about the management of the farms. In the context of the political capital that the state government had invested in the Van Diemen's Land buyout as an expression of the success of Tasmania–China relations, the industry authority was functioning as a limited policy instrument in that relationship. Its activities, while highly consequential, indicated how limited such instruments remained seven years after the visit by Xi Jinping. In 2021, the owner, Lu Xianfeng, announced the sale of 11 of the 23 farms and other landholdings to Melbourne-based agribusiness investment companies.⁴⁶

Conclusion

The Van Diemen's Land dairy buyout was not the only high-profile investment failure that emerged during the period between the *Tasmania's place in the Asian century* White Paper and the visit by Xi Jinping. In Hobart, the Shandong oil company Chambroad acquired land at Kangaroo Bay that had been rezoned by the local council and proposed to build a hotel and hospitality training facility. Despite strong and public support by the mayor of the council, the plan became mired in controversy and failed to progress. A similar issue arose with a development proposal called Cambria Green on the Tasmanian east coast.

However, because of the political capital invested in it, Van Diemen's Land dairy was symbolic of the trajectory of Tasmania–China relations in the second half of the 2010s. The policy monomania that had been generated by the partial institutionalisation and personalistic politics of the paradiplomatic relationship was complicated by the realities of international investments and trade and the local politics of development. The effect was not a breakdown or crisis in the relationship but a cooling of its intensity. Without a strong and coherent policy and governance base on either side, the relationship attenuated and ceased to be a source of political capital and policy work in the Tasmanian system.

By the late 2010s, the national debate about Australia–China relations had also shifted very sharply. A new policy and legal vocabulary about relations with China emerged in Australia's public life, including foreign interference, united front work and China as a potential threat to national sovereignty. Clive Hamilton, the author of *Silent invasion*, visited Tasmania in late 2018 and addressed an audience of more than 500 people at the University of Tasmania to warn of the risk of overdependence on the Chinese market, of political influence and an 'uncritical embrace' of China.⁴⁷ The following month, the federal government's Foreign Influence Transparency Scheme came into effect.

The political energy of Tasmania–China relations dissipated. Because of limited policy capacity and blurred boundaries between politics and policy, the relationship no longer attracted the focus and attention it previously had. In early 2019, the state government released a new trade strategy that emphasised diversification away from China. It used the concepts of ‘broad engagement’ and ‘focussed engagement’ that distinguished between major markets such as China, Japan and the US and specific markets such as Taiwan, South Korea and India.

Trade, which was the original impetus for the relationship for decades, continued to grow. By 2020, China and Hong Kong combined were the destination for over 40% of the state’s total exports. The largest export sector was mining, in which Tasmania serving the specific markets for iron ore, non-ferrous metals (tin, zinc and magnesium); agricultural products, dairy products and seafood were other important sectors. There were fewer speeches and high-profile delegations, however, to laud that trade volume as a success.

At the end of 2020, the federal government passed the Australia’s Foreign Relations (States and Territories) Act, which provided the kind of oversight mechanism and federal policy institutionalisation of state-level paradiplomatic relations that Tasmania has not developed in its promotion of Tasmania–China relations. The MoUs from the Tasmanian side and united front work from the PRC side are now subject to federal oversight, drawing paradiplomacy into the national foreign affairs and security architecture. Tasmania–China relations are no longer placed within state policy, politics and their role as a response to themes in Tasmanian history and identity.

There remains a critical area of relations, however, that has yet to be fully realised and will shape Tasmania–China relations in the future, and that’s Antarctica. As noted above, Xi Jinping toured the PRC icebreaker *Xuelong* during his visit in 2014. An MoU on Antarctic cooperation has facilitated regular visits by the *Xuelong* in the years since. A national Antarctic infrastructure is established in Tasmania, including scientific research through the University of Tasmania’s Institute for Marine and Antarctic Studies and the Australian Antarctic Division. Other organisations, such as the Tasmanian Polar Network, facilitate collaboration on Antarctica between researchers, industry and government.

At the state level, China has also developed its interest in Antarctica through the State Oceanic Administration, which was placed under the Ministry of Natural Resources in 2018. China maintains Antarctic bases within Australia’s territorial claim and is active in the administration of Antarctica through the Antarctic Treaty System and the Commission for the Conservation of Antarctic Marine Living Resources. At the commission’s meeting in Hobart in 2019, a proposal for a new marine protected area for eastern Antarctica was vetoed by Russia and China.⁴⁸ Furthermore, the 2021 14th Five-Year Plan promulgated by China’s National People’s Congress included a proposal for a Polar Silk Road that would include Antarctica.

The language of the PRC party-state applied to Antarctica remains calibrated. The Five-Year Plan refers to the ‘protection and utilisation’ of Antarctica—language drawn from the Antarctic Treaty System. There are, however, concerns about resource exploitation and the militarisation of Antarctica by China.

As in many policy areas, Beijing's long-term plans are couched in positive terms and lack detail. Nonetheless, its interest has been clearly telegraphed, and Tasmania is, as a result, placed in a unique national position as the interface between Australia and China over Antarctica's future. This transcends the parameters of Tasmania–China relations as they have developed over many decades. Issues of trade, a sense of place and identity, the Chinese community and opportunistic politics are all exceeded by the global, geopolitical and national scope of Antarctica. Tasmania's existing models of relations with China do not apply to Antarctica, and the development of new models and policy capacity will be a key test of relations over coming decades.

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8. *Encircling the city from the countryside: a template of CCP united front work at subnational level*

Anne-Marie Brady

[T]he major prerequisites for helping the struggle in the cities and hastening the rise of the revolutionary tide are specifically the development of the struggle in the countryside, the establishment of Red political power in small areas, and the creation and expansion of the Red Army.

—Mao Zedong, ‘A single spark can start a prairie fire’, 5 January 1930, [online](#)

In December 2020, Australia’s Foreign Arrangements Scheme entered into force. The scheme grants the federal government powers to cancel any agreements between Australian local entities and foreign countries that are deemed to threaten national interests. Foreign Minister Marise Payne used the law to revoke the Belt and Road Initiative (BRI) agreement signed between the Victorian state government and the People’s Republic of China (PRC), saying that the Victorian BRI agreement was ‘inconsistent with Australia’s foreign policy [and] adverse to our foreign relations’.¹ Australian state and territory governments, and their subsidiaries such as universities, are now required to notify the Foreign Minister if they propose to negotiate or enter into, or have entered into, a foreign negotiation.² The Australian Government has begun reviewing thousands of cooperation agreements with China. Potentially among them, the 2015 agreement to lease the Port of Darwin to a Chinese company for 99 years may also be abolished for national security reasons.

The federal government’s actions are a direct response to the PRC Government’s subnational political interference activities, which are part of what the CCP calls ‘united front work’ (统战工作, *tongzhan gongzuo*). The CCP’s united front work directed at local governments and local authorities often goes under the radar because foreign policy is usually the constitutional responsibility of national governments. Yet, for the CCP, targeting subnational entities is an effective way to pursue foreign policy and military agendas that would be more readily thwarted at the national level.

Using the local to surround the central, the countryside to surround the cities, is a classic Maoist guerrilla tactic, which was as essential in the years of the Chinese civil war (1927–1949), as it is now in Xi Jinping’s China. This chapter provides an overview of CCP foreign interference targeted at subnational entities and the role that plays in contemporary CCP foreign policy. It offers a template of CCP foreign interference activities relevant to state and local governments and suggests a resilience strategy for federal- and subnational-level governments to follow to address them.

United front work: from Lenin to Mao to Xi Jinping

In 2020, a senior Australian intelligence officer stated that the Australian Security Intelligence Organisation (ASIO) had investigated about 500 known or suspected cases of foreign interference and espionage in Australia in the previous year.³ Foreign interference activities are used to facilitate espionage, to access political and military secrets, and to attempt to covertly shape decision-making to the advantage of a foreign power.⁴ Foreign interference has become a hot topic in many Western democracies, especially those in the Five Eyes: the US, the UK, Canada, Australia and New Zealand. In 2018, a Five Eyes ministerial communiqué defined foreign interference as ‘the coercive, deceptive and clandestine activities of foreign governments, actors, and their proxies, to sow discord, manipulate public discourse, bias the development of policy, or disrupt markets for the purpose of undermining our nations and our allies’. The communiqué stated that ‘Foreign interference threatens a nation’s sovereignty, values and national interests—it can limit or shape the polity’s ability to make independent judgements, erode public confidence in our political and government institutions, and interfere with private-sector decision making’.⁵

China is the most significant source of foreign interference and espionage in Australia, Canada, New Zealand, the UK and the US, as it is in many other states.⁶ The PRC Government’s broad approach to covert activities makes extensive use of assets, disinformation, ‘useful idiots’ and proxies. The CCP’s catch-all term for those activities is ‘united front work’.⁷ The CCP’s broad approach to espionage and foreign interference makes traditional counterintelligence difficult. Moreover, many of the activities now recognised as being part of CCP foreign interference have been facilitated by target countries’ domestic laws and policies, which have allowed foreign donations to political parties, for example, or pressured universities to seek supplementary funding through foreign students and foreign research funding. The CCP has been adept at locating and exploiting the cracks and vulnerabilities in liberal democratic societies. Dealing with CCP foreign interference thus requires a system-wide rethink on the national security aspects of matters such as education, subnational-level government, the media, the funding of our political systems, and strategic infrastructure.

The basic concepts of united front work (统一战线 *tongyi zhanxian*)⁸ are explained in one of VI Lenin’s most famous speeches.⁹ The united front strategy aims to use the broadest possible coalition of interests so as to undermine the chief enemy or target. Thus, when we look at Xi Jinping’s united front strategy, we need to both examine its participants and policies and also work out its targets. United front work is a covert tool of the CCP, and its purpose and tactics are highly secret. Yet, by the nature of the coalition-building that united front work requires, on a superficial level, many united front work activities can often be quite visible. While the policies and agenda of united front work are highly secret, it frequently involves public events. Those events are when foreign economic and political elites are paraded to be seen to endorse the CCP’s policies and agenda. CCP united front work is a tool to corrode and corrupt democratic political systems, to weaken and divide communities against each other, and to erode the critical voice of media in liberal democracies. It turns elites into clients of the CCP through financial and other inducements. It’s used to develop asset relationships, to access sensitive

technology and to promote the CCP's foreign policy agenda. It's a core and enduring tactic of CCP rule, famously referred to as one of the party's three 'magic weapons'. The CCP's other two 'magic weapons' are the PLA and CCP discipline.¹⁰

Understanding the intent of CCP actions necessitates engaging with the Marxist-Leninist-Maoist, and now also Xi-ist, inspired world view that they're based on. Mao's revolutionary thought and stratagems have undergone a revival since Xi Jinping came to power in 2012. Notably, under Xi, CCP united front work—both domestic-focused and international—has taken on a level of significance not seen since the CCP was fighting the Chinese civil war. Xi Jinping was a young activist during the Cultural Revolution and joined the CCP in 1971. One of his earliest speeches as leader echoed many Mao phrases and framing, including the boast that China would soon have the 'dominant position' in world affairs.¹¹ Xi even mimics Mao in his body language and clothing to emphasise the connection. In September 2014, he used Mao's words to highlight the enduring importance of united front work for the CCP hold on power. In the years since, Xi has greatly expanded the powers and role of the CCP Central Committee's United Front Work Department, particularly international united front work activities, at a level commensurate with the CCP's expanded international role and global agenda. Under Xi, the Maoist revolutionary and transformative foreign policy agenda and methods are now being fused with the Chinese state's foreign policy activities, such as trade, investment and top-level diplomatic meetings.

Mao Zedong's core strategy for both kinetic and political warfare was to target local entities in order to weaken the national core. This approach is known as 'the countryside encircling the city' (农村包围城市, *nongcun baowei chengshi*).¹² Xi Jinping used that very phrase in his watershed speech at the 19th Party Congress in 2017, calling it the 'correct revolutionary path', which had brought the CCP to power in 1949.¹³ The saying is sometimes used interchangeably with another phrase, 'surrounding the centre with the local' (地方包围中央, *difang baowei Zhongyang*). Beginning in the mid-1920s, the CCP launched armed peasant uprisings in rural areas where the enemy's governance power was relatively weak. It then established revolutionary base areas, built up an army with captured weapons, and steadily developed popular support via targeted united front work. In 1930, Mao theorised this approach in one of his most famous articles, 'A single spark can start a prairie fire'. His essay emphasised the value of targeting the local in order to conquer the national government. At the time, the CCP was a marginal guerrilla force, hounded by the Kuomintang government (1912–1949) and local warlords, with no international support other than a tenuous link with the Soviet Union-dominated Comintern. The main CCP forces spent World War II bunkered down in remote Yan'an, plying guerrilla tactics against the better armed Japanese forces. Meanwhile, CCP agents infiltrated the ruling Kuomintang government and its armies, targeted Chinese academic, creative, and economic elites with domestic united front work, and targeted foreign China-based elites via international united front work (国际统一战线, *guoji tongyi zhanxian*). During the 1947–1949 Chinese civil war, CCP-controlled rural areas steadily encircled the cities, and eventually the whole Chinese state. Famously, the city of Beiping (present-day Beijing) surrendered without a shot as a result of CCP united front work. The daughter of the military leader of Beiping was a covert CCP member, and she and other undercover agents within his circle spied on him and pressured him to surrender. Mao's philosophy of revolutionary struggle not only brought the

CCP to power, but it inspired many other revolutionary movements worldwide. And from the Mao era to now, international united front work has continued to be a fundamental tactic of CCP foreign policy and to form a central role within the CCP world view.¹⁴

United front work is an all-of-CCP activity (全党的工作, *quandang de gongzuo*).¹⁵ This means that all CCP members and all party agencies are required to participate in it.¹⁶ The main CCP organisations engaging in united front work activities are the CCP United Front Work Department, which directly controls the organisations devoted to co-opting the Chinese diaspora; the CCP International Liaison Department, which is more focused on ‘party-to-foreign-party’ influence activities; and the Central Propaganda Department. The Ministry of State Security and the PLA are also directly involved in united front work.¹⁷

The CCP describes its approach to foreign policy as ‘total diplomacy’ (全面外交, *quanmian waijiao*) meaning that every possible channel will be used. Nearly all of China’s listed internet companies have CCP committees. Close to 70% of the CEOs of China’s major corporations are now CCP members.¹⁸ Some 70% of foreign companies operating in China have CCP cells.¹⁹ Under China’s National Intelligence Law, all Chinese citizens and companies, as well as foreigners and foreign companies operating in China, are required to provide access, cooperation and support for China’s intelligence-gathering activities.²⁰ Thus, CCP united front work is able to draw on the resources of the CCP, the Chinese state, the PLA and the private sector in China, as well as Chinese companies abroad, through a party-state-military-market nexus. Further, there are strong links between the CCP and China’s criminal gangs.²¹

Each united front has a ‘chief enemy’ or main target. The CCP’s primary united front targets have shifted as its foreign policy has evolved. During World War II, CCP united front work targeted Japan. When the PRC entered the Korean War in 1950, the US became the CCP government’s chief enemy. After the Sino-Soviet split in 1961, the PRC was also at odds with the Soviet Union. That prompted Mao to seek a temporary alliance with the US, and so began the era of the ‘strategic triangle’, in which the US and its partners aligned with the PRC against the Soviet Union. The end of the Cold War in Eastern Europe and the collapse of the Soviet Union in 1991 removed the justification for the strategic triangle. From Xi’s and other CCP leader’s perspectives, the US has continually engaged in subversion and division by supporting democracy activities within China, through its espionage activities, and by providing military support to Taiwan. As has been noted, Xi’s government has repeatedly warned its citizens to prepare for war. In the Xi era, the US is again China’s chief enemy and the main target of espionage and other covert activities. The PRC Government targets the US’s partners and Five Eyes allies, such as Australia, at the national and subnational level in order to split them away from the US, to weaken them individually, and to weaken the power of the US itself. The CCP is also forming a quasi-alliance with Russia, in a revival of the strategic triangle, but this time the democratic states are on the sharp end of the triangle.

Xi Jinping’s ‘New Era’ (新时代, *xin shidai*) approach to foreign affairs now has the PRC engaging in a war on almost all fronts—a war of weapons as well as a war of words. This indicates that the CCP leadership believes it’s in a position of strength *vis-à-vis* the US, the EU, Japan, Australia and other Western governments. In 2014, Xi launched the Belt and Road Initiative, which

is a China-centred strategic, economic and political global order. Xi also relaunched China's external propaganda efforts, with a new message and massive new budgets. After the CCP's 19th Party Congress in October 2017, three government agencies (the State Ethnic Affairs Commission, the State Administration for Religious Affairs and the Overseas Chinese Affairs Office of the State Council) were absorbed into the CCP's United Front Work Department. In March 2018, the CCP's International Liaison Department, which is in charge of CCP links with foreign parties, was joined with the Office of the Federal Leading Group on Foreign Affairs and was given extra powers and resources.²²

The CCP has stepped up exchanges with foreign political parties, in preference to foreign ministry links, as part of efforts to build up client relationships. The CCP propaganda machine has gone on the attack. Western social media platforms such as Twitter, Facebook and YouTube were long ago banned in China, yet Chinese diplomats and foreign propaganda outlets have set up accounts and launched a combative new style of foreign messaging known as 'wolf-warrior diplomacy'.

The Covid-19 pandemic strengthened China's relative hard power, as well as its appetite for confrontation. In early 2020, the United Front Work Department instructed CCP proxy groups to buy up bulk quantities of personal protective equipment (PPE) around the world and send them back to China.²³ Then, when other countries were short on supplies, the Chinese Government threatened to withhold sales of PPE to states that had earlier closed their borders to Chinese travellers.²⁴ The PRC Government and the telecommunications company Huawei pointedly sent bulk supplies of PPE to countries in Europe that had not yet made a final decision on allowing Huawei into their 5G systems.²⁵

The PLA has asserted its position in the South China Sea, India and Taiwan. China's cyberattacks against vulnerable states have also increased. The breathtakingly global scale of the Xi government's efforts to build asset relationships among political elites, as well as the criminal world, was exposed in the leaking of information from Zhenhua Data Information Technology's database, which contained the names of 2.4 million prominent individuals and their families.²⁶ Xi Jinping's assertive, and increasingly aggressive, foreign policy approach openly challenges the US for global leadership, seeks to limit foreign influence on Chinese society, and is rapidly expanding China's military presence and capabilities.

CCP united front work at the subnational level: a template

By its nature, the essential strategy of CCP united front work is as stated above: to target the local in order to undermine the federal. The openness and devolution of powers of democratic societies make them relatively easy to exploit. For decades, state and city governments have been encouraged by national governments to expand their paradiplomatic activities by building closer economic, scientific, educational and cultural with China. The CCP makes use of all those local channels for united front work. Local level representatives of the CCP, from provincial branches of the United Front Work Department to provincial propaganda departments, and International Liaison Department cadres coordinate the exchanges.

In federal systems such as Australia, state, city, and other local governments are able to make independent planning decisions on infrastructure and investments that could plausibly undermine the policy of the federal government. In many countries, local governments control strategic infrastructure such as water rights, power companies and land use. There's often overlap between local and national-level government politicians and political parties, as well as economic and political elites. Local governments can be used by CCP interference activities to suppress individuals or organisations regarded as a threat by the party. State and local governments can also be used to pressure federal governments to pursue policies that suit PRC interests. State and local governments don't commonly have foreign policy expertise or advisers, or access to regular national security briefings, so they're often weak links for foreign interference activities, even when there's a national strategy to deal with foreign interference.

The template outlined here, which is based on my previous published research into CCP united front work in Albania, Japan, New Zealand and the island nations of the Pacific, itemises the CCP's well-established policies of united front work at the subnational level. Xi-era united front work activities fall within four key categories: efforts to control the overseas Chinese diaspora and use its members as agents of Chinese foreign policy; efforts to co-opt foreigners to support and promote the CCP's foreign policy goals; a global, multiplatform, strategic communication strategy aimed at promoting China's agenda; and the China-centred economic and strategic bloc known as the Belt and Road Initiative.²⁷ How those vectors play out depends on the make-up of the individual society. For example, in countries like Australia, Canada and New Zealand, there are large overseas Chinese communities that are important vectors for local-level united front work. Yet, in other countries, such as Albania or Japan, the overseas Chinese diaspora isn't such a significant social force. In those countries, efforts at elite capture tend to be the main vector of CCP united front work. Federal systems have particular vulnerabilities arising from their constitutional foundations and historical trajectories relating to the exercise of sovereignty in international affairs.

Efforts to control the Chinese diaspora

There are around 60 million overseas Chinese, and 10 million of them are recent migrants from the PRC. In August 2018, the CCP Central Committee urged 'Chinese compatriots' to 'remember the call from the Party and the people, to spread China's voice, support the country's development, safeguard national interests, promote Chinese culture and make new contributions to fulfilling national rejuvenation and building a community with a shared future for mankind.'²⁸ The CCP adopts a carrot-and-stick approach to the Chinese diaspora: financial opportunities and honours for those who cooperate; intimidation, denial of passport and visa rights, or harassment of family members living in China for those who don't. Uighurs, Tibetans and activists from the Han Chinese community are under especially intense pressure from PRC diplomats and agents abroad.

- *Exerting control over Chinese diaspora individuals and groups in order to 'turn them into propaganda bases for China'.²⁹* The CCP co-opts existing diaspora groups to get them to promote a pro-CCP line and suppress alternative perspectives.

- *Establishing Chinese community organisations that report directly to the CCP.*³⁰ The most well known of such groups is the China Council for the Promotion of Peaceful National Reunification, which has branches all over the world. CCP united front organisations keep a watch on local diaspora populations and provide connections for party-state individuals and organisations engaged in foreign interference activities.
- *Using business connections to further united front work.* China's National Intelligence Law (2017) obligates Chinese citizens and companies to assist China's intelligence work.³¹
- *Using diplomatic cover for united front work.*³² Each PRC consulate and embassy has several staff members designated to engage in united front work activities. The PRC Ambassador or Consul-General always plays a very prominent role in united front work. The CCP has a long tradition of party and government personnel 'double-hatting'; that is, playing roles within multiple agencies.³³ PRC consulates and embassies relay CCP instructions to diaspora Chinese united front organisations to ensure they follow Chinese Government policy and to mobilise them for political interference and political influence activities. PRC diplomats also host foreign visits by high-level CCP and government delegations, who pass on oral instructions to local Chinese united front organisations.
- *Setting and policing the boundaries on Chinese culture in diaspora communities.*³⁴ The CCP specifically excludes Falun Gong, Tibetan Buddhism, Taiwanese identity, Hakka, Hong Kong identity, Cantonese or other regional languages or cultures from its officially approved version of Chinese culture.³⁵ One example of this is the politicising of the Lunar New Year, which is a festival celebrated by many people across Asia. Since 2012, the CCP has promoted the festival as 'Chinese New Year' and used activities associated with it for local government united front work.³⁶
- *Controlling and monitoring overseas ethnic Chinese students and scholars, and using them for united front work—regardless of their passports—by means of the Chinese Student and Scholars Association.*³⁷ In countries where this organisation is publicly identified as a united front organisation, the CCP promotes organisations such as the Western Overseas Scholars Association³⁸ or quasi-commercial groups. Chinese Government agencies such as the Ministry of Public Security (police) and the Ministry of State Security (secret police) sometimes use student visas and visiting fellowships at universities as a means for espionage.
- *Inserting CCP-supported diaspora business and societal leaders as political candidates (华人参政, *huaren canzheng*) and pressuring foreign-based diaspora politicians already in government to promote CCP policies and provide information on the policies of the governments they represent.*³⁹ While it's completely normal and to be encouraged that the Chinese diaspora in each country seeks political representation, the initiative to insert the CCP's own representatives into foreign political systems is different from that spontaneous and natural development.
- *Imposing CCP censorship controls over the Chinese diaspora media (海外华文媒体融合, *haiwai huawen meiti ronghe*).*⁴⁰ Regardless of who owns a foreign Chinese-language media outlet or China-focused media outlet, it must conform to CCP censorship guidelines or it

will be pressured to close by means of intimidation such as the removal of advertising or vexatious court cases.

- *Popularising the use of China's social media app, WeChat (微信, Weixin) and payment platforms WeChat Pay and Alipay accounts in foreign countries.*⁴¹ WeChat now makes up 34% of all online traffic in China.⁴² The outcome of the widespread adoption of WeChat outside China is the creation of a backdoor means to control China-related discourse in foreign countries through self-censorship, monitoring of content, and the threat of closing down foreign WeChat accounts that don't comply.⁴³

Foreign elite capture

The CCP has a comprehensive strategy to target foreign economic and political elites in order to get them to promote China's foreign policy agenda within their own political systems, to encourage them to relay information on foreign governments' intentions, strategies and the attitudes of key actors towards China, and to provide access to cutting-edge technology and government policies.⁴⁴

- *Using sister-city relations, local government investment schemes and connections with indigenous groups to influence national governments and promote China's agendas.* Local governments and indigenous authorities have decision-making power over strategic resources such as electricity, water and land use and for establishing infrastructure projects. The Chinese People's Association for Friendship with Foreign Countries (友协, Youxie)—a united front organisation—is in charge of China's sister-city relations and promoting the BRI via sister-city exchanges globally. BRI is a China-centred political and economic bloc⁴⁵ that aims to reshape the global order.⁴⁶
- *Using former senior foreign politicians and community leaders as bridges to current administrations.* The CCP offers them access to the party leadership and to business opportunities and vanity projects in return for supporting China's policies, providing information or, at the very least, remaining silent on critical issues. The CCP can also organise the appointment of foreigners with access to political power to directorships in Chinese companies, such as banks, companies or state-owned enterprises in the host country.
- *Using foreign politicians, academics and entrepreneurs to promote China's policies and viewpoints in the media and academia, or at the very least, to not raise critical views.* This is called 'using foreign strength to promote China' (利用外力为我宣传, *liyong waili wei wo xuanchuan*). CCP proxies build up asset relationships with susceptible individuals via China-based political hospitality at all-expenses-paid conferences and paid talks, and through paid and unpaid 'advisory' roles and consultancies. Prominent individuals may be compromised via the hacking of devices used while in China, bribery, honey traps, or the use of intimidation tactics such as denials of visas to China or trade bans.
- *Using mergers, acquisitions and partnerships with foreign companies, universities and research centres to acquire local identities.* This method can be used to enhance political influence activities and provide access to military technology, commercial secrets and other strategic information.

- *Creating economic dependencies in susceptible economies via preferential terms of trade or directed mass tourism or mass international education.* The CCP uses access to the China market as a lever to intimidate foreign local governments. It also uses Chinese companies and Chinese citizens to promote this message.
- *Lobbying local governments and local entities to suppress views critical of the PRC Government.* This includes restricting activities with Taiwan, Falun Gong, Tibet and the Dalai Lama.

Shaping global narratives about China

The PRC Government's go-global, multiplatform, international strategic communication strategy aims to control international perceptions about China and the policies of the CCP (让党的主张成为时代最强音, *Rang dang de zhuzhang chengwei shidai zui qiang yin*). All channels of mass communication are used, from films and advertising, to new media, to academic and non-academic publications.⁴⁷

- *'Buying a boat to go out on the ocean' (买船出海 mai chuan chu hai).*⁴⁸ China's media companies are engaging in strategic mergers with and acquisitions of foreign media and cultural enterprises in order to control the global China narrative. This policy has made major inroads into Hollywood production, casting and film distribution.⁴⁹
- *Offering business opportunities to foreign media and culture companies that enable them to access the China market, but require them to follow the CCP's guidelines.* This has an impact on their products in other markets, too, because if a production company makes a television show, advertisement or film that portrays China in an unfavourable way—even if it will only be shown outside China—that could affect access for products they hope to sell in the China market.
- *Getting China's political language and viewpoints (提法) inserted into foreign public discourse.*⁵⁰ Raising concerns about China's behaviour is classed by PRC diplomats as: 'anti-China' (反华, *fanhua*), 'demonising China' (中国的妖魔化, *Zhongguo de yaomohua*), promoting the idea of a 'China threat' (中国威胁论, *Zhongguo weixielun*), 'Cold War thinking' (冷战思想, *lengzhan sixiang*), 'McCarthyism' (麦卡锡主义, *Maikaxizhuyi*), 'xenophobia' (排外主义, *paiwaizhuyi*) or '(racial) prejudice' (偏见, *pianjian*).
- *Establishing strategic partnerships and sponsorships with foreign newspapers, TV, and radio stations.* The aim is to subsidise them and ensure that they adopt a CCP-friendly line for China-related news and follow the Chinese media in 'telling a good story of China' (讲好中国的故事, *jianghao Zhongguo de gushi*).
- *Using foreign think tanks to shape foreign policy and public opinion on China issues in China's favour.* The Chinese Government and affiliated united front actors have made a massive investment in setting up pro-CCP think tanks and research centres to promote the PRC Government's agenda and collect information on the intentions of other nations, as well as establishing partnerships with existing think tanks.⁵¹

The Belt and Road Initiative: a China-centred political and economic order

In 2014, the PRC government launched a project aimed at creating a China-centred political and economic bloc⁵² that will reshape the global order.⁵³ The BRI, also known as One Belt, One Road, builds on, and greatly extends, the ‘going out’ (走出去, *zou chuqu*) policy launched in 1999 in the Jiang era and continued into the Hu era, which encouraged public–private partnerships between Chinese state-owned enterprises and Chinese ‘red capitalists’ to acquire global natural resource assets and seek international infrastructure projects.⁵⁴ BRI participants are included in the Digital Silk Road, which requires global partners to host China’s Beidou GPS ground stations, which will enable China to establish fully global C4ISR capabilities, in competition with the US-led GPS.

- *Using foreign direct investment to enable China’s privileged access to strategic natural resources such as water and oil, and to establish strategic ports, airfields and satellite ground stations to create forward-based military installations.* Gwadar port in Pakistan and Hambantota port in Sri Lanka are the most well-known examples of this.
- *Setting up trade zones, ports, and digital communications infrastructure that connect back to China, creating a China-centred political, digital, and economic order.*
- *Getting foreign governments to do the work of promoting China’s BRI to their own citizens and neighbouring states.* This is another version of ‘borrowing a boat’.
- *Working closely with local governments and indigenous leaders on BRI projects.* Local governments and indigenous communities such as the indigenous people of Australia and the Torres Strait islands, Native Americans in the US and Canada, Sami, Inuit and other Arctic peoples, and Māori in New Zealand, control considerable natural resources and can influence planning decisions at the local and national levels.

Conclusion: towards a resilience strategy

Many foreign governments are now facing up to the impact of covert CCP activities on the integrity of their political systems and making a correction in their relations with China. Governments should engage with China on matters such as trade where it’s possible to do so constructively, but it’s crucial that they avoid trade dependency. They must set good boundaries in the relationship and pass new laws to address the CCP’s espionage and political interference activities. A coalition is quietly forming among like-minded states, producing new agreements on supply chains and essential goods and partnerships on technology policies such as 5G and the supply of strategic materials. The Five Eyes partners, in particular, are in the process of investigating CCP covert activity within their countries and adopting a plan to counteract it.⁵⁵ Governments such as those of Australia and New Zealand have updated legislation on electoral financing, protocols for dealing with conflicts of interest among past and former members of federal and local government, and foreign sales of strategic infrastructure and land.

A subnational government resilience strategy to deal with CCP foreign interference and espionage needs to connect to a nationwide China strategy. State and local governments and their agencies should be provided with security briefings about foreign interference activities. If local-level governments aren't given clear signals from their national governments about their national China policy, then policy mistakes are inevitable. The public must also be informed of the challenges, as well as the opportunities, of China relations. Society has an important role in national security, and an informed society is the means to engage in total defence. Local government shouldn't sign agreements with Chinese entities that undermine national policies. Political parties at the local as well as national levels should be required to do due diligence on all donations. Political donors at the local level must verify that they are the source of the funds. Trusts and charities should also be required to be fully transparent about donations. There should be total transparency for all donations and a maximum amount allowed for political donations. National governments must pass legislation to bring governance measures of local government in line with those of national-level government.

Australia has been at the forefront of the international conversation about CCP political interference. Successive Australian governments have tried to establish an equal relationship with China, but the CCP, especially under the leadership of Xi Jinping, doesn't appear to welcome that. Australia's recent legislative changes addressing CCP foreign interference have sought to reset the boundaries on Sino-Australian relations. The Australian Government and many of its allies and partners are adopting a clear-eyed and realistic stance on the CCP's interference activities.

The international debates and domestic political responses, such as those the Australian Government has taken towards Xi Jinping's China, can't be understood adequately unless observers grasp the nature of, as former Hong Kong Chief Secretary Anson Chan Fang On-sang expressed it in 2016, 'the sort of country they are dealing with', its ideology and organisations, and the goals of its long-term agenda.⁵⁶

Understanding the role of united front work in the CCP's strategy and ideology is central to this effort. Its significance has been hidden from many until recently, and it has had a seriously corrosive impact on liberal democracies. Recognising how the CCP targets subnational entities and developing effective approaches to dealing with that are an essential means to achieving a more balanced relationship with Xi's China, as well as ensuring national security.

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9. Constitutional issues in Australia's subnational relations with China

Dominique Dalla-Pozza and Donald R Rothwell

Introduction

The six Australian states and two self-governing internal territories (the Australian Capital Territory and the Northern Territory) that make up the Commonwealth of Australia don't possess international personality at international law.¹ As such, they're unable to engage in inter-state relations in the same manner as recognised states in the international system, including obtaining membership of the UN and concluding legally binding treaties.² This position was recognised both *de jure* and *de facto* in 1901 at federation because at the time, as a member of the British Empire, the new Commonwealth of Australia possessed no international legal personality.³

If the fledgling Commonwealth did not possess the capacity to enter into and engage in foreign affairs, then the six states did not possess such capacity. However, federation brought together six existing political units that did have legal personality as colonies of the British Empire and some experience, albeit limited, of treaty-making and foreign affairs.⁴ While over the intervening years considerable clarity and certainty have emerged about the extent of the constitutional capacity of the Commonwealth of Australia to conduct itself on the international stage as a fully functioning state, the Australian states and the two territories have also maintained an interest in such matters.

Initially, that interest rested in maintaining colonial links with London, but over time, as Australia's engagement with the international community grew, so too did that of the states and territories. Those engagements have ranged from symbolic 'sister-city' arrangements with foreign cities,⁵ to cultural exchanges,⁶ the receipt of foreign business and trade delegations,⁷ visits of foreign heads of state,⁸ to the hosting of consular offices in their capital cities.⁹ Relations between the Australian states and foreign governments continued apace as Australia became enmeshed in the postwar globalised world in which Australia's economic prosperity partly relied on international trade and commerce, especially of agricultural and resource exports, and states such as Queensland and Western Australia enjoyed significant economic growth as a result.

Engagements by the states and territories in aspects of international affairs were also reflected by the manner in which Melbourne and Sydney became global cities. Sydney's hosting of the 2000 Olympic Games significantly changed the way in which New South Wales engaged internationally with a range of partners. The awarding of the 2032 Olympic Games to Brisbane will have a similar impact. The significant role played by the premiers of New South Wales¹⁰

and Queensland¹¹ in the Olympic bids of Sydney and Brisbane, respectively, highlighted the way in which the Australian states are able to conduct themselves in some aspects of foreign affairs. However, as other chapters in this book highlight, the current situation for the states and territories raises unprecedented constitutional questions regarding the powers of those subnational units under international law and Australian law.

With that background, this chapter assesses the international legal and constitutional law issues associated with the capacity of the Australian states and territories to conduct themselves in foreign affairs, especially vis-à-vis China.

We begin with an assessment of Australia's international legal personality, followed by a review of relevant constitutional structures and practices of the Commonwealth, the states and the territories. We then make a detailed assessment of the contemporary practice of the states and territories with respect to China and the legal issues that have arisen from that conduct at both the national and local levels. We give particular attention to the *Australia's Foreign Relations (State and Territory Arrangements) Act 2020* (Cth) and developments in 2020 and 2021. We place more emphasis on the practices of the states than that of the territories due to the states' greater economic and political significance as subnational units.

Australia's international legal personality

When Australia emerged on 1 January 1901 as the Commonwealth of Australia under a new constitution, Australia had very little international legal personality to act as a truly independent state. That was partly a function of Australia at that time being a member of the British Empire, in which relationships were coordinated from the Colonial Office in London.¹² The new Commonwealth also had little immediate interest or capacity to conduct its own external affairs, as the newly formed Australian Government focused on the immediate task of public administration. The Department of External Affairs was created at federation, but its principal role was relations with Britain and other Empire capitals.

The emergence of Australia's full international legal personality was a gradual process.¹³ It's commonly accepted that there is no precisely identifiable date at which it happened. Australia's engagement in World War I and participation in the debates leading to the establishment of the League of Nations were important turning points. The adoption of the *Statute of Westminster 1931* relating to the affairs and status of the then Empire dominions—Australia, Canada, the Irish Free State, New Zealand, Newfoundland and South Africa¹⁴—was also a significant constitutional moment. Endorsement by the Statute of Westminster that Australia could enact laws having 'extra-territorial operation' removed any ambiguity as to whether the Australian Parliament was able to enact laws that extended beyond the physical limits of Australia.¹⁵ Remarkably, it was not until 1942 that the Australian Parliament enacted a law adopting the Statute of Westminster, which itself was partly made retrospective to 1939 and the outbreak of World War II.¹⁶ Most legal historians, constitutional scholars and Australian international lawyers accept that Australia had gained full international personality by the time World War II commenced.¹⁷ If there was any doubt about that, Australia's prominent role in the 1945

San Francisco Conference and becoming a foundation member of the United Nations would have made clear that Australia had equivalent status to the original 51 UN member states.¹⁸

Before federation, the Australian colonies had to a degree engaged in international legal relations by way of a limited amount of treaty-making. Those treaties, concluded under careful supervision from London, principally dealt with commercial matters. Postal conventions, in particular, were common in pre-federation years and were concluded by New South Wales (1874) and Queensland (1876) with the US. Over time, they were extended to money order agreements, and New South Wales, Victoria and Tasmania entered into such arrangements with the US between 1881 and 1884. That those treaties dealt with commercial matters is significant. They reflected a certain level of autonomy enjoyed by the Australian colonies before federation and provided an economic foundation for colonial activities in Australia at the time, but importantly did not stray into the realm of 'political' treaties, which, as DP O'Connell observed, were 'properly left to the United Kingdom government, and that colonial "freedom" in respect of political matters struck at the roots of Empire solidarity'.¹⁹ Finally, in this regard, it can be observed that, as the two current internal self-governing territories did not exist at federation, their capacity to engage in foreign affairs or to incur international legal obligations were given no consideration at the time.

