Australia has recently adopted a more robust stance towards China, culminating in new legislation on espionage and foreign interference. In economic terms, Australia has greatly benefitted from China’s rise. In more recent times, however, concerns about Chinese interference in domestic politics as well as the PRC’s assertiveness and influence-seeking in parts of Pacific Asia have come to the fore.

- Rapid increases in trade, tourism, and higher education-related exchange with China have helped to boost economic growth in Australia in recent years, while the respective governments have elevated bilateral relations to ever-higher levels.

- Public opinion about the growing ties with China has been more ambivalent, however. Especially since summer 2017, growing domestic concerns have been fuelled by reports about covert efforts by the Chinese Communist Party to influence both domestic politics and the public sphere in Australia.

- Concerns have also grown about China’s increasing assertiveness in the South China Sea as well as influence-seeking behaviour in the South Pacific, a region of key strategic importance to Australia. What unites these domestic and international worries is a focus on threats to national security and rule-based order.

- The changing political mood has led to revamped internally and externally oriented security policies in Australia. These will provide government authorities with more military hardware and legal software. Initial Chinese reactions to the new policy directions have been harsh. The government in Canberra has recently sought to mend these frayed ties, but the honeymoon phase in bilateral relations is clearly now over.

**Policy Implications**

*European Union member states and Australia share an interest in defending the rule of law at home, and also in promoting a liberal rules-based international order at large. They thus need to rebut foreign, not just Chinese, interference in domestic politics. In doing this, however, they should avoid scapegoating, and focus on fixing domestic legal loopholes. Policymakers and non-governmental actors in the European Union and Australia should also use bi- and multilateral dialogue formats to discuss perspectives and initiatives regarding both foreign interference and upholding the liberal rules-based international order.*
Critical Concerns about China: Any Lessons from Australia?

Economic and official relations between Australia and China have mushroomed since the early 2000s. In more recent times, however, critical concerns have arisen in Australia about not only China’s growing assertiveness and influence in regions close to Australia’s own borders but also about foreign – in particular Chinese – interference in Australia’s domestic politics as well as public sphere. Canberra has reacted to these concerns by, among other things, introducing new legislation on foreign interference and espionage. What, if anything, can actors in the European Union (EU) learn from Australia’s shifting policies towards China? In this briefing paper, I first sketch the rise of economic and other ties between Australia and China before tracing the recent “reset” of their relations. I then address the implications of this reset for European policymakers and for interested stakeholders.

The Honeymoon: Australia’s Growing Economic and Diplomatic Ties with China

Since the early 2000s, China has come to play an ever-larger role in the economic fortunes of Australia. This development reflects the complementary character of the two economies and China’s own spectacular rise, and with it a substantial demand for goods and services that Australia can offer. Government and corporate actors in Australia have been interested in nurturing trade, and in tapping into new sources for investment and spending in sectors such as tourism and education. China has effectively become a major driver for Australia’s own recent economic trajectory, helping the latter not only to weather the global and financial crisis but, more generally, to sustain its remarkable growth path – which has not seen a recession hit the country in 27 years now.

Since 2007 China has been Australia’s largest trading partner for goods and services (cf. Köllner 2013). In the financial year 2016–2017, the PRC accounted for nearly one-quarter of Australia’s total trade – with China-related commerce being equal to roughly the same share as that with Australia’s next-three-largest trading partners combined. Notably, China is by now the leading trade partner for all six states within the Commonwealth of Australia and looms particularly large for the natural resources sector – which is of great importance for Australian exports and indeed the economy overall. In the financial year 2016–2017, iron ore and concentrates accounted in terms of total value for over 17 per cent of all Australian goods and services exports, making them the most important such item (followed by coal, education-related services, and natural gas). China takes in around 80 per cent of these iron ore exports.

