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Influence: How Australia Serves as an Example in
Combating Chinese Influence**

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Abstract

Chinese engagement worldwide has increased significantly as the country has continued to grow. With increased engagement militarily, economically, politically, etc. concerns have increased surrounding Chinese foreign influence in other countries, particularly Western countries. While concerns are wide-ranging, this dissertation uses a qualitative case study to examine influence concerns in three key areas in Australia and what Australia is doing to combat these influence concerns. The areas are economics (investments), politics (interference through political donations), and military (concerns over Chinese activities in the Pacific). Australia was selected due to its precarious position of being strongly connected to China economically, with China being Australia's top two-way trading partner. Since China doesn't separate trade and politics, Australia stands to lose when limiting Chinese influence, but this hasn't stopped the country from responding. Australia has passed many laws, introduced new regulations, announced new initiatives, and blocked certain high-profile investments to limit influence and influence concerns. Additionally, Australia can serve as a model to other countries with similar concerns.

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Contents

Abstract.....	1
Acknowledgements.....	2
List of Abbreviations.....	5
1: Introduction.....	7
1.1: Salience: Why is This Issue Important?.....	7
1.2: Research Question.....	8
1.3: Methodology and Research.....	10
1.4: Principle Findings.....	12
1.5: Organization of the Study.....	13
2. Background.....	13
2.1: Investments.....	14
2.2: Background of Fears about Chinese investment.....	15
3. Literature Review.....	18
3.1: The Gap in the Research.....	18
3.2: Prior Research.....	19
4. Areas of Chinese Influence and How Australia is Pushing Back Against Influence Achieved through Investments.....	25
4.1: Chinese Investments Influence Concerns.....	26
4.1a: China's New Intelligence Law.....	27
4.1b: Major Chinese Investments that Have Been Scrutinized and Blocked	29
4.2: What is Australia Doing to Combat Investment Influence?.....	33
4.2a: Foreign Review Investment Board (FIRB).....	33
4.2b: Legislation and Rulings.....	36
4.3: Conclusion.....	42
5: Political Influence Concerns and Australia's Response.....	43
5.1: The Political Scandals, Meddling, and Influence Concerns.....	44
5.2: The Legislative Responses.....	50
5.3: Conclusion.....	55
6: Australia's Growing Role in the Pacific.....	56
6.1: China's Involvement in the Pacific.....	57
6.2: Australia's Response.....	61
6.2a: Stronger Economic Partnerships.....	61
6.2b: Stronger Security Partnerships.....	62
6.2c: Stronger People-to-People Links.....	65
6.3: Conclusion.....	66
7. Conclusion.....	67

References.....	73
Appendix.....	92
Appendix 1.....	92

List of Abbreviations

2017 White Paper Opportunity, Security, Strength: The 2017 Foreign Policy
White Paper (in-text citations only)

ACPPRC	Australian Council for the Promotion of the Peaceful Reunification of China
ACRI	Australia-China Relations Institute
AIFFP	Australian Infrastructure Financing Facility for the Pacific
ALP	Australian Labor Party
ANZUS	The Australia, New Zealand, United States Security Treaty
AISO	Australian Security Intelligence Organisation
ATO	Australian Taxation Office
BRI	Belt and Road Initiative
CC3	Co-Conspirator 3
CCCC	China Communications Construction Company
CCP	Chinese Communist Party
ChAFTA	China-Australia Free Trade Agreement
CI	Critical Infrastructure
CIC	China Investment Corporation
CNI	Critical National Infrastructure
DFAT	Department of Foreign Affairs and Trade (in-text citations)
Efic	Export Finance and Insurance Corporation
Espionage and Foreign Interference	The National Security Legislation Amendment
EU	European Union
FATA	The Foreign Acquisitions and Takeovers Act 1975
FATLA Bill	Foreign Acquisitions and Takeovers Legislation Amendment Act 2015
FDI	Foreign Direct Investment
Foreign Influence Transparency Scheme Bill	The Foreign Influence Transparency Scheme Bill 2017
Imposition Bill	Foreign Acquisitions and Takeovers Fees Imposition Act 2015
JSCEM	Joint Standing Committee on Electoral Matters
Register Bill	Register of Foreign Ownership of Agricultural Land Act 2015