Constitution: the Commonwealth

Subject to the resolution of the matters noted regarding Australia's international legal personality, the Constitution of the Commonwealth of Australia made clear that the executive power of the Commonwealth was exercisable by the Governor-General acting on the advice of the 'Federal Executive Council', which is effectively the government of the day.²⁰ Executive power extends to treaty-making, and over time that power was understood to unambiguously extend to the making of treaties by Australia. As a result, Australia gradually engaged in certain treaty-making in the post-federation period up until 1945, and that's reflected in the Australian Treaty Series.²¹ It wasn't until the end of World War II, by which time the Statute of Westminster had been fully adopted, that Australia began to express a more independent foreign policy, which was then reflected by the manner in which Australia engaged in independent treaty-making separate from that of the UK.²²

Notwithstanding the apparent reach of the Commonwealth's treaty-making executive power, the Constitution is relatively silent on treaty matters. The High Court of Australia is conferred original jurisdiction on all matters arising under a treaty,²³ but the general legislative power of the Australian Parliament with respect to treaties has been ambiguous.

A turning point came in 1983 with the enactment of the *World Heritage Properties Conservation Act 1983* (Cth), which sought to partly give effect to certain provisions of the 1972 Convention Concerning the Protection of the World Cultural and Natural Heritage (the World Heritage Convention), to which Australia became a party in 1975.²⁴ This legislation was enacted by the Hawke Labor government in order to put in place certain measures to prevent the building of a dam in southwest Tasmania in an area that had been placed, by Australian nomination, on the

convention's 'World Heritage List'. The validity of the legislation was challenged in the High Court of Australia by Tasmania and other states, and the principal constitutional argument made in support of the Act was that it had been validly enacted under the section 51 (xxix) 'external affairs' power in the Constitution. Until 1983, that Commonwealth constitutional power hadn't been clearly expounded upon by the High Court, and there was uncertainty as to whether it was a general treaty-implementation power that conferred upon the Commonwealth a capacity to enact laws and associated regulations giving effect to treaties to which Australia had become a party. The High Court's *Commonwealth v Tasmania (Tasmanian Dam)*²⁵ decision made clear that section 51 (xxix) of the Constitution did confer a general power upon the Commonwealth to enact laws relating to treaties to which Australia had become a party. The World Heritage Properties Conservation Act was therefore held to be valid, the environmental protection measures for Tasmania were upheld, and the dam-building project did not proceed.²⁶

Constitution: the states

Following federation, the six new Australian states retained certain constitutional legislative powers, some of which continued their pre-1901 powers, and others that were now shaped by the Commonwealth Constitution. In this respect, three matters were important. First, the legislative competence of the states was founded on the individual state constitutions. Over the life of the federation, those constitutions have been a mix of colonial and modern constitutions, but in general they all provide the state parliaments with very broad constitutional competence and the ability to enact a wide range of laws dealing with state matters.²⁷ Second, notwithstanding the state constitutions, the Commonwealth Constitution makes clear in section 52 that certain matters fall within the exclusive legislative competence of the Commonwealth. This list includes the seat of government (Canberra), places acquired by the Commonwealth for public purposes, and matters relating to the federal public service.²⁸ Third, the list of Commonwealth powers outlined in section 51 are concurrent with the states. The effect is that both the Commonwealth and the states can jointly legislate over the same subject matter, but that in the case of a conflict between Commonwealth and state law the Commonwealth law will prevail to the extent of any inconsistency.²⁹ This is clearly of significance for matters related to external affairs.

The states therefore possess very broad powers to enact a range of laws regarding matters within their constitutional competence. Originally, there was some uncertainty as to their capacity to enact certain laws that had extraterritorial effect, but over time that's also been clarified and there's no general impediment to the ability of a state to enact such laws.³⁰ This has been especially important for the ability of the states to regulate certain matters in their offshore areas, such as fisheries and marine pollution.³¹ So, in sum, state constitutional power is very broad, and state laws and regulations will deal with matters regulated under international law. State and territorial laws based on international human rights treaties are contemporary examples of legislative competence on matters dealt with under international law.³²

International legal personality, foreign affairs and the post-1901 conduct of states

Following federation, the Australian states had to a degree an even lesser status than before 1901 with respect to foreign affairs. The Colonial Office in London retained primary responsibility for the conduct of foreign affairs as it related to the Australian continent, and there was now in place a new Australian Government that, even though it possessed uncertain powers with respect to foreign affairs, had now become the principal government for matters relating to Australia. Nevertheless, pre-federation treaties concluded by the colonies remained in place, which raised some technical issues with respect to treaty succession on the part of the Commonwealth. The states took different positions on some of those issues. Some sought to retain more independence than others, including seeking to attend colonial conferences.³³ State competence with respect to foreign affairs continued to be exercised through state agent-generals' offices in London,³⁴ which over time morphed into more diverse roles across the world, including the role of state trade representatives.³⁵ A Victorian Government agency—Global Victoria—in 2021 had 22 offices across the world in 13 countries, including five in China.³⁶ In more recent decades, Australian cities have also begun to conduct some form of foreign affairs through so-called 'sister-city' relationships designed to build cultural and trade relationships with potential strategic city partners.³⁷ Adelaide, for example, has five 'sister-city' relationships, and two 'friendly-city' relationships in China (Dalian, Liaoning Province; and Chengdu, Sichuan Province).³⁸

From a strict international law perspective, the Australian states and territories don't possess international legal personality. This is the critical criterion that an entity must meet to function as a state in the international legal system. The well-established criteria established under the Montevideo Convention³⁹ are that there is defined territory, defined population, a government, and capacity to enter into international relations.⁴⁰ All of the Australian states and territories possess the first three criteria and are in many respects no different from equivalent subnational units in Canada, Germany and the US. It's the final criterion that's ultimately lacking, and that essentially reflects a lack of recognition. The recognition of a new state is essential for that entity to enter into the international legal system and to fully function as a state. Without such recognition, an entity that claims statehood is legally and politically compromised, as is the case with Palestine and Taiwan (the Republic of China). While the Australian states and territories have remained content within the Australian federation, that hasn't stopped them seeking to exercise some limited form of international legal personality.

As we have noted, the Australian states have operated foreign trade offices. State government departments have been tasked with promoting trade relations with foreign states and foreign business and commercial interests. Some of those arrangements have been consistent with Australian trade policy, and in some instances have been actively facilitated by free trade agreements (FTAs) concluded by Australia in recent decades.⁴¹ However, because the Australian states and territories aren't recognised as states for the purposes of international law, they're unable to enter into formal treaty relationships in the same manner as the Australian Government on behalf of Australia. As trade relationships have grown, and there's

been a reciprocal interest in seeking to confirm and solidify those relationships, momentum has grown for some formal arrangements to be put into place to reflect the relationships. Commercial relationships between a state or territory government and a foreign state aren't exceptional, and are dealt with under standard international commercial contracts separate from treaty-level arrangements. The distinction between commercial arrangements and political arrangements is therefore an important one and has grown in significance in recent decades. Such arrangements can take a multitude of forms and be designated under various titles, including as arrangements, agreements, declarations, memorandums of understanding (MoUs) or protocols. Importantly, unless they're formal commercial contracts, they won't be legally binding and will predominantly be only political instruments.⁴² However, it's been the extent of the political obligations and the implications that raises for Australia that's increasingly been the cause for concern.

Contemporary practice

In recent years, various academics and media commentators have recognised that Australia's foreign affairs environment has become more complex, especially in the area of Australia–China relations.⁴³ One dimension of that complexity has been increased publicity about the risk to Australia's national security posed by espionage, foreign interference and foreign influence if the influence remains hidden. For example, in his 2021 annual threat assessment, the Director-General of the Australian Security Intelligence Organisation (ASIO), Mike Burgess, indicated that '[o]ver the last three years, ASIO has seen espionage and foreign interference attempts against all levels of Australian politics, and in every single state and territory.'⁴⁴ Burgess's predecessor as Director-General of ASIO, Duncan Lewis, identified 2017 and 2018 as the period in which 'the significant challenges posed by espionage and foreign interference came to prominence in Australia in public and parliamentary debates.'⁴⁵ In part, that referred to the introduction into the Australian Parliament late in 2017 of a series of legislative reforms to deal with this increased threat.⁴⁶ Two of those reforms were enacted in 2018. The first was the *National Security Legislation Amendment (Espionage and Foreign Interference) Act 2018* (Cth). Among other things, the Act altered criminal offences relating to espionage, and added new offences criminalising foreign interference.⁴⁷ The second was the *Foreign Influence Transparency Scheme Act 2018* (Cth). A core rationale of that Act was to make more transparent any relationships between persons representing a 'foreign actor' and the Australian Government.⁴⁸ The Act placed registration obligations on people conducting certain activities 'on behalf of a foreign principal' (such as lobbying of federal parliamentarians).⁴⁹

Commentary from politicians that accompanied both those Acts was careful to indicate that neither piece of legislation was solely aimed at curbing the extent of China's influence, interference, or both in Australia.⁵⁰ Nevertheless, the two pieces of legislation have been identified as signalling the Australian Government's intention to alter Australia's engagement with China.⁵¹ Moreover, federal government activity designed to bolster Australia's defences against foreign interference didn't stop there. In 2020, a new policy framework was implemented to guide the way in which universities should respond to threats posed by foreign interference,⁵²

and new legislation was passed to ensure that the foreign investment approval process was able to take greater account of national security concerns.⁵³

However, while each of these federal legislative regimes all have some impact on activities that are occurring within the states and territories, constitutionally none of them attempts to constrain the activities of Australia's subnational government entities in their capacity as government entities. This is significant because, although concerns about the impact of foreign interference and influence in Australia have increased over the past decade, as discussed above, the state and territory governments have continued to actively pursue foreign economic and diplomatic initiatives. Moreover, as also discussed above, subnational engagement in 'external affairs' is to be expected in a federal system. Indeed, such initiatives can enhance the overall prosperity of Australia.⁵⁴ Moreover, the fact that the states and territories do have important roles to play in ensuring that Australia's national security is maintained has also been given some public attention.⁵⁵

Nevertheless, two specific interactions between particular Australian state and territory governments and China have been especially prominent in the public debate about the national security risks implicit in having subnational entities engage in foreign affairs.

The first was the lease of the Port of Darwin signed in 2015 by the Northern Territory Government and Landbridge, which is a privately owned Chinese company.⁵⁶ The Productivity Commission indicated that the national security concerns raised by that transaction revolved around US views that the port was located close to 'defence facilities' used by Australia and the US, and broader 'concerns about the strategic purpose of China's investment ... as part of its Maritime Silk Road'.⁵⁷ As media commentators have noted, the transaction met all the formal requirements that were in place in law and policy in 2015.⁵⁸ There's also evidence that the Department of Defence was aware of the proposal before it was completed and, at that time, believed that the lease raised no security concerns for Australia.⁵⁹ Nevertheless, the transaction has continued to cause disquiet. Certain commentators have expressed the view that such a transaction wouldn't be undertaken in the current environment.⁶⁰ In 2021, a parliamentary committee recommended that the lease arrangements be reported on, particularly in the light of new legislation passed by the Australian Parliament (discussed below).⁶¹

The second prominent interaction between a state government and China raised even more concerns about the potential impact of such activities on the foreign policy of the Commonwealth. In 2018, the Victorian Government formally joined China's signature Belt and Road Initiative (BRI) by signing a memorandum of understanding.⁶² Later, in 2019, a further arrangement between Victoria and China was signed, 'deepening Victoria's engagement with the PRC'.⁶³ The benefits for Victoria were reportedly largely economic, in particular giving Victoria access to Chinese finance⁶⁴ and also providing more access for Victorian companies and institutions such as universities to markets in China.⁶⁵ However, those Victorian actions caused some significant difficulties for the federal government. First, the federal government had indicated that it didn't wish to join the BRI. Therefore, the Victorian agreements were completely at odds with the stated policy position of the national government. Second, it was reported that Victoria entered into those arrangements '[w]ithout consulting' the Australian

Government.⁶⁶ It's important to note that at the time there was no legislative requirement that the Victorian Government inform the federal government of its negotiations, nor any way for the federal government to legally compel Victoria to ensure that its forays into foreign affairs were consistent with Australian foreign policy.

It was against that background, and a relationship between Australia and China that many observers warned was deteriorating,⁶⁷ that the Australian Parliament decided to pass legislation to address the shortcomings revealed by these state forays into foreign affairs.

Australia's Foreign Relations (State and Territory Arrangements) Act 2020 (Cth)

The most recent legislative response to Commonwealth concerns about the risks posed by subnational entities engaging in foreign affairs is contained within the *Australia's Foreign Relations (State and Territory Arrangements) Act 2020 (Cth)* (hereafter the State and Territory Arrangements Act). The Morrison government's intention to legislate was announced in late August 2020,⁶⁸ and the Bill was introduced into parliament on 3 September. All stages of the parliamentary process, including a public inquiry into the Bill conducted by the Senate Foreign Affairs Defence and Trade Legislation Committee (SFADTLC), were completed by December 2020.⁶⁹ The Act came into force on 10 December 2020.

When the Bill that would become the State and Territory Arrangements Act was introduced into the House of Representatives, the Attorney-General presented the legislative proposal as one that was merely 'creating a process' that would alleviate two problems in the way in which Australia's foreign relations would be maintained.⁷⁰ The first problem was the federal government's lack of 'visibility of all the arrangements which state, territory and local governments' (and other entities) 'make with foreign governments'.⁷¹ The second (related) problem was that, in the absence of legislation such as that proposed in the Bill, there was no way for the federal government to step in and safeguard Australia's 'broader foreign policy objectives' in the event that arrangements made by those subnational entities conflicted with the foreign policy of the national government.⁷² Those two problems were vividly illustrated by the situation involving the Victorian Government and the BRI. Indeed, that particular example was referred to by multiple government members as a reason why this legislation was required.⁷³

The Act is intended:

to ensure that the Commonwealth is able to protect and manage Australia's foreign relations by ensuring that any arrangement between a State/Territory entity and a foreign entity:

- (a) does not, or is unlikely to, adversely affect Australia's foreign relations; and
- (b) is not, or is unlikely to be, inconsistent with Australia's foreign policy.⁷⁴

The broad reach of the Act, and the issues about constitutional law and practice it may raise, are partly determined by the way in which key terms contained in this section are defined. First, consider the terms 'foreign relations' and 'Australia's foreign policy'. The former isn't

defined in the Act. However, section 5(2) does provide a broad, non-exhaustive definition of the term 'Australia's foreign policy'. In the context of this Act:

Australia's foreign policy includes policy that the Minister [for Foreign Affairs] is satisfied is the Commonwealth's policy on matters that relate to:

(a) Australia's foreign relations; or

(b) things outside Australia;

whether or not the policy:

(c) is written or publicly available; or

(d) has been formulated, decided upon, or approved by any particular member or body of the Commonwealth.

In the course of its pre-enactment scrutiny, the SFADTLC noted that the governments of Tasmania and the Northern Territory had registered concerns about the breadth of the definition.⁷⁵ The Northern Territory Government raised the prospect that it might be difficult for state or territory entities to 'ensure compliance with policies that are not publicly available, or which may not have been formulated'.⁷⁶ The Department of Foreign Affairs and Trade (DFAT) defended the wide scope of the definition. It indicated that the fact that the outcome of the ministerial decisions would be made publicly available would provide guidance to states and territories about the 'kinds of arrangements [that] may be deemed to be adverse to or inconsistent with Australia's foreign policy'. DFAT also signalled that it would continue to liaise with 'State and Territory entities about Australia's foreign policy and foreign relations to assist to maintain their awareness in that regard'.⁷⁷ It's entirely possible that such information is being exchanged between state and territory governments and the federal government. However, at the time of writing, the information included on the Australian Government website devoted to the scheme doesn't provide much in the way of additional specific guidance as to what Australia's foreign policy might be.⁷⁸

The second key term is '[a] State/Territory entity'. This includes the 'State or Territory', 'the government of a State or Territory' and also 'a Department or agency' that's part of 'a State or Territory' or its government.⁷⁹ These particular 'State/Territory entities' are further defined to be 'core State/Territory entit[ies]'.⁸⁰ However, universities established by state and territory laws are also considered to be 'State/Territory entities', as are Australian local government entities. The Act indicates that arrangements made by the latter entities (that did not otherwise meet the definition of 'core State/Territory entities') would be considered 'non-core'.⁸¹ The distinction between 'core' and 'non-core' is also drawn in the way the Act defines a 'foreign entity'. Any 'foreign country', its 'national government' and any '[d]epartment or agency' of such a government is a 'core foreign entity'.⁸² Arrangements made by other 'foreign entities' such as regional or provincial governments of a 'foreign country' and certain foreign universities would be classed as 'non-core foreign arrangement[s]' as long as those arrangements did not involve a 'core foreign entity'.⁸³

The final critical term underpinning the Act is the concept of an ‘arrangement’. The obligations under the Act are restricted to a ‘*written* arrangement, agreement, contract, understanding or undertaking’. However, such ‘arrangements’ will be covered by the definition irrespective of whether they are made in Australia, or would be considered ‘legally binding’ in Australia.⁸⁴ The explanatory memorandum stated that it was intended that ‘this definition be interpreted broadly.’⁸⁵ Moreover, the Act goes further and establishes two different categories of arrangements that an Australian state or territory entity may enter into with a ‘foreign entity’: ‘core foreign arrangements’ and ‘non-core foreign arrangements’. The former are arrangements between a ‘core State/Territory’ entity and a ‘core foreign entity’, while the latter are arrangements between core and non-core entities or between non-core entities.⁸⁶

Those definitions and distinctions are critical to understanding the various mechanisms that the State and Territory Arrangements Act implement that seek to provide the federal government with greater visibility and control of the way in which state and territory government entities engage in arrangements with foreign entities. For example, the legislation requires the Foreign Minister to establish a register that must contain certain key information about arrangements that fall within the scope of the Act.⁸⁷ In the explanatory memorandum to the Bill, this mechanism was defended as ‘a transparency measure’.⁸⁸ The explanatory memorandum (and the associated statement of compatibility with human rights) identify the key benefits of the register as ensuring that the Australian public can see how the Act is being applied.⁸⁹

However, as was noted by many government members of parliament in the course of the parliamentary debate on the Bill, there’s a further benefit in that the register will also allow for more public visibility of the extent to which subnational governments in Australia are engaging in agreements with overseas entities.⁹⁰

A more controversial mechanism is the requirement that state/territory entities must *notify* the Foreign Minister when they enter into (or if they propose to enter into) a non-core foreign arrangement (or enter into negotiations or propose to enter into negotiations for such an arrangement).⁹¹ This is highlighted once the minister becomes aware that a state/territory entity is proposing to enter such a negotiation, allowing the minister to declare that the state/territory entity must not enter into the negotiations.⁹² If such a declaration is issued, the state/territory entity ‘must comply with the declaration’.⁹³ If it doesn’t and the parties make the arrangement, then the minister can declare that any agreement reached is inoperative as a matter of Australian law.⁹⁴ This power to declare an arrangement inoperative also extends to ‘non-core foreign arrangements’ that are already in operation.⁹⁵

Even stricter requirements exist for the final mechanism by which the State and Territory Arrangements Act seeks to regulate the foreign relations activities of state and territory governments: a requirement that state and territory entities *must* seek the *approval* of the Foreign Minister before they enter into negotiations, or begin negotiations to enter into, a ‘core foreign arrangement’.⁹⁶ If that ministerial approval isn’t obtained, then the arrangement is deemed to have no legal effect and the state/territory is required to end the arrangement.⁹⁷ It was this aspect of the Act that journalists referred to as giving the Foreign Minister the power to ‘veto’ agreements made by state/territory governments and foreign entities.⁹⁸

For example, the Act mandates that state/territory entities must notify the minister of their intention to enter into a ‘core foreign arrangement’.⁹⁹ Once that notification is given to the minister, the minister is required to make a decision to approve (or not approve) the proposal. Section 24(2) states that:

If the Minister is satisfied that the proposed arrangement:

- (a) would not adversely affect, or would be unlikely to adversely affect, Australia’s foreign relations; and
- (b) would not be, or would be unlikely to be, inconsistent with Australia’s foreign policy;

then the Minister must give approval for the core State/Territory entity to enter the arrangement as proposed.

Section 24(3) makes it clear that, if the minister isn’t satisfied that a ‘core foreign arrangement’ would have those effects, then the minister *must* not approve it.

Constitutional issues raised by the State and Territory Arrangements Act

An analysis of the parliamentary records surrounding the passage of the State and Territory Arrangements Act illuminates some areas of uncertainty about the way in which Australia’s federal constitutional arrangements affect the way in which subnational entities engage in foreign relations.

The first is a level of confusion about how the Constitution assigns ‘responsibility’ for conducting foreign affairs.

The second is a lack of clarity about whether (or to what extent) the implied immunity from federal laws that the High Court has recognised shields state governments might operate to invalidate the State and Territory Arrangements Act. If the Act is found to be constitutionally invalid, that will leave some freedom for state and territory governments to engage with China in ways that might not necessarily cohere with the overall foreign policy objectives of the Australian Government. The State and Territory Arrangements Act itself goes some way to clarifying the first issue. However, a definitive resolution to the second issue will need to wait until the High Court has the opportunity to hear a specific case about the constitutional validity of the Act.

We now discuss those issues in turn.

Issue 1: Confusion about how the Australian Constitution actually assigns responsibility for the conduct of ‘foreign affairs’

One argument made by some government representatives throughout the parliamentary passage of the Bill is that the increased control that the legislative proposal would give the Commonwealth over state and territory interventions in foreign affairs was required because the Commonwealth has ‘exclusive responsibility for setting Australia’s foreign policy, negotiating treaties and representing ... [the] nation internationally’.¹⁰⁰ A variation of this argument was that

the Australian public expects the Commonwealth to exercise such control over the states.¹⁰¹ Whatever the public may or may not believe to be the case on that question, the parliamentary debates laid bare that there was some confusion about whether the assumed Commonwealth supremacy in this area in fact had a basis in the text of the Constitution. In the early stages of the parliamentary debates, some legislators appeared to (incorrectly) attribute the source of that responsibility to the fact that section 51 (xxix) of the Constitution gives the Commonwealth the power to make laws ‘with respect to ... external affairs’.¹⁰² As indicated above, while the legislative power bestowed by that section allows the Commonwealth to make laws on the topic, its existence does not prevent the Australian states from taking actions that also affect foreign affairs.

It’s true that other members of the government, including the Foreign Minister, recognised that the terms of the Constitution don’t give the Commonwealth exclusive power over foreign affairs.¹⁰³ One key sign that this was understood was the acknowledgement that many of the forays of state and territory governments into foreign affairs actually enhanced Australia’s national interests.¹⁰⁴ More interestingly, some government members used that constitutional confusion to justify the State and Territory Arrangements Act. In particular, the Attorney-General concluded his opening contribution to the parliamentary debate by quoting the words of Alfred Deakin at length. The Attorney-General noted that in 1901 Deakin had said:

[I]t would be judicious and advantageous to provide by Act that the Commonwealth Executive shall administer all existing State laws in regards to ... treaties and conventions and all other external affairs. These should be entirely under the control of the Commonwealth. The whole scope and spirit of the Constitution require that save for the purpose of their domestic policies within their own domains the States shall be blended and absorbed into one political entity.¹⁰⁵

By referencing Deakin, Australia’s first Attorney-General and second Prime Minister, former Attorney-General Porter positioned the State and Territory Arrangements Act as providing some (much needed) clarity to an area where the Constitutional text failed to give the guidance various Australian jurisdictions (and especially the Commonwealth) required to successfully manage foreign policy complexities in the 21st century. One of those complexities is managing the Australia–China bilateral relationship throughout the next few decades.

Therefore, the enactment of the State and Territory Arrangements Act can be seen as *resolving* some of the problems associated with the lack of clarity provided by the terms of the Constitution. As we have discussed, the Act makes it very clear that the federal government needs to be informed when a state or territory entity makes a written arrangement with a foreign entity. It also gives the federal government substantial power to prevent such an arrangement from having any legal effect if the government believes that it would be inconsistent with Australia’s foreign relations. On the other hand, the fact that a piece of legislation purports to clarify the respective responsibilities of constituent elements of Australia’s federation won’t prevent that legislation from being vulnerable to constitutional invalidity on other grounds.

Issue 2: Does the Act offend the constitutional principle of ‘implied intergovernmental immunity’?

The second major constitutional issue to be discussed during the parliamentary process was the prospect that the State and Territory Arrangements Act might be unconstitutional because the law infringes the ‘implied intergovernmental immunities’ principle. The High Court derived that principle from the fact that the Constitution establishes Australia as a federal system, which presupposes that the states and the Commonwealth have a right to exist as constituent political units within that structure.¹⁰⁶ As explained by the SFADTLC, this means ‘that a ... [federal] law will be invalid if it impairs the capacity of a state to function in accordance with the constitutional conception of the Commonwealth and the states in Australia’s federal structure’.¹⁰⁷

The SFADTLC relied heavily on evidence presented by Professor George Williams, who used the MoU signed between Victoria and China relating to the BRI to illustrate his concerns. Williams argued that when Victoria signed the MoU it was using its executive power to engage in ‘foreign affairs’. If the activities of the Victorian Government were understood in that way, and if the MoU was cancelled because the Foreign Minister exercised powers under the State and Territory Arrangements Act, then the Act could be viewed as impairing the ability of the Victorian Government to fully function as a government.¹⁰⁸ If the High Court agreed with such an assessment, then the Act might be declared invalid.

Interestingly, there were some indications that this potential impact of that constitutional limitation on Commonwealth legislative power was taken into consideration as the State and Territory Arrangements Act was drafted. One can be found in section 51 of the Act, which relates to declarations that the Foreign Minister can make under the Act. Before making such a declaration, there are a number of other factors that the minister *must* consider. Two such factors are ‘whether a declaration would impair the continued existence of the State or Territory as an independent entity’ and ‘whether the declaration would significantly curtail or interfere with the capacity of the State or Territory to function as a government’.¹⁰⁹ This legislative language reflects the tests developed by the High Court to assess whether a piece of federal legislation offends the ‘implied intergovernmental immunity’ principle. Indeed, it was on the basis of this language that Williams argued to the SFADTLC that the government must have been ‘aware’ that this constitutional implication could potentially invalidate the Act.¹¹⁰

However, it’s difficult to know how precisely the Commonwealth may have calculated the risk that the State and Territory Arrangements Act might be vulnerable to constitutional challenge on this basis. DFAT advised the SFADTLC that the legal advice it had obtained ensured that it was ‘confident in the constitutional basis for the legislation’.¹¹¹ However, both DFAT and the Attorney-General refused to provide any further details of what was in that legal advice.¹¹² Therefore, a definitive assessment of the impact of this particular constitutional issue on the State and Territory Arrangements Act will depend on whether the High Court has an opportunity to consider the issue. Moreover, because the High Court determines these sorts of questions of constitutionality on the basis of the substance of government activity under the relevant legislation,¹¹³ what will most likely be required is some evidence of the way in

which the Foreign Minister *actually* balances those considerations against evidence about the likely adverse impact of a particular arrangement on Australia's foreign relations. Therefore, before the question of the Act's constitutionality can be definitively determined, a particular declaration will need to be made.

Concluding remarks

As the discussions in this volume conclusively demonstrate, much has changed in recent years in the way China engages with the world, and the way Australia engages with China. Initially, the trend towards an increasingly globalised world early in the 21st century possibly provided additional incentives for Australia's subnational governments to engage directly with international entities, and there was no legal requirement that those engagements involve the Australian Government in Canberra. The emergence of a more assertive China, and the response of other nation-states, has reminded subnational entities of the powers and policies of their own national governments.

As the web of agreements between the Australian states and territories and foreign entities increased, the silences in Australia's 1901 Constitution about how subnational governments engage in 'foreign affairs' became more problematic. On 21 April 2021, the Australian Foreign Minister announced that four arrangements made by state/territory entities would be 'cancelled'. Among the cancelled arrangements were the 2018 Victoria–China BRI MoU, and the subsequent 2019 Victoria–China BRI arrangement.¹¹⁴ Media reports indicated that the Victorian Government was unwilling to publicly 'criticise' that set of decisions under the State and Territory Arrangements Act. Similarly, by early May 2021, a Victorian Government website devoted to the 'Belt and Road Initiative Framework Agreement' merely indicated that 'this arrangement was no longer in operation.'¹¹⁵ This suggests that the Victorian Government has accepted that the State and Territory Arrangements Act has curtailed its ability to engage in this particular set of interactions with China. It also suggests that it's unlikely that the Victorian Government will use this particular intervention as the basis to mount a constitutional challenge against the Act. Therefore, wider questions remain unanswered regarding the existence of limitations within a constitutional structure that protects the continued existence of the Australian states as important constituent elements of Australia's federation. They will remain so until a case involving a constitutional challenge reaches the High Court.

Despite being subnational units in the Australian federation, the state governments, and to a lesser extent the territory governments, have periodically engaged in 'foreign affairs' since 1901. Those activities in the early decades of the 21st century have had complicated impacts on Australian foreign policy more generally, and Australia's relationship with China in particular. The State and Territory Arrangements Act was an attempt by the Commonwealth to assert more control over the way in which states and territories engage in foreign affairs. From a constitutional perspective, the Act made it clear that those activities were to be more visible to the federal government. It also gave the government mechanisms to more strictly control those activities and to ensure better consistency in Australia's foreign policy. On one view, the Act in fact clarified an area in which limited guidance was afforded by the text of the

Australian Constitution. In that sense, the Act is a welcome addition to contemporary practice in this area. On the other hand, questions about the constitutionality of the Act linger and won't be able to be definitively resolved until the High Court is given a specific opportunity to consider them. Similarly, only time will reveal what precise impact the Act will have on Australia's foreign policy initiatives and its relationship with China.

Notes

- 1 On the territories that make up Australia, see *Australian Constitution*, [online](#); James Crawford, *The creation of states in international law*, 2nd edition, Clarendon Press, Oxford, 2006, 28–31.
- 2 On recognition and statehood, see Crawford, *The creation of states in international law*, 3–26.
- 3 See discussion in DP O'Connell, 'The evolution of Australia's international personality', in DP O'Connell, *International law in Australia*, 1st edition, Lawbook, Sydney, 1966, 1–33; Melissa Conley Tyler, Emily Crawford Shirley V Scott, 'Australia's international personality: historical, legal and policy perspectives', in Donald R Rothwell, Emily Crawford (eds), *International law in Australia*, 3rd edition, Lawbook, Sydney, 2017, 1–22.
- 4 O'Connell, 'The evolution of Australia's international personality', 2–6.
- 5 See the discussion below.
- 6 Which, in the case of South Australia, also extended to arrangements to facilitate pandas from China being housed at the Adelaide Zoo; Phillip Coorey, 'Panda loan with interest', *Sydney Morning Herald*, 6 September 2007.
- 7 See 'Melbourne sites glow red, gold for China', *Canberra Times*, 20 February 2020.
- 8 'Chinese president Xi Jinping meets Tasmanian devils during historic Hobart visit', *ABC News*, 19 November 2014, [online](#).
- 9 The Department of Foreign Affairs and Trade (DFAT) maintains a list of foreign consular posts hosted by Australian capital cities; DFAT, 'Foreign embassies and consulates in Australia', Australian Government, 2021, [online](#).
- 10 John Fahey (NSW Premier 1992–1995).
- 11 Annastacia Palaszczuk (Queensland Premier 2015–present).
- 12 See, generally, TB Millar, *Australia in peace and war: external relations 1788–1977*, Australian National University Press, Canberra, 1978, 69–89.
- 13 G Sawyer, 'Australian constitutional law in relation to international relations and international law', in DP O'Connell (ed.), *International law in Australia*, Lawbook, Sydney, 1966, 35–51.
- 14 *Statute of Westminster 1931*, section 1, [online](#).
- 15 *Statute of Westminster 1931*, section 3.
- 16 *Statute of Westminster Adoption Act 1942* (Cth), section 3, [online](#).
- 17 See O'Connell, 'The evolution of Australia's international personality', 1–33; Sawyer, 'Australian constitutional law in relation to international relations and international law'.
- 18 On Australia's engagement with the UN at that time, see Alex C Castles, *Australia and the United Nations* Longman, Hawthorn, Victoria, 1973, 1–8.
- 19 O'Connell, 'The evolution of Australia's international personality', 1–3.
- 20 *Australian Constitution*, sections 61, 62.
- 21 The Australian Treaty Series (ATS) is the official Australian Government list of all treaties to which Australia is a party. The series commenced in 1901 and is regularly updated with entries on new treaties to which Australia has become a party; see details of the series: 'Australian Treaties Library', *AustLII*, [online](#). For comment on the significance of the Australian Treaty Series for treaties adopted before 1923, see O'Connell, 'The evolution of Australia's international personality', 1, 7.
- 22 See Millar, *Australia in peace and war: external relations 1788–1977*, 90–439; Gareth Evans, Bruce Grant, *Australia's foreign relations: in the world of the 1990s*, 2nd edition, Melbourne University Press, Carlton, Victoria, 1995.
- 23 *Australian Constitution*, section 75(i).

- 24 Convention for the Protection of the World Cultural and Natural Heritage, adopted 16 November 1972, [1975] ATS 47 (entered into force for Australia on 17 December 1975).
- 25 *Commonwealth v Tasmania* (1983) 158 CLR 1 ('*Tasmanian Dam*'), [online](#).
- 26 On the significance and legacy of the *Tasmanian Dam* case, see Michael Coper, Heather Roberts, James Stellios (eds), *The Tasmanian Dam case 30 years on: an enduring legacy*, Federation Press, Annandale, NSW, 2017).
- 27 See, for example, *Constitution Act 1902* (NSW); *Constitution Act 1974* (Vic).
- 28 *Australian Constitution*, section 52 (iii), also refers to other matters so provided for in the Constitution, such as the section 80 customs and excise power.
- 29 *Australian Constitution*, section 109.
- 30 See, generally, Christopher D Gilbert, 'Extraterritorial state laws and the Australia Acts', *Federal Law Review*, March 1987, 17(1):25–44.
- 31 See, generally, Rachel Baird, Donald R Rothwell (eds), *Australian marine and coastal law*, Federation Press, Annandale, NSW, 2011.
- 32 See *Charter of Human Rights and Responsibilities Act 2006* (Vic.); *Human Rights Act 2004* (ACT); *Human Rights Act 2019* (Qld).
- 33 O'Connell, 'The evolution of Australia's international personality', 1, 14.
- 34 See, for example, *Agent-General Act 1901* (SA).
- 35 In 2020, NSW announced the appointment of multiple trade representatives, including to London, Seoul, San Francisco, Frankfurt, Santiago and Paris; Alexandra Smith, 'NSW to make its biggest investment to boost trade as part of COVID recovery', *Sydney Morning Herald*, 12 November 2020.
- 36 See *Global Victoria*, Victorian Government, 19 August 2021, [online](#).
- 37 Kevin O'Toole, 'From mates to markets: Australian sister city type relationships', *Policy, Organisation and Society*, May 2017, 19(1):43–64; Bruno Mascitelli, Mona Chung, 'Using sister city relationships to access the Chinese market: new avenues for SMEs in regional Australia', *Journal of International Trade Law and Policy*, December 2008, 7(2):203–215.
- 38 'Sister cities', City of Adelaide, [online](#).
- 39 Montevideo Convention on the Rights and Duties of States, adopted December 26, 1933, 165 LNTS 19.
- 40 See discussion by Crawford, *The creation of states in international law*, 45–62.
- 41 'Government procurement under international agreements—goods and services procurement guide', Victorian Government, 4 March 2020, [online](#).
- 42 On the criteria for creating legally binding instruments that have treaty status, see Anthony Aust, *Modern treaty law and practice*, 3rd edition, Cambridge University Press, Cambridge, 2000, 14–46.
- 43 Ron Huiskens, 'Australia–China relations and the travails of transition', *The Strategist*, 8 July 2021, [online](#); Peter Jennings, 'Australia needs to toughen up on China relations', *The Strategist*, 28 March 2017, [online](#).
- 44 'Director-General's annual threat assessment', Australian Security Intelligence Organisation (ASIO), 17 March 2021, [online](#).
- 45 ASIO, *2017–2018 ASIO annual report*, Australian Government, 25 September 2018, 3, [online](#).
- 46 House of Representatives, *Parliamentary debates*, Australian Parliament, 7 December 2017, 13147–8 (Malcolm Turnbull).
- 47 See 'Revised explanatory memorandum', National Security Legislation Amendment (Espionage and Foreign Interference) Bill 2017 (Cth), paragraphs 4, 8 and 9. On the way in which the Act updates the espionage offences, see Sarah Kendall, 'Australia's new espionage laws: another case of hyper-legislation and over-criminalisation', *University of Queensland Law Journal*, 2019, 38(1):125–161.
- 48 See 'Revised explanatory memorandum', Foreign Influence Transparency Scheme Bill 2017 (Cth), paragraph 3.
- 49 See the simplified outline in *Foreign Influence Transparency Scheme Act 2018* (Cth), section 4, and also section 20 in relation to 'parliamentary lobbying'.
- 50 See, for example, *Parliamentary debates*, 7 December 2017, 13146 (Malcolm Turnbull).
- 51 Patrick Köllner, 'Australia and New Zealand recalibrate their China policies: convergence and divergence', *The Pacific Review*, November 2019, 34(3):414–415; Rory Medcalf, 'Australia and China: understanding the reality check', *Australian Journal of International Affairs*, October 2018, 73(2):109–10, 117.