The picture is somewhat different with respect to foreign direct investment (FDI). Substantial growth of FDI from China notwithstanding, in relative terms the actual flows – let alone the stock of Chinese direct investment – remain of limited importance to Australia. The stock of Chinese FDI in Australia at the end of 2017 amounted to AUD 65 billion (approximately EUR 47 billion), or just 2 per cent of the total – making China only the ninth-largest source of aggregate FDI in Australia. The year 2017 actually saw a substantial net outflow of Chinese FDI from Australia.
The education sector in Australia has also benefitted substantially from the growing number of full-fee-paying Chinese students enrolled in its higher education institutions, language schools, and beyond. As noted above, international education is Australia’s third-largest export, reaching a record high of AUD 28 billion in the 2016–2017 financial year. China is Australia’s single-most important source of international students. In 2017 over 230,000 Chinese students were enrolled in Australian educational institutions, making up close to 30 per cent of the international student body. For a number of tertiary education institutions, in particular universities and departments thereof, this share is much higher still. China has also been a major growth engine for Australia’s tourism sector in recent years. In 2017 China was Australia’s second-largest inbound market for visitor arrivals (1.35 million, just behind New Zealand) and its outright largest in terms of total spending and visitor nights spent in the country. The Australian government expects that by 2020 Chinese tourists will account for over 25 per cent of the domestic tourism market.

The very dynamic development of Australia’s economic engagement with China over the past 10 years and longer has been accompanied and supported by active diplomatic efforts at the highest levels of government. These have led to a substantial upgrading and broadening of bilateral relations. Australian–Chinese relations were elevated to the level of a Comprehensive Strategic Partnership in November 2014, and in late 2015 a bilateral free trade agreement entered into force too. Annual meetings bring together the Australian and Chinese premiers, while a high-level security dialogue with the Central Commission for Political and Legal Affairs of the Chinese Communist Party (CCP) was held for the first time in April 2017. During the last leaders’ meeting in March 2017, then Australian prime minister (PM) Malcolm Turnbull and Chinese PM Li Keqiang agreed on a flurry of new initiatives – including bilateral dialogues on energy and innovation, plus the opening of an Australian consulate in Shenyang.

The Hangover: Australia Resets Its Policy towards China

None of the just-mentioned initiatives had been implemented as of mid-2018 however. Effectively, high-level diplomatic relations between Australia and China have been on freeze for most of 2018. An editorial of China’s international news organ, the Global Times, went so far as to argue in May 2018 that “Australia’s relations with China are among the worst of all Western nations.” Even threats were unveiled: “The China–Australia relationship doesn’t carry much weight in Beijing diplomacy, and Chinese have no sense of urgency to improve ties with Canberra. But the situation is different for Australia. China has tremendous influence on Australia’s development. Canberra will certainly feel uneasy for upsetting ties with Beijing” (Global Times 2018).

Why and how did things go that far downhill in such a short space of time? The story behind this increasingly troubled relationship between China and Australia is complex. It has both domestic and international dimensions – ones that are, at least to some extent, intertwined.
Domestic Dimensions of the Post-Honeymoon Phase

Despite the very dynamic development of bilateral economic ties and the upgrading-cum-broadening of government-to-government relations in the past few years, public opinion about those bilateral connections as well as about China’s role in the Australian economy has been fairly ambivalent throughout (cf. Köllner 2013). According to the most recent poll of the Lowy Institute, the vast majority of surveyed Australians (82 per cent in 2018) see China as more of an economic partner to Australia whereas only a minority (12 per cent) believe China to be more of a military threat (Oliver 2018: 11). Also, China’s growing power is seen as far less of a threat to Australia than, for example, international terrorism or, for that matter, the presidency of Donald Trump. Still, 36 per cent of the surveyed Australians see China’s growing power as a “critical threat” to Australia while 50 per cent believe it presents an important but not critical threat – while only 13 per cent think that it does not present a significant threat at all (Oliver 2018: 8).