FIRB	Foreign Investment Review Board
FDI	Foreign Direct Investment
NIL	National Intelligence Law
NPC	The National People’s Congress
NPCSC	The Standing Committee of the National People’s Congress
NSW	New South Wales
NT	Northern Territory
PJCOIAS	Parliamentary Joint Committee on Intelligence and Security (in-text citations only)
PM	Prime Minister
PNG	Papua New Guinea
SCS	South China Sea
SOEs	State Owned Enterprises
THAAD	Terminal High Altitude Area Defense
The HOR	The House of Representatives (in-text citations only)
UK	United Kingdom
UN	United Nations
UNCLOS	UN Convention on the Law of the Sea
U.S.	United States of America

1: Introduction

Concerns surrounding Chinese influence activities have grown worldwide over the past decade. These concerns come in the wake of a growing, more powerful China which has increased its investments worldwide. Concerns extend beyond investments and include foreign influence in politics and Chinese activities in the South China Sea (SCS) and the Pacific which include militarisation and aid. John Garnaut, a consultant to the Australian Government, was asked by the U.S. Congress why Russian influence is more noticeable than the Chinese influence campaign. He replied, “because China is very good at it. They put an enormous amount of effort into making sure we do not talk about what it’s doing” (Garnaut, 2018b).

Australia has been placed in a precarious position as China is now its top two-way trade partner, and it benefits from China’s investments. Australia’s citizens have reported increased unease with China and positive views on China have reached their lowest point since the Lowy Poll started in 2006. The 2019 poll shows that 74% of Australians believe that the country is too “economically dependent on China,” and 77% (an 11-point increase since 2015) believe that Australia needs to “do more to resist China’s military activities in our region” (Kassam, 2019).

Despite the close trade relationship, Australia has been on the forefront, compared to other Western Countries, in combating perceived Chinese influence economically, politically, and militarily. This study will analyse Australia’s responses to Chinese influence and how it aims to ensure that China, and other foreign countries, do not have undue influence in critical areas in Australia.

1.1: Saliency: Why is This Issue Important?

Currently, Chinese investments worldwide have become subject to widescale attention. China does not separate politics and trade; therefore, any country that angers it could receive a backlash. Since Australia has benefited greatly from these investments, angering China could potentially harm Australia.

Since China started investing heavily in other nations, it has been accused of trying to influence politics and countries to create a stronger, more positive view of itself and to gain support for its agenda. There are numerous examples of Chinese backlash against countries that go against its policies. For example, there was a freeze in relations between the UK and China in 2012 after PM Cameron met the Dalai Lama, and a similar action happened to Norway after Liu Xiaobo was awarded the Nobel Peace Prize in 2010 (Seaman et. al, 2017: 164).

Is it worth limiting Chinese influence, including controversial investments, if it means angering China, which could result in stymied relations between the countries? Australian Senators Barnaby Joyce, Scott Ludlam, and Nick Xenophon summed this up perfectly when they said it is crucial that investments “are not at the expense of our [Australia’s] ability to be competitive in the international marketplace and that it does not enable another nation to have indirect control over Australia’s independence, governance, ethics and values” (Joyce et. al, 2008: 76).

Australia’s close relations with the U.S., close trade relations with China, and the outcry over Chinese influence by its citizens and media have put pressure on the Australian government. Starting in 2008/2009, Australia began passing legislation and blocked many high-profile acquisitions.

As a result of Australia’s strong economic partnership with China, they must continue working together. Australia’s responses to influence concerns can serve as an example to other countries in the Western world, including the EU and Canada, that have similar concerns surrounding China. Australia’s measures serve as an example of how to remain open to foreign investment and foster positive relations with China while simultaneously hedging against Chinese interference in domestic, large scale investments, and Chinese involvement in the Pacific.