- 52 Department of Education, Skills and Employment, *Guidelines to counter foreign interference in the Australian university sector*, Australian Government, November 2019, [online](#).
- 53 'Explanatory memorandum', Foreign Investment Reform (Protecting Australia's National Security) Bill 2020; Foreign Acquisitions and Takeover Fees Imposition Amendment Bill 2020 (Cth), 3, 8–9.
- 54 See, for example, House of Representatives, *Parliamentary debates*, Australian Parliament, 3 September 2020, 6489 (Christian Porter); House of Representatives, *Parliamentary debates*, Australian Parliament, 10 November 2020, 9327 (Dr Katie Allen); House of Representatives, *Parliamentary debates*, Australian Parliament, 1 December 2020, 6384 (Marise Payne). On the benefits of foreign investment in Australia generally, see Joint Standing Committee on Trade and Investment Growth (JSCTIG), *Pivot: Diversifying Australia's trade and investment profile*, Australian Parliament, February 2021, paragraph 4.38.
- 55 Rory Medcalf, 'Securing Australia in the 2020s', speech, National Press Club, 9 December 2020, [online](#).
- 56 Productivity Commission (PC), *Foreign investment in Australia*, research Paper, June 2020, 16.
- 57 PC, *Foreign investment in Australia*, 16.
- 58 Greg Sheridan, 'Let's not pick a fight over Darwin Port unless we have to', *The Australian*, 6 May 2021; Paul Kelly, 'Darwin Port a test for China policy', *The Australian*, 7 May 2021.
- 59 Kelly, 'Darwin Port a test for China policy'; Dennis Richardson, evidence to Senate Economic References Committee, Australian Parliament, 15 December 2015, 11–24.
- 60 Sheridan, 'Let's not pick a fight over Darwin Port unless we have to'; Kelly, 'Darwin Port a test for China policy'. See also the quote from Michael Shoebridge in Anthony Galloway, 'Strategic own goal: Defence reviews Port of Darwin's Chinese ownership', *Sydney Morning Herald*, 2 May 2021.
- 61 JSCTIG, *Pivot: Diversifying Australia's trade and investment profile*, paragraph 4.105 (recommendation 19).
- 62 See analysis in Michael Shoebridge, 'Victoria signs up to the BRI: what didn't they know and when didn't they know it?', *The Strategist*, 6 November 2018, [online](#).
- 63 A Tidwell, 'Strategic competition and the evolving role of Indo-Pacific paradiplomacy', *Australian Journal of International Affairs*, October 2020, 75(1):103.
- 64 John Varano, 'The state of Victoria and China's Belt and Road Initiative: where does it leave Victorians?', *Australian Outlook*, Australian Institute of International Affairs, 13 May 2020, [online](#).
- 65 Richard Willingham, Bill Birtles, 'Victoria deepens engagement with Beijing's controversial Belt and Road', *ABC News*, 24 October 2019, [online](#).
- 66 Varano, 'The state of Victoria and China's Belt and Road Initiative: where does it leave Victorians?'.
- 67 Sheridan, 'Let's not pick a fight over Darwin Port unless we have to'; Kelly 'Darwin Port a test for China policy'.
- 68 Scott Morrison, Marise Payne, 'Ensuring a consistent Australian foreign policy', joint media statement, 27 August 2020, [online](#).
- 69 Senate Foreign Affairs Defence and Trade Legislation Committee (SFATDLC), 'Australia's Foreign Relations (State and Territory Arrangements) Bill 2020 [Provisions] and Australia's Foreign Relations (State and Territory Arrangements) (Consequential Amendments) Bill 2020 [Provisions]', *Report, of November 2020 (SFADTL-C report)* [online](#).
- 70 *Parliamentary debates*, 3 September 2020, 6489 (Christian Porter).
- 71 *Parliamentary debates*, 3 September 2020, 6489 (Christian Porter).
- 72 *Parliamentary debates*, 3 September 2020, 6489 (Christian Porter).
- 73 See, for example, *Parliamentary debates*, 10 November 2020, 9327–8 (Dr Katie Allen); House of Representatives, *Parliamentary debates*, 11 November 2020, 9450–1 (Andrew Wallace); Senate, *Parliamentary debates*, 30 November 2020, 6353 (Amanda Stoker).
- 74 *Australia's Foreign Relations (State and Territory Arrangements) Act 2020* (Cth), section 5(1).
- 75 *SFADTL-C report*, paragraphs 2.38, 2.39.
- 76 Northern Territory Government, submission no. 72 to SFADTL-C, Australian Parliament, [online](#). See also *SFADTL-C report*, paragraphs 2.38 and 2.39.
- 77 DFAT, opening statement to committee, quoted in *SFADTL-C report*, paragraph 2.40.
- 78 See DFAT, 'Foreign Arrangements Scheme FAQs', Australian Government, no date, [online](#).
- 79 See State and Territory Arrangements Act, section 7. Other aspects of the definition of 'State/Territory entity' have elicited concern; the exclusion of 'corporation[s] that act on a commercial basis' and 'hospitals' from the definition in section 7. For some discussion of some of the issues here, see 'Evidence to SFADTL-C', Australian Parliament, 13 October 2020. However, further discussion of the issues raised by this exclusion is beyond the scope of this chapter.

- 80 See State and Territory Arrangements Act, section 10(3).
- 81 See the combined operation of the State and Territory Arrangements Act, sections 4, 7, 10(3).
- 82 State and Territory Arrangements Act, sections 4, 8, 10(4). The Act, in operation, has been broad enough to also include arrangements with Taiwan.
- 83 State and Territory Arrangements Act, sections 4, 8, 10(4).
- 84 State and Territory Arrangements Act, section 9(1).
- 85 'Explanatory memorandum', State and Territory Arrangements Act, paragraph 276.
- 86 State and Territory Arrangements Act, sections 4, 10(2). See also DFAT, 'Australia's Foreign Relations (State and Territory Arrangements) Act 2020, fact sheet 1—Overview', Australian Government, February 2021, [online](#); DFAT, 'Australia's Foreign Relations (State and Territory Arrangements) Act 2020, Fact sheet 2—States and territories', Australian Government, January 2021, [online](#).
- 87 State and Territory Arrangements Act, section 53.
- 88 'Revised explanatory memorandum', State and Territory Arrangements Act, paragraph 1135.
- 89 'Revised explanatory memorandum', State and Territory Arrangements Act, paragraphs 59–60.
- 90 See, for example, *Parliamentary debates*, 11 November 2020, 9483 (Andrew Wallace); *Parliamentary debates*, 1 December 2020, 6385 (Marise Payne).
- 91 See State and Territory Arrangements Act, parts 3, 4.
- 92 See State and Territory Arrangements Act, sections 35(2), 36(2).
- 93 State and Territory Arrangements Act, sections 35(3), 36(3).
- 94 See State and Territory Arrangements Act, sections 40–43.
- 95 See State and Territory Arrangements Act, section 40.
- 96 See State and Territory Arrangements Act, part 2. See especially sections 15, 22.
- 97 See State and Territory Arrangements Act, part 2. See especially sections 30–32.
- 98 Daniel Hurst, 'Federal government tears up Victoria's Belt and Road agreements with China', *The Guardian*, 22 April 2021, [online](#).
- 99 See State and Territory Arrangements Act, section 23.
- 100 *Parliamentary debates*, 3 September 2020, 6489 (Christian Porter). See also similar comments made in Morrison & Payne, 'Ensuring a consistent Australian foreign policy'.
- 101 Senate, *Parliamentary debates*, 1 December 2020, 6368 (James Paterson).
- 102 *Parliamentary debates*, 11 November 2020, 9452 (Andrew Wallace); *Parliamentary debates*, 30 November 2020, 6353 (Amanda Stoker).
- 103 *Parliamentary debates*, 1 December 2020, 6476 (Marise Payne).
- 104 See, for example, House of Representatives, *Parliamentary debates*, 10 November 2020, 9345 (Dave Sharma).
- 105 *Parliamentary debates*, 3 September 2020, 6491 (Christian Porter) (emphasis added).
- 106 *Melbourne Corporation v Commonwealth* (1947) 74 CLR 31, 82–3 (Dixon J). See also the discussion of this principle in *Clarke v Federal Commissioner of Taxation* (2009) 240 CLR 272, 298 (French CJ).
- 107 *SFADTL-C report*, paragraph 2.23.
- 108 *SFADTL-C report*, paragraph 2.24.
- 109 State and Territory Arrangements Act, sections 51(2)(c) and (d).
- 110 See George Williams' arguments in *SFADTL-C report*, paragraph 2.25.
- 111 *SFADTL-C report*, paragraph 2.27 (quoting evidence from DFAT).
- 112 *SFADTL-C report*, paragraphs 2.27–2.28. For further discussion of the problems associated with this approach to parliament's deliberating constitutional issues, see Gabrielle Appleby, Anna Olijnyk, 'Constitutional deliberation in the legislative process', in Ron Levy, Graeme Orr (eds), *The Cambridge handbook of deliberative constitutionalism*, Cambridge University Press, Cambridge, 2018, 92–94.
- 113 See *Austin v Commonwealth* (2003) 215 CLR 185, 249 (Gaudron, Gummow and Hayne JJ).
- 114 John Varano, 'Tearing up the Belt and Road Initiative: Australia's rejection of China's New Silk Road in Victoria', *Australian Outlook*, Australian Institute of International Affairs, 6 May 2021, [online](#).
- 115 'Belt and Road Initiative—Framework agreement', Victorian Government, no date, accessed online at the *Vic.gov* website in May 2021 but no longer accessible on that site.

10. Universities: Open for business?

Peter Jennings

MITCHELL: China is attacking our universities as providing low quality education, is this the next weapon they're going to use against us, like trade?

PRIME MINISTER: I'm not going to, I'm not going to bite on every piece of bait ...

MITCHELL: Who's baiting the hook?

PRIME MINISTER: Look Neil these sort of things have been said before, Australia has outstanding education. We all know that. And that's why we have so many students want to come here and use our educational institutions. So the quality of those institutions is not in question.

—Scott Morrison, interview with Neil Mitchell, Radio 3AW, February 2021¹

In a tempestuous decade for Australia–China relations, no sector has come under more pressure than Australia's universities. Over the decade from 2010, the tertiary sector deepened engagement with the PRC across multiple fronts. International fee-paying students, including a large proportion from the PRC, had become a core element in university funding and a major contributor to the Australian economy. Education became Australia's largest services export. Even more significant than student numbers, Australian universities signed hundreds of research agreements with PRC counterparts covering multiple disciplines. Research links, exchanges, recruitments of staff from the PRC and new sources of PRC research funding proliferated. The vice-chancellors had seen the future and, in many cases, the way of the future was thought to be in building the closest association with the PRC.

The Chancellor of the University of Queensland, Peter Varghese, expressed the dilemma clearly in 2018:

China has consequently become an important partner of Australian universities: the largest source of international students and now also a key research partner. Much like the broader Australia–China relationship, this is good for Australian universities, good for China to whom well over eighty per cent of Chinese students return on completion of their Australian studies and good for our broader national strategy of regional engagement.

But also like the broader bilateral relationship there are risks, most significantly the risk of over-reliance. We are heading into a more uncertain future, geopolitically and economically, and uncertain times put a premium on spreading risk.²

Varghese's experience as a career diplomat, former adviser to Prime Minister John Howard and Secretary of the Department of Foreign Affairs and Trade gave him insight into the strategic risks to Australia presented by a more assertive PRC. In 2018, it was by no means

obvious that his vice-chancellor colleagues shared those views. Were Australia's universities too dependent on funding garnered from PRC students? Had research connections grown too comprehensive? Were universities jeopardising their academic independence and at risk from hostile intelligence gathering? These questions have increasingly preoccupied the federal government and university sector.

One challenge for the university sector was how astonishingly quickly Australia's bilateral relations with China soured. Tony Abbott heralded his election win in September 2013 by claiming that Australia was 'open for business'.³ The PRC was made a high priority for engagement by concluding the Australia–China Free Trade Agreement (ChAFTA), previously mired in negotiations for a decade. In November 2014, Abbott welcomed the President of the PRC, Xi Jinping, to Parliament House in Canberra with the words:

This is very significant. We trade with people when we need them but we invest with people when we trust them. A relationship might begin with commerce but it rarely ends there once trust has been established, as I believe it has between Australia and China.⁴

ChAFTA was signed in June 2015, but by then the risks of doing business with the PRC were becoming more apparent than the opportunities. Over 2014 and 2015, Beijing annexed, reclaimed and militarised some features in the South China Sea, the sovereign ownership of which remains disputed. This placed Australia in a sustained dispute with Beijing over freedom of navigation through the South China Sea. In August 2016, the federal government rejected a proposed sale of NSW electricity infrastructure either to a PRC state-owned entity or to a Hong Kong company on the grounds that a sale would be 'contrary to the national interest'.⁵

Over the same period, domestic concerns were raised about large financial donations to political parties from Chinese business interests. In 2017, a Labor senator from New South Wales, Sam Dastyari, resigned from the parliament over his financial dealings with a PRC businessman, Huang Xiangmo.⁶ The Dastyari case was high profile but hardly unique. Malcolm Turnbull, as Prime Minister in 2016, sought advice from the Australian intelligence community about the extent of 'improper influence over our system of government and our political landscape'. As a result of this tasking, Turnbull claimed, 'the Australian Security Intelligence Organisation had made significant investigative breakthroughs and delivered a series of very grave warnings.'

Turnbull noted:

Media reports have suggested that the Chinese Communist Party has been working to covertly interfere with our media, our universities and even the decisions of elected representatives right here in this building. We take these reports very seriously.⁷

With those sharply focused words, Turnbull dramatically brought legislation into the Australian Parliament in November 2017 to modernise anti-espionage laws and to curb 'foreign interference' in public life. Passed into law in July 2018, the legislation responded to an assessment from Australia's intelligence agencies that 'the threat from espionage and foreign interference to Australian interests is extensive, unrelenting and increasingly sophisticated'.⁸ Although officials seldom publicly identify the PRC as a threat, there's no doubt that it's by far

the biggest risk to Australia along a spectrum of activities, including espionage, cyber intrusion, intellectual property theft, attempts at overt and covert political influencing and unwarranted interference in the lives of Australians with Chinese ancestry.

The federal government has continued to legislate on this front. In late 2020, parliament passed the *Australia's Foreign Relations (State and Territory Arrangements) Act 2020* to protect Australian sovereignty and counter foreign interference.⁹ Initially, the Act enabled the Department of Foreign Affairs to review and terminate two 'Belt and Road' agreements signed between the Victorian Government and the PRC National Development and Reform Commission.¹⁰ It's now expected that the Act will be used to review any agreements between Australian universities and foreign government-linked universities that may give rise to security or foreign policy concerns.

As Australia becomes more aware of the risks of being too economically dependent on the PRC, the country's 43 universities are struggling with the costs and consequences of their own China challenge.¹¹ The arrival of Covid-19 has added yet further uncertainty to the tertiary sector's dilemma. Although significant numbers of PRC students remain in Australia, the longer term picture remains clouded. Will PRC students want or be allowed to come to Australian universities to recommence or begin studies? When is that likely to happen and how will universities survive the presumed funding gap that will arise because of the reduction in foreign fee-paying students? Should universities diversify their foreign student base?

Covid-19 has, moreover, deepened the rift between Canberra and Beijing, partly it's assumed because of Beijing's annoyance at Scott Morrison's call for there to be an international investigation into the origins of Covid-19 from Wuhan in Hubei Province, central China. In the opinion of Kurt Campbell, the Biden administration's so-called 'Asia Tzar', Australia should be 'basically settling in for the long haul, in terms of tensions between China and Australia'.¹² What will this mean for the Australian tertiary university sector?

In this chapter, I set out the range of China-related problems that the universities face. In 'Education as an export', I review the economic value of PRC students to Australian universities, the size of the student cohort and approaches to sustain or replace those numbers at a time when international travel is expected to resume after Covid-19. The next section reviews the extent of research collaboration and PRC funding of Australian research. I then look at the role of PRC influence on campus, and the position of the Confucius institutes. In the following section, I ask whether the extent and nature of the PRC's links with Australian universities is having the effect of 'chilling' research.

In 'Universities as Chinese espionage targets', I consider the Australian universities as targets. The next section considers the federal government's continuing response. Finally, and by way of conclusion, I consider what more universities can do with government to strengthen their position against the downside risks of being too dependent on links with the PRC; being vulnerable to Beijing's threats of coercion, espionage or covert influencing; or both.

Education as an export

Australian universities were given a powerful incentive to recruit international fee-paying students because the federal government doesn't regulate their course fees or cap the overall number of international students. In an environment in which federal government funding for university research has also been constrained, it's perhaps not surprising that our universities saw a promising growth opportunity and bolted for it. In the first decade of the 2000s, international student numbers at Australian universities more than doubled. In 2010, overseas students represented 20.6% of all higher education enrolments; in 2019, international students were 27.1% of all enrolments.¹³ Australia had become the third most popular destination for international education in the world.¹⁴ As international student numbers increased so did the revenue from them. In 2010, fee-paying overseas students generated 17.5% of university revenue; in 2019, those students provided 27.3% of revenue.¹⁵

A key incentive for universities has been to cross-subsidise research unrelated to teaching foreign students. Around 40% of Australian universities' revenue comes from government grants, so revenue from foreign students, roughly a third of whom are from the PRC, makes a significant contribution to university research funding.

The Covid-19 pandemic has reduced the current number of overseas students in Australia. The Department of Education, Skills and Employment (DESE) reports that 519,573 international students were in Australia in April 2021—a Covid-19-induced drop of 17% from April 2020. There were 571,958 international enrolments across schools and English-language, vocational and higher education institutions, the latter accounting for 315,772 enrolments. The top five countries for international students were the PRC (29%), India (17%), Nepal (8%), Vietnam (4%) and Malaysia (3%).¹⁶

In terms of university enrolments in 2020, PRC students were 34.8% of all foreign students.¹⁷ Associate Professor Salvatore Babones of Sydney University estimates that one in 10 of all students at Australian universities now come from the PRC.¹⁸ Numbers vary between universities, but Babones estimates that, among seven leading institutions (the universities of Melbourne, Sydney, NSW, Adelaide, Queensland, the ANU and the University of Technology Sydney), PRC students represent more than 50% of all international students and the value of PRC student fees ranges from 13% of university income (Adelaide and ANU) through to 22%–23% (UNSW and Sydney). In 2017, Babones judges, Sydney University generated 'more than half a billion dollars in annual income from Chinese student course fees'.

PRC students tend to concentrate in specialist subject areas. For example, many postgraduate business degrees have 70% to 80% foreign student enrolments, mainly Chinese. I was told that over 90% of ANU accountancy students are Chinese. Post-education employment records in China for students returning from Australia show high numbers in education; software and IT; management; and commerce.

It's clear that some universities, and some faculties within universities, would be economically vulnerable to a sharp reduction in PRC student numbers. As one senior university administrator

told me, ‘Sixty per cent of our postgraduate students come from China, and there is no “plan B” for our finances if the numbers fall.’ Some Australian universities are looking to further diversify their overseas student enrolments from South Asia, Indonesia and elsewhere, but in the short term at least that won’t offer a scalable solution to the potential loss of PRC student numbers.

In July 2021, *The Australian* newspaper reported that there had been a drop of more than 100,000 foreign students enrolled at Australian universities compared to the previous financial year, reflecting a financial loss to universities of around \$6 billion dollars. Some 313,000 student visa holders were in Australia, but that number had reduced from 471,000 student visa holders in country in July 2020.¹⁹

Looking ahead, Australian universities face two major policy dilemmas:

- Will the reopening of borders after the broad take-up of Covid-19 vaccinations support a large-scale return of foreign students to Australian campuses?
- Will PRC students return, given the political deterioration in the bilateral relationship?

New South Wales and South Australia are proposing cautious trials to bring in small numbers of foreign students using chartered flights and on-campus accommodation to provide for an initial period of isolation until the students are clear of possible Covid-19 infection. Those trials won’t be able to bring students back for the 2022 academic year in the numbers needed to reverse the precipitate decline in foreign students. Covid-19 will therefore affect at least three years of university operations from 2020 to 2022—effectively the duration of an undergraduate degree.

Even before Covid-19, deteriorating political relations between Australia and the PRC were raising doubts about the long-term prospects of large numbers of PRC students studying at Australian universities. The PRC’s then Ambassador in Canberra, Cheng Jingye, warned in April 2018 that ‘systematic, irresponsible and negative remarks’ by Australian leaders ‘may have some undesirable impact’. This was explicitly linked to claims that PRC students in Melbourne and Canberra had concerns for their safety. Cheng said Chinese students deserved a ‘more friendly and safer environment’ so they could ‘choose to continue to study’ in Australia.²⁰ The English-language *Global Times* newspaper editorialised: ‘[W]e hope Chinese international students take these bullying incidents into consideration before leaving for Australia.’²¹

Australian universities are significantly vulnerable to the economic consequences if the PRC were to decide for its own reasons to rapidly cut student numbers as a way of ‘punishing’ Australia for pursuing policies inimical to Beijing. Vicki Thomson, Chief Executive of the university peak body, the Group of Eight, said in July 2021, ‘We can’t assume that students and researchers will continue to come here if it becomes too difficult or the borders remain closed long term. Chinese students continue to study with us at the moment, but the Chinese Government could decide to change that at any moment.’²²

It remains to be seen in a post-Covid-19 world whether the ‘go for growth’ business model adopted by Australian universities will remain viable. It’s certainly true that the CCP could decide to restrict student numbers coming to Australia, but that step isn’t without some cost to the party if it annoys Chinese families who want to send their children to an Australian university.

Aside from the politics of the bilateral relationship, Australian universities may be vulnerable to changes in the education preferences of Chinese people, who might conclude that the quality of degrees from Australian universities is declining and that the experience of Chinese students is less valuable than is advertised. In a competitive international market, Chinese people may choose to send their children to other countries, or to increasingly good-quality Chinese universities.

The Australian Government's position has been to urge universities to diversify their international student base. Speaking in March 2021 at the launch of a consultation process to develop a new international education strategy, Alan Tudge, the Minister for Education and Youth, worried that 'the relentless drive for revenue in order to fund research' was undermining the universities' ability 'to enhance the learning experience of Australian students'.²³ Tudge's solution is to press for diversification. In June 2021, he declared that his top priority for the portfolio was 'research commercialisation and industry collaboration'. On foreign students, he said the need was to 'think differently':

A key part of this will be how we diversify our international student population in Australia. We are reliant on just two countries for 55 per cent of our enrolments in Australia at the moment. Not only does this limit the diversity of perspectives in classrooms, it also lowers the resilience of our universities to changes in global demand ... Please think deeply about how we should do this.²⁴

A key challenge for the university sector is to see how capable they are of 'thinking differently'.

Research collaboration and funding research

Measured by numbers of formal agreements between PRC institutions and Australian universities, the PRC is now the largest source of research collaboration, staff and student exchanges and opportunities to study abroad. In 2016, there were 1,402 such agreements. By contrast, there were 996 such agreements with US institutions and 338 with Canadian institutions.²⁵ They cover a broad span of research, including many areas with direct military and national security applications, and the growth rate has been phenomenal.

Funding has followed this phenomenal growth in research links.

The chief executive of the Group of Eight told the Parliamentary Joint Committee on Intelligence and Security (PJCIS) that:

It is fact that the Group of Eight carries out in total some \$6 billion worth of research across our eight universities; more than 99 per cent of it is rated as world-class or above; and the government pays for just \$2 billion of that research.

Between 2015 and 2019, total overseas funding for Australian higher education research increased from 8.1% to 10.5%.²⁶ The PRC substantially drove that funding increase. For example, in April 2016, UNSW announced a \$100 million project to create a 'Torch Innovation Precinct' for high-technology industry development. Eight Chinese companies provided an initial

\$30 million investment ‘to support Australian research, in Australia, in advanced materials, biotechnology, energy, and environmental engineering’. Ian Jacobs, UNSW’s Vice-Chancellor, claimed that the collaboration was aimed at ‘future proofing our national competitiveness by strategically positioning Australia as China becomes the world’s largest investor in R&D and the 21st century’s science and technology superpower’.²⁷ Identified areas for research collaboration include ICT, robotics and reliable systems; smart cities; biomedical and life sciences; energy; and next-generation materials and technologies.²⁸

Australian researchers Clive Hamilton and Alex Joske have identified extensive research collaboration between academics at the PLA’s National University for Defence Technology (NUDT) and Australian academics. This has included collaboration on hundreds of jointly authored research papers, often ‘taking advantage of the large number of Chinese-heritage scientists at Australian universities’. One example is the shared work on supercomputing between Dr Xue Jingling, the Scientia Professor of Computing Science and Engineering at UNSW, and Lieutenant-General Yang Xuejun. Appointed to the Central Committee of the CCP at the 19th Party Congress, Yang was previously president of the NUDT and is a leading expert on supercomputers and their use for military applications within the PLA.²⁹ It appears that a significant number of PRC academics working at Australian universities haven’t declared past associations with Chinese institutions linked to the PLA.³⁰

There tends also to be a lack of clarity about how individual academics manage their links with CCP institutions, and such connections tend not to be publicly reported in English-language sources. For example, Professor Min Gu at RMIT, named as Victoria’s top scientist in 2016,³¹ was, in March 2018, reported as being an alternative member of the First Session of the 13th National Chinese People’s Political Consultative Conference.³² Although the conference is often dismissed as a ‘rubber stamp’ without legislative functions, it plays an important role in bringing senior figures into an advisory relationship with the CCP, acting as a ‘mechanism for offering material benefits to the regime’s most loyal and trustworthy collaborators’.³³ At RMIT, Professor Min Gu has conducted research in lasers, photonics and nanotechnology—areas with potentially significant military applications.

Does any of this matter? Some Australian specialists on China dismiss the significance of connections to CCP organs, arguing that ‘connections to the party are integral to the way society functions in China’.³⁴ But some types of connections are more consequential than others, and none, surely, is integral to how society functions in Australia. Universities should seek to understand what such connections mean for their interests.

Another example of research collaboration combined with funding from Chinese sources involves the UTS Global Big Data Technologies Centre, which accepted \$20 million in funding from China Electronics Technology Group Corporation (CETC), which is one of China’s largest state-owned defence companies and also heavily engaged in the rollout of the PRC’s video surveillance technology, including facial recognition systems and scanners. In 2018, UTS reported that CETC was funding research on a ‘public security online video retrieval system’.³⁵ Additional areas of research included projects titled ‘Large-scale person search with deep

learning³⁶ and ‘UAV flight formation with deep matching’.³⁷ Both projects have obvious military and domestic security applications.

Chinese telecommunications giant Huawei has also invested in Australian university research capabilities, establishing a Narrow Band Internet of Things (NBloT) research lab at James Cook University (JCU) in Cairns in 2007. In addition to providing equipment, Huawei proposed to fund specialised research and ‘offer selected JCU students the opportunity to travel to the company’s global headquarters in China’. In August 2018, the Australian Government in effect excluded Huawei and other PRC companies on national security grounds from providing equipment for the 5G mobile network.³⁸

A small but consequential investment from Chinese sources was the donation of \$1.8 million in 2014 to UTS to establish the Australia–China Relations Institute (ACRI). The donation came from the well-connected businessman Huang Xiangmo, who was also a major donor of funds to Australia’s political parties and was stripped of permanent residency in Australia by the Department of Home Affairs in 2019.³⁹ Huang publicly claimed to have selected former Foreign Minister Bob Carr to head ACRI, and Carr’s claim is that the university centre takes an unabashedly positive and optimistic view of the Australia–China relationship.⁴⁰ That has translated into a relentless firehose of media commentary and academic writing on the positives of the Belt and Road Initiative and of Chinese foreign investment in Australia, of the risks of Australia developing closer relations with India and Japan, of the unreliability of the Americans, and of the advisability of not pursuing freedom of navigation operations against PRC wishes in the South China Sea. UTS has defended the academic rigour of ACRI but been evasive about the centre’s additional sources of funding and its oversight of research.⁴¹

Putting ACRI to one side, the bigger picture is of an Australian university sector that’s become heavily and quickly invested in close links with Chinese research institutions. Much of this research is entirely appropriate and mutually beneficial, but there are some alarming examples of work with clear military and dual-use applications being done. Although the universities maintain that they comply with Australia’s legal framework for controlling defence-related tangible and intangible exports, there’s a strong case that much more careful assessments should be made to limit the extent to which Australian research might enhance PLA military capabilities.

As in other areas of the trade and economic relationship, the over-reliance of the Australian university sector on China for students, money and research engagement has perhaps warped some perspectives about just how close is *too* close.

At the time when Turnbull’s anti-espionage laws were being introduced into parliament, the Chief Executive of the Group of Eight universities, Vicki Thomson, was delivering a speech in Shanghai that celebrated the openness of Australian universities and promised that:

... while there are times, like now, where there are government and media concerns being expressed that our freedoms have been manipulated or misused by a minority, we will deal with it ... but we cannot and will not let it curtail the strengths that make us such a quality destination for so many domestic and international students.

The most important strength, Thomson argued, was that:

we have, as a key principle, that everyone is free to challenge ideas, and to counter perceived wisdom, with the ability to feel comfortable being challenged. Our students and academics thrive with those values and those freedoms, as do our researchers and our academics. We know we open eyes and minds.⁴²

Nothing could be less congenial to the CCP leadership than the thought that hundreds of thousands of PRC students in Australia are opening their minds to political freedom and challenging perceived wisdom. In this case, the defence of academic freedom was being advanced to argue why Australian universities should cooperate more closely with an authoritarian party-state intent on controlling the political views of its citizens, PRC students abroad and, increasingly, ‘overseas Chinese’ residents of other countries.

Over the course of the past few years, the Australian intelligence community and university sector have engaged each other more closely in developing strategies to manage foreign interference on campus. The University Foreign Interference Taskforce was created in August 2019 to develop guidelines for university operations. Produced in November 2019, the *Guidelines to counter foreign interference in the university sector* recognised that:

There may be foreign actors who seek to engage in foreign interference in the university sector, through:

- efforts to alter or direct the research agenda;
- economic pressure;
- solicitation and recruitment of post-doctoral researchers and academic staff; and
- cyber intrusions.⁴³

The measures agreed were sensible but intended to be ‘light touch’. They included unobjectionable recommendations such as:

- Develop ‘clear university risk assessment and reporting frameworks’.
- ‘Transparent and robust reporting requirements are developed, documented and maintained.’
- ‘Universities have a Conflict of Interest (Col) policy / disclosure of interests policies, which identifies foreign affiliations, relationships and financial commitments and sets staff responsibilities to their Australian university.’
- ‘Staff are supported by university policies that assist them to be mindful of foreign interference risks when collaborating with an international partner.’
- ‘When formally engaging international organisations or individuals in collaborations, contracts, partnerships or alliances, a university undertakes due diligence on the intended partner and the areas of collaboration are explicitly articulated.’

It was noteworthy that, in a 45-page document, China was mentioned only once, and then in passing. The taskforce adopted the federal government mantra that countering foreign interference was a ‘country agnostic’ activity. This was a bureaucratic sleight of hand designed

to help officials and politicians not mention the PRC publicly in the hope that this wouldn't generate hostile responses from Beijing.

While it's true that a small number of countries *other* than the PRC engage in foreign interference activities, the PRC is by far the greatest source of Australian concern. Canberra knew that, as did university vice-chancellors, and so did the Chinese Embassy in Australia. In the same month, that the guidelines were issued, the embassy provided to Channel Nine a list of 14 grievances about Australian Government policy, one of which was the federal foreign interference laws, which the embassy 'viewed as targeting China and in the absence of any evidence'.⁴⁴

The development of the *Guidelines to counter foreign interference in the university sector* was an important first step in bringing the sector together with the Australian intelligence community (AIC). Previous contact had been at too low a level to focus the attention of the vice-chancellors. The work was on new territory for both groups. It seems undeniable that the universities hadn't sufficiently considered the risks and focused mostly on the benefits associated with closeness to PRC entities. For its part, the AIC was emerging from two decades of an intense focus on countering jihadist extremism after 9/11. The range of security risks presented by the PRC was newly appraised and was overwhelming the available resources.

These tentative exchanges between the AIC and the university sector may have contributed to a misperception about the level of effort that might be needed to counter PRC interference. With the guidelines written, the Group of Eight congratulated itself that:

No other Five Eyes Plus nation, to the Go8's knowledge—certainly not the US, UK or Canada—has yet achieved this trusted, collaborative approach between Government, agencies and universities. What has been delivered here provides Australia with a powerful opportunity to lead the way with national security in its research-intensive universities.⁴⁵

The university sector was less pleased when the government passed legislation designed to give the Minister for Foreign Affairs and Trade the power to quash international agreements that may run counter to Australian foreign policy. *Australia's Foreign Relations (State and Territory Arrangements) Act 2020* was used to dissolve a Belt and Road MoU signed by the Victorian Government. The universities complained that they hadn't been consulted when the Act was drafted, that it would give rise to substantial compliance overheads and that it was ambiguous in its intent. The University of Western Australia, for example, complained to the PJCIS in December 2020 that the Act required them to make due diligence decisions based on open-source information about whether a foreign university was in its operations:

This requires universities to then determine whether national laws or the governing documents of prospective partner universities make them substantially under the control of their home government. The Australian Government, through its network of embassies and consulates, is better placed than universities to access and assess the information needed to make this determination.⁴⁶

It was a reasonable point, made significantly worse because neither the government nor the universities were prepared to publicly acknowledge that the overwhelming source of concern was the PRC. A consequence of ‘country agnosticism’ was that thousands of university agreements with international partners would have to be reviewed, creating considerable—and largely unnecessary work—for all concerned.⁴⁷

As at January 2022 the Foreign Minister has yet to make any determinations relating to university international agreements. An updated set of guidelines designed to curb foreign interference on campus was released in November 2021.⁴⁸

PRC influence on campus: consulates and Confucius institutes

Chen Yonglin was a PRC diplomat based at China’s Sydney consulate who defected to Australia in 2005. His assessment, made in 2017, was that:

For China, every citizen is an intelligence collection asset. There’s a huge Chinese secret service network of 300–500 professional agents in Australia reporting to the PLA’s General Staff Headquarters, the Ministry of State Security, the Ministry of Public Security and the embassy. Then there are 500–700 external ‘informers’ in Chinese community and student organisations and language, academic and charity organisations.⁴⁹

The PRC invests a substantial amount of time and resources into monitoring and organising the behaviour of PRC nationals at Australian universities. Hamilton and Joske briefed the PJCIS that there were at least 37 Chinese students and scholars associations (CSSAs) located on Australian campuses and at the CSIRO and linked to the CCP Central Committee’s United Front Work Department, in this case by Ministry of Education officials. These are the largest Chinese student associations in the country. The Adelaide University CSSA constitution states that the group runs ‘under the direction of the Chinese Embassy’s Education Office’.⁵⁰

In 2012, the then head of the Australian Capital Territory CSSA (the parent body for smaller CSSAs at the CSIRO and the Australian Defence Force Academy), Zhu Runbang, said that the group ‘let we Chinese students arm ourselves with Marxist theory and establish correct values systems and worldviews while we study the West’s advanced science and technology’.⁵¹ The CSSAs ensure that students don’t stray from approved CCP thinking. The NGO Human Rights Watch conducted extensive interviews of PRC students on Australian campuses, identifying some concerns with the CSSAs’ links to PRC consulates and with the organisations’ involvement in promoting pro-PRC gatherings on campus.

It’s been widely reported in Australia that PRC students were ‘mobilised’ to rally at the entry of the Olympic torch into Canberra in 2008 to celebrate the Beijing Olympics and to greet Chinese leaders when they visited Australia. Those events are carefully planned and closely coordinated by officials. However, not all of this activity needs to be directed by the PRC embassy. Patriotic Chinese students looking to enhance their career credentials and to maintain or increase their ‘social credit’ score can choose of their own volition to engage in overtly patriotic acts or to

counter what they may see as incorrect Australian policy positions, for example on freedom of navigation in the South China Sea. In effect the party-state has created an ecosystem in which people know what to do to gain favour.