Despite the above-mentioned limited flows and stock of Chinese FDI in Australia, 72 per cent of respondents say that Australia allows too much investment from China. Chinese FDI in agriculture, residential real estate, and in “critical infrastructure” such as ports and airports troubles Australians the most (Oliver 2018: 10). These concerns reflect, among other things, skyrocketing real estate prices in Sydney and other Australian metropolises, as well as high-profile Chinese investments in Australian infrastructure. In particular, the 2015 decision by the Northern Territory government to sign together with China’s Landbridge corporation a 99-year lease of the port of Darwin, which includes a supply base for the United States Marine Corps, caused a ruckus in Australia. Andrew Robb, the then federal minister for trade and investment, defended the agreement as a “powerful sign of the enhanced commercial relationship between Australia and China flowing from the China–Australia free trade agreement” (The Guardian 2015).

Public concern about foreign influence or interference in Australian politics has also come to the fore in more recent times. In 2018, some 89 per cent of those (Australians) surveyed by the Lowy Institute believe such interference to pose a critical (41 per cent) or at least an important threat (48 per cent) to Australia (Oliver 2018: 8). The focus is very much herein on Chinese influence, whereas that from the US and other countries besides has received far less attention in the public and political discourse.

More specifically, 63 per cent of the respondents are personally concerned about Chinese influence in Australia’s political processes (Oliver 2018: 9), which has been a hot topic in Australia since mid-2017. In June of that year an investigative report aired at prime time by the Australian Broadcasting Corporation (ABC) cast light on Chinese influence over Australia’s domestic politics. The report accused the government in Beijing of organising Chinese students in Australia to demonstrate on behalf of Chinese state interests, and of setting up spy networks within these student communities. The report also revealed opaque political donations from Chinese and Australian–Chinese businessmen to Australian policymakers. Other large-scale donations have been channeled to universities and think tanks meanwhile (ABC News 2017). Speculation was rife that these donations were at least in part undertaken to obtain access and influence. It also became known that Chinese corporations had offered lucrative jobs to former Australian policymakers. Former
trade and investment minister Robb even signed a highly-paid consultant contract with Landbridge one day before leaving parliament in early 2016.

**Counter-Interference Legislation and Other Steps Taken by the Australian Government**

Particular concern has been caused by the covert activities of the CCP’s United Front Work Department (UFWD), which is tasked, among other things, with political-influence activities abroad. According to the political scientist and China expert Anne-Marie Brady, the UFWD has focused under Xi Jinping on: strengthening “efforts to manage and guide overseas Chinese communities and utilise them as agents of Chinese foreign policy”; re-emphasising “people-to-people, party-to-party, plus PRC enterprise-to-foreign-enterprise relations, with the aim of coopting foreigners to support and promote the CCP’s foreign policy goals”; the rolling out of “a global, multi-platform, strategic communication strategy”; and, the “formation of a China-centered economic and strategic bloc” (Brady 2017: 7). Also due to prominent investigative reports in international media (e.g. Kynge, Hornby, and Anderlini 2017), the activities of the UFWD – which Mao Zedong once called one of the CCP’s “magic weapons” – have caught the attention and imagination of policymakers, executive agencies, and concerned citizens both in and beyond Australia’s shores.

Not only Australia but also New Zealand (see Brady 2017) have both figured as prominent targets of UFWD efforts, as well as of other attempts at influencing political and public discourse in China’s favour (see also, Fitzgerald 2018). Both countries are of multilayered interest to China given, among other things, their manifold ties to it, their economic assets, and their memberships in various military and intelligence-sharing alliances. Australia, for example, is allied to the US, and belongs to the “Five Eyes” intelligence-sharing community (along with New Zealand, the US, the United Kingdom, and Canada). Both of these countries are liberal democracies that do not, however, have a tradition of substantial state funding for political parties. Fundraising is thus a vital issue for both party leaders and aspiring politicians in each, providing entry points for political access and influence-seeking activities by foreign actors. One of the biggest political scandals in Australia in 2017 saw the downfall and eventual resignation of Labor Party senator Sam Dastyari, who had advocated for accepting Chinese territorial claims in the South China Sea – he was later found to have accepted substantial donations from a Chinese billionaire real-estate magnate residing in Australia.