1.2: Research Question

For the scope of this paper, Chinese influence is examined in three primary areas: investments, politics, and the military. The Australian government must walk a fine line between balancing acceptance of Chinese investments while

simultaneously limiting foreign influence (Drysdale, 2011: 68). According to former Prime Minister (PM) Tony Abbott, Australia is caught between “greed and fear” (McCarthy and Song, 2018: 323-324).

In terms of investment, influence encompasses a wide range of deals including investments in critical national infrastructure (land, industries, ports) and investments by State Owned Enterprises (SOEs) and other companies with Chinese owners. In response to these investments, the Australian media and ordinary Australians have been expressing concern about Australia’s declining sovereignty.

Political influence encompasses donors giving money to politicians or parties in hopes of receiving positive outcomes for their country, in this case China (i.e., positive rhetoric, supporting Chinese positions, etc.). Australia has had concerns over foreign donations in federal politics, that, while legal at the time, resulted in influence scandals.

The Australian government and citizens have started to express concerns surrounding Chinese influence in the Pacific, which has been accomplished through aid, investments, and military power. Chinese influence stems from Chinese activities in the SCS as well as Chinese aid and investments in the Pacific Island Countries. For example, one of the major targets of Chinese influence is Papua New Guinea (PNG), which is located in close proximity to Australia and consequently raises concerns for the Australian government about China’s growing influence in the Pacific. In addition, China’s building of its military on manmade islands, its purchasing of ports, and its potential to establish other military bases raise further security concerns for Australia, a country that would prefer to maintain control of security issues in the Pacific.

Previous research has shown that Chinese influence is a concern. While some literature does exist on Chinese investments, there is less peer-reviewed research on other influence concerns in politics. The most prominent gap that exists concerns Australia’s governmental responses to Chinese influence when it comes to investments, politics, and influence concerns in the Pacific. The primary reason for this gap is because Australia’s response is recent. Over the

past few years, Australia has passed, enacted, or announced legislation or programs to combat these concerns.

This dissertation seeks to answer the question of what Australia is doing to counter Chinese influence in Australia. It is important to understand that Chinese influence denotes many different activities that are not examined in the scope of this paper. For this paper, influence is a multi-faceted definition. On a broad level, influence is any activity that “enables another nation to have indirect control over Australia’s independence, governance, ethics and values” (Joyce et. al, 2008: 76). On a more minute level, economic influence includes any investment that inhibits Australia’s “ability to be competitive in the international marketplace...” (Joyce et. al, 2008: 76). Political influence includes any attempts by a foreign government to “guide, buy, or coerce political influence abroad” (Gill and Schreer, 2018).

This paper seeks to address the following question: **What is Australia doing to limit negative Chinese influence in Australia that has resulted from Chinese investments, political donations, and China’s activities in the Pacific?**

1.3: Methodology and Research

The research examines how Australia is trying to combat Chinese influence in the country, while still being mindful of China’s importance. Australia was selected as it is a liberal democracy with a deep economic relationship with China. In addition to close economic ties, Australia also has close connections with other Western democracies (i.e., the U.S. and the EU) that are concerned about China’s investments. Because of Australia’s close economic ties to China, it is important that Australia maintains positive relations with China. Australia is benefiting as the economy continues to grow, while China is benefiting as it receives financial returns and important natural resources. In addition, Australia is a unique case as it is one of the first countries to actively try to combat Chinese influence on all fronts, while the EU and North America are expressing concern over investments from China but not introducing widespread reform.

The case study will consist of a document analysis of primary, secondary, and tertiary sources. In addition to academic journals, books, news articles, and government documents, secondary datasets (i.e., East Asian Bureau of Economic Research - CHIAA) were consulted. Most information on Australia's measures are covered by newspapers, think-tanks, and government documents. It is important to note that due to Australia's measures still being in their infancy, there is little evidence of what long term effects (i.e., potential backlash from China) might occur (i.e., policy changes, FIRB).