A June 2021 report by Human Rights Watch noted that ‘pro-democracy’ Hong Kong and PRC mainland students at Australian universities avoided engaging with the CSSA on campus ‘out of fear, even though it was one of the main support networks for Chinese speaking students ... Students expressed discomfort about close links between CSSA Chapters and the embassy or consulates.’ A CSSA member interviewed by Human Rights Watch acknowledged that the associations were ‘heavily supported’ by PRC diplomats: ‘We are getting stronger now that’s why people fear us ... As Chinese nationals we are trying to defend our national and our personal interest.’⁵²

The Human Rights Watch report says that, for Chinese students at Australian universities, the ‘atmosphere of fear has worsened in recent years’.⁵³ While the majority of students don’t get involved in political disputes and indeed ‘self-censor’ to avoid trouble, students who are politically active on issues such as Hong Kong, Taiwan and China’s ethnic minorities can find themselves being threatened physically and online. The report identifies three cases in which families of students in Australia were questioned by police in China over their children’s behaviour. While the report identifies some recent ‘positive steps’ on the part of university administrators to take these issues more seriously, the overall picture is dispiriting. An Australian academic concludes: ‘unis here have thrived off these students, but we have made little affordance for their needs and given them very little support to the challenges they face.’⁵⁴

The reality of PRC student experiences in Australia is far removed from the somewhat romanticised way in which the Chief Executive of Universities Australia presents it:

When Australian and Chinese students study in the same classrooms they learn from each other. They exchange ideas and develop deep understanding of each other’s culture, laws and history. These long-lasting social, economic and political ties bring us all closer together. They build relationships that help us do business and identify common interests.⁵⁵

In fact, many PRC students seem to have little or no contact with Australian counterparts. The PRC Embassy and organisations such as the CSSAs discourage open discussion of sensitive issues such as the South China Sea, Tibet, Xinjiang and democratic political systems. There have been reports of PRC students objecting to teaching that runs counter to Beijing’s view. (For example, a complaint was lodged at Sydney University about an IT lecturer using a map that presented an Indian view of disputed border lines with China.⁵⁶) In 2019, the PRC’s assertion of Beijing’s authority in Hong Kong sparked protests and counterprotests on Australian campuses, more directly highlighting PRC hostility to views being expressed in Australian universities that run counter to the CCP’s position. Broadly, though, such issues aren’t likely to trouble staff or students in IT, accountancy or business courses. PRC students communicate through Chinese

social media platforms and tend not to read English-language publications. Commenting on Weibo about her Australian degree program, one PRC student said that it was:

so full of Chinese students ... that group discussions are conducted in Chinese, and after class you still hang out with Chinese ... There seems to be not much difference to China: only fresh air and expensive living costs reminds me of being in Australia. I can't feel any of the cultural richness of a foreign country. It makes me wonder: what's the point of studying abroad?⁵⁷

The June 2021 Human Rights Watch report seems to have prompted a more engaged response from university administrators, including the decision to issue updated advice on curbing on-campus interference. Katrina Jackson of Universities Australia was reported as commenting in September 2021 that students should feel safe and supported by universities if they were being politically intimidated. 'One of the major problems was that students were not coming forward; we urge students to come forward. There are robust policies in place to protect students when this sort of thing happens,' she told the committee. 'However, we're not pretending this is not complicated. This is very bound up in geopolitical tensions, which really are matters for government to deal with.'⁵⁸

There are 13 Confucius institutes (CIs) located at universities throughout Australia and a larger number of Confucius classrooms in schools. Widespread global attention to the function of these institutes has made it clearer in recent years that they are, in the words of former CCP Politburo member Li Changchun, 'an important part of China's overseas propaganda set-up', funded by the CCP's propaganda system and focused on enhancing Chinese soft power on campus.⁵⁹ In the US, the Trump and Biden administrations have pursued policies designed to reduce the prevalence of CIs on American university campuses. In early 2021, the US National Defense Authorisation Act banned funding allocations to any university that housed a CI.⁶⁰ Since 2018, 81 US universities have closed or announced an intent to close CIs. In June 2021, Colorado State University closed its CI, noting that access to defence funding was a factor in its decision. Around 41 CIs were operating on US campuses in July 2021.⁶¹

While Australian governments have in the past welcomed the role of the CIs in language training, it should be a matter of greater concern that the institutes operate autonomously from university management on the questions of whom they employ and what and how they teach—and that they keep secret the terms of their agreements with universities.

The presence of CIs on campus is yet another factor dampening the willingness of at least some university administrations to countenance acts that 'bite the hands that fund them' by doing things the CCP would dislike. One example in September 2018 was a decision taken by management at Victoria University in Melbourne to cancel the screening of the Canadian film *In the name of Confucius* at a campus venue near the university's CI. The cancellation was claimed to be the result of a 'double booking' and to have been done to avoid 'disruption'.⁶² In 2013, a similar incident embarrassed Sydney University, which initially scheduled an on-campus address by the Dalai Lama, then cancelled it, and then rescheduled it off campus following media criticism.⁶³

In June 2021, the Human Rights Watch report on the PRC's activities in Australian campuses concluded that universities should:

Refrain from having Confucius Institutes on campuses, as they are fundamentally incompatible with a robust commitment to academic freedom. The institutes are extensions of the Chinese government that censor certain topics and perspectives in course materials on political grounds, and use hiring practices that take political loyalty into consideration.⁶⁴

On the face of it, one might conclude that there's a strong case for the federal government to seek to remove CIs from Australian campuses, but in fact it seems that the bureaucracy has come to a different conclusion. This can be discerned from several university submissions to the PJCIS inquiry into national security risks affecting the Australian higher education and research sector. Globally, CIs were run by a headquarters known as the Hanban, which is a division of the Chinese Ministry of Education. In what was presumably an effort to deflect American pressure to get CIs off US campuses, the Hanban was reorganised, passing the management of CIs to two groups known as the Centre for Language Education and Cooperation and the Chinese International Education Foundation. Those groups in turn devolved responsibilities for running CIs to Chinese universities.

To take a specific example, Sydney University has a CI connected to Fudan University. In February 2021, the Attorney-General's Department wrote to the Australian chair of the CI board at Sydney University advising that the CI was regarded as a 'foreign government related entity' under the terms of the *Foreign Influence Transparency Scheme Act 2018* (the FITS Act). As such, the CI was issued with a 'Provisional Transparency Notice' identifying it as a foreign government related entity. The university replied in March 2021 that, while it had been 'in the early stages of discussions' with the Centre for Language Education and Cooperation and the Chinese International Education Foundation to 'amend or replace' its agreement with the Hanban, Sydney University had, in fact, signed an agreement with Fudan University, the terms of 'which we believe ensure that the Institute is not a foreign government entity as defined in the Act'.

The Attorney-General's Department replied on 26 March 2021 that 'The new agreement changes the governance arrangement for the Institute significantly ... I am no longer satisfied that the Institute is a foreign government related entity for the purpose of the act.'⁶⁵

Thus, at the stroke of a pen, it seems that the Hanban has been able to hand the management of CIs to 'a non-governmental charitable foundation',⁶⁶ escaping—at least according to the guileless interpretation of the Attorney-General's Department—being captured by the FITS Act. It remains to be seen whether the review of foreign agreements entered into by Australian universities will address the CIs.

A further issue for Australia is whether the American ban on providing defence funding to universities with CIs will have impacts on Australian universities. We're seeing a closer integration of Australian and US defence research of a type that's capturing the interest and attention of Australian vice-chancellors. According to Group of Eight Chief Executive Vicki Thomson:

Go8 universities have significant defence capability and have built solid defence research partnerships, problem solving and advisory relationships around the world with governments and industry. We have been at the forefront of globally defining defence and security technology and systems advances for many decades.⁶⁷

This could come down to a very clear choice for the Australian university sector: one can choose close engagement with PRC entities or with universities from Australia's closest defence allies, but in coming years universities might not be able to do both things at once.⁶⁸

'Chilling' research?

Has PRC funding via fee-paying students, the presence of CIs and the myriad agreements and connections between Chinese and Australian universities had a 'chilling effect' on the content of Australian research and on the propensity of universities to make critical public comment about China? There's certainly a widespread view that it has. One searches in vain to find senior university leaders prepared to make comments that might be negative in some ways about the PRC and potential sources of funding.

When a critic of the CCP, UTS academic Feng Chongyi, was detained for a week of questioning by the Tianjin State Security Bureau in April 2017, what was most striking was the low-key response from university administrators. Professor Bob Carr of the UTS's ACRI was in China at the time, hosting a paid visit for Australian journalists. Carr declined to make any public comment. He was said to have made private representations and the ' frankest advice he received came from a senior Chinese Communist Party identity who urged him not to raise a public ruckus [was that] China likes to settle issues in a quiet way. We don't like to take the inflammatory way in the media and newspapers. The Chinese way was "not the microphone way".'⁶⁹

Back in Australia, Feng dismissed suggestions that Carr played any role in his release. His assessment was that 'China's influence has succeeded in shaping public perceptions and opinions about China, and even government policies toward China.' This stifled any debate about issues sensitive to CCP control and performance. Feng argued that the direction of official PRC funding or Chinese business funding to university centres such as ACRI, and funding for groups such as 'the Federation of Chinese Scholars in Australia (FOCSA) to run annual symposiums and other executive meetings since 2008', was part of a strategy to shape Australian debates.⁷⁰ Hamilton and Joske assess that FOCSA has established itself as the 'peak body for Chinese-Australian scientific and professional associations'. There are more than 1,000 members, including very senior Australian research scientists. FOCSA also acts to establish ties between Australian and PRC researchers, to help define research agendas that align with CCP priorities and to encourage Chinese Australians to think about returning to the PRC.⁷¹

Academic and journalist observers of the PRC remain mindful of the challenges in getting visa access to China, which can incline writers to mute criticism. Kevin Carrico, a lecturer in Chinese studies at Macquarie University, claims that 'There is a constant reminder with certain topics that this or that could get you into trouble with Beijing. It influences graduate topics and choices for academics and even their behaviour on social media. There is a very widespread concern

about this.’ Carrico wrote elsewhere that ‘we experience pressures, both direct and indirect, from the party/state, all too often abetted by publishers and universities eager to sacrifice principles to cash in on this massive economic opportunity known as “China”.’⁷²

In providing written responses to the PJCIS in its review of the foreign interference legislation, two groups of China scholars signed ‘joint letters’ containing diametrically opposed advice for the committee. One group opposed the legislation on the grounds that the new laws would ‘imperil scholarly contributions to public debate’ because the laws had ‘created an atmosphere ill-suited to the judicious balancing of national security interests with the protection of civil liberties’. The group said ‘we strongly reject any claim that the community of Australian experts on China ... has been intimidated or bought off by pro PRC interests’ and that it would be ‘polarising’ to ‘restrict the rights of those identified as ‘pro-Beijing’.’⁷³

The second group of China scholars argued for the importance of the foreign interference legislation on the basis that ‘We are deeply concerned by a number of well documented reports about the Chinese Communist Party’s influence in Australia.’

Both groups used the same language to say that ‘Australia’s mature multicultural society has the capacity to conduct this important debate with rigour, balance, honesty and transparency.’⁷⁴ A striking common feature of these letters and of other submissions to the parliamentary committee is a deep Australian unease about being accused of anti-Chinese xenophobia and of racism towards the Chinese people. Those are easy charges to deploy and can be damaging in a multicultural society. This fear, as much as financial dependence and a desire to continue to be able to visit China, is perhaps a key factor in muting Australian academic critiques of the PRC party-state.

In its 2021 report, *They don’t understand the fear we have*, Human Rights Watch presents extensive discussions with Australian academics about the quelling effect on campus. Academics are concerned about becoming the subject of students’ complaints and think that university administrators won’t support them out of a concern not to offend fee-paying students. Here’s one example, of many, from an interview conducted in November 2020.

Those of us deeply involved in China have seen this creeping self-censorship emerge over time. I walk a fine line in class when I talk about China, you can’t avoid it. You have to choose your words very carefully. I look at my university and see the place is absolutely hooked on Chinese foreign student money.⁷⁵

Universities as Chinese espionage targets

The 2017–16 public *Annual report* of the Australian Security Intelligence Organisation (ASIO) was unusually candid in describing the growth and span of espionage activity in the country:

In addition to traditional espionage efforts to penetrate government, foreign intelligence services are targeting a range of Australian interests, including clandestine acquisition of intellectual property, science and technology, and commercially sensitive information. Foreign intelligence services are also using a wider range of techniques to obtain intelligence and clandestinely interfere in Australia’s affairs, notably including covert

influence operations in addition to the tried and tested human-enabled collection, technical collection, and exploitation of the internet and information technology.⁷⁶

The head of ASIO and Director-General of Security, Michael Burgess, has stressed in recent public statements that ‘Foreign spies are constantly seeking to penetrate government, Defence, academia and business to steal classified information, military capabilities, policy plans and sensitive research.’⁷⁷ ASIO has also publicly discussed the types of hostile intelligence-gathering activity that take place in Australia’s ‘higher education and research sectors’:

- a. We are aware of researchers and their families who have been threatened, coerced or intimidated by actors seeking to have their sensitive research provided to a foreign state.
- b. We are aware that some universities have been threatened through financial coercion should critical research continue.
- c. We are aware of instances where academics have self-censored their course material in order to avoid adverse outcomes such as cuts to foreign funding or threats from individuals who may be linked to a foreign government.
- d. We are also aware of attempts to steal sensitive intellectual property as part of cyber compromises.⁷⁸

To date, this has been the most detailed public listing of hostile intelligence activities directed towards universities. Australian governments and officials are painfully reluctant to name China or other foreign intelligence actors as key espionage players. However, it is the case that Australia is in the same situation as the US, where William Evanina, the Director of the National Counterintelligence and Security Center, declared in September 2018 that ‘China is number one ... they are the largest threat to national security, bar none; so, it’s not even close ... and they hit our academia, our industry, our research development and obviously our government.’⁷⁹

Given the depth of research capability and the extent of contacts between PRC and Australian institutions, it’s unsurprising that Chinese intelligence-gatherers identify Australian universities as fruitful targets. One example that found its way into the public domain in 2018 was the report that ‘China-based hackers’ had successfully infiltrated the ANU’s IT infrastructure in May 2018, had ‘utterly compromised’ the university’s computer system over a period of months and had gained administrative powers, according to a national security official who briefed media sources.⁸⁰ The ANU worked closely with security agencies to mitigate the continuing threat of an intelligence presence in its IT systems. Agencies initiated contact with the ANU to advise about the initial breach.⁸¹

A second data ‘breach’ of administrative systems was detected in 2019 and became the subject of a detailed ANU public report, which concluded:

The tactics, techniques and procedures used during the attack highlight the sophistication and determination of the actor. In addition to their efficiency and precision, the actor evaded detection systems, evolved their techniques during the campaign, used custom malware and demonstrated an exceptional degree of operational security that left few traces of their activities.⁸²

The 2019 incident wasn't publicly attributed to China in the way that the 2018 event was, although the use of words such as 'sophistication' and 'determination' is emerging as a type of coded pointer to the PRC. The federal government and intelligence officials, frankly, run hot and cold over publicly attributing the origins of cyberattacks. Privately, they'll acknowledge that the PRC is a very persistent cyber threat.

The ANU claimed some assurance that the cyber 'actor' didn't take ANU intellectual property or research information or data because 'The actor completely bypassed ANU systems holding this information. Our forensic evidence shows they had no interest in this information.' Rather, the interest was in personnel information:

Data taken was from systems that contain:

- names
- addresses
- phone numbers
- dates of birth
- emergency contact details
- tax file numbers
- payroll information
- bank account details
- student academic results.⁸³

While the May 2019 cyberattack seemed focused on personnel records, the ANU experience shows that the PRC relentlessly targets Australian universities. Targets of interest would have included intellectual property theft across the full range of the ANU's scientific and technological work. China's intelligence-gathering priorities align closely with its priorities for economic and technological development, which are outlined in major statements such as the China 2025 Plan and in keynote speeches delivered to gatherings such as the CPP's 19th Party Congress in October 2017. A further priority would have been to look for IT or other connections into government, defence and business communities.

A third area of intelligence interest would have been to access student records, online chatrooms and other data, particularly (but not exclusively) relating to PRC students. A characteristic of PRC intelligence collection is a deep interest in accessing large volumes of personal information that can be cross-referenced to other databases as a way of generating useful intelligence product. The focus on PRC students is just part of the broader pattern of party-state surveillance of all Chinese nationals. It also addresses a concern, expressed in the *People's Daily*, that, having been exposed to foreign lifestyles, students might return having been made 'incompatible to domestic society'.⁸⁴ The 'social credit' surveillance-state extends even to Australia. One publicly recounted instance of this was reported in *The Australian* newspaper in September 2018:

Pressure can extend to classrooms in Australian universities. The parents of a Chinese student at Macquarie University received a visit from the security ministry two hours after the student gave a presentation at the campus on Tibetan self-immolations.⁸⁵

While the ANU hacking case became public, it would be unrealistic to imagine that other Australian universities haven't been targeted or, indeed, that their IT security is such that they haven't been successfully penetrated by Chinese intelligence services. The ANU is highly likely to be just one among several.

The PRC is also interested in intelligence-gathering using humans. In a written report to the PJCIS, the Attorney-General's Department (then the parent department of ASIO) provided a number of examples of intelligence collection methods:

Person 3 was a naturalised Australian national who was sent to Australia by a foreign intelligence service (FIS) to serve as a 'sleeper' agent. Person 3 built community and business links while establishing a life in Australia over decades, and consciously maintained direct and electronic contact with FIS officers. Person 3 provided extensive information to the FIS about Australia-based expatriate dissidents, which was used to support FIS harassment of these dissidents and their relatives overseas.⁸⁶

It should be noted that the report doesn't name China or any other country, but this information parallels what's publicly known about Chinese intelligence tradecraft and is similar to case studies of Chinese intelligence-gathering in the US listed in the same report. An analysis of Chinese intelligence collection in the US points to the conclusion 'from open sources' that 'the Chinese government regards some Chinese students and scientists travelling to or residing in the United States as potential facilitators of overt and covert transfer of technology and technological know-how.'⁸⁷ Scientific and technical experts are particularly useful in being able to identify key elements of intellectual property that would be of value to the party-state. Moreover, China takes a 'layered approach to intelligence collection', including the deliberate cultivation of individuals, potentially over decades, to act as long-term providers of covertly gathered information.⁸⁸

A further example of PRC intelligence interests in Australian universities came to light when it was reported that ASIO had approached the Vice-Chancellor of the ANU, warning that a Chinese businessman and potential philanthropist was assessed to be linked to the CCP and of interest to Australia's intelligence services. The deputy chair of the PJCIS reflected: 'How bad is it when intelligence agencies are starting to talk about the threat of donors and what they could do to subvert the political system?'⁸⁹ The ANU turned down this offer of financial support.

Government responses

What's the Australian Government doing about this? It's a mixed picture, involving at times confusing messages from political leaders and attempts on the part of Defence and other agencies to engage universities.

In tabling the anti-interference legislation in parliament in late 2017, then Prime Minister Malcolm Turnbull revealed that he had commissioned a review of the problem in August 2016. Although he didn't say it, the review was specifically focused on the PRC.⁹⁰ Along with some 'significant investigative breakthroughs' by ASIO, Turnbull said this work pointed to 'very grave warnings ... And it's fair to say that our system as a whole had not grasped the nature and the magnitude of the threat.'⁹¹

The national conversation following the introduction of the legislation has done much to reframe how people think about China's pervasive role in all facets of modern Australia. But, precisely because China looms so large, political leaders have struggled to deliver clear and consistent messages about how to respond. For example, one of Turnbull's last speeches as Prime Minister was at UNSW, where he heaped praise on the PRC-funded Torch Precinct ('a shining beacon of bilateral co-operation') and called for closer research engagement with China. Buried in Turnbull's speech was a line that hinted at national security issues ('For our part we act to advance Australia's prosperity, ensure the independence of our decision-making and secure the safety and freedom of our people'⁹²), but for the most part the speech was interpreted as a fence-mending exercise with Beijing. The lesson is clear: consistency and clarity of government messaging are essential. That's hard to deliver amid the daily cut and thrust of politics. Ironically, as an ASPI study showed, UNSW has the most substantial record of cooperation with PLA-affiliated researchers in the 'Five eyes' community.⁹³

National security interaction between Australian universities and government departments and agencies has been at best polite and at worst tentative and uncomfortable, exposing some fundamental differences of perspective. The Department of Defence administers the *Defence Trade Controls Act 2012*, which since 2016 has attempted to enforce a regime preventing the 'unauthorised supply, and in certain instances publication, of defence technology, and for the brokering of defence goods and technology without a permit'.⁹⁴ Prior to 2012, the university sector wasn't covered by laws to control the export of defence or dual-use technology. Since then, Defence has approached implementing the Act with a light touch, using outreach meetings to explain the law to stakeholders. Only some 200 assessments are said to have been made by Defence of university research that might fall under the Act, and zero incidents of 'non-compliance have been identified'.⁹⁵

The universities haven't reacted well, maintaining that 'the DoD's recommendations as they stand have the potential to affect our researchers' capacity to carry out research integral to Australia's future, our community's well-being, and our international reputation and competitiveness'.⁹⁶ It will take careful management to bring Defence and university interests onto common ground. The Defence Department worries that 'complete surveillance of distributors of sensitive technology is not possible';⁹⁷ nor can the good intentions of foreign research collaborators always be taken for granted. University peak bodies have rejected the department's approach as 'highly inconsistent with academic freedoms'.⁹⁸

ASIO has also increased the frequency and the level of seniority of engagement with university administrators. ASIO's Business and Government Liaison Unit is one means of contact, although counterterrorism remains a heavy focus for the unit.⁹⁹

The government has also created the position of National Foreign Interference Coordinator, located in the Department of Home Affairs. The position is intended:

... to lead the development and implementation of a Whole-of-Government strategy that will bring together key policy, operational and social cohesion levers to respond to foreign interference. The National Counter Foreign Interference Coordinator will be a focal point for engagement with diaspora communities and sectors vulnerable to foreign interference.¹⁰⁰

Finally, it's important to note that there's an emerging Five Eyes alliance dimension to countering foreign interference. At a meeting of homeland security, public safety and immigration ministers of Australia, Canada, New Zealand, the UK and the US at the Gold Coast, Australia, on 28–29 August 2018, it was agreed to 'establish a mechanism for the five countries to share developments in our respective approaches to confronting the foreign interference challenge'.¹⁰¹

It's too early to judge the impact of these initiatives to redesign the way national security officialdom engages with universities. They're all welcome steps but, frankly, also come late in the piece after years of intense relationship-building between Australian and PRC institutions. It's a welcome development that top university administrators will no longer be able to claim that no one in government or the national security community ever told them that they should reconsider their PRC engagement strategies.¹⁰² But there's still a long way to go to establish the right forms of engagement between government and universities, and fundamental differences in their priorities and perceptions remain.

What more can universities and government do?

Three complex and interrelated problems sit at the heart of the dilemma faced by Australian universities.

First, like other sectors in the Australian economy, our universities made themselves too dependent on the PRC by building too quickly unsustainably large cohorts of Chinese students and by diving too unreservedly into research partnerships. The universities did it for the money and in pursuit of growth opportunities for research, but in so doing opened themselves to an unhealthy financial dependence and a measure of sovereign risk. Tragically, the high point of this engagement collided with precipitous deterioration of the Australia–PRC bilateral relationship, the rise of Xi Jinping's 'wolf-warrior' diplomacy and Beijing's assertive challenging of the *status quo*. In my judgement, there can be no return to the pleasing days of 'win–win cooperation', meaning that the universities have lost a profitable business model.

The second, not unrelated, problem was the arrival Covid-19, which instantly disrupted on-campus teaching and the in-country presence of foreign fee-paying students. Although both international student numbers and revenue fell less than expected (Education Minister Alan Tudge estimated in June 2021 that 'revenue from border closures to date is about 3 per cent down'¹⁰³ in 2021 compared to 2019), the longer term consequences of Covid-19 for

the university business model will certainly pressure universities, which have already shed significant staff numbers.

The third problem is the absence of sufficient funding to support research. The universities contend that they built their foreign student business model to compensate for the funding they weren't receiving from the federal government. They have a point, but the government didn't ask universities to charge as hard as they did at a single international market, or to scale at the breakneck pace at which some did. Some universities are reaping the consequences of their own business decisions in ways that will reshape the sector even after recovery from Covid-19.

The broader state of bilateral relations with China is such that the federal government will continue to pressure universities to change their business model, diversify their international student base, reduce research linkages with the PRC and strengthen their capabilities to identify and resist covert influencing and intellectual property theft.

Beyond the measures described in this chapter to address this situation, what more could universities and government do to mitigate the problems created by an unconstrained dependence on the PRC? Here, by way of conclusion, I suggest four important steps that could help reshape Australia's universities, putting the sector on a sound footing for the future.

Redefine the government–universities relationship

First, the Australian Government and the top leadership of our universities need to redefine their relationship. Frankly, the two groups don't get on. It's been reported that Prime Minister Scott Morrison declined to speak with a key delegation of university vice-chancellors in July 2021 seeking to discuss the financial crisis caused on campus by Covid-19.¹⁰⁴ Morrison has batted away public discussion of the universities' situation, telling one radio talk-show host 'I'm not going to bite on every piece of bait.'¹⁰⁵

For its part, at least in the early stages of the deterioration of Australia–PRC relations, the university sector did little to hide its distaste of government efforts to shape plans for countering foreign interference and curbing risky research relationships with the PRC. The university sector 'doesn't speak Coalition' was the acerbic judgement of a retiring vice-chancellor in January 2021: '... they know absolutely nothing about politics or government. They're great scientists, great economists—utterly ignorant of politics and government.'¹⁰⁶

Since about 2019, the universities and the national security community have developed the means to more closely interact and do so at more senior levels. This has brought about some partial alignment on strategies to counter foreign interference. A missing dimension, however, is sustained engagement between the Prime Minister and the vice-chancellors. Notwithstanding the efforts of education ministers, the Prime Minister could usefully help shape a new conversation about the future of the university sector, which has enormous potential to help Australia grow and prosper in a world in which we're less dependent on China. I suggest that the Prime Minister institutes and chairs an annual gathering of key cabinet ministers and vice-chancellors to try to shape a shared agenda for the university sector. To support that effort, the Secretary of the Department of the Prime Minister and Cabinet should chair a working

group of selected vice-chancellors and heads of federal departments to shape an agenda for tertiary sector reform.

The intent of this recommendation is to try to force a forward-looking conversation about the future of a key component of the Australian economy and to do so at senior level. The suspicions and misconceptions that each side harbours about the other is no basis on which to set a clear forward path for university reform, and for federal financial support for the sector.

Reconvene the University Foreign Interference Taskforce

Second, to support the work of an annual Prime Minister's meeting and a secretary – vice-chancellor level working group, the University Foreign Interference Taskforce convened in 2019 and comprising representatives from the university sector and government agencies should be reconvened, this time being briefed to a higher level of security classification on national security and foreign interference information. The AIC is understandably and naturally reticent about sharing classified information, but this is an essential foundation on which to build a shared understanding of the problem universities face.

Intelligence professionals are quickly taken out of their comfort zone when they're asked to have unclassified discussions with university representatives on security matters. This can give rise to mutual misperceptions that academics are naive, or that intelligence officials exaggerate the threat. The problems that the PRC presents to our societies are too important to leave it at that. Intelligence agencies need to bring more university representatives into a classified environment.

Close Confucius institutes on Australian campuses

Third, the federal government should take active steps to close CIs on Australian campuses. Australia has the good fortune to be able to draw on citizens with high-quality Mandarin-language skills without needing to accept the human and financial resources that the PRC offers when a university locates a CI on campus. Notwithstanding the Hanban's attempt to publicly distance from its management of the CIs by supposedly handing their management to 'a non-governmental charitable foundation', it's clear that CIs are centrally directed and funded, and are instruments of PRC soft-power strategies designed to promote a positive image not of Chinese history and culture but of the CCP. Universities should review their current relationships with the CIs with a view to having the institutes removed from campuses.

Protect the rights of PRC students in Australia

Fourth, government and universities should ensure that PRC students studying here genuinely have an opportunity to experience our open society. Universities should review the way they manage their duty of care for PRC students, ensuring that students have opportunities to work with students of other nationalities on courses, are guided through an introductory course on democracy and civics and aren't coerced into involvement in any student group. The Human Right's Watch report of June 2021, *They don't understand the fear we have*, is a terrible indictment

of the failure of Australian tertiary institutions to protect the interests of individual PRC students from the bullying and intimidation of people either working for or simply supporting the CCP. The recommendations of this report should be adopted in full, including for universities to ‘adopt a formal code of conduct . . . to protect students and academics from Chinese government threats to the academic freedom of students, scholars, and educational institutions.’¹⁰⁷

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11. Business perspectives on Australia–China relations

Rowan Callick

Introduction

Business, like politics, is rooted in local places and sentiments. At a basic level, goods and services produced in some localities are consumed in others, lending business local contexts and effects as well as national and international ones. Where politics intersects with business at the local, national and international levels, the impacts are likely to be felt with different intensity across localities, states and territories, and across regionally concentrated industry sectors. In a federal system such as Australia's, these differences can play out in local and national representations by business leaders and associations speaking on behalf of particular place-based industries or subnational territories. They can also be amplified in disputes among and between local and national business and political leaders.

All of those factors are in play in Australia's difficult trading and investment relations with China. Other chapters explore a number of these issues in relation to Australia's states and territories. To set those efforts in perspective, this chapter explores the place of trade and investment in the overall relationship. It focuses on the relative importance of economic relations in the relationship; the positions adopted on trade and investment by political and business leaders; the role of business associations and place-based organisations in the relationship; the particular conditions governing business relations with China; and the aptitude required to balance politics and business at multiple levels in dealing with China. In broaching these issues, I approached leading business figures to share their experiences and insights on managing business and politics at an especially fraught time in the bilateral relationship.

Background

At a time when many international commentators see another Cold War looming in relations between China and liberal democracies, China's pervasive economic enmeshment with the rest of the world stands out as the most important point of difference between the international relations of the USSR during the Cold War and those of China today. Australia is positioned front and centre of that economic enmeshment.

Australia's extensive economic relations with the PRC have been widely depicted as a proxy for the general relationship through almost 50 years of diplomatic relations. Economic ties have topped the agenda at high-level dialogues between leaders of the two countries, and the word most often used to describe those ties in those dialogues is 'complementary'. The same could be said of trade with Japan and South Korea, Australia's next two biggest goods-export markets. But Australia, unlike China, also shares governance values with those two countries.

The lack of further reinforcing complementarities with China introduces elements of risk into the China trade not found in relations with its two North Asian neighbours. This is especially true as politics has come to take precedence in Beijing under President Xi Jinping. China is weaponising its economic heft in seeking to ensure that the world adapts to its regional and global ambitions and its style of governance. It has Australia in its sights.

We've seen this before, on a modest scale. Australia has traded with the PRC without interruption from its founding in 1949 to the present day, despite the lack of formal recognition over the first 23 years of trading relations. By 1954, bilateral trade had returned to pre-civil war levels under the former Republic of China. By 1964, two-way trade came to \$168 million, including \$128 million in wheat sales, accounting for one-third of Australia's global wheat exports that year. China abruptly cut Australian wheat imports in 1971–72 in favour of purchases from Canada to make the point that Canada had recently recognised the PRC while Australia had not. The abrupt trade switch resulted in Australia's first trade deficit with China in almost two decades. After Canberra recognised Beijing, in 1972, wheat sales resumed and the trade balance returned to surplus.¹ The message that episode sent to Canberra may or may not have been heeded at the time but it's getting a good hearing now: when China is in a position to diversify sources of imports, it has no hesitation to mix trade and politics.

Even then, exports weren't confined to agriculture. Australian iron ore and steel producers were alive to market opportunities in the PRC well before diplomatic relations were formalised. Fifteen years earlier, before normalisation, the Australia–Japan Agreement on Commerce broke new ground in steering Australian economic connections towards Asia, or at least formalising a trend already underway. After Japan had grown into a substantial market, especially for resources, BHP with its then partner John Lysaght began exporting steel products to China valued in 1966–67 at more than \$4 million. Five years later, CRA—now Rio Tinto—began discussions to export iron ore. The first shipment of 20,000 tonnes followed, in September 1973, for which an export licence was granted by Canberra. China valued that trade. The first Australian executives with Hamersley (CRA's ore-producing subsidiary) to visit Beijing during that period met Mao Zedong's top aide, Premier Zhou Enlai, who was then recovering from illness in a Beijing military hospital.

Over the half-century that followed, Australian sales of iron ore to China have grown into one of the most consistently high-value regular trades in the world, while Australia has followed the rest of the world in seeking from China its core supplies of household products, including clothing, whitegoods and electronics.

Political leadership

Three of China's paramount leaders since Mao Zedong—Jiang Zemin, Hu Jintao and Xi Jinping—have visited Australia, accompanied by teams of business leaders. Australia's nine prime ministers since Gough Whitlam have all visited China, although the incumbent, Scott Morrison, who visited as Treasurer, hasn't done so since becoming PM in August 2018.

For four decades, ‘realism’ governed relations. ‘The Chinese are realists,’ Prime Minister Malcolm Fraser told *US News World Report* in January 1979, four years after replacing Gough Whitlam in office. ‘If they need something, they’ll buy it: if they don’t need it, they won’t buy it.’ Allaying concerns about China’s creditworthiness in those early years, he said: ‘Also, the Chinese are very concerned about their international reputation. In trade with us, they’ve always been scrupulous in meeting contract terms. There’s no reason to believe this won’t continue.’¹²

A plethora of regular business arrangements between the countries developed as trade grew. When leaders visited either country they generally briefed Australia–China economic and trade forums organised to enable business leaders from both sides to exchange ideas and concerns and to network among themselves. Alongside those forums, the Business Council of Australia held roundtable meetings for chief executives of both countries. These business-focused events—which were attended by the nations’ top corporate figures, not, as often happened at other formal occasions, by their deputies or other stand-ins—sometimes attracted almost as much attention as the political discussions, especially as the size of mutual trade and of Chinese investment in Australia mounted.

Australian involvement has also been substantial in the Boao Forum for Asia, an annual event held since 2002 on Hainan island in China’s south, with the aim of replicating in Asia the World Economic Forum meetings held in Davos, Switzerland. Former Prime Minister Bob Hawke (PM 1983–1991) was one of the three founders, and attended almost annually until shortly before his death in 2019. Andrew Forrest, the principal of Fortescue Metals Group, became a major sponsor of Boao and has had as much direct face-time with President Xi as any Australian political leader.³

In 1996, John Howard led the conservative Coalition parties to victory over Labor’s Prime Minister Paul Keating (PM 1991–1996) and oversaw a decade of accelerated trade and investment with China to 2006 that established a pattern for the decade to come. In his study, *Howard’s Long March: the strategic depiction of China in Howard government policy 1996–2006*, Roy Campbell McDowall observes that ‘a steady and coherent evolution occurred in the Howard Government’s depiction of the Australia–China relationship.’ What began as an ‘economic relationship with strategic significance’ in 1997 developed into ‘a strategic economic relationship (2003), and finally to an explicit strategic relationship (2004)’. And yet closer economic ties didn’t lead to a genuine strategic reorientation in the Howard era. ‘An overall assessment indicates that Australia was, in reality, strategically anxious regarding China, and only depicted itself as growing close to China.’ McDowall notes that economic expansion with China ‘was an easy story to sell for the Howard Government because, first, it was based upon a buoyant long-term trade relationship that began bearing fruit after the Second World War; and second, the Australian public was willing to invest in the trade policy, benefiting both from employment opportunities and tax cuts.’¹⁴

For Howard, the basic test of the national interest was economic growth and security—with the balance between them altered to include a greater security focus after 9/11. His first White Paper on foreign and trade policy (1997) focused on the hard-headed pursuit of the interests that lay at the core of foreign and trade policy, ‘specifically the security of the Australian nation

and the jobs and standard of living of the Australian people. In all that it does in the field of foreign and trade policy, the government will apply this basic test of national interest.¹⁵

In line with that strategy, the Howard government typically abstained from commenting negatively on China's military modernisation program or its growing strategic weight.¹⁶ It also trod lightly around human rights. Some in the Howard cabinet were hopeful that economic development would encourage greater respect for rights in China. As Defence Minister in the Howard government, Senator Robert Hill asserted during a Senate debate on Australia's human rights dialogue with China that, as China continued to develop economically, there would be equivalent improvements in human rights.¹⁷ That was not, however, a condition for deepening economic relations. Under the Howard consensus, the focus was on 'practical' relations. During the visit of President Jiang Zemin to Australia in 1999, Howard said of their discussions on 8 September: 'Both of us have agreed that the bilateral relationship is realistically built on practical cooperation and mutual self-respect, and recognise that there are areas of significant political and cultural difference but that the relationship is in good shape. We acknowledge the economic contribution made to the relationship.'¹⁸

China's approach at that time similarly focused on deepening economic cooperation for mutual benefit. Premier Wen Jiabao said in an interview in March 2006, ahead of a visit to Australia:

China and Australia should intensify economic cooperation in all fields. Australia is endowed with abundant natural resources, advanced technologies and a developed economy, whereas China has a huge market, large labour force and huge development potentials. Our two countries can thus strengthen cooperation, draw upon our respective strengths and achieve long-term common development.¹⁹

President Hu Jintao told the Australian Parliament on 24 October 2003 that 'China and Australia are highly complementary economically. Blessed with a vast territory and rich resources, Australia boasts of economic and technological successes. The potential for China–Australia economic cooperation is immense. Past, present or future, we see Australia as our important economic partner.'²⁰ Also addressing parliament, President Xi Jinping said on 17 November 2014 that 'economic and cultural interactions and cooperation between our two countries are flourishing ... China has always viewed Australia as an important partner. During my visit, the two sides have decided to elevate our bilateral relations into a comprehensive strategic partnership and announced the substantial completion of FTA negotiations.'²¹

The China–Australia Free Trade Agreement (ChAFTA) negotiations were completed in November 2014 and were said by the Australian Government at the time to 'unlock substantial new benefits for Australians for years to come. ChAFTA will add billions to the economy, create jobs and drive higher living standards for Australians.'²² Xi Jinping focused on the investment opportunities it offered: 'The conclusion of the China–Australia FTA negotiations will create a higher level platform and provide better institutional arrangements for our economic cooperation. We should also increase two-way investment and create a fairer and more enabling environment for it.'²³

Prime ministers Rudd (PM 2007–2010, 2013) and Abbott (PM 2013–15) followed in the general path of the Howard consensus on ‘jobs and growth’, although not without negotiating increasingly ominous speed-bumps along the way.