The welter of media and academic reporting on Chinese influence-seeking activities in Australia, coupled with repeated warnings from Australia’s own intelligence agencies, and culminating in the Dastyari affair prompted the Australian government to introduce in December 2017 counter-interference legislation. In late June 2018, after six months of negotiations and debate, the amended counter-interference law – the National Security Legislation Amendment (Espionage and Foreign Interference) Act 2018 – passed with bipartisan support in both houses of the federal parliament in Canberra. The act, which amends the criminal code and various forms of government legislation, defines foreign interference and stipulates harsh penalties for related offenses. The act also requires foreign lobbyists to regis-
ter with the authorities, and provides for greater transparency concerning political donations. “The China reset has begun,” notes John Garnaut (2018: 24) in a recent article discussing the darker dimensions of China’s outreach activities in Australia. Garnaut and other concerned Australian observers, such as John Fitzgerald (2018), have also argued that the CCP is systematically attempting to silence critics and to co-opt Chinese-language media in Australia to present favourable views. A similar point is made at length in Clive Hamilton’s (2018) controversial book about China’s role in Australia’s domestic politics and public sphere, which has further fuelled the very animated public debate on this subject in Australia.

Apart from the Foreign Interference Act, the federal government in Canberra has also taken a number of other noteworthy steps. Already in 2017, it decided not to ratify a bilateral extradition treaty with China. This was due to concerns about the violation of human rights in China – here, the rights of prisoners – which came to the fore when the federal parliament debated the treaty. After it had become clear that the Senate might block the treaty, the government decided to pull the plug on it in March 2017. More recently, Canberra decided to block the Chinese-owned telecommunications corporation Huawei from being involved in the rolling out of Australia’s 5G mobile network. The government, led by new PM Scott Morrison, explained that the involvement of a company “likely to be subject to extrajudicial directions from a foreign government” presented too much of a national risk (Wyeth 2018). It remains to be seen whether the decision will be a harbinger for similar future ones concerning Chinese investments in “critical infrastructure” in Australia, or whether it will be an exception due to the particular technical and security risks involved in this specific case.

**International Dimensions of the Post-Honeymoon Phase**

Australian concerns about Chinese activities and interference have not been limited to domestic issues either. Especially since 2016, unease has grown about China’s increasing assertiveness in the South China Sea as well as expanding presence in the South Pacific. These two regions, situated in Australia’s neighbourhood, are of substantial strategic interest to the government in Canberra, also given the country’s own huge exclusive economic zone in surrounding seas as well as its concomitant interest in rules-based ocean governance.

The decision of the Chinese government not to accept the July 2016 ruling of the Permanent Court of Arbitration, a tribunal established under Annex VII of the 1982 United Nations Convention on the Law of the Sea (UNCLOS), shattered any remaining hopes concerning a rules-based solution to territorial disputes in the South China Sea. The Chinese decision to reject the ruling – which stated, among other things, that China had “no historical rights” based on the so-called “nine-dash line” map to territory also claimed by the Philippines – did not come as a surprise. But the rejection of the ruling, combined with China’s preceding fortification of islands and other territories in the South China Sea, made it plain that security risks in the area were now on the rise. It also showed that a “no worries” attitude to Australia’s balancing of strategic ties with, on the one hand, China and, on the other, the US – as the country’s key security partner – was misplaced (cf. Köllner 2013).
The rejection of the ruling thus constituted a veritable “aha!” moment for policymakers in Australia.