The University of Glasgow Library and other databases used by the library were used to find the necessary information. The main phrases and keywords used in the database were: China and Australia, Chinese influence in Australia, Chinese investments in Australia, Chinese influence, and Chinese interference. Many other more specified searches were conducted when looking at the categories of Chinese influence in politics and influence from Chinese investments. Those same keywords were also inserted into the search engines of a number of think tanks in Australia and China, two important ones being the Lowy Institute and The Australia-China Relations Institute.

As many laws, fears/concerns, and updates on the Chinese influence debate in Australia were articulated via the news media, the Sydney Morning Herald, the Financial Times, ABC News, and other reputable news sources were regularly consulted. The keywords for those searches included the name of the Laws, searching Treasurer names, the names of key other people (Chinese donors), etc. If government officials or quotes were used, those key quotes were then located on an official government page.

It was important to corroborate news stories with official government sources (quotes, laws, etc.) to ensure that the information was accurate. In addition, a number of sources came directly from bills, press releases, or statements on the Treasurer or Parliament page of the Australian Government. While the focus of the dissertation is on what the Australian government is doing, there are some responses to the legislation and to accusations of interference from Communist Party Members, government officials, or even the accused themselves. It was important, where applicable and appropriate to include

some of China's rhetoric, so the reader has a more thorough understanding of the debate, concerns, and sides of the argument.

When it initially came to research, keywords were inserted into the Glasgow Library and Google to find the initial batch of material. From those readings, important concerns and topics presented themselves. Those topics were then used to find the second batch of literature and research. There were many occasions, where reading one source would lead to another source, eventually, resulting in over 180 sources. The gaps that presented themselves while writing were remedied with more research.

One of the greatest limitations was that fact that a vast majority of the research discussing Australia's response is not found in a peer-reviewed source. However, some exceptions do exist including certain chapters in *China Matters: Getting It Right for Australia*. Another source, *Silent Invasion: China's influence in Australia*, is an infamous book on Chinese influence that has been deemed "controversial", a term embraced by the author Clive Hamilton.

While some of the research comes from official resources, most of it comes from think tanks and news stories. This resulted in a lot of the information deriving from the same people or companies. Since it is all newer information, and not in peer-reviewed journals, it meant that most of the research could not be used in the literature review as there was less of a base to draw from when expanding upon this subject. In addition, there was less of an opportunity to include China's response to Australia's measures due to the language barrier.

1.4: Principle Findings

The study finds that Australia has implemented legislation, rules, new programs, and other tactics to limit influence in each of the three areas examined. When it comes to foreign investment, Australia has implemented an entire legislative scheme and strengthened thresholds to require greater scrutiny by the Foreign Investment Review Board (FIRB). The FIRB blocked controversial large-scale investments by China to protect national security.

Following a string of scandals, Australia implemented legislative reforms to make all foreign donations over AU\$1,000 illegal in federal politics and passed a package of bills to target foreign lobbyists and strengthen the definition of interference.

To combat Chinese influence and the resulting security concerns for Australia in the Pacific, Australia has outbid China on infrastructural deals, and implemented a number of measures aimed at bringing the Pacific Island Countries closer to Australia.

1.5: Organization of the Study

The remainder of this dissertation will be in six principal sections. First, it will provide background information on the Australia-China economic relationship, explaining the close interconnectedness between the two. Second, the study will introduce and review previous research on the topic of Chinese economic influence and identify gaps in this literature. Sections three through five will describe how the Australian government has responded to concerns over Chinese influence through investments, political donations, and activities in the Pacific. Finally, the study concludes with a discussion of how those Australian government responses can serve as an example to other countries facing similar issues.