Rudd visited China for four days during his first major overseas tour, in April 2008, and repeated his desire for China to be perceived as a ‘responsible stakeholder’ in the international order. A variety of issues emerged during his term to cloud the relationship, including the arrest in Shanghai of Rio Tinto executive Stern Hu, the visit by Uyghur leader Rebiya Kadeer to Australia, and the failure of Chinalco’s bid to become the 18% owner of Rio. Negotiations towards an FTA were stuck. China’s then vice-premier, Li Keqiang, was sent to Australia in October 2009 to repair relations, refocusing attention on economic opportunity.¹⁴ On his return to the prime ministership in 2013, while declaring prematurely that ‘the China resources boom is over,’ Rudd oversaw the re-energising of efforts towards the FTA.¹⁵

Tony Abbott, as Prime Minister, maintained the thrust towards the China FTA (as well as those with Japan and South Korea), and all three were completed in 2014. He hosted a five-day visit from President Xi Jinping in November that year to attend the G20 meeting in Brisbane, to address the federal parliament in Canberra, and to complete his itinerary of visiting all Australian states by stopping over in Tasmania. During a joint meeting at that time with chief executives from businesses in both countries, Abbott was quoted in the official Chinese report as saying that ‘the Australian government welcomes and supports Chinese investment and will spare no effort to create a favourable environment for Chinese enterprises.’¹⁶ In a private conversation with German Chancellor Angela Merkel, Abbott said that ‘fear and greed’ drove Australian China policy.¹⁷ After leaving politics and taking up a position advising the UK on trade, Abbott said Britain shouldn’t stop trading with China but should instead be ‘much more careful’ about becoming economically dependent on China and assess where projects have ‘far more long-term value for them than us’. He said Chinese officials see trade as a ‘strategic weapon’ to be turned ‘on and off like a tap to reward friends and punish foes’.¹⁸

The position of Prime Minister Malcolm Turnbull (PM 2015–2018) on China evolved, as he explained in his memoir:

[I]n the six years between my speech at the LSE in 2011 and my Shangri-La address in 2017, China’s capabilities, in every respect, had continued to grow; but what had really changed was its intent. Under Xi, it became more assertive, more confident and more prepared to not just reach out to the world, as Deng [Xiaoping] had done, or to command respect as a responsible international actor, as Hu Jintao and Jiang Zemin had done, but to demand compliance.¹⁹

In 2011, he had rejected the idea that ‘China’s economic growth meant it was inevitably going to become a military threat’. The strategic response, he said, ‘should be to hedge against adverse and unlikely future contingencies as opposed to seeking to contain (futilely in all likelihood) a rising power’. By 2017, he saw ‘the gathering clouds of uncertainty and instability’.²⁰ He dubbed China a ‘frenemy’.²¹

En route to the G7 summit in Britain in 2021, Prime Minister Scott Morrison (PM 2018 –) spoke in Perth of ‘Australia’s preparedness to withstand economic coercion in recent times’, apparently referring to China without specifying it. He demanded reform at the World Trade Organization as ‘the most practical way to address economic coercion’, especially through ‘the restoration of the global trading body’s binding dispute settlement system’.²² In a speech to the council of the Organisation for Economic Co-operation and Development in Paris, Morrison declared that ‘the defining issue, I believe, for the global economy and regional stability is the security and prosperity environment that is created by ensuring we are addressing the great power strategic competition that is occurring within the Indo-Pacific region.’ The current global trading system and rules-based order was under ‘serious strain and threat’, he said. ‘We have to engage with the rest of the world and economies like ours have always done that successfully. But it requires an integrated, fair rules-based system to engage in that trade and to be free from coercion that can occur.’²³

Even as the overall relationship lurched further downhill in 2021, Australia’s Treasurer, Josh Frydenberg, stressed that ‘the China–Australia trading relationship is ... very important. It’s mutually beneficial. Our resources have helped underpin China’s economic growth and we welcome that. At the same time, China has been a very important market for Australia and our exports to China have helped boost incomes here in Australia—been an important source of revenue and job creation.’²⁴ By that stage, however, references to the complementary economies of the two countries were outweighed on both sides by growing recognition of the mismatch in other areas of the relationship, including geopolitical perspectives, security, the rule of law and respect for fundamental rights and liberties.

Political afterlives in business

China’s penchant for mixing politics with business has long been apparent in the recruitment of former Australian prime ministers, ministers and state premiers to act as consultants or lobbyists for China-related businesses. This happens with many countries, but to an unparalleled degree with China. Bob Hawke made more than 100 visits to China after stepping down as prime minister, principally to cement his relationships with a broad range of Chinese corporations. For example, in 2014 he met then Western Australian Premier Colin Barnett to lobby for Kimberley Agricultural Investment, owned by Chinese company Shanghai Zhongfu, to be permitted to buy a large package of land in the Ord River area.²⁵

His successor as Prime Minister, Paul Keating, became a member of the international advisory board of China Development Bank. On 30 August 2016, Keating spoke at an event at the Australia China Relations Institute of the University of Technology Sydney, explaining that he met regularly, as an adviser to the state-owned bank, with China’s Premier Li Keqiang to discuss global economic issues and to advise on the way forward. He said his role was to ‘fundamentally set the context annually, to see which way the Chinese economy is going to go, how the global environment may change, and talk about the priorities within the bank itself.’ He forecast (incorrectly, as it turned out under Xi Jinping) that ‘we’re going to see a massive shift from state-owned enterprises to private enterprise in China by way of the connectivity of

the internet and open sourcing.²⁶ As a former prime minister, he spoke with some authority on foreign relations and China. In a speech on 19 November 2019 to *The Australian's* Strategic Forum, in Sydney, he quoted approvingly Zbigniew Brzezinski saying that 'America should tacitly accept the reality of China's geopolitical pre-eminence on the mainland of Asia, as well as China's ongoing emergence as the predominant Asian economic power.'²⁷

In 2011, former foreign minister Alexander Downer and former Victorian premier John Brumby joined the Australian advisory board of the giant Chinese telecommunications equipment provider Huawei, which was chaired by retired rear admiral John Lord. Downer said on his appointment: 'At a time when Australia's business relationships with China are more important than ever, Huawei has made an important investment in the Australian market by creating this local board.' Brumby said: 'Huawei has a lot to contribute to Australia's ICT sector and I'm confident that the local board will establish a strong foundation for its long-term success.'²⁸ The former politicians both left before Huawei itself dissolved the board in March 2020.

Andrew Robb, who served as Trade and Investment Minister in the governments of both Tony Abbott and Malcolm Turnbull—and played a core role in negotiating ChAFTA to a successful conclusion—became a 'high-level economic consultant' for \$880,000 a year for the Shandong China based Landbridge Group soon after leaving parliament in 2016. In the preceding year, Landbridge had been granted a 99-year lease for the Port of Darwin, in controversial circumstances. Robb quit the Landbridge role in 2018, citing the 'toxic' turn in the relationship between the countries: 'I have been pilloried and used and abused.'²⁹

Business associations

Growth in trade with China is the result of immense work by individual businesses, business leaders and business associations in Australia and China rather than a direct outcome of political announcements or discussions or formal bilateral agreements—although agreements between governments matter and their encouragement is important, especially for Chinese companies operating within a state-and-party-centred polity.

Growth has been extraordinary. In 1972, the year in which diplomatic relations were formalised, two-way trade between Australia and the PRC was under \$200 million. In the 2019–20 financial year, merchandise trade reached \$232.5 billion. Australian exports to China (dominated by iron ore, which made up 56% of the total) totalled \$151.5 billion; Chinese exports to Australia (with telecom equipment and computers the biggest items) came to \$81 billion. Trade in services reached \$18.5 billion in that same year: Australia earned 88% of the total, and 65% of Australia's services revenue from China came from students.

The imbalance in the bilateral goods trade is reversed on the investment side. Australian exports to China made up 65% of total two-way trade in the financial year to 30 June 2020 (total figure: \$232.5 billion). Australia holds an even greater share (87%) of the mutual trade in services, although the total is markedly less (\$18.7 billion). But, in the very different and important world of direct investment, China's involvement in Australia at \$46 billion (in official Australian figures) is far higher than Australia's in China, which sits at \$15.5 billion.

Many experienced analysts believe that China's total investments in Australia are in fact much higher. Even on official figures they outweigh Australia's investment by three to one. Official Australian figures also attribute a further \$16 billion of inbound direct investments to Hong Kong, which is part of China, and a considerable number of PRC and Hong Kong companies with substantial investments in Australia are domiciled for tax reasons in other jurisdictions, such as the British Virgin Islands.

While the largest corporations have the resources to fund research and hire market and country specialists, most of the Australian businesses responsible for this rapid growth in trade look to business associations to garner useful information and build connections. Private conference organisers have also scheduled myriad events as the economic relationship heated up, attracting participants and revenue by offering expert speakers describing the benefits of closer business ties in addition to networking opportunities. By 2021, most of those private conferences had vanished from schedules, partly because of Covid but also because of the rapid cooling in the political relationship between the countries.

The most prominent is the Australia China Business Council (ACBC), which has branches in every state and territory as well as a federal structure led by its president, David Olsson, a corporate lawyer who is one of the most experienced figures in the business relationship, having also chaired the Australian Chamber of Commerce in Beijing. In 2019, the Business Council of Australia formed a China Leadership Group, chaired by another highly experienced figure in the scene, Warwick Smith. At the other end of the business scale, veteran David Thomas founded the Australia China SME Association in 2018.

Within China, there are five Australian chambers of commerce based in Beijing, Shanghai, Hong Kong, Guangzhou and Chengdu. They provide research and information, support networking and help augment the social worlds of Australians working in China. Much of the most practical information about business relationships on the ground between Australia and China resides in these chambers.

In 2006, the China Chamber of Commerce in Australia was inaugurated to serve the interests of Chinese businesses operating in the country, with the support of the PRC diplomatic missions. It has developed branches in Sydney, Melbourne, Perth, Brisbane and Adelaide, as well as branches in industry sectors. Some of the Chinese provinces from which substantial numbers of businesspeople have migrated to Australia have helped to establish associations to represent their interests and to maintain connections—including flows of information and resources—with those home provinces and cities.

Chinese business organisations have also made regular forays into Australia for public events. For instance, the Sino Entrepreneurs International Federation has organised several conferences in Australia, including with John Howard as the keynote speaker at its 2018 event in Sydney. And Australian organisations such as the Australian Institute of Company Directors and the Melbourne Mining Club have held events in China. More routinely, the boards of directors of larger corporations with substantial markets, suppliers or investments in the other country have held many meetings there, seeking to help enhance their understanding.

At the government level, Austrade—which is answerable to Australia’s trade ministers and thus broadly comes within the umbrella of DFAT—is responsible for helping Australian firms find appropriate markets in China, and for encouraging Chinese firms to invest in Australia. It has staff in the Australian Embassy in Beijing and in each of the consulates (Shanghai, Guangzhou, Chengdu and Shenyang) as well as in Shenzhen and Wuhan. The most ambitious and large-scale event held to date by Australia in China was Australia Week in China, run chiefly by Austrade, which involved about 1,000 businesspeople from about 750 companies, and 140 events across 12 cities in China, including a gala lunch for almost 2,000 people hosted in Shanghai by then Prime Minister Malcolm Turnbull. This was to have become a regular program, held every two years, but had to be put on hold as the appetite for business participation faded with the growing political angst between the countries.

Australia’s state governments also deploy staff overseas, chiefly with a focus on attracting direct investment into their states. They continue to deploy considerably more staff and resources to China than to any other country. The status and staffing numbers of state representative offices change fairly frequently, but in mid-2021 Victoria had the biggest presence, with offices in Beijing, Shanghai, Nanjing, Chengdu and Hong Kong. New South Wales had offices in Shanghai and Guangzhou; Queensland in Shanghai, Beijing, Guangzhou and Chengdu; South Australia in Shanghai, Guangzhou, Shandong and Hong Kong; and Western Australia, Tasmania and Northern Territory each in Shanghai. At that time, it appeared that all the Australia-based staff sent to China were deployed to their states’ Shanghai offices, and none to the country’s capital, Beijing. In addition, Melbourne City Council has an office in its sister city in China, Tianjin.

Those working in China for Australian organisations or governments favour an ‘Australia Inc.’ tone, but competitiveness also plays a part. Thus, while Austrade charges its clients (about \$275 an hour), the state and territory offices’ services come free. All compete, to a degree, with one another. They all tend to attend similar functions and to seek information that may place them at the top of the queue, especially about Chinese corporations interested in investing in Australia. Austrade’s focus is on Australian exports to China, but also—since the demise of AusInvest—partially on inbound investment. Many of the Austrade and state staff, both sent from Australia and locally hired, have moved from one office to another within the overall Australia-representative tent. Since little is decided in the PRC without at least a degree of involvement from CCP or government officials, the importance and value for Australian firms of incorporating official Australian representatives in their deal-making is widely acknowledged.

The state, territory and city representative offices in China also play a major role in arranging the visits of regional Australian politicians, who are their overall employers. This can in some cases occupy a considerable proportion of the time and resources available in those offices. For instance, after Dan Andrews was elected Premier of Victoria in 2014, he began visiting China every year and expected all his ministers to visit at least once during every parliamentary term.³⁰

Speaking out and maintaining silence

Back in Australia, state premiers speak out on the general state of the bilateral relationship in support of state interests. Premier Mark McGowan in December 2020 called on the federal government, businesses and Australians at all levels, to help repair the nation's relationship with the PRC. He said:

I put the offer to the Commonwealth on numerous occasions, whatever we can do to help repair the relationship. I fear for the future if we don't. We are at heart a trading state and we cannot afford to squander our economic success by losing long standing trading relationships.

Part of the problem, he suggested, was the different perspectives that states on the east and west coasts bring to the China relationship: 'The state that benefits the most from the relationship is WA and I think that is lost in the eastern states. You cannot discard that relationship lightly.'³¹

State premiers talk up supply contracts when for the most part those contracts are negotiated at the corporate level, under national agreements, with scant state political input. Despite Premier Daniel Andrews's stated rationale for signing the Belt and Road Initiative MoU in October 2018—'it means more trade and more Victorian jobs'³²—the state's export trade with China showed no significant improvement in the short term, and variations in two-way trade differed little from trade between other states and China.³³ Nevertheless, defending the BRI MoU, Andrews said that 'diplomatic issues' shouldn't get in the way of trade agreements because 'there is no bigger market than China.'³⁴

The Premier made three formal visits to China over the 2017–2019 period. Imports from China grew steadily over those years, while merchandise exports only inched up. Imports rose from \$20.2 billion a year to \$24.5 billion a year from 1 July 2017 to 30 June 2020, while exports increased from \$6.4 billion to \$6.5 billion.³⁵ As John Fitzgerald has pointed out, 'Victoria's merchandise exports to the US grew 33% year-on-year and the state's exports to Japan rose 12 per cent' between 2017–18 and 2018–19, 'with no fanfare and little acknowledgement from the Andrews government.' Services trade has been more robust, he said, 'but no more than Victoria's nearest peer state, NSW. The number of Chinese tourists visiting Victoria has increased over the past five years but NSW has consistently done better in raw numbers.' On student recruitment, 'the number has grown 20-fold over the past 20 years, and Victoria continues to attract more than its share. Again, there is no evidence that the premier's strategic engagement with China has added anything of value to the state's student recruitment efforts beyond that which the appeal and placement of Melbourne's highly regarded universities and colleges can offer.'³⁶

Investment commitments, on the other hand, often involve state government inputs. The Andrews government played a key role in attracting investment from China for a share of the lease of the Port of Melbourne in 2016. It was arguably that port investment that triggered Victoria's subsequent participation in China's BRI, not the BRI participation that catalysed

investment.³⁷ Between 2018 and 2019, Chinese investment in Victoria fell relative to investment in other states, from 27% to 12% of China's overall investment in Australia.³⁸

Leaders of large corporations whose ownership is largely institutional and that have dealt substantially with China over many years have been reluctant to speak publicly about the state of bilateral relations beyond conventional platitudes. For instance, National Australia Bank Chief Executive Ross McEwan said at a conference in mid-2020: 'Our view is that over the long term the [Australia–China] relationships will build again. They've been very, very strong for decades and are important to both countries, and they are being tested at the moment but I'm sure that we'll be able to work our way through it.'³⁹

Business leaders with major family stakes in trade with China have been more outspoken in Beijing's support. James Packer, whose Crown Casino juggernaut lost its wheels after 19 employees were arrested in China for illegally promoting gambling, called publicly for closer friendship with China and for adjustments to Australia's foreign policy posture to advance business interests:

China by its actions has been a good friend to Australia ... With the rise of China, we must have a more independent foreign policy ... It often amazes me that so many senior corporate leaders, public servants and MPs haven't made the trip to China and still view it as a communist state.⁴⁰

Australia, he said, needed to 'try harder to let China know how grateful we are for their business.' The Chinese Government didn't reciprocate Packer's gratitude. His oft-quoted claim that 'I have made many, many mistakes in my life, but investing in China is not one of them' implies that he based his business strategy on a shallow understanding of how business works in China.⁴¹

Billionaire Western Australian Kerry Stokes, whose fortune was substantially built from his Caterpillar franchise for northern China (sold in 2017 for \$540 million) has said that Chinese leaders had always been courteous, unlike Australian politicians: '[Australians] call for a change in the systems in China. They do this publicly in China. It's difficult to imagine anything more disrespectful than someone coming to your own home and asking you to change your decor.'⁴² He said: 'China has never placed any special conditions on our involvement ... [yet] our whole standard of living is virtually determined by the exports we make to China ... The sooner our Prime Minister visits China and has a new dialogue, the happier I will be.'⁴³ Like Packer, Stokes expressed dissatisfaction with Australia's foreign and defence policy, and went further to suggest a move towards formal neutrality. He was 'physically repulsed', he said, by having armed US troops on Australian soil, and the nation was missing out on the opportunity to be the 'Switzerland of our region'.⁴⁴

Andrew Forrest works on a simple formula in dealing with China: 'You're going to protect them and they're going to step up to protect you.'⁴⁵ Forrest is the founder and chairman of Fortescue Minerals Group, an iron ore giant whose second biggest shareholder is a Chinese Government company and that sells more than 90% of its products to China. He describes China as a 'neglected ally'. He also warns of 'indulgent and immature' commentary towards the country.

On foreign policy, he calls for strategic agnosticism: ‘Let’s keep our hearts and minds open to all countries, including America and China.’⁴⁶

Bringing the US into the framework of discussions about Australia’s relationship with China is a consistent feature of Beijing’s public and private diplomacy, including its engagement with individual Australian business figures. China reciprocates on the Forrest formula that those who protect China’s interests will see their business interests protected. On the contested question of the origins of Covid-19, Forrest said: ‘I don’t think there is any time for the blame game. I don’t know if this virus started in China or somewhere else and frankly I don’t care ... because it just might be Australia, it just might be Britain, it just might be China.’⁴⁷ China’s Consul-General to Western Australia, Dong Zhihua, said that ‘Mr Andrew Forrest and FMG have given us valuable support and assistance during the most difficult period of China’s fight against Covid-19. The Chinese nation is grateful and always reciprocates others’ kindness’.⁴⁸

According to a report in *The Australian*, Kerry Stokes and Andrew Forrest were each ‘warned by security chiefs and concerned MPs not to confuse their commercial interests with the national interest’ after they had pressed publicly for the Australian Government to go quiet on its push for a thorough review of the origins of the Covid pandemic.⁴⁹

One issue in the relationship on which Australian business organisations and corporate leaders have tended to remain silent concerns the arrest and detention of Australian business figures—often Chinese-Australians—who fall prey to China’s capricious CCP-run legal system. Senior Rio Tinto executive Stern Hu spent nine years in jail in China, and leading entrepreneur Matthew Ng four years in a Chinese jail and almost two years in a NSW jail (under a treaty allowing prisoners to serve out their sentences in their own countries), without earning public expressions of support from Australian business interests. Neither was charged with anything that would have even been perceived as an offence in Australia, and yet neither received public signs of solidarity from Australian business peers. The same situation is repeating itself with Australian journalist and former *CGTN* business TV host Cheng Lei, who for more than a decade played a prominent role in fronting Australian business events in China. Since August 2020, she has been held without charge in a ‘black jail’, for no clear reason, without being able to speak with family, friends or a lawyer.⁵⁰ Prison authorities in China parlay this apparent lack of public concern on Australia’s part for detained Chinese-Australian peers by teasing them during torture and interrogation with the claim that ‘the Australian government would not care about you. You are Chinese, not white.’⁵¹

Interviews with China-experienced business leaders

Seven figures with substantial involvement in the evolution of business between Australia and China have shared their perceptions and experiences for this chapter. They are:

- lawyer Robin Chambers, senior partner at Chambers & Company International Lawyers, chair of the China House consultancy, and a board director of the Australian businesses of several major Chinese corporations

- Alistair Nicholas, who, after being trade commissioner in Washington, worked in China for 13 years, including running his own corporate advisory, and as a senior adviser with consultants Edelman and Weber Shandwick/Powell Tate
- lawyer Kevin Hobgood-Brown, who was counsel with Australian mining house Sino Gold, was president of the ACBC, and today chairs the Foundation for Australian Studies in China
- Paul Glasson, who was the ACBC's chief representative in China, where he lived for 21 years, was three times chosen as a Young Leader for the Boao Forum, and was the 'rainmaker' in cementing more than 20 transactions involving Chinese corporations investing more than \$10 billion in projects, chiefly in mining, in Australia, over 14 years
- Jack Brady, for five years the general manager then chief executive of the Australian Chamber of Commerce in Shanghai
- Carl Jetter, who owned and published the long-running magazine *Australia China Connections*, which has evolved into a China specialist consulting firm of which he is principal, is also the business development manager at the ACBC
- a prominent Chinese-Australian business leader, who can't be named due to corporate requirements.

How much does business matter in the relationship?

On the comparative importance of business, the business leaders interviewed concur that it's been critical to the overall relationship between Australia and China. Glasson says that business has provided 'a foundation that has allowed the broader relationship to develop. China's drivers for engagement have been commercial going back to the original iron ore deals.' The relationship between the countries was reignited, he says, by China's first liquefied natural gas supply contract, worth \$25 billion, negotiated in 2002. The success of those negotiations he substantially attributes to Zhuang Binjun (BJ), who represented the state government of Western Australia in China. Chinese resource investments in Australia followed. When President Hu Jintao visited Australia the following year, business opportunities broadened out beyond resources, including to the education sector, and Chinese students were beginning to be attracted in significant numbers, aided by time-zone and affordability advantages. Glasson also stresses that 'business always comes second to the political relationship. When there is a political issue, governments are always willing to forgo the business relationship, or to use it to pursue their political aims.'

Nicholas adds: 'The systemic weakness of business's relationship with China is that it has mainly been transactional. The relationships tend to be business-to-business or seller-to-buyer. Australian business failed to take advantage of its commercial position over the past 20 years to build deeper relationships across the board that they could have leveraged to better protect their interests given the recent unravelling of the bilateral government-to-government relationship.' In comparison, he says, many US industry associations have worked to protect and advance the interests of their members by proactively pursuing strategies to build broad relationships across the Chinese government, think tanks, and their counterpart industry associations. After some awkward incidents, he says, they realised they couldn't depend on

the US Embassy to defend their industry's interests (say, an issue involving an allegation of product contamination) when a far bigger geopolitical issue might be unfolding. 'What they needed more was the support of that network of friends and allies in China who could talk to the Chinese Government on their behalf.'

While agreeing that business is central, Hobgood-Brown says that 'it is important to remember that business includes tourism, education, health care, creative arts and many other sectors that are key to Australian society and which involve complex engagement between Australian and Chinese people.'

The Chinese-Australian businessman says that Australia and China have always been complementary, especially in trade, that the overall relationship between the countries frames this, and that developing new economic relationships takes time and costs. Chambers agrees, adding that the complementarity is especially marked in mineral resources generally, and not only in relation to iron ore.

The respective roles of business and government

On the capacity of business to develop relations autonomously, aside from government, the interviewees agree that commercial considerations drive business on both sides but that official relationships matter immensely, and even more for the Chinese side. Chambers says: 'My experience of Chinese state-owned enterprises (I have been a director of 10 in Australia) has been that business decisions they make in Australia have been commercial in nature, and they have operated here in much the same way as any private corporation would do. I have seen very little Chinese Government direction, except where [Beijing] has obviously been encouraging the big SOEs to go and look for iron ore, and at one time coal, to satisfy the requirements of the Chinese steel industry.'

During the mining boom from 2003 to around 2012, Chambers's law firm acted on behalf of eight of China's leading steel mills seeking to invest in Australian iron ore projects. 'They came with big budgets but with little or no experience, and lost billions. Today the situation is changing. The Chinese Government is taking steps to restrict Chinese investment in Australia directly and indirectly ... SOEs are worried about export shipments being blocked by China even in cases where the owners of the exports are the Chinese SOEs themselves.' In contrast, 'one would never expect the Australian Government to issue any directions about Australian companies' relationships with China.'

Hobgood-Brown says: 'Governments can encourage and discourage business activity, but it is very difficult for them to direct business engagement. In 38 years of working in and with China, I have seen several waves of smooth and discordant bilateral relations. When official relations are great, it is like business is conducted in the sunshine. When official relations are bad, business feels like it is being conducted in the shadows.'

Jetter says that 'government involvement has been important, from the early beginnings.' Chinese authorities at different levels supported educational exchanges, he says, which gradually extended to business arrangements. 'Nothing would have happened without mutual

government diplomacy, skill and support.’ Brady says that business and the search for returns have driven much of the relationship. He notes that ‘Australian governments haven’t been in the game of picking winners, or prioritising one sector over another. They have instead been driven by what business has been doing.’ Glasson says that the success of government support for business has depended on the people at the centre of the deal-making: ‘The better periods have been when people who speak Chinese are involved ... A lot of leg-work is needed.’

Nicholas says that business has been the focus of Australian governments on China over the past 20 years: ‘There are many Australian businesses that probably wouldn’t have targeted China—indeed, may not have “put all their eggs in the China basket”—if it were not for the focus of the Australian Government on China and the encouragement to do business there.’ Some businesses, he suggests, that should have been warned off China chose to enter that market—‘the toughest in the world to do business’—because of that encouragement. From the China side, Nicholas says, ‘there is of course far more government direction.’ For 20 years, the Chinese Government told state corporations to go overseas and invest in strategic industries such as mining, and private companies followed in their slipstream. ‘When some of those companies started investing in non-strategic industries—Hollywood film-making, and property—the government issued an edict that they should focus on strategic sectors around agribusiness and natural resources that China needed and get out of “speculative sectors”.’ The SOEs complied immediately, but not all private companies did so, and many remain in sectors such as property development in Australia, says Nicholas.

The China–Australia Free Trade Agreement

The business figures broadly agree that ChAFTA, which took a decade to negotiate, has had a significant and positive impact, although Jetter believes that ‘the majority of benefits were leaning towards the Chinese side.’ Brady says: ‘It definitely helped Australian firms engage more closely on the ground. Importers, wholesalers, distributors, and provincial governments, all saw Australia as a preferred country to trade with.’ Hobgood-Brown underlines ChAFTA’s effect of standardising customs and import/export procedures, as well as of lowering, and in some cases eliminating, tariffs. While the resulting message to both countries’ business communities was to engage, ‘the green light to business was especially significant in China.’

The Chinese-Australian business leader says that ‘the results are starting to filter through, in particular in the agriculture sector’, where, despite the Chinese 2021 embargoes, some exports such as of citrus continue to increase. Nicholas says that, as a free-marketeer, he questioned such agreements’ exclusions and protections: ‘China opened up what it wanted to open up but kept closed what it wanted to keep closed. But it is better than nothing.’ And the current bilateral tensions notwithstanding, he says, it’s been especially helpful for Australian agricultural and agriculture-based products such as foods and wine. But China can still use anti-dumping mechanisms to target certain Australian sectors such as barley and wine when that has suited it, as in the current bilateral standoff, Nicholas adds. And ‘Australia has used similar mechanisms on Chinese imports, such as steel, for political reasons—namely to protect an inefficient steel industry that could impact marginal South Australian seats in our federal

election. There are no purists when it comes to international trade.’ Glasson would tend to agree: ‘I have a very circumspect view of ChAFTA. Politics played a large part in the manner in which it was rolled out.’

The role of business associations

All the business leaders interviewed viewed the role of business associations in the relationship positively, although with some caveats. Hobgood-Brown says that ‘the ACBC has consistently made significant contributions’ in understanding China and improving the economic relationship, for instance in its 2007 study of the impact on the average Australian household, showing that the average Australian household was about \$3,500 better off because of the trade relationship with China. It has organised numerous commercial delegations to China, has hosted many Chinese business delegations to Australia, and has run hundreds of seminars, Hobgood-Brown adds, and raised \$125,000 for Sichuan earthquake disaster relief. ‘Do these things make a difference? Overall, I think that they do.’

When Glasson was representing the ACBC in China, he says, the organisation was able to gain access, especially within China, for its members to the Chinese Premier and to the Australian Prime Minister, as well as more frequently to China’s commerce ministers, ‘enabling them to present their cases directly.’ Thus, the council was also able to readily attract significant sponsors.

Jetter says that the ACBC and the Australian chambers of commerce around China have primarily been a valuable support for the large number of Australian small and medium-sized enterprises (SMEs) doing business with or in China, and in providing an informative networking facility, while ‘never having taken up the role of serious lobbying at Australian or Chinese government levels.’ Brady also notes that the key role of the network of Australian chambers in China is ‘helping smaller entities quickly get the lay of the land, get connected, and access a preferred network of contacts to smooth out the market entry.’

Chambers says that when he was on the inaugural ACBC board ‘it represented the top end of the town and was very effective in building Australia–China relations. It received very high level support in China, which isn’t replicated today. We hosted Chinese leaders such as Zhu Rongji, Jiang Zemin and Rong Yiren through DFAT to introduce them to Australian business. I met Zhu Rongji four times in China and Australia in my role with the ACBC at that time. With the merger in the 1990s with the Australia China Business Cooperation Committee, ACBC became more focused on SMEs. It is mainly an events organisation today and arranges numerous events with speakers on interesting topics in China–Australia relations. With David Olsson as the president, it has been making public statements on many aspects of the difficult political relations, to have a role in influencing foreign policy on China as a business organisation.’

State offices in China

The business figures tended to be more critical of Australian state offices in China. Jetter, for instance, says ‘I believe that the constant competing of all Australian state government offices based in China is confusing, creating more of a burden than a blessing for Australian business in

China.’ He made an exception for the Victorian offices—as did others interviewed—particularly in the extent of their coverage. Nicholas agrees: ‘Their *raison d’être* is to compete and win against the other states. When I worked in China I did some work for a US state’s representative office and it was no-holds-barred when they were competing for an advantage for one of their companies or industries against another American state.’ Glasson, who is more critical of the Victorian efforts in China, believes that the peak capability of the state offices has now passed. Hobgood-Brown adds that ‘in most cases, the state offices seem to work collaboratively with Austrade.’ The Chinese-Australian business leader says that the state offices compete to attract investment into Australia, while ‘they collaborate and share information on outbound investment and on trade. And their continued presence, with that of Austrade, does indicate to China that Australia is keen to develop the relationship.’

China’s provincial and municipal representation in Australia is less publicly visible, and is perceived as akin to mutual aid, to support sister-state and sister-city relationships and local Chinese communities. The Chinese-Australian businessman says that he has watched such representative offices being established—‘but they’re not very effective due to limited budget, cultural differences, and language difficulties.’ Hobgood-Brown views such representation as ‘a very mixed bag’, and generally ‘pretty marginal’, engaging more successfully with the Chinese-Australian community than the broader Australian business community. Jetter says that, from his experience in Victoria, most Chinese associations named for a province or city ‘are initiated and run by local individuals and their committees through personal connections’ back to China. ‘They primarily focus on personally beneficial mutual business connections.’ There is also, he says, a smaller number of such associations ‘which receive provincial and possibly also Chinese Embassy support, and which therefore also support their government interests in return.’ Glasson has encountered such connections more among individuals who aren’t operating as officials—people who are themselves ‘well-connected to government officials of a particular province, or who may appear a little bit shady, while providing some level of access back in China.’ Chambers says that his law firm ‘recently set up a representative office for Yunnan Province [in Sydney] on the back of our work for Yunnan Tin in Australia on their projects. They told us they were handling enquiries across a range of matters.’

Australia–China business relations relative to those with other large economies

Hobgood-Brown says: ‘I’ve done lots of work with companies from Japan and the USA. They generally have done better homework and preparation before embarking on Australian projects. Chinese companies have often been unprepared, both from a business/commercial perspective and from a cultural perspective.’ Historically, he says, the business chambers for American and Japanese companies in Australia have seemed less political, while the China Chamber of Commerce in Australia (CCCA) ‘has struck me as being more political.’ Hobgood-Brown spoke at the official launch of the CCCA with then Chinese Commerce Minister Bo Xilai in Canberra in 2006.

Brady says the biggest difference between Australia's business relationships with China and the relationships with China of firms from other large economies is one of scale: 'Some of the largest firms in the world have significant operations and exposures to China, and with this comes great connection to the Chinese state apparatus, internal staff rotations from head office, and the opportunity to build institutional knowledge over decades. Our level of investment in the market just doesn't compare, so sometimes it can feel skin-deep.'

Jetter says that the Chinese governing system is much more closely connected with its own business community: 'It's always very close,' while governments in Japan and the US tend to be far more removed from overseas business relationships. Chambers agrees: 'The presence of the Chinese Government in one way or the other' marks the key difference, especially in investment relationships, while 'trading activities have not been particularly different from those with other countries. Of course that has changed recently as China has set out to target categories of trade between Australia and China,' although in the iron ore trade 'market forces have determined pricing, notwithstanding the Chinese Government's desire to intervene.'

Glasson says that each of the deals with which he was involved over the decade ending in 2016 took three times as long as they would have done with other countries, involving substantial requirements for clarification. 'There's a totally different rhythm from doing business with the US or Japan,' he says. 'For investors in such countries, deals are primarily financial. For China, they are primarily political, raising the question as to whether they are part of the national economic plan, or have been articulated by Beijing to the company as comprising its role in the plan.' Risk and upside are assessed within that overarching criterion. In comparison, Glasson says, American corporations operate almost exclusively with commercial metrics.

Governments leveraging business relations

The Australian and Chinese governments are both perceived to make use of the business relationship to achieve goals that aren't strictly economic, although more so in the case of China. Brady says that 'as the relationship has deteriorated, the Australian Government has looked to business for more information and clarity about their operations' in and with China. 'And some Australian firms have surprised me, in that they have been better connected in key areas of the Chinese system than with our own government. And that dialogue is continuing, despite the freeze at the most senior levels.'

Glasson says that 'in the China setting, it's clear that the business relationship has been used by Beijing in order to make a point to Australia that is indeed political, and relates to Prime Minister Scott Morrison's call for a Covid inquiry, and its feeling that China had been targeted by Australia at the global political level.' At the same time, he believes, the Australian Government has used business as a wedge to enhance its position vis-a-vis China, with an attempt to develop the notion of Team Australia, and to temper the public voice of Australian business.

Hobgood-Brown says that, in the Chinese system, SOEs are understandably keenly sensitive to the central government's views: 'On this basis, we detected about two years ago that SOEs were quietly telling us that they could not get internal support for doing a project in Australia.'

Jetter adds: 'I believe that all governments use their countries' business relationships to achieve political aims, whether good or bad.' The Chinese-Australian business figure agrees: 'Business relationships, cultural exchanges and diplomatic relationships all come hand-in-hand.'

Chambers says that 'doing business today with China needs to take into account the role of the Chinese Government and what China wants to achieve with some investment by Chinese organisations in Australia, especially in telecommunications, power grids and ports and some other areas where investment was blocked by the FIRB [Foreign Investment Review Board]. Why was it so important to China to have Huawei accepted here for our important telecommunications business? Why did China push to have Chinese entities invest in power grids or ports, or some other areas where investment was blocked by the FIRB? The Australian Government perhaps belatedly has recognised that important national interest issues are often involved with China's investment plans in Australia. But this is an ongoing situation, and it is hard to predict where it will finish.'

Business in strained times

All the business experts interviewed agreed that the business relationship between the two countries has been seriously disrupted by the political stand-off between their governments, especially in 2020 and 2021. Glasson says that, where Australian products can be replaced and are deemed non-essential, 'they have been targeted as a reminder to Australia.' Nicholas says: 'Just ask the barley, wine, seafood, beef industries. They have all been hard hit by what's happening in the bilateral stoush. Our exports have only expanded on paper because of the rising price of iron ore. And there is a serious question of how long can we ride the iron ore wave.' China, he says, has long realised the risk of getting its strategic imports from a single source. This is part of the reason for the BRI—to diversify its sources of imports, as much as to find new export markets for itself, says Nicholas: 'The Chinese think strategically and play a long game. Eventually they will be able to turn their backs on even Australian iron ore.'

Glasson adds, however, that finding alternative sources of supplies of resources, including iron ore and copper, may in some cases prove 'easier said than done.' Hobgood-Brown says that the business relationship with China 'has suffered on almost every level due to the poor relationship between the governments. New projects are generally not being discussed.' With effort, existing relationships are being maintained, he says—'but even some of those are in jeopardy.' Jetter believes the disagreement will take some time to be solved. The cultural disconnect complicates that prospect, he says—with Australia tending to favour 'saying it as it is', while China favours keeping uncomfortable matters private: 'Tolerating each other's culture is of value, if we want to communicate successfully.' He considers that the Australian Government has failed substantially on that count—'risking destroying 40 years of a successful Australia-China business relationship.'