Speaking at the Shangri-La security dialogue in Singapore in June 2017, then Australian PM Turnbull urged China to respect “the sovereignty of others.” With hindsight, this could be read not just as a critique of China’s expansive territorial claims in the South China Sea but also of influence-seeking activities within Australia itself. Turnbull’s speech followed up on the government’s 2016 Defence White Paper and set the tone for the 2017 Foreign Policy White Paper too. Both policy documents note growing security risks in maritime Asia – or the “Indo-Pacific,” in geostrategic parlance in Australia and beyond – with the Foreign Policy White Paper expressing particular concern about the “unprecedented pace and scale” of China’s activities in the South China Sea (Australian Government 2017: 47).

More generally, China is seen as challenging America’s position in the region. In this context, the Australian government emphasises the need for a strong US presence in the region and for close ties with Washington. The Foreign Policy White Paper also calls for greater security cooperation with other nations in the Indo-Pacific and, in this and other domains, for tight-knit cooperation with “the region’s major democracies” – namely the US, Japan, Indonesia, India, and the Republic of Korea (Australian Government 2017: 4). Both white papers point to the growing importance of closer engagement by the Australian Defence Force (ADF) in the region too. The ADF will in fact see very substantial investments in military hardware over the next few decades – including the procurement of new submarines, naval frigates, and armoured vehicles (Grigg and Tillett 2018).

A particular concern of policymakers in Australia has been China’s growing presence in the South Pacific, a world region that has been at the centre of Australia’s security and development initiatives over the past few decades. Through its expanding diplomatic, trade, and investment networks in – and especially its growing aid to – the region, China is seen to be challenging Australia’s position in the neighbouring South Pacific. Strategic circles in Canberra are especially worried that Chinese loans to South Pacific nations will lead to economic and ultimately political dependency on the part of the latter vis-à-vis China.

Policymakers also worry that China’s apparent interest in port development in Papua New Guinea (PNG), as well as elsewhere in the region, might also be motivated by its aspiration to set up a military base in that part of the Pacific. Whether such concerns are well founded or not, Australia and also New Zealand have in both 2017 and again in 2018 intensified their own diplomatic efforts in the South Pacific. They have also tried to alert regional leaders to the risks of accepting large loans, and to lay the groundwork for more intensive security-related cooperation among Pacific Islands Forum member states (which include Australia and New Zealand), culminating in the Boe Declaration of September 2018. In more material terms, New Zealand’s government decided in early 2018 to substantially beef up development funds earmarked for South Pacific countries; Australia has agreed to fund and build an underwater Internet cable network between PNG, the Solomon Islands, and Australia meanwhile. Such a cable was originally supposed to be installed by Huawei. Again, security concerns loomed large in the Australian government’s decision to step in here.

The 2018 Foreign Interference Act alongside other recent steps taken by the Australian government in the domestic domain too, the equipment upgrade of the ADF currently underway, as well as the renewed focus on strengthening coopera-
tion with South Pacific nations have all been motivated to a significant degree by growing security concerns connected both to China’s rise and to the CCP’s overseas activities. Collectively, the steps taken by the Australian government will provide Canberra with the legal software and military hardware to better address these domestic and international security concerns. What, beyond these concerns, links the steps taken or currently underway in the domestic and international domains is the aim of upholding – and where necessary defending – rules-based orders. To ward off foreign interference in domestic politics and the public sphere requires effective rule of law at home, while robust rules-based orders at the regional and global levels can buttress international stability and prosperity. Chinese outreach and influence-seeking activities in Australia will now need to comply with revamped domestic laws, while the former’s cooperation will nevertheless still be vital for the existence and effective operation of a rules-based international order.

Notwithstanding the reset, the government in Canberra has emphasised that Australia remains very much open to cooperation with China and also to the Strategic Partnership. In a China-focused speech given in Sydney in early August 2018, then PM Turnbull struck a conciliatory tone while reiterating the need to “ensure the independence of our decision-making and secure the safety and freedom of our people.” He also affirmed Australia’s support for an “international order based on the rule of law where might is not right and the sovereignty of all nations is respected by others.” The PM then declared that Australia was pursuing relations with China “based on mutual respect and understanding,” and emphasised that Australia continued to welcome students, tourists, researchers, and investors from China while noting that “modern Australia is unimaginable without the talented and dynamic contribution of Australians of Chinese descent” (Turnbull 2018).