2. Background

Australia and China first normalized diplomatic relations in 1972 (Manicom and O'Neil, 2010: 23). Over the years, the two countries have become inexplicably linked (Manicom and O'Neil, 2010: 29). In recent years, the government has been pushing back against China's "political interference" and investments in sensitive critical national infrastructure (CNI) (Matsumoto, 2018). In 2007, China became Australia's biggest trading partner and two years later it became Australia's largest export market, surpassing Japan (Trade and Investment, 2010; Manicom and O'Neil, 2010, 30).

However, due to Australia's close partnership and relations with the U.S., Australia has had to walk a fine line to keep both countries happy. Australia has alternated between balancing against China and aligning with China, on a

scale that some scholars call hedging (Manicom and O’Neil, 2010: 27, 40). In the middle of the scale, where Australia primarily lies, is a strategy called accommodation. This occurs when a state is skeptical of a great power but still attempts to “cooperate and craft stability with” it (Manicom and O’Neil, 2010: 27, 40).

There is no denying that China and Australia have become closely linked and connected due to widescale investments and cultural exchanges. In December 2015, the two countries signed the China-Australia Free Trade Agreement (ChAFTA). The agreement supported job creation, economic growth, and created “enormous opportunities for Australian businesses” (China-Australia Free Trade Agreement, 2015). Australia’s most recently published White Paper, in 2017, stated that as China grows more powerful in the decade ahead it will be difficult, but Australia is “committed to strong and constructive ties with China” (Department of Foreign Affairs and Trade [DFAT], 2017:4).

At the same time, Australia is committed to its alliance with the U.S. and that alliance is central to the country’s approach in the Indo-Pacific (2017 White Paper, 2017: 4). However, while Australia aims to deepen cooperation with the U.S., it is important that it strengthens its comprehensive partnership and ties with China too (2017 White Paper, 2017: 4). Thus, the problem that Australia is trying to balance is: how to maintain a beneficial relationship with China without allowing China to “walk over” it (Matsumoto, 2018).

2.1: Investments

Australia’s economy has relied on foreign investment for years (Sacilotto and Loosemore, 2018: 507). The UK, the U.S., and other Western countries were Australia’s initial investors (Sacilotto and Loosemore, 2018: 507). In recent years, however, Australia has received a significant increase in Foreign Direct Investment (FDI) from China (Sacilotto and Loosemore, 2018: 507). Between 2005-2010, Chinese investments were worth over US\$34 billion and from 2011 through 2018 an additional US\$74.5 billion were invested (Drysdale, 2011: 59; China Global Investment Tracker, 2018).

According to the most recent Foreign Policy White Paper (2017), there were over 3 trillion Australian dollars’ (~ US\$2.1 trillion) worth of foreign

investments in Australia at the time it was written (2017 White Paper, 2017:14). However, when compared to other countries, China is the 9th largest investor in Australia trailing behind countries like the U.S. and the U.K. (DFAT, 2019d). It is important to note, that Hong Kong is number 5 on the list investing over 100 billion Australian dollars each year between 2016-2018 (DFAT, 2019d). As of 2017, China became Australia's two-way biggest trading partner. Australia exports and imports more goods and services to China than to any other country (*Composition of Trade Australia 2017, 2017*).

Following the global financial crisis, there was a surge in Chinese investments in Australia, with 2009 being a particularly important year (Drysdale, 2011: 59). Major deals included the acquisition of a 17.3% interest in Australia's third largest iron ore mine Hunan Valin, the attempted Chinalco bid in Rio Tinto, Fortescue Minmetals' takeover of Oz minerals, and Yanzhou Coal's takeover of coal producer Felix Resources (Drysdale, 2011: 59). As of 2018, the U.S. is the largest recipient of Chinese FDI and Australia is the second largest recipient (Scailotto and Loosemore, 2018: 507). In addition to the resource sector, the property market in Australia is a key investment industry, with China being the largest foreign buyer of Australian property (Scailotto and Loosemore, 2018: 507).