Brady says, however, that despite the public stoush, 'traders keep trading, and despite disputes the numbers suggest many areas continue largely as normal. Perhaps the most pressing feedback has come from Chinese importers and distributors who are worried about political risk, and are thus hesitant to stock up on significant purchases from Australian suppliers' out of

concern that they'll be stuck with products, or that the products won't arrive if there are issues with customs owing to politics at the national level. The Chinese-Australian business leader says 'the stand-off has created a new level of uncertainty for businesses in maintaining and developing relationships between the countries, and this is bound to be reflected in pricing for products and for projects.'

Imbalanced investment relationship

The leading business figures were also asked about the imbalance in trade and investment between Australia and China, and what that meant for building knowledge and understanding. A wide range of Australian products are sold to China, but they're shipped out without close customer engagement. 'When you supply services you generally need to be physically in the market interacting directly with the consumer,' said Tracy Colgan when she was the chairwoman of the Australian Chamber of Commerce in Beijing in 2016:

The USA's major companies have been manufacturing and selling in China for nearly four decades and can draw on a wealth of direct experience to support the service sector's entry into the market. This is unlike the Australian experience, which has been predominantly based on trade, and that's a different skill set.⁵²

Paul Glasson says that a large proportion of the Australian economic engagement with China involves Australia selling products that require downstream processing, even though the end-products are sometimes re-exported—because of the differential in the cost of labour and other inputs. Even some of the precision manufacturing processes that used to be conducted in countries such as Japan and South Korea have migrated to China, he says.

Some early Australian investments failed spectacularly. During the first few months of 1993 alone, Australian industry invested \$1 billion into China, encouraging the *South China Morning Post* to report on a new 'China fever' akin to the gold rush of the 1850s, when Chinese miners travelled to Australia, only 'this time the rush is in the other direction—Australian companies seeking a share of the world's fastest-growing economy.' Over that excitable period, Fosters bought breweries in Guangdong, Tianjin and Shanghai as it sought vainly to 'fosterise China', while Pacific Dunlop also invested heavily in manufacturing ventures. Both ventures failed.⁵³

There have been no significant announcements of investments from Australia since the ChAFTA came into effect on 20 December 2015, despite the large numbers of Australia businesspeople who visited China during the first few years of that deal, including those attending Australia Week in China. Direct investment by Australia in China totalled \$15.5 billion in 2019, just below Australia's investment in Papua New Guinea. One of the results has been that, compared with major companies in countries such as the US, Japan, Germany and South Korea, Australian companies and their executives and boards have developed only distant knowledge of the Chinese business world and markets.

In contrast, Chinese corporations have been long-term and stable investors in Australia. For instance, CITIC obtained 10% of the Alcoa-operated Portland aluminium smelter in Victoria in 1986, and remains a core owner with 22.5%. At about the same time, CRA (today's Rio Tinto)

was involving China in its plans for the development of iron ore production in the Pilbara in Western Australia. In 1984, a Western Australian Government mission with an iron ore focus visited China, followed soon after by a visit from Prime Minister Bob Hawke, and the countries signed an accord for ‘Economic and Technical Cooperation in the Iron and Steel Industry’. An agreement for a feasibility study followed and was signed by senior executives of China Metallurgical Import and Export Corporation (CMIEC) and Hamersley (CRA’s iron ore subsidiary) in 1984. Bob Hawke recalled the vision that lay behind that agreement:

... standing on Mount Channar [in the Pilbara] with Premier Hu Yaobang in 1985. The wide blue sky above us and the rich iron ore rocks beneath our feet gave rise to a potential promise of enormous wealth for both our countries. I handed Hu a rock, which he deftly secreted in his pocket; it was an initial gesture of China’s decision to embark on its first joint partnership venture outside his own country.⁵⁴

Production at Channar started on 1 January 1990. CMIEC took a 40% stake and Hamersley 60%, and CMIEC was buying the entire output. The core goal was to secure stable supply, as China rapidly ramped up its industrial production and became the world’s dominant steelmaker.

Many substantial investments in Australian resources have followed, but few—except in liquefied natural gas production—have had as much impact as those early involvements. In 2020, China was ranked as Australia’s ninth largest investor overall with an accumulated value of \$79.2 billion—although Hong Kong, part of sovereign China, was also ranked fifth, and British Virgin Islands, where some Chinese companies are domiciled, 19th.⁵⁵ Over the preceding five years, the total from China grew by just 0.3%. The US, Britain, Belgium and Japan were the four biggest investors, in that order.

In later years, the proportion of private Chinese companies investing in Australia has far exceeded that of SOEs.⁵⁶ In 2018, private business supplied 87% of the value of Chinese investment deals in Australia. In 2019, it accounted for 84%. Health care was the biggest sector in 2018, at 42% of the total, with commercial real estate next at 37%. In 2019, food (via Mengniu Dairy’s \$1.5 billion purchase of Bellamy’s) took 44% and commercial real estate 43%. In 2018, 49% of the amount came from deals worth from \$5 million to \$25 million, and 36% from those worth \$25 million to \$100 million.

Li Xiyong, the executive chairman of Yankuang, a large SOE in Shandong, provides reasons for the Chinese appetite for Australian resources. Li, who also chairs ASX-listed Yancoal, led a \$2 billion investment in Australian mines in 2017. He praised Yancoal’s ‘very excellent’ Australian management team and ‘highly qualified workers’. The company had built a strong relationship with its Australian shareholders after operating there for 10 years, he said. The initial motivator for investing in Australia was to take and test the technology developed by Yanzhou—which is 57% owned by Yankuang, operator of 20 Chinese mines and owner of 65% of Yancoal Australia—especially its long-wall mining system, which it believes to be not only highly efficient but also fireproof, potentially solving one of the biggest hazards for Australian underground mines. ‘Introducing our technology in Australia,’ he said, ‘enables us to demonstrate that it is the most advanced’, since Australia is internationally respected as

a high-quality mining province. Li said that ‘the scope for investment within China is nearly dried up, while the reserves in Australia are very rich. Second, Australia has excellent laws and regulations,’ including ‘beautiful’ environmental requirements, which his company was already transferring to its wider operations. ‘Third, its political system is steady. Finally, it already has in place an almost perfect coalmining production system.’⁵⁷

Interviewed for this chapter, Paul Glasson says that Chinese businesses looking to invest in Australia have substantially looked for introductions and direction from their own government, especially through the National Development and Reform Commission or the Commerce Ministry—and to an extent also from the Australian Government. ‘They would suggest a handful of companies’ suitable for engagement and then ‘monitor the process’. He says that many of the investments made in Australia by Chinese firms aren’t listed as such ‘because they are made via entities in Singapore, say, or Hong Kong or British Virgin Islands.’ China is a massive holder of Australian bonds, he adds.

Considerable effort used to be undertaken in Australia to assess whether direct investments from China were ‘genuinely market driven’, and whether the relevant Chinese businesses were ‘genuinely private’ as claimed, or in fact at their core state-owned. In response, Chinese investors frequently stressed their independence. Chen Lifang, a director of the major Chinese telecommunications hardware company Huawei, said in an interview with the *Australian Financial Review* that Huawei operates as a private company. ‘There is an expression in China,’ she said, “‘within the system and outside the system’”. The relationship between Huawei and the Chinese government, it’s just the same as the relationship between any Western private company with their governments. Huawei is outside the system.’⁵⁸ But Huawei, like any large company in China, had a CCP committee as part of its governance structure even then. By 2021, virtually every private business in the country had a party branch, as did the arms of Chinese corporations operating overseas. All were being brought ‘inside the system’, to borrow Chen’s phrase.

In terms of the capacity of the party-state to influence decision-making in Chinese business, the issue of ownership is no longer especially significant. The ‘Guidelines on Strengthening United Front Work of the Private Economy in the New Era’, issued in 2020, say that the party aims ‘to build a backbone team of private businesspeople that is dependable and usable in key moments’. The guidelines add that businesspeople must ‘maintain high consistency’ with the party. In a paper titled ‘From China Inc to CCP Inc’ for the *China Leadership Monitor*, Jude Blanchette, the Freeman Chair in China Studies at the Center for Strategic and International Studies in Washington DC, says that political and economic power are merging under Xi Jinping. This is creating an entrenched business–party hybrid elite—though one that necessarily acknowledges the party’s primacy.⁵⁹

Overall, while China’s massive debt financing program through its BRI continues apace, the quantum of investment appears to have peaked around 2017. Tom Miller of business analysts Gavekal Dragonomics reports that ‘China’s decade-long orgy of outward direct investment looks spent: flows peaked in 2016, plunged in 2017 and fell again in 2018 ... the glory days of Chinese firms gorging on foreign acquisitions are well and truly over,’ as the trend of the current

account surplus, the source of investment capacity, declines.⁶⁰ Much of the money available for the middle class to contrive astutely to shift offshore, especially into real estate, has already been invested.

Robin Chambers says that, 'while mineral resources constitute such a major part of Australia's trade figures with China, Australian investment in China's resources sector is insignificant. None of BHP, Rio Tinto or FMG has made any real investment in China, and their presence there is purely to support their export trade in minerals such as iron ore and coal. On the other hand, Chinese investment in Australia has been quite significant, though not at the scale of other countries such as the US and the UK.' He adds that 'perhaps surprisingly, Chinese investment in the mining industry has not been very successful, especially if you include Sino Iron's \$13 billion project. It has been more directed into property at the private level, and also into infrastructure, agribusiness and a range of other areas of the economy, enough to establish a significant Chinese presence in Australia.' While trade has extended the reach of China's relations right across the economy, Chambers says—although this is being revisited with the blockage by China of designated Australian exports—'there seems to be reduced appetite for many Australian companies to pursue investment in China, which can represent a real country risk for business.'

Chinese investment in Australia by private Chinese investors has focused heavily on property, he says. For most Chinese SOEs with joint ventures in Australia, the value of their investment will depend on the legal structure adopted. Most such investment is intended to finance the ventures rather than to create assets that could be sold. Where it has succeeded, Chambers says, this has 'given rise to confidence in doing business in Australia without the country risk that would exist in many other countries. And with SOEs which have shown sophistication, they have been quite open to engaging competent Australian managers to play roles to run the businesses'—helping integrate the firms into the Australian business environment. 'Good examples are Sinosteel, CITIC, Minmetals and Yancoal, among others. As the Chinese became more experienced and comfortable working in Australia, they have extended their attitudes and expectations to working here in a very positive way. They have been generally allowed to operate here in the same way as Australian or other foreign companies complying with Australian law and business practices. They have become a real part of the Australian economy.' Chinese SOEs have always required FIRB approval, and, with few exceptions they have always been approved, he says. But 'under the most recent rules, the FIRB has a lot of power to block investments on what are called national interest grounds, so that Chinese investment approval is less certain today,' as China looks to diversify its overseas investments, especially into Africa.

Alistair Nicholas says that, since Australia is a net importer of capital, its overseas direct investment has always been lower. 'We're just not a big exporter of capital,' he says. 'And few Australians probably want to risk investment in a country that is so different culturally and legally.' In addition, the sectors that might be interested in investment in China, such as the mining sector, are effectively precluded from doing so—'certain markets remain either closed or have high barriers to entry. So you don't see a lot of Australian investment going into China.'

If you think about how easy America is to invest in compared with China, you would logically invest there rather than in China.’

However, China has over the past 20 years become a net exporter of capital. Its overseas direct investment, says Nicholas, has rarely been about selling a product to the market it’s investing in. ‘It has always been driven by demand in the Chinese market and gaining access to what the Chinese market wants. As one Chinese businessman once said to me, “Why would I want to invest in a dairy farm to sell milk in Australia for \$1 a litre when I can sell it for five times that in Shanghai, which has the same population as the whole of Australia?”’ Chinese investors, he says, perceive an increased ‘sovereign risk’ about doing business in Australia. ‘If the 99-year lease of the Port of Darwin is overturned and the Australian Government starts to review other Chinese investments in infrastructure, that concern is going to increase and there will be less Chinese interest in investing here.’ Kevin Hobgood-Brown agrees: ‘I have frequently observed that businesspeople from China who wish to invest in Australia look to the Australian Government, in much the same way as they do their own government, for signs that Chinese investment is welcomed.’

Jack Brady says that ‘the Australian business philosophy towards China is definitely more about selling rather than investing. Before the pandemic, it was still very fly-in-fly-out from the Australian side. We have great exposure to the China market, but a real appreciation and understanding from deep learned experience is lacking in senior business levels.’ The Australian-Chinese businessman says that trade and investment should go hand-in-hand, with Chinese investment in Australia helping develop the companies’ R&D and other capabilities—while, if Australia were to invest more into China, that would ‘expand marketing channels and lower production costs, improving competitiveness with other international firms.’ The dual-circulation economic strategy introduced by Beijing in mid-2020 adds a challenging new layer for foreign investors, however, intended as it is to make the Chinese economy less dependent on others while seeking to maintain others’ dependency on China.

The imbalance in the investment relationship also reflects an element that holds true for Australia’s economic connections with Asia more widely: the lack of confidence in understanding that derives from the paucity of experience of living and working in the region that’s to be found among Australian top executives and board members. As former Austrade head in China Michael Clifton wrote: ‘Building deeper personal relationships with counterparts in the PRC requires Australian business to move beyond a fly-in fly-out, transactional approach to business. It demands patience, perseverance and opportunities for genuine dialogue that encourage more than a perfunctory recitation of well-worn talking points.’⁶¹ When a goal of just doing business more effectively was both desirable and attainable, then building and treasuring networks—in China, *guanxi*—was at its core. Alistair Nicholas says that Trade Minister Dan Tehan was right to say in April 2021 that Australian businesses need to ‘step up to the plate’ in repairing ties with Beijing—‘but it’s a little late in the piece for business to be doing that—they should have started that journey several years ago.’ The ‘New Era’ of Xi Jinping has steadily and purposefully set about cutting down the networks that might have aided that task. Special connections are today likely to be viewed by the Xi loyalists who police the newly

institutionalised anticorruption apparatus in China as especially challenging to CCP-led structures. Thus, even the maintenance of established relationships—if they aren't transparent to CCP policing—may intensify concerns about their vulnerability on the part of Chinese business partners.

Diversification: a fallback becomes a front line

The big game in town is diversification away from China. Following the call by the Australian Government in April 2020 for an inquiry into the origins of the global Covid pandemic, Beijing launched a campaign of commercial coercion that restricted or barred Australian exports of barley, wine, beef, lobsters, cotton and thermal coal. This was a government-to-government response, although popular perceptions may have played a part at each end. In an interview with the *Australian Financial Review*, China's Ambassador to Australia, Cheng Jingye, transposed his government's response to Australian measures over foreign influence and questions over the Covid origins onto the population at large:

The Chinese public is frustrated, dismayed and disappointed with what you are doing now. In the long term, for example, I think if the mood is going from bad to worse, people would think why we should go to such a country while it's not so friendly to China. The tourists may have second thoughts. Maybe the parents of the students would also think whether this place, which they find is not so friendly, even hostile, is the best place to send their kids to. So it's up to the public, the people to decide. And also, maybe the ordinary people will think why they should drink Australian wine or eat Australian beef?⁶²

Had the PRC Government been as confident as its ambassador that Chinese consumers were prepared to punish Australia, there would presumably have been little need to mandate trade restrictions for overtly political purposes. Government intervention suggests lack of confidence.

Popular sentiment in Australia, traced through annual Lowy Institute polling, has shifted markedly.⁶³ The first such poll, conducted in 2005, showed that China's growing power worried only 35% of respondents, placing it last on a list of 10 threats confronting Australia. In 2018, 12% of respondents viewed China more as a security threat, 82% more as an economic partner. And yet, within two years that changed dramatically: in 2020, 41% perceived China more as security threat and 55% as an economic partner.

This popular shift was reflected among the political elite. Former prime minister Tony Abbott, under whose leadership the ChAFTA was concluded, backtracked in July 2021, saying that the deal had been based on 'wishful thinking'. He said: 'We were confident that there would slowly be not just economic but political liberalisation in China ... but the Beijing government sees trade as a strategic weapon.' He urged business and academic leaders to show 'character' and refuse funding that involves 'selling your soul' to China.⁶⁴

Trevor Rowe, Rothschild Australia's senior adviser and one of the country's business leaders who has spent longest working in and with Asia, said that 'China has made a mistake which will ultimately hurt them. Its wolf warrior diplomacy is alienating a lot of countries.'

Australia, he said, had become blasé about ‘its growing trade ties with China, which had made it too dependent on the country for its exports. We didn’t think we were becoming hostage to one country. That has all come home to roost and we now have to scramble to diversify our exports.’⁶⁵

James Laurenceson, director of the Australia–China Relations Institute at the University of Technology Sydney, said that China’s behaviour was exceptional. China had a history of using coercive economic pressure as a political weapon:

but such pressure has been narrowly focused, and China has been careful to maintain ‘plausible deniability’, using excuses like food safety concerns to avoid being taken to the World Trade Organisation for flouting international trade rules. This action against Australian exports would be unprecedented in China’s economic statecraft. It would be impossible for China to deny its motives. Politics by other means.⁶⁶

The Australian Government has consequently begun to pursue redress through the World Trade Organization. Laurenceson notes that ‘the exports that are the backbone of the Australia–China trade relationship—such as iron ore—have avoided mention. That’s for good reason. In the first nine months of 2020, China relied on Australia for 60% of its imported iron ore—crucial to make the steel needed for building bridges, factories and high-rise apartment blocks.’ He said that the main point of the actions by Beijing was to exert pressure on domestic interests to speak out on its behalf—‘by inflicting serious harm on lobster fishermen through to winemakers, the Chinese government is seeking to turn Australian producers into lobbyists that help it achieve its foreign policy objectives. But if that’s the intention, there’s little evidence the plan is working.’ One reason is that ‘with Australian public opinion towards China continuing to plummet, there is also the prospect of hardening the Australian Government’s resistance to Chinese pressure.’ Another reason is diversification. Businesses themselves are best placed to assess developments and manage coercive risk, he suggests, including by crafting more sophisticated strategies than just looking to sell to other markets. ‘Australia has less to fear from China’s trade threats than some might think.’⁶⁷

The most widely discussed response has been for Australian exporters to diversify by seeking new markets, or expanding efforts in markets into which they’re already selling. Jeffrey Wilson, research director of the Perth USAsia Centre, explained the context:

Australia’s economic relationships are highly concentrated. The overwhelming majority of trade—82 percent of merchandise exports in 2019—are destined for Indo-Pacific markets, with China accounting for around one-third of the total. Resources account for approximately half of all exports, with three commodities—coal, iron ore and natural gas—being dominant. Services come second at 22 percent, largely made up of education and tourism.⁶⁸

Research by the Perth centre showed that half of Australia’s top 30 export industries rely on a single dominant customer—usually China. Australia’s investment ties also lack diversity,

but in this case are focused on the ‘old world’, as the US and Europe account for 60% of Australia’s two-way investment. Wilson said that diversification would be:

a complex, long-term endeavour. It is not about growing ties with any particular partner, nor indeed reducing existing relationships that have performed well. Rather, it involves a set of interlinked activities to foster a broader foundation for Australia’s future economic engagement with the world. This includes both activities of government, such as trade negotiations and commercial diplomacy, as well as the market development strategies of Australian businesses.⁶⁹

In May 2021, ACBC national president David Olsson urged the federal government to replenish the funds available through the Export Market Development Grants program in order to aid diversification: ‘A significant number of exporters have exhausted their entitlement to EMDG grants and are struggling to respond to loss of the China market. They need support. Through no fault of their own, the China market has been decimated,’ and many companies need assistance to develop alternative markets.⁷⁰

Examining the federal Budget later that month, Greg Earl wrote that the crucial international relations theme was trade diversification, particularly making the economy more resilient by reducing dependence on China: ‘depending on how these things are defined, there is at least \$500 million of obvious new money over four years on trade diversification initiatives covering supply-chain resilience, simplified trade, anti-dumping and farm exports.’⁷¹

The damage caused by Beijing’s commercial coercion, while severe in several sectors, hasn’t been as great as feared. The director of Lowy Institute’s International Economics Program, Roland Rajah, wrote that the backdrop of the Covid-19 pandemic significantly clouds the picture, but that the impact of China’s trade actions:

has in fact been quite limited. Exports to China have predictably collapsed in the areas hit by sanctions, but most of this lost trade seems to have found other markets. At the headline level, the effect of China’s trade sanctions on Australia’s export numbers has been completely swamped by the booming iron ore trade—which China hasn’t been game enough to touch ... China has targeted products for which it thinks the cost to itself is relatively low, mostly because alternative suppliers exist. But, in most cases, that also means there are alternative buyers.⁷²

The core thrust of Rajah’s analysis was underlined as prices improved and new markets opened up through 2021, and Australian agricultural producers demonstrated their flexibility by switching to more promising crops.⁷³ And a power crisis in China itself triggered the eventual importation of formerly stranded Australian coal shipments that had been held offshore.⁷⁴

In May 2021, responding to Canberra’s cancellation of Victoria’s 2018 MoU for participation in the BRI, Beijing indefinitely suspended the Strategic Economic Dialogue between the countries, which had helped set the tone for business relations since it was agreed in 2013.

Some commentators argued that the measure was largely symbolic, but the ACBC's national president, David Olsson, argued that this missed the point:

Business and consumers in China take their cues from Beijing and there is no disguising the parlous state of the political relationship with Australia. This will have an impact over time as business and consumers look elsewhere. And it further erodes the confidence of Australian companies doing business with China. There are no winners in this equation.⁷⁵

Alister Purbrick, the Chief Executive of Tahbilk Wines, which had four containers of its product halted by Chinese customs officials following the introduction of the effective embargo on Australian wines, said he was now starting to look to India as a major new customer. Speaking of the China market, he said:

There is not much we can do. I think from a sovereignty perspective the Prime Minister has got it right. We can't be bullied—that is just not the Australian way—and there is no doubt that China is looking to exert more influence in the Asia and Pacific regions by a number of different methodologies. If anyone gets in their way, like Australia has, there are sanctions. I don't know what their end-game is, because in this current world we all need to get on together and abide by a set of international rules, which we are happy with.⁷⁶

But, beyond the sanctioned products, the business relationship between the countries remains substantial and remains in play. As prominent business commentator Alan Kohler wrote: 'For Australian businesses that have China as their plan A, they should start thinking about plan B.'⁷⁷ They're certainly becoming energised about plan B, but few are yet dumping plan A.

Conclusion: Return to the primacy of politics

Economic complementarity drew China and Australia closer together over many decades but offered little protection when political issues began to push the two countries apart. The tired truism that economic complementarity between the two countries would ensure enduring interdependence between Australia and China was put to the test when Beijing adopted punitive economic measures for political reasons. At that point, economic relations became the primary medium through which political and strategic differences were acted out in the 'New Era' of bilateral relations under Xi Jinping.

Distinguished New Zealand diplomat Tony Browne, a former ambassador to China, has written icily but accurately in a manner that must resonate in Australia: 'We will continue to have an asymmetric relationship: our significance for China will continue to be primarily political rather than economic. No matter how important our trade is to New Zealand's wellbeing, we will be judged in Beijing by what we say rather than what we sell.'⁷⁸ Australia is being judged in Beijing by what it's saying.

Mindful of the sensitivity of etiquette in bilateral relations, some businesspeople in Australia have made a case that one possible answer to the breakdown in relations with the PRC is to explore political back-channels or send a top-level envoy to Beijing—a former prime minister or

possibly two—to work on restoring relations. Author, lobbyist and director Robert Hadler, for example, argued in December 2020 that ‘in the absence of any short-term political solutions, constructive re-engagement requires second-track diplomacy and informal “backchannel” engagement involving civil society, business and individuals.’ He added that ‘there are a number of business leaders who have extensive contacts in China that could and should help to sustain and rebuild a constructive relationship.’⁷⁹ In 2021, however, it was clear that envoys would be acceptable to Beijing only if they were bringing with them substantial concessions and apologies from Canberra, with the ‘14 grievances’ published by the Chinese Embassy providing a program.⁸⁰

In a similar spirit of political reconciliation, some Australian business interests have urged Canberra to sign up to Xi Jinping’s flagship international strategy, the BRI, to mend the relationship. The federal government opted after prolonged consideration to join the Beijing-led Asian Infrastructure Investment Bank but abstained from committing to the BRI. Former Victorian premier John Brumby, then federal ACBC president, argued strongly in mid-2018 for Australia to join. ‘It’s no secret that the Australia–China relationship is going through a difficult period at present,’ he said. ‘One thing we could do that would benefit Australia and begin to repair the relationship would be to get on board with the BRI.’ The gesture would, he said, show that ‘we welcome China’s efforts to connect economies at a time when some developed nations (notably the US) are heading in a protectionist direction.’⁸¹

Australian businesses—especially corporations involved in infrastructure development—had at first hoped that the BRI might open the doors to their involvement, as part of Chinese-led consortiums, in the massive projects being discussed for third countries, not only in the Eurasian land-bridge but around the world. Chair of Orica and BHP board member Malcolm Broomhead, who led the Australia–China Belt & Road Initiative (ACBRI), said immediately after leading one ACBRI agribusiness delegation to Beijing: ‘It seems inconceivable that Australia would not embrace trade and investment opportunities under the Belt and Road banner.’⁸² The insurmountable challenge, however, proved to be China’s reluctance to involve foreign companies, including Australian firms, in its BRI projects.

Inbound investment also declined after China announced new guidelines for foreign investment in 2017, including investment by private companies abroad. Although not targeted specifically at Australia, the guidelines had implications for new and existing investments in this country. Those not aligned with the reset national priorities, such as real estate, hotels, film studios, theme parks, sports clubs, foreign-based equity funds ‘without specific industrial projects’, and investments in ‘sensitive’ countries were discouraged, meaning they couldn’t be funded by Chinese banks. Other activities, including investing in gambling, were prohibited. The effect has been to reduce Chinese business interest in Australian sectors that previously attracted substantial investment. Real estate has consistently been in the top three categories of Chinese investment in Australia, often first or second. Commercial real estate development is now discouraged by Beijing, pushing some corporate involvement away. However, individual or family purchases aren’t affected by the guidelines, which target companies.⁸³

Australian business has responded to China's commercial coercion campaign in multiple ways—from making clear it doesn't wish to involve itself in issues that may involve core security interests, to blaming Canberra for carelessly losing or imperilling an important market for a range of products and potentially services, to offering suggestions to repair the damage. Australian Industry Group Chief Executive Innes Willox, a former diplomat, said 'things could get worse, far worse' on the security front, 'but that would only happen after negotiation, common-sense and diplomacy fundamentally fail. Let us all work and use our links to ensure it does not come to that.' The Business Council of Australia's leading figure on China issues, Warwick Smith, said: 'There's a mutuality between business and government on how we deal with this. I've been in and out of China for many, many years and it shouldn't be as bad as it is.'⁸⁴ The ACBC issued a statement that 'Australia cannot bend the knee in response to Beijing's pressure. But resolution requires a level of dialogue that remains elusive.' It hoped 'that every effort is being invested in finding a circuit breaker in the relationship', including 'B2B dialogue, special envoys, business council back channels, eminent Chinese Australians—whatever it takes to get us back to the diplomatic table. Beijing may continue to spurn any and all proposals, but we cannot afford to stop trying. Accepting the current state of play as the new normal is not in Australia's longer-term national interest.'⁸⁵

Positively or negatively, business remains at the core of the relationship. The shift in China's governance under Xi Jinping is ensuring that the levers for guiding the direction of the economic relationship are positioned firmly in the hands of China's political leadership, and those levers are being pulled for the purpose of economic coercion.⁸⁶ Politics remains upstream of business in the PRC. Within a liberal democratic polity, government chiefly guides by offering advice, in this case in urging producers to diversify markets following decades of growing dependence on China, which has become for many boardrooms a virtual proxy for 'Asia'.

Many of Australia's boardrooms failed to heed growing warnings about the rising political risk involved in PRC-dependence. They tended to assume that Canberra would wear their political risk as Xi Jinping rolled out his bold new geostrategic play and would even be prepared to alienate voters and party supporters by making concessions to Beijing intended to alleviate the corporate damage caused by the PRC's commercial coercion. Some in business became increasingly frustrated as it emerged that the federal government was unwilling to do so, and that it wished to pursue an understanding of the national interest—broadly, a bipartisan one—that went beyond jobs and growth.

Some business leaders are rapidly educating themselves on the 'New Era' and beginning to adjust their expectations and strategies accordingly by seeking to diversify both inputs and markets. Leading Asia-experienced business figure Trevor Rowe said that:

Business can talk around the edges, but the big picture is not going to change until Xi decides it is going to change. We need to be patient in our relations with China and watch our rhetoric, but there is no way we can compromise our sovereignty. We shouldn't try to suck up to China. We should state our position on Hong Kong and other human rights issues, but we don't need to be gratuitous.⁸⁷

While national interests beyond economics are now more important drivers of politics and strategy-setting than in previous decades, in tactical terms Australia–China economic connections continue to be the chief channels through which the two countries relate on the ground. And, although prominent voices in subnational arenas—in both business and state politics—continue to insist on prioritising and maintaining ‘old era’ China-engagement, informed business connections that operate with a more complete understanding of emergent national interests and directions are gaining steadily in confidence and in influence.

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Conclusions and recommendations

John Fitzgerald

State and territory governments have always been focused on serving their communities, and rightly so. But now, thanks to the new geopolitics, they are also at the front line of national security.

—Rory Medcalf, National Security College, ANU, December 2020¹

Paradiplomacy is a helpful supplement to formal diplomacy among nation-states. Australian governments and communities engage effectively and often with countries in the Indo-Pacific through day-to-day relations with their subnational counterparts. Businesses, universities, industry groups, cultural institutions, media and community organisations do the same. In addition to generating immediate local benefits, those relationships help to familiarise communities with one another, develop business and investment networks, and build broad understanding and trust through multiple points of connection. As Caitlin Byrne observes in her chapter, the more prolific the touchpoints established between peoples of different countries, the more likely they are to build relations that can lead to opportunities for mutual benefit, including trade and investment.

And yet there's a paradox here. On the one hand, the further removed actors are from strategic policy, the greater the opportunity for open dialogue, cooperation and trust. On the other, the greater their distance from strategic or security policymaking, the greater the risks among subnational actors of miscalculations or missteps in matters of security and foreign policy. When ideological practices and political systems aren't aligned, the risk calculus in subnational relations escalates. Finding and proposing solutions to this paradox of paradiplomacy for the Australian federation are among the aims of this book. What can be done to recognise, reduce and mitigate risks in often highly personalised subnational relationships with an authoritarian single-party state such as China?

In the preceding chapters, we've asked whether it's feasible for subnational actors in a liberal democracy to engage over the long term in mutually beneficial people-to-people ties and paradiplomacy with a single-party Leninist state, as they would with other liberal-democratic ones. Are relations free and equal? Can they be separated from central government strategies and directives? Can they be sustained in the face of tensions at the national level in a bilateral relationship? In sum, do differences in ideology and political systems matter in paradiplomacy?

We find that they do. Australia's states and territories entered into relations with counterparts in China in the belief that little stood in the way of fruitful and mutually beneficial long-term relationships. As a rule, they entered into subnational relations with China on a model long tested through successful initiatives in partnering with Japan, South Korea and Taiwan beginning in the 1960s. They embraced counterpart agencies and firms in China, mindful certainly of the cultural differences that separated them, but with little regard to additional downside risks in dealing with a communist party-state.

Innocence and experience

Reviewing our chapters on states and territories, I find a common narrative arc reaching from innocence to experience over 50 years of bilateral relations. States and territories explored engagements with subnational actors in the 1970s and 1980s and built longstanding institutional partnerships by the late 1990s and early 2000s, before becoming entangled in a mesh of security concerns following Xi Jinping's ascent to power in the 2010s. Around that time, authorities in China began leveraging longstanding subnational partnerships with Australian state and territory governments, universities, business associations, community organisations and Chinese-language media to voice their support for China's geopolitical interests in the region, including its claims over the South China Sea and its Belt and Road Initiative, and to desist from commenting negatively on anything at all to do with China. Businesspeople from China who made substantial donations to political parties began calling in their chips to secure local political alignments with Beijing's strategic objectives. Other business leaders with significant exposure to the China market began telling Australians to tread quietly around China's territorial claims and interference operations for fear of damaging the relationship.

In response, the Australian Government acted to defend Australian interests through executive action, legislation and regulation. When the government took remedial action on foreign interference, espionage and foreign investment by improving transparency in state and territory engagements and restricting post-career employment among senior public office holders, the Government of China objected. When the federal government banned Huawei and ZTE from the national 5G rollout, Beijing objected more loudly still. When Australia's Foreign Minister called for an independent inquiry into the origins of the Covid-19 pandemic, authorities in Beijing slapped a series of trade and other bans on Australia. In the immediate fallout, states and territories that had refrained from engaging publicly on sensitive geopolitical issues were among the first to suffer.

Beneath this overarching narrative, our chapters reveal a variety of subplots illustrating the variety and strength of subnational relations with counterparts in China. While they limited their relations to equivalent provincial and city governments, Australia's state, territory and local governments remained relatively isolated from the political risks that accompany national-level engagements. Where Australian states opted to work with central or national partners in China, they exposed themselves and the country to greater risks. Even in local-to-local relations, Australia's cities, states and territories were dealing with counterparts and partners substantially different in scale, power, political structure, ideology and capacity for strategic coordination than they were themselves, carrying asymmetrical risks for cultural, educational, community and political relations at the subnational level.

Relatively limited local risks intensified with the appointment of Xi Jinping as General Secretary of the CCP and Chairman of China's Central Military Commission in 2012 and as President of China in 2013. A number of state, territory and city governments that bore no direct responsibility for national security, and lacked in-house expertise in security risk-assessment, failed to identify potential harms to national interests and cohesion in the Xi's 'New Era'

until those risks were brought to public attention by investigative journalists. It was a learning experience.

The potential hazards of open-ended engagement with China were first exposed through a series of media revelations of unorthodox political party fundraising activities in NSW, along with private benefits conferred on party figures in that state, the intimidation of students and staff at universities and editorial compromises at the Sydney-based *ABC*, and through the NSW state government's investigation into Confucius Classroom programs. Those revelations alerted Australians in other states and territories to the downside risks to democratic systems, public institutions and community cohesion that accompanied close engagement with Chinese counterparts at state, city and community levels.

Until then, Australian states had enjoyed lively and mutually beneficial relations with provincial counterparts in China. Victoria entered into sister-state relations with Jiangsu Province in April 1979, NSW with Guangdong Province later in the same year, Tasmania with Fujian Province in 1981, South Australia with Shandong Province in 1986, Western Australia with Zhejiang Province in 1987 and Queensland with Shanghai in 1989. Some of those longstanding sister-state relations were exceptionally rich, as I observe in my discussion on Victoria. Other subnational linkages were erected on top of them. South Australia pioneered Australian Rules football in China with the help of local entrepreneurs in Shanghai, as Gerry Groot outlines in his chapter. Those fruitful state-level interactions with counterparts in China were cultivated by leaders from all sides of politics, along with industry, local governments, universities and community groups. Together, they positioned China among the most significant international partners for Australia's states and territories.

Dominic Meagher reminds us that Chinese partners didn't force their way into NSW or other states. These were local Australian initiatives. After counterparts in China were invited to partner with institutions in the state, they behaved as they were structured and programmed to behave. China's central government is involved at all levels of government, business and society and is active in guiding local engagements with foreign counterparts. Problems emerged in NSW, in part through the failure of Australian partners to acknowledge the particularities of China's political system.

Many of the vulnerabilities and risks associated with open engagement with China could have been mitigated if subnational actors had entered into relations with their counterparts in China with a realistic appreciation of that country's political system and its approach to international relations. Instead, relations were set up for failure through overoptimistic assumptions that China's authoritarian system would have no bearing on that country's conduct of trade, investment, tourism and education.

From around the time of the global financial crisis in 2007–08, Chinese authorities stepped up efforts to draw Australia into the orbit of China's strategic partnerships through united front operations. Anne-Marie Brady models some of the methods employed under that strategy, including the cultivation of former political leaders as mediators with current government administrations, inviting respected voices in the community to promote China's foreign policy

agenda within their own political systems, and pursuing city-to-city and state-to-province relations through personal and particularistic ties; through shaping global narratives around the 'rise of China' and building new communities of interest on strategic initiatives such as the BRI; and through gaining control over core parts of Chinese diaspora networks, including selected community organisations, peak councils and Chinese-language media and their points of interface with state and city governments.

There were certainly incentives for close engagement. Australia had what China wanted in minerals, energy and services, and China offered what Australia wanted in capital investment and trading opportunities. Dominique Dalla-Pozza and Donald Rothwell maintain that the trend towards an increasingly globalised economy in the early 21st century offered unprecedented incentives for Australia's subnational governments to engage directly with international entities without involving the federal government. States taking up those incentives triggered unprecedented constitutional questions regarding the powers of states as subnational units under international law and Australian law. As the web of agreements between the states and territories and foreign entities increased, questions about how subnational governments engage in foreign affairs under Australia's 19th-century Constitution became more problematic. In their contribution to this volume, Dalla-Pozza and Rothwell probe those questions closely.

The weak constitutional foundations and under-institutionalisation of subnational diplomacy is both a strength and a weakness of paradiplomacy. The point of building multiple touchpoints in bilateral relations is to establish familiarity and trust among partners on either side of a relationship, adding personality and complexity to otherwise bland institutional relations. And yet the personalisation of relations at this level can become vulnerabilities. We find that the personalisation of relations with China extends from community to city to state levels, where particularistic ties connect a small number of individuals who enjoy privileged access to community, city and state leaders, often at the expense of institutional or professional actors better placed to advise on risk.

That said, personal relationships are and will remain central to paradiplomacy. As Caitlin Byrne observes, states and territories benefit from the involvement of key individuals who can bring a depth of cultural knowledge and language skill along with networks and expertise to navigate the complexities of China's hierarchical power structures. The point to be made here, Mark Harrison concludes, is that the realities of international investment and trade, and the local politics of development, all demand greater institutionalisation and coherence across local, state and national levels.