The speech clearly ran counter to hardline stances in both Canberra and Beijing, and was meant to cool tempers in the two countries. The speech’s conciliatory tone was not lost on China. Whereas the 2017 Foreign Policy White Paper had been met by harsh criticism from the Chinese Ministry of Foreign Affairs (MFA), and by scornful commentary from Global Times editorialists, reactions to the speech by Turnbull were equally conciliatory. The MFA let it be known that it appreciated the speech’s tone and its focus on pragmatic cooperation. It also noted that the “healthy and stable development of bilateral relations was in the fundamental interests of both countries” (Needham 2018). Official relations between Australia and China might thus now be in the process of being slowly repaired, but there is certainly no possibility of a return to the two countries’ earlier honeymoon phase all the same.

Lessons from Australia’s Resetting of Ties with China

Are there any lessons that policymakers and interested stakeholders in the EU can learn from Australia’s resetting of relations with China? Certainly, democracies in Oceania – such as Australia and New Zealand – and in the EU share a common interest in defending the rule of law at home and in upholding a liberal rules-based international order at large. They need to be vigilant about foreign – not simply Chinese – attempts to interfere in domestic politics and the public sphere. Examples of unacceptable foreign interference include tampering with election processes and attempts to buy political access to and gaining confidential information from both
The rebuttal of such nefarious activities needs to be based on clear and transparent laws and regulations – in other words, on the rule of law. Where necessary, such laws and regulations need to be amended, updated, and clarified – for example with respect to foreign political donations, foreign lobbying activities, and the like. In this context governments and parliaments in the EU need to avoid the witch-hunting and easy scapegoating of China or indeed other foreign actors, and should first and foremost focus instead on doing their homework in terms of fixing legal loopholes.

How much such homework is actually required will differ from country to country. It is also very important in this regard not to oversimplify, meaning that relevant rules and regulations must not infringe on the civic rights and political freedoms of citizens in the countries concerned. Such legal stipulations are, after all, about protecting – not undermining – the rule of law in liberal democracies. Civil society actors, in turn, need to be vigilant about any clampdowns on such rights and freedoms in the name of “national interests.” They also need to be on guard about possible sell-outs of public services. A good example of such vigilance is provided by the activities of employees of the ABC who laid bare (and helped to unmake) a deal that sacrificed reporting on sensitive issues in the ABC’s Chinese-language programmes in exchange for greater access for its English-language ones in China itself.

Upholding the rules-based international order is, as noted, another priority for the EU, its member states, and liberal democracies in Oceania – who are natural partners in this regard. What unites these various countries is a focus on a rules-based international order that seeks to protect and promote, on a global scale, liberal values such as the rule of law, democracy, and human rights. The focus is thus not just on a rules-based international order per se – an aim that countries such as China can also easily subscribe to (even if the interpretation of relevant rules might differ). Policymakers, executive agencies, and interested stakeholders – including non-governmental actors – in the EU and Oceania should also use existing bi- and multilateral dialogue formats, alongside establishing new ones, so as to understand relevant perspectives and experiences in both world regions – as well as to discuss practices and joint initiatives with respect to dealing with both foreign interference and with regard to the upholding of the liberal rules-based international order.

References


About the Author

Prof. Dr. Patrick Köllner is vice president of the GIGA German Institute of Global and Area Studies, director of the GIGA Institute of Asian Studies, and professor of Political Science at the University of Hamburg.

patrick.koellner@giga-hamburg.de, www.giga-hamburg.de/en/team/köllner

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GIGA | Neuer Jungfernstieg 21
20354 Hamburg
www.giga-hamburg.de/giga-focus
giga-focus@giga-hamburg.de