The personalisation of relations amplifies risks associated with poor regulation and limited transparency in international agreements, reducing the likelihood of success in assessing and executing potentially beneficial agreements involving China. It also raises questions of public trust. At a time when communities are concerned about stories of Chinese political interference, Amos Aikman and Samantha Hoffman observe in their chapter, the habit of state and territory governments entering into secret engagements with China undermines public confidence. In the absence of openness and honesty, arrangements that may in fact be beneficial become indistinguishable from those that risk doing harm. It follows that all sides benefit from

transparency and due process. Further, paradiplomacy works best when it's informed by an understanding of the national policies and interests—Australian and Chinese—that are the structural foundation for interaction. This hasn't been a strongpoint in the history of Australian relations with China.

The role of trade in subnational relations

State and territory governments are within their rights in developing trading relations and attracting international investment for the benefit of their communities through subnational diplomacy. In relation to security, they have long been closely engaged with the federal level of government on issues of terrorism and social cohesion. But Australia's states and territories have rarely been asked to regard trade and investment, or diaspora links with key trading partners, as matters of national security.

Our study suggests that this is now a critical question facing Australia's states and territories. The new geopolitics places subnational governments on the front lines of national security, and makes states and territories 'essential players in a unified national response to contemporary risks which touch ordinary Australian lives,' Rory Medcalf reminds us, 'from economic coercion against primary producers, to cyber attacks on health providers, to propaganda campaigns inside migrant communities.'²

In seeking commercial openings and investments, our states and territories were insufficiently aware of the role of trade and investment as instruments of geopolitical statecraft in Beijing's strategic playbook. China's government doesn't share a commitment to maintaining the postwar liberal trading order. Nor is China a market economy. Beijing's model of investment-led economic growth and strategic infrastructure investment abroad under tight CCP control isn't one that can be readily integrated into an open liberal trading order. Where it encounters countries that operate on a liberal democratic model of commerce and government, China's government deploys economic coercion to get its way or to punish behaviours that constrain its ambitions.³ Australia's experience in trading with China confirms that assessment.

To be sure, trade isn't the only indicator of healthy bilateral relations. Research collaboration among universities and between government agencies in Australia and China has long served as a channel for productive and mutually beneficial relations. In light of the policy of 'civil-military fusion' currently driving China's national research agenda, Peter Jennings shows in his chapter, university research collaborations also deserve closer scrutiny than in years past. So do government-to-government research collaborations. Mark Harrison notes that Tasmania's position at the interface between Australia and China over Antarctica's future transcends the parameters of Tasmania-China relations, and that the global environmental and geopolitical importance of Antarctica is likely to make it an increasingly important issue in Australia-China relations. The Australian Government and state governments will need to work closely to ensure that their international relations support effective environmental protection in the national interest.

In his chapter on business relations, Rowan Callick shows that the value of bilateral trade and investment goes beyond business opportunities to community welfare and livelihoods, and that economic relations are preserved as channels through which countries can relate in otherwise difficult times. Healthy economic relations can help paste over—if not heal—rifts that open on other fronts. At the same time, deliberate disruptions to economic or business relations for political purposes can do serious harm on multiple fronts at once. Callick also observes that major changes under Xi Jinping devalue business connections as conduits for better relations, owing to the less secure position that business leaders hold in his administration and to the greater uncertainties that businesses face.

Starting in May 2020, the PRC Government moved to impose tariffs and restrictions on a wide range of Australian products, including wine, seafood, beef, cotton, barley and coal, for political purposes. Although the tariffs were ostensibly imposed on technical grounds, they followed a series of warnings that Australia's trade ties would suffer if Canberra failed to fall into line behind China's geostrategic goals. That message was soon reinforced by the presentation of a list of 14 political grievances that a Chinese Foreign Ministry official passed to Canberra-based journalists in November 2020. Beijing left Australians in no doubt that it was pulling economic levers to secure political concessions. In July 2021, Foreign Ministry spokesperson Zhao Lijian went further to suggest a link between trade and ideology, stating that no country can do business with China 'while groundlessly accusing and smearing China and undermining China's core interests based on ideology'.⁴

The 14 grievances are worth touching on briefly (see the Appendix to this report for more detail). They include claims that the Australian Government was making adverse comments on China's claims to the South China Sea and was interfering in sensitive territorial matters, indulging antagonistic media reporting, and supporting critical think-tank analyses on those issues. Some of those grievances fell outside the federal government's remit, including speeches by members of parliament, media reports and public commentary on Hong Kong, Xinjiang and Tibet. However, among those grievances that did concern the federal government under our Constitution, a number referred to attempts to limit PRC engagements with states and territories or state-based institutions such as universities, as Peter Jennings observes.

One Australian analyst at the University of Melbourne's Asia Institute urged Canberra to oblige Beijing by tendering a list of concessions the Australian Government could make to help restore relations: Australia should sign on to the BRI (rather than 'torpedo' Victoria's agreement, as the demands alleged), should reconsider the passage of the Foreign Relations Bill, and should hold off on amending foreign investment regulations that could damage China's interests.⁵ But the presentation of the demands raised matters of principle concerning the management of federal–state relations. The relationship deteriorated not through Australian ignorance or lack of 'nuance', or failure to deploy back channels, but on account of deep structural differences in political systems, policies and interests.

Consistent with China's growing practice of hostage diplomacy, Australia was being held hostage to trade. China's formal diplomatic messengers elevated the grievances to a list of demands for resuming normal trade and diplomatic relations by indicating that rectifying

them ‘would be conducive to a better atmosphere’ in bilateral relations.⁶ The list of demands read like a ransom note. Australia’s experience of political and economic coercion at the hands of Beijing, despite decades spent building intensive connections through trade, investment and government-to-government and people-to-people ties, offered an example to the world of the Faustian bargain China demands under Xi Jinping in return for access to markets and capital.

The nature of the demands presented in the note was pushing Australia to ‘compromise on key national interests’, the Secretary of DFAT, Frances Adamson, explained in a public lecture in April 2021: ‘China expects compromise on key national interests in exchange for dialogue and cooperation.’⁷ By applying economic coercion to secure political outcomes, Beijing reinforced the federal government’s commitment to limiting PRC investment in critical infrastructure, banning Huawei and ZTE from 5G networks, calling out cyberattacks and other forms of interference, and legislating against coercive, corrupt and covert foreign interference operations. The demands confirmed that handing over the keys to national communications networks and power infrastructure would render Australian governments hostage to Beijing not just on international trade but on domestic power, telecommunications and other core national infrastructure. Key national interests aren’t open to compromise.

Furthermore, China’s use of economic coercion to secure political concessions ran counter to Australia’s longstanding position on separating international trade and investment from politics. As Rowan Callick reminds us in his chapter, unlike the US, Australia traded actively with the PRC for some decades before formal diplomatic recognition. Even then, Beijing regarded trade and politics as inseparable. The 14 demands presented to Australia, while consistent with the CCP’s historical approach to linking trade and politics, was incompatible with Australia’s historical preference for separating them.

Neither governments nor communities in Australia reciprocated by targeting imports from China or limiting exports of energy and minerals to the PRC. China is nevertheless vulnerable, as Wai-Ling Yeung observes in her chapter on the WA mining sector, and its ruling party has expended considerable effort building comprehensive relations with all levels of government in Australia in a misguided effort to minimise its risk exposure. Those moves backfired not because they triggered reciprocal actions—they didn’t—but because they undermined trust in dealing with China at any level on virtually any matter.

Elite cultivation and institutional infiltration may work in China, Anne-Marie Brady shows in her chapter, but they tend to rebound on those who practise them in countries with active civil societies and free media. The CCP’s clandestine efforts to interfere in Australia’s domestic politics has had the perverse effect of undermining China’s credibility and standing when party and government officials were seen to take advantage of Australian hospitality to interfere in domestic politics, community life, media and educational institutions.

Rather than acknowledge that its own conduct triggered legitimate concerns in Australia, Beijing opted to undermine its long-term interests in the relationship by declaring economic war on our country and our people. The level of trust China had long enjoyed in Australia

plummeted further.⁸ At the formal level, Australia continues to engage with China as it has done since the founding of the PRC through open and constructive trading relations, and by seeking to relate to China as it does to other countries on the principle of the equal sovereignty of states. Despite China's coercive measures, Australia remains committed to reinstating healthy commercial relations.

Local impacts

Beijing's practice of economic coercion may have been triggered by national-level political disagreements, but the effects have been felt along a chain of localised impacts affecting Australia's states and territories. Tariffs on wine hit South Australia badly, those on lobsters had severe impacts on Tasmania and Western Australia, limits on coal imports had disproportionate effects on Queensland and NSW, while hefty tariffs on barley affected a number of regional communities. Only Victoria was spared China's wrath.⁹ In light of the light punishment meted out to Victoria, the state's Treasurer boasted publicly that his state could teach Canberra a thing or two about handling relations with China.¹⁰ Rather than teaching others how to resolve the problem, the Victorian Treasurer's remarks exemplified it. China's exercise of economic coercion at the subnational level, through preferential treatment based on political issues, manifestly presented risks to coherent national foreign and security policy.

The effective exclusion of Victoria from the CCP's list of regionally targeted industries sent a message from Beijing on the relative risks and benefits of geopolitical partnerships involving the BRI. That was a further miscalculation on China's part, which rebounded heavily on the Premier and Government of Victoria when the federal government moved to cancel Victoria's BRI agreements with China.

Australia's open-ended embrace of China exposed us to significant economic coercion with disproportionate local impacts. Nationally, the costs of China's economic coercion shouldn't be underestimated when around 40% of Australian goods exports go to China and when Australia has the highest dependence among Five-Eyes countries upon critical supply-chain links with China.¹¹ Nevertheless, the downside risks are finite. China could inflict more pain by extending its economic coercion to other key export industries, but the more China squeezes, the less there is to squeeze.

Overdependence at the state and territory level presents further challenges. Western Australia is more heavily dependent on China than are other jurisdictions for trade, investment and revenue. That dependence was accentuated when the PRC Government began leveraging trade and investment as tools of strategic policy and deploying united front tactics to secure local compliance. Wai-Ling Yeung maintains that lobbying by representatives of Chinese SOEs and community organisations tied to the local Chinese consulate is a common feature of state politics and led, among other things, to the banning of innocuous cultural performances that displeased Beijing.

Recommendations

We assume that Australia and China both stand to benefit from restoring relations on the principle of sovereign equality, and that subnational actors will want to continue working with their counterparts in China into the next decade despite the many obstacles placed in their way. To enable continuing engagement, greater attention and investment will be needed to develop the skills and capabilities of key actors—governments, institutions, communities and individuals—who are leading Australia’s local China engagements so that they can recognise and navigate complex asymmetries in relations with fewer missteps.

Initially, the Australian Government offered little guidance in this matter. Successive federal governments incentivised states and territories to chase foreign investment for core infrastructure, and they encouraged public institutions such as universities and the *ABC* to seek flexible revenue sources, while neglecting to offer relevant guidance on the risks to institutional integrity, national security or community cohesion of entering into open-ended engagements with counterparts in China. The federal government and its agencies did not set out emerging structural differences between the two countries’ national policies and interests with the clarity needed to provide an informed basis for subnational decisions.

From around 2016, the federal government began to take remedial action. It initiated inquiries and passed laws on foreign interference, election finances and espionage. It legislated to ensure coherence between federal and state arrangements relating to agreements with foreign countries. It developed integrity measures in support of those legislative measures, including a public register under the Foreign Influence Transparency Scheme.¹² To ensure consistency and compliance between state and federal levels, it cancelled agreements inconsistent with national foreign policy.¹³ Other lessons derived from experience continue to inform federal government management of relations with China and countries in the region, including moves to promote trade diversification; travel warnings to reduce the likelihood of detention; and agreements with like-minded partners on cyber espionage and security cooperation, artificial intelligence technologies, supply chains and critical infrastructure.

The states haven’t been idle either. The NSW Government has been among the most proactive, initiating formal inquiries through the state’s Independent Commission Against Corruption into irregularities involving political donations and completing an inquiry into the operation of Confucius Classrooms and acting on its recommendations. Non-government organisations are active on their own account. Universities are seeking expert internal and external advice on managing risks in present and future China agreements. The Australian Strategic Policy Institute (which hosts this project) has assisted by developing online tracking systems for identifying high-risk partners in China.¹⁴ To promote cohesion and inclusion among Chinese-Australian communities, ASPI published a guide for politicians, public officials and media on the need for sensitivity in the way they speak and write about issues relating to China in Australia.¹⁵

Our findings confirm the need for remedial and mitigating measures along those lines but indicate that more needs to be done explicitly in respect of subnational relations. Here we offer further recommendations to complement and supplement measures already in place.

1. Strategy

Resilience is a cornerstone of security. Australia needs to develop a *nationwide subnational government resilience strategy* to enable a concerted response to traditional and non-traditional security threats that affect all Australians.¹⁶

While problems of personalised and possibly corrupt relations are possible in subnational relations with all countries, a subnational government resilience strategy for China needs to be specific to that country in recognition of the particular conditions governing the operation and reach of China's party-state.

The Australian Government should play a coordinating role in developing the strategy, linked to its broader national security strategy, to deal with CCP foreign interference and espionage.

The federal, state and territory governments should develop a nationwide subnational government resilience strategy, linked to a national security strategy

In the case of the territories, the federal government should systematically exercise its constitutional responsibilities for foreign relations and security.

Problems of risk assessment involving national security interests become acute when subnational governments bear no direct responsibility for national security. In their business and community-relations strategies, all state, territory and city governments need to be mindful in arrangements with China that they're dealing with subnational agents of a central government working to a dynamic and disruptive geopolitical strategy.

In the case of national facilities with unique impacts at local sites, such as the Australian Antarctic Division and the University of Tasmania's Institute for Marine and Antarctic Studies, the federal government should work closely with state and local authorities to ensure that the use of facilities is consistent with the national interest, including conservation of the Antarctic ecosystem.

2. Briefings

Federal officials should offer routine security briefings on security risks and foreign interference to all state and territory governments and their agencies. The national cabinet could serve as a forum for high-level briefings of that kind. At lower levels, state, territory and city officials should be briefed on national issues ahead of visits to China, meetings with counterparts from China, or negotiations leading to agreements with China.

Briefings should be secure. Our findings confirm the recommendation put forward by ANU Professor Rory Medcalf, in 2020, that 'all states and territories should set up a dedicated national security unit, within the department of the Premier or Chief Minister. This would involve a small team of officials with high-level security clearances, allowing them access to classified security information and intelligence.' At the same time, federal agencies 'need to be forward-leaning in their willingness to share security information and intelligence with the state and territory units.'¹⁷

All states and territories should set up dedicated national security units within the department of the Premier or Chief Minister.

Councils and local government agencies need to be supported in managing their international engagements. The federal, state and territory governments should cooperate to ensure that local governments are alert to the risks as well as opportunities of China engagements.

3. Public communications

Communities play important roles in national security, and an informed society is better equipped to meet challenges. Local communities need to be informed and engaged on the challenges as well as the opportunities in China relations.

China's united front strategy is designed to have a corrosive effect on targeted societies and will succeed in doing so unless it's identified and countered.

Australia's subnational resilience strategy should include public outreach activities to:

- *invite and support equal participation in public life by all communities, including diverse Chinese-Australian communities*
- *enhance public understanding of the role of united front work in CCP strategy and ideology*
- *heighten awareness of the potentially damaging impact of racism on community cohesion and wellbeing, and on national security.*

4. Public communications on the FITS and the FAS

There's confusion in the community about federal legislation on foreign interference (the Foreign Influence Transparency Scheme, FITS, 2018¹⁸) and foreign arrangements (the Foreign Arrangements Scheme, FAS, 2020¹⁹) and about the role of the FITS Public Register. Some of our authors believe that confusion can be attributed to a lack of appreciation in the general community of the importance of transparency, accountability and fundamental freedoms for the proper functioning of local government and liberal democracy.

Part of the confusion may be due as well to cross-cultural misunderstandings: overt foreign influence activities that are regarded as illegitimate in China are quite legitimate in Australia. In this case, particular difficulties arise in distinguishing legitimate foreign influence from unlawful foreign interference.

4.1. The Foreign Influence Transparency Scheme and Public Register

Australia makes allowances for foreign influence activities that aren't covert, coercive or corrupt. While accepting overt foreign government influence as legitimate, Australia imposes a transparency test that enables matters of foreign influence to be declared and contested in the public domain. This transparency requirement is met through registration under the FITS Public Register (see box).

Influence versus interference

In September 2021, China's Foreign Affairs Ministry issued a blacklist of US 'interference' activities in Hong Kong.²⁰ Many of the items listed were public statements and actions taken on American soil by sovereign governments and private citizens. Those that took place in Hong Kong (including meetings with current and former elected politicians) were openly publicised in the media, in annual reports and in public statements. None of the listed activities appears to meet the Australian threshold for 'foreign interference'; that is, none appears to be covert, coercive or corrupt, which are three conditions distinguishing unlawful interference from normal influence operations in Australia.²¹

If China were to undertake comparable actions to those on the US blacklist, but in relation to Australia, it's unlikely that any of the instances cited would be regarded as illegitimate, let alone unlawful, provided they were publicly acknowledged. If any such activities were undertaken by Australians in Australia on behalf of China's government, Australians acting on China's behalf would be protected under the law by registering under the FITS alongside agents of governments such as those of Japan, the US, Germany and other nations.

In China, this would be regarded as a criminal register. In Australia, it's a register of lawful intent.

4.2. Foreign Arrangements Scheme

At the institutional level, further confusion arises over the FAS, which applies to Australian subnational states and entities, and in relation to possible inconsistencies or overlaps at the interface between the FITS and the FAS.

Extensive ongoing efforts need to be made among local communities to explain and illustrate the purpose and operations of the two schemes, in particular to:

- distinguish between lawful foreign influence and unlawful foreign interference
- highlight the value of transparency for all sides in international engagements
- stress the importance of transparency for enabling, rather than inhibiting, international engagements at the subnational level.

In addition to publicly explaining and illustrating the purposes of the FITS and the FAS, attention should be paid to the interface between the two schemes with a view to clarifying or amending them to improve that interface.

5. Media

Independent journalism has been critical in bringing to light many of the local issues that emerged in relations with China in the ‘New Era’ of Xi Jinping. Improper political practices, the coercion of university students and faculty and poorly considered plans by local and state governments are unlikely to have been reported or addressed in the absence of independent media.

State and federal governments should legislate for a public interest defence or equivalent to enable media to report responsibly on matters of public interest without fear or favour in the interests of national security.

6. Sister-city relations

Existing sister-city relations should be maintained and managed within the framework of the proposed nationwide subnational government resilience strategy.

States that don’t host sister-city relations with cities in Taiwan should encourage appropriate cities to do so. The federal government should offer to assist Australian cities wishing to set up twinning relations with Taiwan by helping to identify and introduce likely partners.

7. Political donations

Political donations and party finances in state and federal politics are in urgent need of attention to enable the public identification of all donations.

All federal, state and territory governments should legislate to ensure public, real-time, accurate identification of political donations and to set maximum allowable amounts.

Political parties should be required to exercise due diligence for all donations, including verifying and publicising the true sources of funds.

8. Internal state and territory arrangements

At state, territory and city levels, the role of external consultants warrants closer examination.

External consultants contracted to work on major government initiatives involving China shouldn’t have, or appear to have, personal or corporate interests in the outcomes of recommendations and initiatives. At a minimum, they should have a duty of public disclosure of interests perceived as creating potential conflicts.

The part played by multicultural officers in strategic engagement with China deserves closer scrutiny.

At the state, territory and city levels, governments should work to keep multicultural politics distinct from geopolitics, and refrain from implicitly associating Chinese-Australians with the People’s Republic of China.

Preparations for peak meetings with China representatives involving premiers and chief ministers should engage civil society representatives in addition to government, business and university representatives.

In relation to community organisations, governments and other subnational actors should distinguish clearly between local community organisations set up at the initiative of China's government or SOEs, and those set up at the initiative of Chinese-Australian communities. The former may be proxies of the CCP and PRC Government.

In relation to culture and education:

- State, territory and city government representatives shouldn't confuse the celebration of cultural festivals with loyalty to particular foreign political parties or governments.
- State, territory and city governments should consult closely with communities before promoting the flags and anthems of foreign states on ceremonial occasions.
- State and territory governments should, following the lead of the NSW Government, review Confucius Classrooms in their jurisdictions with a view to limiting foreign government interference in Australian schools.
- State and territory departments of education should at a minimum require that curriculums and textbooks don't reproduce foreign government talking points uncritically or borrow slabs of text from foreign government propaganda publications without acknowledgement and explanation.

In relation to community media and social media, state and territory governments should:

- work with federal authorities to legislate against foreign government ownership and partnership with local community media, and act to halt foreign government censorship of conversations among Australians in Australia on social media platforms
- prioritise the provision of police protection for people targeted by agents of foreign governments and work with federal authorities to expose and prevent foreign government intimidation of Australian citizens and residents on Australian soil.

9. Compliance

If Australian states and territories had complemented their investments in building personal Australia-China ties with equal investments in building institutions and processes, many of the problems encountered in subnational relations might not have arisen. Relations with China might have been marked by fewer grievances on either side.

A national strategy committed to open and accountable government would benefit from enforcement mechanisms at the state and federal levels. Experience in NSW shows that formal anticorruption institutions play essential roles. Formal accountability mechanisms can protect politicians and political parties as well as defend the integrity and interests of open democratic societies.

In the interest of national security, all states and the federal government should establish independent anticorruption commissions based on models appropriate to their jurisdictions.

10. Universities

The federal government and university executives need to redefine their mutual relations at the highest levels. Universities and the national security community have begun to develop channels for interaction at relatively senior levels, leading to partial alignment on strategies to counter foreign interference. That isn't the case with relations between the political leadership and vice chancellors. The suspicions and misconceptions each side harbours about the other arguably inhibit finding a way forward for university reform and for federal financial support for the sector.

A key missing dimension is sustained engagement between the Prime Minister and the vice chancellors.

The Prime Minister should institute and chair an annual gathering of key cabinet ministers and vice chancellors to shape a shared agenda for the university sector.

To support this, the Secretary of the Department of the Prime Minister and Cabinet should chair a working group of selected vice chancellors and heads of federal departments to shape an agenda for tertiary sector reform, recognising that an overdependence on fee-paying students from the PRC is unhealthy for the good functioning of universities, and possibly unsustainable after the experience of the Covid-19 pandemic.

To support the work of an annual Prime Minister's meeting and a departmental secretary – vice chancellor level working group, the University Foreign Interference Taskforce convened in 2019, comprising representatives from the university sector and government agencies, should be reconvened.

Reconvene the University Foreign Interference Taskforce and brief members to a higher level of security classification on national security and foreign interference.

The problems that the PRC presents for universities are too important for a business-as-usual approach. Intelligence agencies need to bring more university representatives into a classified environment. At the same time, universities should be encouraged to seek closer partnerships with government in pursuit of positive national security in fields of non-traditional as well as traditional security.

Notwithstanding the PRC Government's attempts to publicly distance itself from the management of Confucius institutes by transferring management to non-governmental charitable foundations and shifting contracts from agreements with the Hanban to agreements among universities, China's universities and foundations remain local agents of CCP power and subject to the party's internal propaganda and disciplinary systems. CIs are instruments of PRC soft-power strategies.

The federal government should take active steps to close Confucius institutes on Australian campuses.

The government and the universities need to ensure that PRC students studying on Australian campuses are given opportunities to experience Australia's open society and way of life.

Universities should be required to review the way they manage their duty of care for PRC students, ensuring that students have opportunities to work with local students and students of other nationalities and have opportunities to meet with local communities.

The Human Rights Watch report *They don't understand the fear we have* (June 2021) is an indictment of the failure of Australian tertiary institutions to protect individual PRC students from bullying and intimidation by people who either work for or simply support the CCP.

*The recommendations of the Human Rights Watch report, 'They don't understand the fear we have', should be adopted in full, including for universities to 'adopt a formal code of conduct ... to protect students and academics from Chinese government threats to the academic freedom of students, scholars, and educational institutions.'*²²

Notes

- 1 Rory Medcalf, 'Securing Australia in the 2020s', remarks to the National Press Club, 9 December 2020, [online](#).
- 2 Medcalf, 'Securing Australia in the 2020s'.
- 3 Adrian Blundell-Wignall, 'How Australia's big bet on China is going wrong', *Australian Financial Review*, 31 August 2020.
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- 5 Melissa Conley Tyler, 'Australia can repair its relationship with China, here are 3 ways to start', *The Conversation*, 1 December 2020, [online](#).
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Appendix

Nikolaos Skondrianos

This appendix includes data from the Australian Bureau of Statistics illustrating merchandise exports and imports between China and Australia and between China and individual Australian states and territories. The figures are in millions or billions of Australian dollars, as appropriate for the given commodity. Partial data for 2021 is available but has been excluded in order to prevent a distortion of the overall picture.

The merchandise imports and exports graphs don't include services data, which it wasn't possible to collate to match the merchandise dataset.

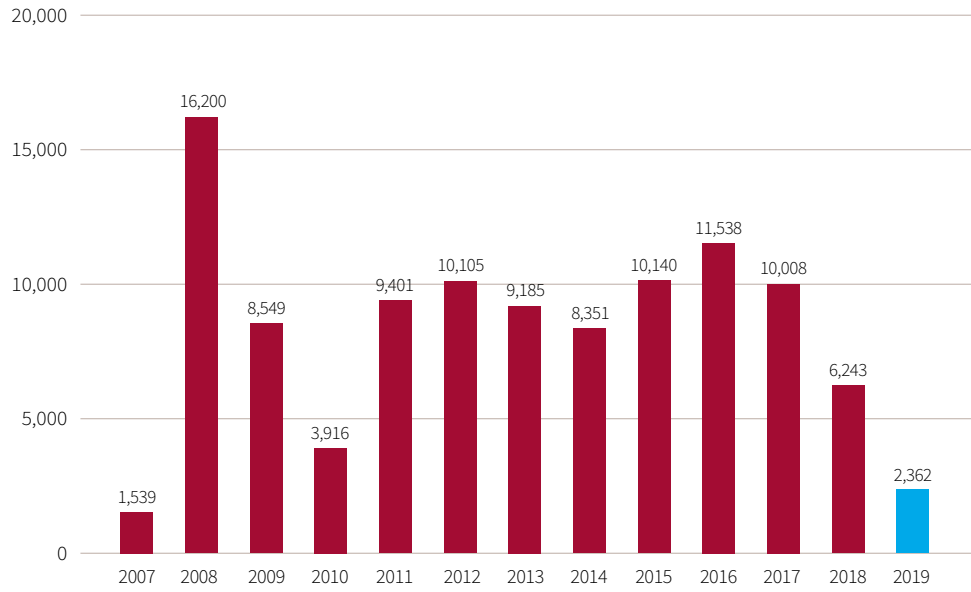
In Figure A.13, there is a discrepancy between the total number of students reported and the sum of reported students in each state and territory from the data source. This is because year-to-date count of students will incorporate double-counting across states and territories as one student may generate more than one enrolment across states and territories. Despite the discrepancy, Figure A.13 adequately illustrates the trend of increasing international student numbers over time and the proportion of students in each state or territory.

Figure A.1: China's '14 grievances'—presented by China's embassy in Canberra to Australian journalists, 17 November 2020

- foreign investment decisions, with acquisitions blocked on opaque national security grounds in contravention of ChAFTA/since 2018, more than 10 Chinese investment projects have been rejected by Australia citing ambiguous and unfounded “national security concerns” and putting restrictions in areas like infrastructure, agriculture and animal husbandry.
- the decision banning Huawei Technologies and ZTE from the 5G network, over unfounded national security concerns, doing the bidding of the US by lobbying other countries
- foreign interference legislation, viewed as targeting China and in the absence of any evidence.
- politicization and stigmatization of the normal exchanges and cooperation between China and Australia and creating barriers and imposing restrictions, including the revoke of visas for Chinese scholars.
- call for an international independent inquiry into the COVID-19 virus, acted as a political manipulation echoing the US attack on China
- the incessant wanton interference in China's Xinjiang, Hong Kong and Taiwan affairs; spearheading the crusade against China in certain multilateral forums
- the first non littoral country to make a statement on the South China Sea to the United Nations
- siding with the US' anti-China campaign and spreading disinformation imported from the US around China's efforts to containing COVID-19.
- the latest legislation to scrutinize agreements with a foreign government targeting towards China and aiming to torpedo the Victorian participation in B&R
- provided funding to anti-China think tank for spreading untrue reports, peddling lies around Xinjiang and so-called China infiltration aimed at manipulating public opinion against China
- the early dawn search and reckless seizure of Chinese journalists' homes and properties without any charges and giving any explanations
- thinly veiled allegations against China on cyber attacks without any evidence
- outrageous condemnation of the governing party of China by MPs and racist attacks against Chinese or Asian people.
- an unfriendly or antagonistic report on China by media, poisoning the atmosphere of bilateral relations

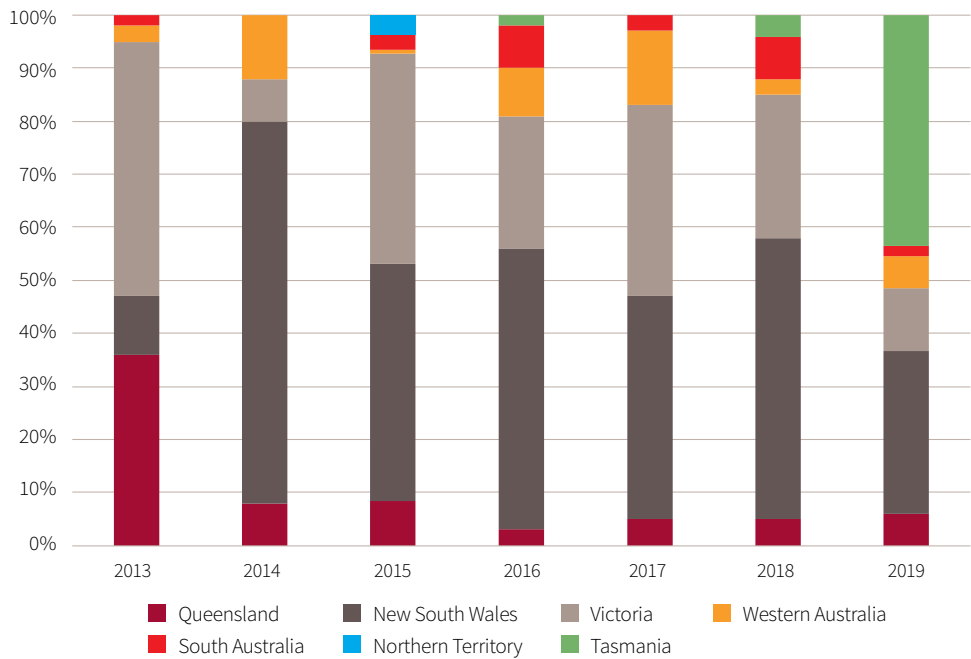
Source: Jonathan Kearsley, Eryk Bagshaw, Anthony Galloway, “If you make China the enemy, China will be the enemy”: Beijing's fresh threat to Australia', *The Age*, 18 November 2020.

Figure A.2: Chinese foreign direct investment in Australia, 2007 to 2019 (US\$ million)



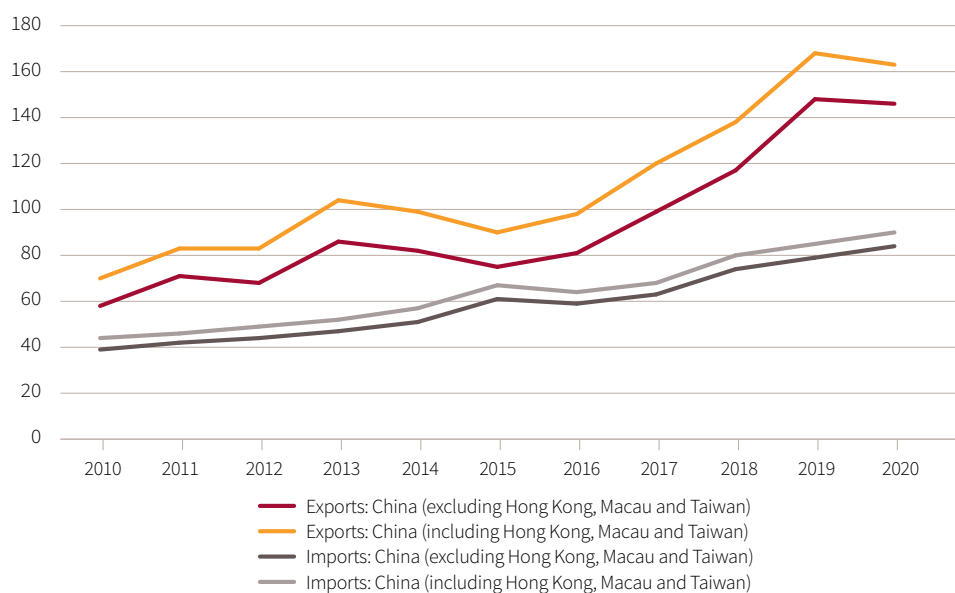
Source: *Demystifying Chinese investment in Australia 2020*, KPMG and University of Sydney, June 2020.

Figure A.3: Chinese investment in Australia, by state or territory, 2013 to 2019 (%)



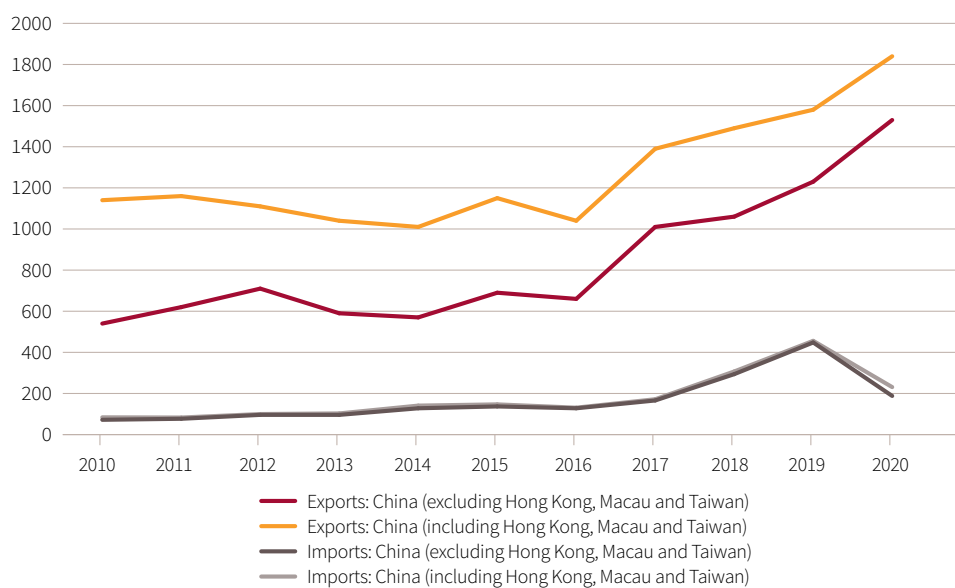
Source: KPMG / Sydney University database.

Figure A.4: Australia–China merchandise imports and exports, 2010 to 2020 (A\$ billion)



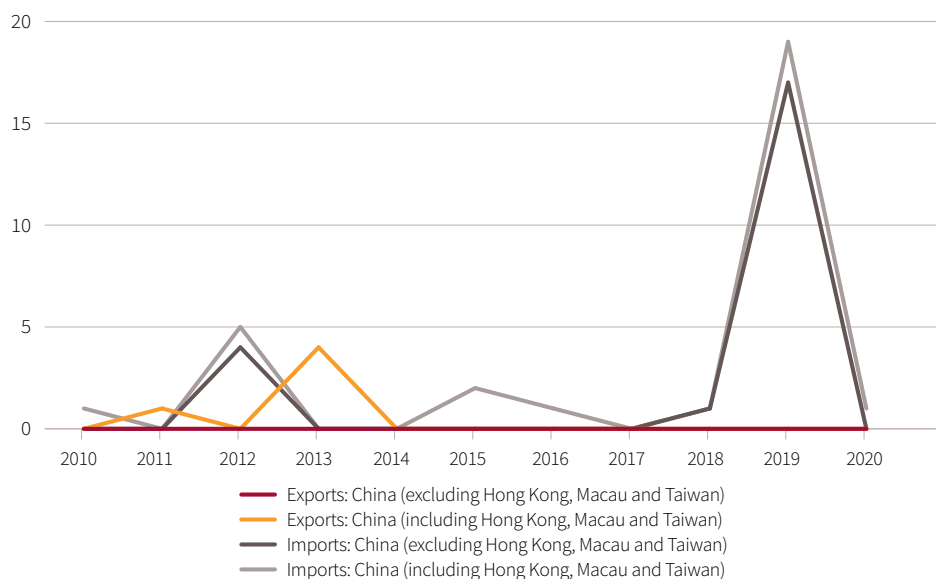
Source: Australian Bureau of Statistics (ABS), 'International trade in goods and services, Australia', Table 14a: Merchandise exports, country and country groups, FOB value; Table 14b: Merchandise imports, country and country groups, customs value, [online](#).

Figure A.5: Tasmania–China merchandise imports and exports, 2010 to 2020 (A\$ million)



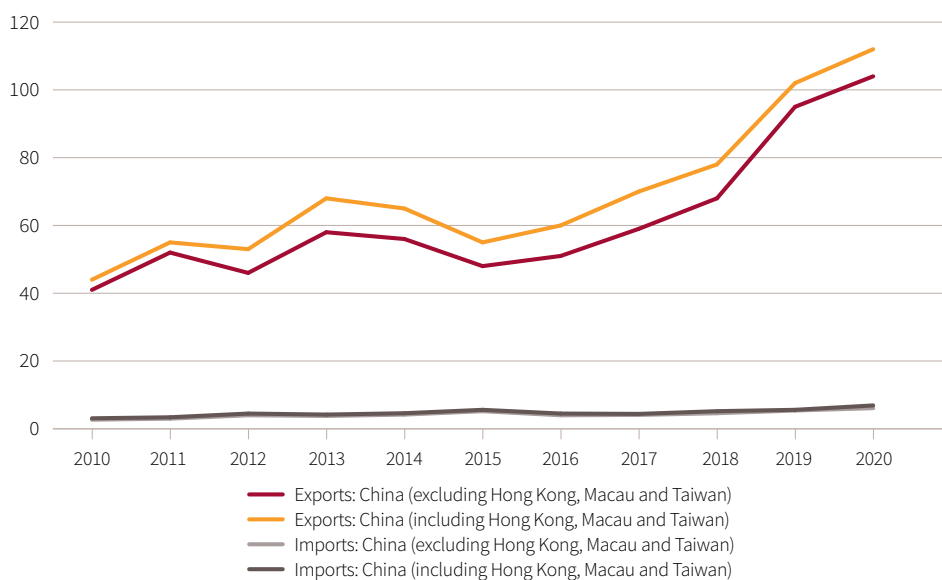
Source: ABS, 'International trade in goods and services, Australia', Table 36f: Merchandise exports, state of origin Tasmania, by country and country groups, FOB value; Table 37f: Merchandise imports, state of destination Tasmania, by country and country groups, customs value, [online](#).

Figure A.6: ACT–China merchandise imports and exports, 2010 to 2020 (A\$ million)



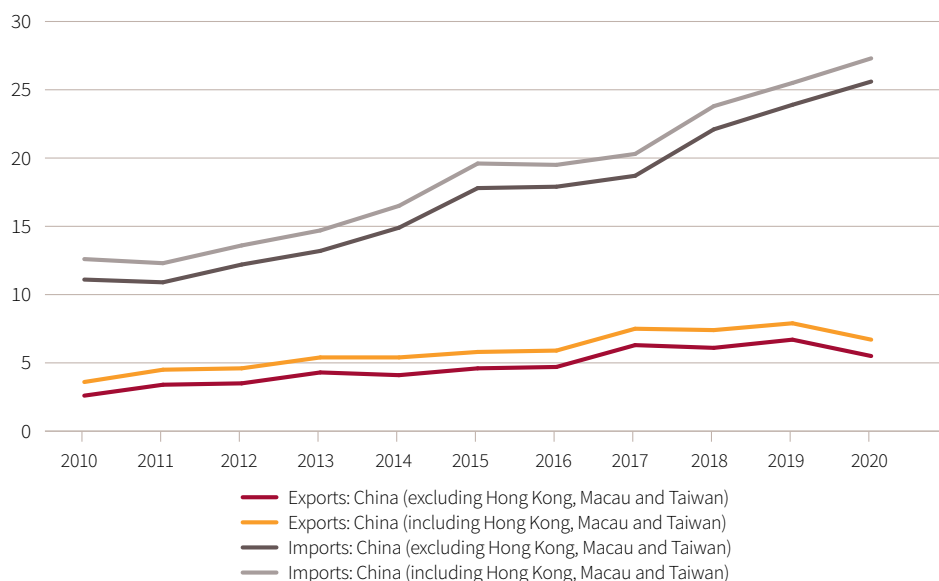
Source: ABS, 'International trade in goods and services, Australia', Table 37h: Merchandise imports, state of destination Australian Capital Territory, by country and country groups, customs value; Table 36h: Merchandise exports, state of origin Australian Capital Territory, by country and country groups, FOB value, [online](#).

Figure A.7: WA–China merchandise imports and exports, 2010 to 2020 (A\$ billion)



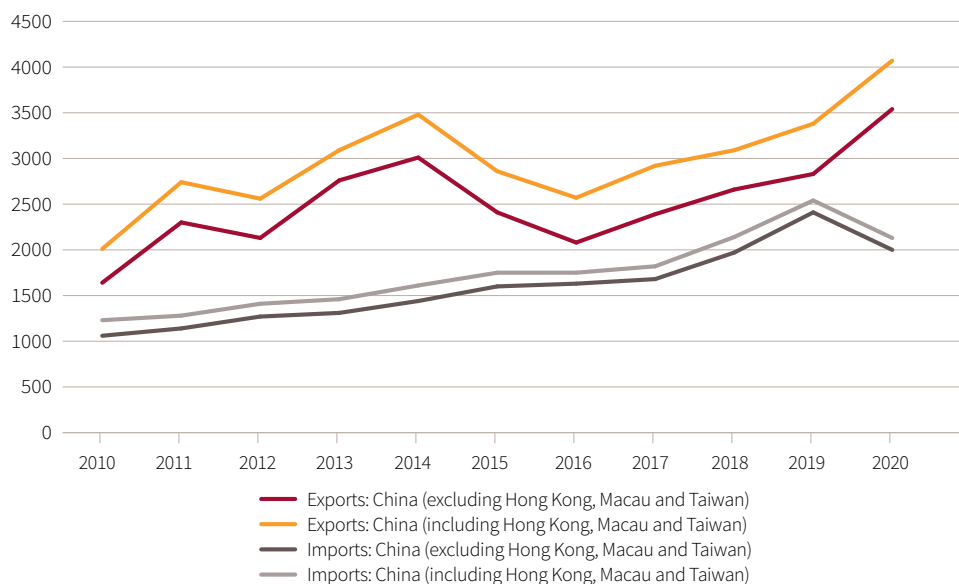
Source: ABS, 'International trade in goods and services, Australia', Table 36e: Merchandise exports, state of origin Western Australia, by country and country groups, FOB value; Table 37e: Merchandise imports, state of destination Western Australia, by country and country groups, customs value, [online](#).

Figure A.8: Victoria–China merchandise imports and exports, 2010 to 2020 (A\$ billion)



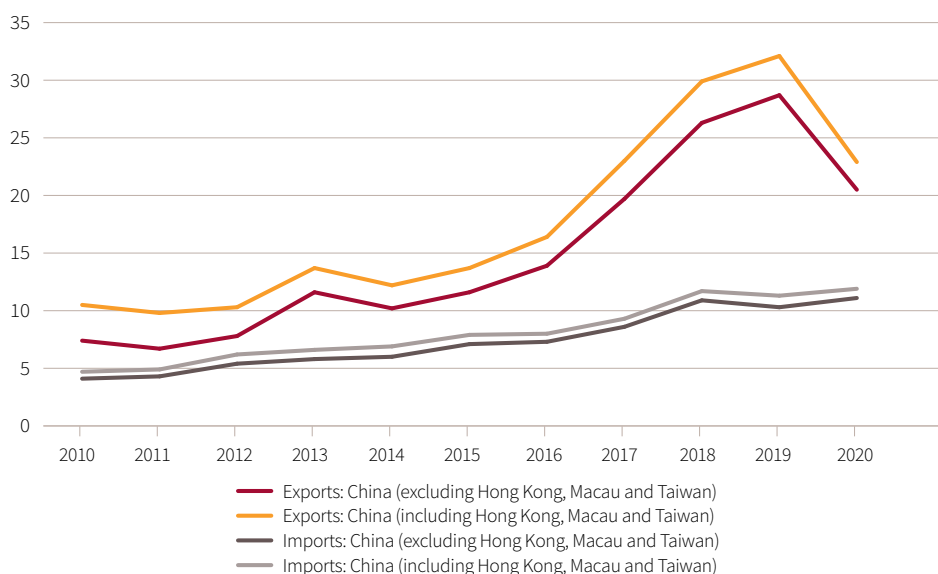
Source: ABS, 'International trade in goods and services, Australia', Table 37b: Merchandise imports, state of destination Victoria, by country and country groups, customs value; Table 36b: Merchandise exports, state of origin Victoria, by country and country groups, FOB value, [online](#).

Figure A.9: SA–China merchandise imports and exports, 2010 to 2020 (A\$ million)



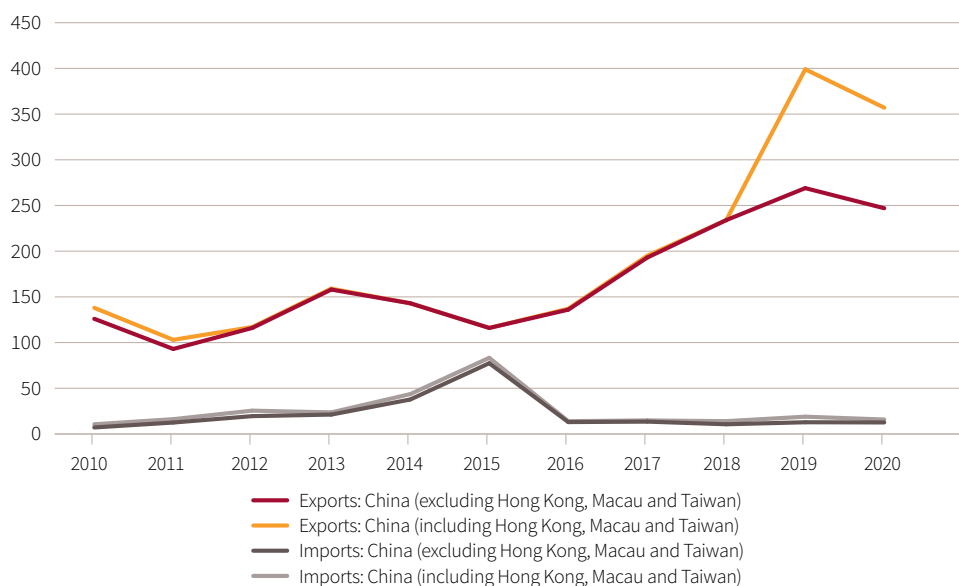
Source: ABS, 'International trade in goods and services, Australia', Table 36d: Merchandise exports, state of origin South Australia, by country and country groups, FOB value; Table 37d: Merchandise imports, state of destination South Australia, by country and country groups, customs value, [online](#).

Figure A.10: Queensland–China merchandise imports and exports, 2010 to 2020 (A\$ billion)



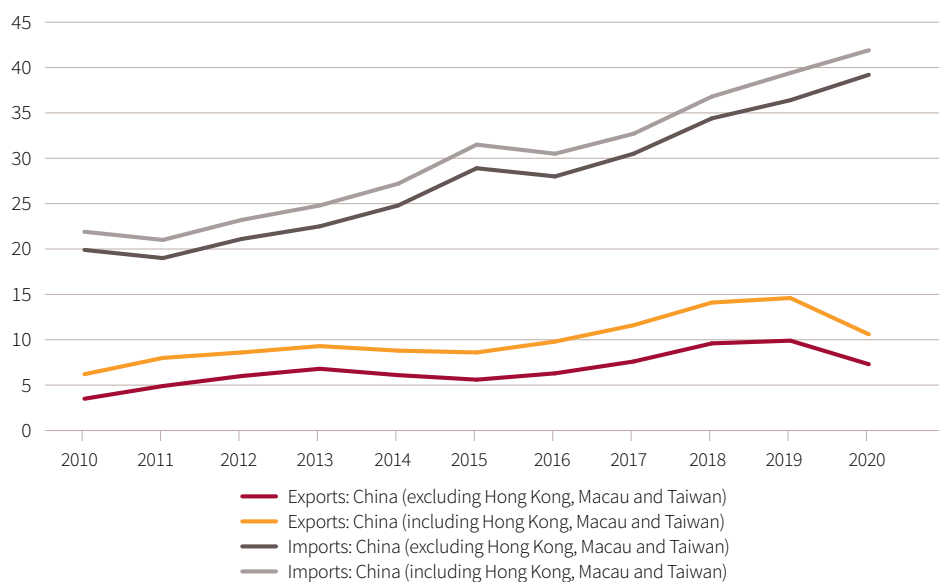
Source: ABS, 'International trade in goods and services, Australia', Table 36c: Merchandise exports, state of origin Queensland, by country and country groups, FOB value; Table 37c: Merchandise imports, state of destination Queensland, by country and country groups, customs value, [online](#).

Figure A.11: NT–China merchandise imports and exports, 2010 to 2020 (A\$ million)



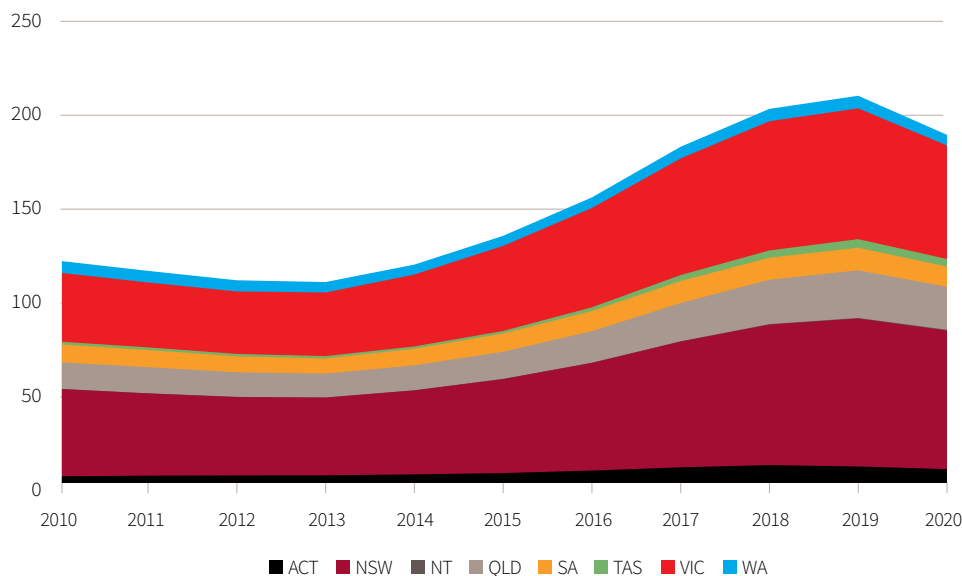
Source: ABS, 'International trade in goods and services, Australia', Table 36g: Merchandise exports, state of origin Northern Territory, by country and country groups, FOB value; Table 37g: Merchandise imports, state of destination Northern Territory, by country and country groups, customs value, [online](#).

Figure A.12: NSW–China merchandise imports and exports, 2010 to 2020 (A\$ billion)



Source: ABS, 'International trade in goods and services, Australia', Table 36a: Merchandise exports, state of origin New South Wales, by country and country groups, FOB value; Table 37a: Merchandise imports, state of destination New South Wales, by country and country groups, customs value, [online](#).

Figure A.13: International student numbers from China to Australia, disaggregated by state and territory, 2010 to 2020 (Thousands)



Source: Department of Education, Skills and Employment (DESE), 'International education data and research: International student numbers, Australian Government, 2021, [online](#): DESE, 'Student numbers', Australian Government, 2021, [online](#).

Table A.1: China–Australia sister cities

Chinese city	Australian city	Date
Ankang	Banyule, Vic.	2007
Baoji	Melton, Vic.	2002
Beihai	Gold Coast, Qld	1997
Beijing	Canberra, ACT	2000
Changchun	Warrnambool, Vic.	2012
Changde	Ipswich, Qld	2011
Changsha	Cumberland, NSW	2006
Changsu	Townsville, Qld	1995
Chaoyang/Beijing	Tamworth, NSW	1994
Chengdu	Gold Coast, Qld	2019
Chengdu	Sunshine Coast, Qld	2019
Chengdu	Perth, WA	2012
Chizhou	Cumberland, NSW	2006
Chongqing	Brisbane, Qld	2005
Dali	Mildura, Vic.	2006
Daqing	Charters Towers, Qld	2000
Dezhou	Kwinana, WA	2019
Dong-Sheng	Anmatjere, NT	Date unspecified
Ezhou	Whyalla, SA	1997
Foshan	Townsville, Qld	2006
Fuqing	Cumberland, NSW	Date unspecified
Fuzhou	Shoalhaven, NSW	2003
Gaoyou	Southern Grampians, Vic.	1999
Guangzhou	Sydney, NSW	1986
Guiping	Wanneroo, WA	2007
Haikou	Darwin, NT	1990
Haining	Augusta – Margaret River, WA	2014
Hangzhou	Randwick, NSW	2010

Chinese city	Australian city	Date
Harbin	Griffith, NSW	2005
Hefei	Darebin, Vic.	2003
Huainan	Lithgow, NSW	2011
Jiamusi	Shoalhaven, NSW	1987
Jiang'an	Manly, NSW	2000
Jiashan	Manjimup, WA	2012
Jinan	Joondalup, WA	2004
Jingmen	Toowoomba, Qld	Date unspecified
Jiujiang	Baw Baw, Vic.	1993
Kaifeng	Wingecarribee, NSW	2007
Kunming	Wagga Wagga, NSW	1988
Kunshan	Penrith, NSW	2013
Lanshan/Rizhao	Karratha, WA	2014
Lanzhou	Hilltops, NSW	1997
Lechan	Fraser Coast, Qld	1999
Leshan	Hervey Bay, Qld	1999
Lianyungang	Greater Geelong, Vic.	1994
Liaocheng	Blacktown, NSW	2003
Lijiang	Greater Shepparton, Vic.	2009
Linfen	Greater Geraldton, WA	2015
Nanjing	Perth, WA	1998
Nanning	Bundaberg, Qld	1998
Nanping	Albury, NSW	2003
Nujiang	Horsham, Vic.	2011
Panjin City	Logan, Qld	2014
Pengzhou	Ipswich, Qld	2014
Pingdingshan	Lithgow NSW	Date unspecified
Pingdu	Healesville, Vic.	1993
Putian	Parramatta, NSW	2015

Chinese city	Australian city	Date
Qingdao	Adelaide, SA	2014
Shangri-la	Campaspe, Vic.	2007
Shenzhen	Brisbane, Qld	1992
Shishi	Renmark–Paringa, SA	2005
Suzhou	Logan, Qld	2005
Tai'an	Macarthur, NSW	1999
Taishan	Ararat, Vic.	1994
Taixing	Broken Hill, NSW	1998
Taizhou	Latrobe City, Vic.	2000
Tanggu	Bayside, NSW	Date unspecified
Tianjin	Melbourne, Vic.	1980
Tianshui	Greater Bendigo, Vic.	1992
Tielin	Greater Shepparton, Vic.	Date unspecified
Urumqi	Narrandera, NSW	1996
Weifang	East Gippsland, Vic.	1997
Wenzhou	Ipswich, Qld	2011
Wujiang	Dubbo, NSW	1995
Wujin/Changzhou	Ashfield, NSW	1998
Wuxi	Frankston, Vic.	2011
Xiamen	Sunshine Coast, Qld	2000
Xuhui	Logan, Qld	2014
Xuzhou	Greater Dandenong, Vic.	2002
Yangzhou	Ballarat, Vic.	2015
Yanji	Armidale–Dumaresq, NSW	1995
Yichang	Charleston, NSW	2001
Yue Yang	Cockburn, WA	1998
Zaozhuang	New England, NSW	1994
Zhanjiang	Cairns, Qld	2004
Zhenjiang	Fairfield, NSW	2007

Chinese city	Australian city	Date
Zhuhai	Gold Coast, Qld	2012
Zuan	Shoalhaven, NSW	2010
Inactive		
Changzhou	Georges River Council, NSW	1998
Dongying	Swan, WA	2012 (inactive 2019)
Gaotang	Swan, WA	2007 (inactive 2019)
Jiangdu	Goulburn, NSW	2000
Jinan	Swan, WA	2014 (inactive 2019)
Ma'anshan	Georges River Council, NSW	2003
Nanxiong	Georges River Council, NSW	2013
Shunde	Georges River Council, NSW	2012
Xianyang	Moreland, Vic.	1997 (inactive 17 August 2018)
Jinhua	Central Coast, NSW	2000 (terminated 2015)
Sanmenxia	Murray Bridge, SA	1991 (terminated 1997)
Wuyishan	Blue Mountains, NSW	2009 (terminated 2015)

Source: Adapted and amended from *2020 Directory of Australian sister city and friendship city affiliations*, Sister Cities Australia, Rockingham, WA, 2020.

About the authors

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Amos Aikman is the long-time northern correspondent and Darwin bureau chief of *The Australian*. Amos has covered the region since 2008 and has been living in Darwin since 2012. His work takes him south through the Red Centre and Anangu Pitjantjatjara Yankunytjatjara Lands, west into the Kimberley, east towards Cape York and northwards into southern Asia. He holds a PhD from the Australian National University and a BSc Hons from Edinburgh University. He joined *The Australian* in 2007, initially as a Sydney correspondent.

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Anne-Marie Brady is a professor in the College of the Arts at the University of Canterbury in New Zealand and a Global Fellow at the Woodrow Wilson Centre in Washington DC.

She's a renowned specialist in Chinese domestic and international politics, polar politics, Pacific politics and New Zealand foreign policy. She's the founding and executive editor of *The Polar Journal* (Taylor and Francis Publishers) and has published 10 books and more than 50 scholarly papers.

Anne-Marie's research has a strong policy focus and wide public take-up. Her paper *Magic weapons: CCP political influence activities under Xi Jinping* (2017), which has been downloaded more than 160,000 times, helped spark a debate in New Zealand and internationally that resulted in a parliamentary inquiry into foreign interference in New Zealand.¹ She writes op eds for the *New York Times*, *The Guardian*, *The Australian*, the *Sydney Morning Herald* and the *Financial Times*. In 2014, she was appointed to a two-year term on the World Economic Forum's Global Action Council on the Arctic.

Professor Caitlin Byrne

Caitlin Byrne is the Director of the Griffith Asia Institute. She is a Fellow of the Australian Institute for International Affairs and a Faculty Fellow of the University of Southern California's Center for Public Diplomacy. Her research is focused on Australian diplomacy, with a special interest in Australia's engagement in the Asia-Pacific region.

Caitlin's recent research projects explore the role of leadership, soft power and public diplomacy—including people-to-people connections developed through international education, culture and sport—in developing Australia's regional influence, relationships and reputation. She has expertise in executive education and delivers training on soft power and public diplomacy and on international policy and tradecraft through Australia's Diplomatic Academy in Canberra. She consults on occasion with government in the areas of strategic foreign policy and diplomatic practice.

Before joining academia, Caitlin established a professional career spanning strategic management and legal, foreign and social policy roles in the government, business and community sectors.

Rowan Callick OBE

Rowan Callick is an Industry Fellow at Griffith University's Asia Institute and an author and speaker on contemporary China. He grew up in England, graduating with a BA Honours from Exeter University. After a decade working in Papua New Guinea media, he migrated to Australia, becoming China Correspondent and Asia Pacific Editor for both *The Australian* and the *Australian Financial Review* and a *Time* magazine senior writer. He has written three books on contemporary China, published in both English and Chinese, including *Party time: Who runs China and how* (published internationally as *The party forever*).

Rowan is a Fellow of the Australian Institute for International Affairs and a member of two university advisory boards, and serves on the advisory board of the National Foundation for Australia–China Relations. He has won two Walkley Awards and the Graham Perkin Award for Australian Journalist of the Year. His work has been published widely, including in the *Wall Street Journal*, *Foreign Policy* magazine and *The Times*.

Dr Dominique Dalla-Pozza

Dominique Dalla-Pozza is a senior lecturer at the ANU College of Law, working in the field of Australian public law. Her primary research deals with the Australian Parliament and the legislative process, especially the process by which Australian national security law is made. She is particularly interested in the work of parliamentary committees.

In her role as a co-convenor of the ACT chapter of the Electoral Regulation Research Network, Dominique has also worked on the Senate voting system. Her other field of interest is national security law: her PhD thesis focused on the process by which the Australian Parliament enacted counterterrorism legislation between 2001 and 2006. In 2015, she presented work on the way in which the Australian Parliament made counterterrorism law in the post-Howard era at a workshop on deliberative constitutionalism at the Faculty of Laws, University College London. One of her main aims as a researcher is to continue to bring together ideas from the disciplines of political science and law to provide a richer understanding of the lawmaking process.

Professor John Fitzgerald AM

John Fitzgerald is a China historian, based at Swinburne University of Technology in Melbourne, who researches territorial government and civil society in China and Australia's Chinese diasporas. He was awarded a PhD in Far Eastern History by the Australian National University in 1983 after studying for several years in Beijing, Nanjing and Taiwan. In 2008, he served five years as representative of the Ford Foundation, where he directed the foundation's China operations from Beijing.

John was formerly Head of the School of Social Sciences at La Trobe University and directed the International Centre of Excellence in Asia–Pacific Studies at the Australian National University. In Canberra, he served as chair of the Education Committee of the Australia–China Council of the Australian Department of Foreign Affairs and Trade, as co-chair of the Committee for National and International Cooperation of the Australian Research Council, and as elected president of the Australian Academy of the Humanities. He currently serves on the board of the National Foundation for Australia–China Relations.

John's publications have won international recognition, including the Joseph Levenson Prize of the US Association for Asian Studies and the Ernest Scott Prize of the Australian Historical Association.

Dr Gerry Groot

Gerald (Gerry) Groot is a senior lecturer in Chinese studies in the School of Social Sciences at the University of Adelaide. His research focuses on aspects of CCP united front work from 1921 to the present day, and on soft power in the international relations of China, Japan and India.

Gerry was awarded a BA (Hons) specialising in Chinese studies at the University of Adelaide before he embarked on several further years of Chinese-language study at Shanghai's East China Normal University. He then returned to the University of Adelaide, where he was awarded a PhD for a major study on the CCP's united front work and China's minor parties and groups.

He has published annually in the ANU *China Story* series (2015–2020) in addition to books, articles and chapters, including one of very few studies of Australian relations with China at the subnational level.²

Dr Mark Harrison

Mark Harrison is a senior lecturer in Chinese studies in the Politics and International Relations Program in the School of Social Sciences at the University of Tasmania. He has a BA (Hons) in Chinese from the University of Adelaide and completed his PhD at Monash University looking at Taiwan and its problems of identity. From 2002 to 2008, he worked as Research Fellow and lecturer at the Centre for the Study of Democracy at the University of Westminster in London. He is also an adjunct director of the Australian Centre on China in the World at the Australian National University.

Mark teaches units on politics and international relations as well as units on China and supervises honours and PhD projects on politics and culture in mainland China and Taiwan. His research focuses on contemporary culture and politics in the Chinese-speaking world, using a distinctive theoretically informed style and with a particular interest in Taiwan. He works widely across cultural studies, politics and policy, and international relations. In addition, he maintains an active media profile, and his views can be read in international media such as the *Wall Street Journal* and the *New York Times*.

Dr Samantha Hoffman

Samantha Hoffman is a senior analyst with ASPI's International Cyber Policy Centre. In 2018, she was a Visiting Fellow at the Mercator Institute for China Studies in Berlin. She also worked as a consultant for the International Institute for Strategic Studies (2012–2018) and IHS Markit Ltd (2012–2017). Her research into the domestic and global implications of the CCP's approach to state security offers new ways of thinking about, understanding and responding to China's technology-enhanced political and social control efforts.

Samantha holds a PhD in politics and international relations from the University of Nottingham (2017), an MSc in modern Chinese studies from the University of Oxford (2011) and BA degrees in international affairs and East Asian languages & cultures from the Florida State University (2010).

She has written for *Foreign Policy*, *The Hill*, *War on the Rocks*, *The National Interest*, *China Brief*, *Forbes*, and *Jane's Intelligence Review*, and is widely quoted on China's security state and politics in the *New York Times*, *The Economist*, the *BBC*, the *ABC*, *Foreign Policy*, the *Wall Street Journal*, the *Washington Post*, the *Financial Times*, *Science Magazine* and *Wired*.

Peter Jennings PSM

Peter Jennings is the executive director of ASPI, a position he has held since May 2012. He has worked at senior levels in the Australian Public Service on defence and national security. His career highlights include terms as Deputy Secretary for Strategy in the Defence Department (2009–2012); Chief of Staff to the Minister for Defence (1996–1998) and Senior Adviser for Strategic Policy to the Prime Minister (2002–2003).

Peter led the External Expert Panel appointed by the Australian Government in early 2014 to advise ministers and the Defence Department on the Defence White Paper released in February 2016. He was a member of the Australia–Germany Advisory Group appointed by the Australian Prime Minister and the German Chancellor in 2015 to develop closer bilateral relations. He has also been a member of the Advisory Group on Australia–Africa Relations advising the DFAT. In the Defence Department, Peter was deputy director of the then titled Defence Imagery and Geospatial Organisation (2002) and head of the Strategic Policy Branch (1998–1999). In late 1999, he was a co-director of the East Timor Policy Unit, responsible for developing Australia's policy approaches to the international peacekeeping operation in East Timor.

He studied at the London Business School (2000–2001) as a Sloan Fellow and was awarded a Masters of Science (Management) with Distinction. He has an MA in international relations from the Australian National University (1987) and a BA (Honours) in history from the University of Tasmania (1980–1984). He has been a Fulbright Fellow at the Massachusetts Institute of Technology (1985). He taught politics and international relations at the University of New South Wales / Australian Defence Force Academy (1987–1990).

Peter was awarded the Public Service Medal in the Australia Day 2013 Honours list for outstanding public service through the development of Australia's strategic and defence policy, particularly in the areas of ADF operations in East Timor, Iraq and Afghanistan. In February 2016, he was awarded the French decoration of Knight in the National Order of the Legion d'Honneur.

Dr Dominic Meagher

Dominic Meagher is a Visiting Fellow at the Australian National University (2020–2021) and founding director of the Australasia Strategy Group, which provides expert advice, analysis and research to key institutions and decision-makers about critical strategic challenges and risks. He has worked as an economist at the Reserve Bank of Australia in Adelaide and at the Fung Global Institute in Hong Kong, and as research manager and senior policy analyst at China Policy in Beijing. He has been a Visiting Scholar at Sun Yat-sen University, Guangzhou.

Dominic was awarded a PhD in economics by the Crawford School of Public Policy at the ANU in 2012 (as Rio Tinto China Scholar) and a Master of International and Development Economics at the ANU in 2006. He studied for a Certificate in Chinese at the Beijing Language and Culture University (2003) after completing a BA (Hons) at UNSW in 2002. He contributes regularly to public conversations in Australia on economics and foreign policy in *The Strategist* (ASPI) and *The Interpreter* (Lowy Institute) and in international academic and public policy journals.

Professor Donald Rothwell

Donald R Rothwell is one of Australia's leading experts in international law, with a specific focus on the law of the sea, the law of the polar regions, the use of force, and the implementation of international law within Australia. He is the author of 24 books and more than 200 book chapters and articles, including, with Tim Stephens, the influential and respected academic text, *The international law of the sea* (2nd edition, 2016). His most recent work is *International polar law*, co-edited with Alan Hemmings (Elgar, 2018). He's also co-editor of *the Australian year book of international law* and editor-in-chief of the *Brill Research Perspectives in Law of the Sea* series. From 2012 to 2018, he was rapporteur of the International Law Association committee on baselines under the international law of the sea.

Donald has taught a range of courses, including on the law of the sea; international dispute resolution; international law and the use of armed force; international humanitarian law; military operations law; and public international law. He was previously Challis Professor of International Law and director of the Sydney Centre for International and Global Law, University of Sydney (2004–2006), where he had taught since 1988. He has acted as a consultant or been a member of expert groups for the UN Environment Programme, the UN Development Programme, the International Union for Conservation of Nature and the Australian Government, and acted as adviser to the International Fund for Animal Welfare. In 2012, he was appointed as an inaugural ANU Public Policy Fellow, and in 2015 elected as Fellow to the Australian Academy of Law.

Donald is a regular media commentator on international law issues and has written more than 100 opinion pieces, including for all of the major daily newspapers in Australia, *ABC Online* and *The Drum*. He's been interviewed by, among others, *7.30*, *AM*, *PM*, *Breakfast*, *ABC News 24*, *al-Jazeera TV*, the *BBC* and *Voice of America*.

Dr Wai Ling Yeung

Wai Ling Yeung is a Perth-based independent researcher and educator. She has expertise in intercultural literacy and the history of the Chinese diaspora, with a focus on the CCP's united front activities in Oceania. Her career spans three distinct and interlinked areas: first as a community interpreter for the NSW Government, then as the head of Chinese Studies at Curtin University of Technology in WA, and most recently as a language education expert for the WA Government.

Wai Ling is associated with the Australian Values Alliance, which is a Chinese community group that advocates universal values including democracy, the rule of law, freedom, equality, tolerance and human rights. She is also a practising Catholic and a member of the vibrant and culturally diverse Riverton Parish in the Catholic Archdiocese of Perth. Through her affiliation with those organisations, she has established a track record of community engagement that helps foster common values among people of different backgrounds.

Notes

- 1 Anne-Marie Brady, *Magic weapons: China's political influence activities under Xi Jinping*, Wilson Center, 2017, [online](#).
- 2 Gerry Groot, Glen Stafford, 'China – South Australia relations, 1836–2011', in Purnendra Jain, John Spoehr (eds), *The engaging state: South Australia's engagement with the Asia Pacific*, Wakefield Press, Adelaide, 2012.

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John Fitzgerald

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Acronyms and abbreviations

ACBC	Australia China Business Council
ACBRI	Australia–China Belt and Road Initiative
ACPPRC	Australian Council for the Promotion for the Peaceful Reunification of China
ACRI	Australia–China Relations Institute
ACYC	Australia–China Youth Cooperation
AIC	Australian intelligence community
ALP	Australian Labor Party
ANU	Australian National University
ASIO	Australian Security Intelligence Organisation
ATCPPRC	Australian Tasmania Council for the Promotion for the Peaceful Reunification of China
BRI	Belt and Road Initiative
C4ISR	command, control, communications, computers, intelligence, surveillance and reconnaissance
CCCA	China Chamber of Commerce in Australia
CCNAA	Chinese Community of Northern Australia Association
CCP	Chinese Communist Party
CDB	China Development Bank
CETC	China Electronics Technology Group Corporation
ChAFTA	China–Australia Free Trade Agreement
CI	Confucius Institute
CMIEC	China Metallurgical Import and Export Corporation
CNOOC	China National Offshore Oil Corporation
CP (ML)	Communist Party of Australia (Marxist-Leninist)
CPAFFC	Chinese People’s Association for Friendship with Foreign Countries
CRI	China Radio International
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSSA	Chinese Students and Scholars Association
CT	counterterrorism
CVE	countering violent extremism

DESE	Department of Education, Skills and Employment
DFAT	Department of Foreign Affairs and Trade
EU	European Union
FAS	Foreign Arrangements Scheme
FAS 2020	Foreign Arrangements Scheme 2020
FIRB	Foreign Investment Review Board
FITS	Foreign Influence Transparency Scheme
FNQ	Far North Queensland
FOCSA	Federation of Chinese Scholars in Australia
FTA	free trade agreement
GDP	gross domestic product
GPS	Global Positioning System
Hanban	Confucius Institute Headquarters
ICT	information and communications technology
IPCC	Intergovernmental Panel on Climate Change
IT	information technology
JCU	James Cook University
KAS	Konrad-Adenauer-Stiftung
KMT	Kuomintang (Chinese Nationalist Party)
LNG	liquified natural gas
LNP	Liberal National Party (Qld)
MoU	memorandum of understanding
NDRC	National Development and Reform Commission (China)
NUDT	National University for Defence Technology (China)
PAFC	Port Adelaide Football Club
PJCIS	Parliamentary Joint Committee on Intelligence and Security
PLA	People's Liberation Army
PPE	personal protective equipment
PRC	People's Republic of China
PVE	preventing violent extremism
QYSO	Queensland Youth Symphony Orchestra
R&D	research and development
RAAF	Royal Australian Air Force

SA	South Australia
SFADTLC	Senate Foreign Affairs Defence and Trade Legislation Committee
SMEs	small and medium-sized enterprises
SOE	state-owned enterprise
TAFE	technical and further education
UAV	unmanned aerial vehicle
UC	University of Canberra
UFWD	United Front Work Department
UN	United Nations
UNSW	University of New South Wales
UQ	University of Queensland
UTS	University of Technology Sydney
UWA	University of Western Australia
VJJEC	Victoria–Jiangsu Joint Economic Committee
WA CPA	WA Chinese Petroleum Association

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Taking the low road: China's influence in Australian states and territories

In November 2020 a Chinese official passed a list of 14 grievances to Australian journalists, highlighting what Beijing regarded as missteps in the Australian government's relations with China. A striking feature of the list is that many concern Australian Government attempts to limit Chinese engagement with the states and territories, or state-based institutions such as universities.

Why did state and territory relations with China concern Canberra? This study explores the changing nature of China's engagement with Australian states and territories, local governments, city councils, universities, research organisations and non-government organisations, all nested in Australian civil society. What emerges is the astonishing breadth and depth of China's engagement, much of it the welcome outcome of Australia's economic and people-to-people engagement with China over many decades. But it's equally apparent that China has made covert attempts to influence some politicians and overt attempts to engage states, territories and key institutions in ways that challenge federal government prerogatives and have brought the two levels of government into sharp public dispute.

Here we provide a detailed analysis of how China has worked to build its political influence and build dependence through trade and economic ties with each Australian state and territory. In addition, unique cross-cutting chapters review the impact of Chinese engagement with Australian universities and show how Beijing's 'United front' organisation is designed to build influence. We assess the impact on Australian businesses and the constitutional challenges presented by Chinese engagement with the states and territories.

The study methods and analytical approaches adopted in this book will be a model for similar research in many parts of the world. Understanding the nature of Chinese engagement with subnational jurisdictions is an important way for national governments to shape their security policies and to resist covert and, indeed, unwanted overt interference.

This book provides original insights into the scale of the challenge and distils practical policy recommendations for governments at all levels to consider and adopt.