In 2017, the mining sector, the largest recipient of Chinese investment, received US\$3.27 worth of investments, and commercial real estate, the second largest recipient of Chinese investment, attracted US\$ 3.1 billion (Ferguson et.al, 2018: 4-6). Between 2016-2017, Chinese investors invested US\$21.8 billion in Australia with 83% of investment deals in 2017 coming from private Chinese companies (Ferguson et. al, 2018: 5,8). While SOEs' volume of investments dropped in 2017, their investments still accounted for 40% of the total investment value (Ferguson et. al, 2018: 5).

2.2: Background of Fears about Chinese investment

Australia's China fears are "both old and new" with a history that traces back to before the Chinese revolution (McCarthy and Song, 2018: 324-325). One bizarre example of Australia's fear of Chinese influence can be exemplified by the conspiracy theory over PM Harold Holt's disappearance.

In 1967, Holt disappeared while swimming at a beach (Raby, 2018b). Despite being familiar with the area and a good swimmer, his body was never found (Raby, 2018b). One of the theories that emerged was that Holt was a spy for China and that a Chinese submarine extracted him from the water and took him to China (O’Riordan, 2005). This long history is partially attributed to race or what Ghassan Hage calls “white fantasy” which has three main concerns. These three areas are: numerical (too many Asians), existential (the Chinese are culturally inferior), and commonality (the Chinese are outsiders with different values and communities) (McCarthy and Song, 2018: 324-325).

In addition, there is the fear that China is shifting Australia away from the U.S. and into its sphere of influence in the Asia-Pacific (Manicom and O’Neil, 2010: 23-25). Thus, Australia has deemed certain investments as “too foreign” (McCarty and Song, 2018: 325). Around 2009-2010, fears began accumulating that China was wooing Australia through partnerships and cultural exchanges in hopes of creating a favourable view of China and thereby securing access to Australian natural resources (Manicom and O’Neil, 2010: 25).

Chinese investments can be seen as challenging to Western ideas due to their association with communism (McCarthy and Song, 2018: 324). Concerns surrounding recent investments in Critical National Infrastructure (CNI) heightened following the approval of a 99-year lease for a Chinese company in the Port of Darwin and the 98-year lease in the Port of Newcastle a year earlier (Matsumoto, 2018).

Australia and China have a cyclical relationship that has periods of normal, positive bilateral relationships, as well as periods of more contentious relations. Over two of the past three years (2016-2018), the two have had more contentious relations. However, Australia has worked on returning to normalcy without compromising its “core interests or principles” (Raby, 2018a). While some of Australia’s concerns stem from past events or investments, these fears have increased with a recent cyber-attack on Australia’s government (allegedly by China), China’s new intelligence law, and concerns over two Chinese billionaires’ connections with politics. These fears will be discussed, more in depth, in the research section of this paper.

Over the past couple of years, relations between China and Australia began to sour, especially after PM Malcolm Turnbull stated that he had “recently seen disturbing reports about Chinese influence” at a press conference discussing the legislation, although it was said that the legislation was aimed at all foreign actors; China has vehemently denied any form of political meddling (Packham, 2018; Packham and Westbrook, 2018). Australians also expressed fear over ChAFTA believing that it would result in more Chinese labour, thus harming the opportunities for local employment (Laurenceson, 2019: 1-3). However, statistics showed that following the agreement, visas for temporary Chinese workers fell (Laurenceson, 2019: 5).

During the terms of PMs Turnbull and Scott Morrison (2015 to the present), the Chinese government accused the Australian government of harbouring a “Cold War mentality” against China (van Nieuwenhuizen, 2018: 1). While promoting the new foreign interference legislation, Turnbull played into this mentality when he made a statement about Chinese interference in Australian politics that mimicked a speech by Mao Zedong, stating that the “Australian people have stood up” to the Chinese (Raby, 2018b). Mao's initial statement referred to how the Chinese “regained their sovereignty after two centuries of foreign occupation” (Raby, 2018b).

For almost three years (Feb. 2016- Nov. 2018), under both PMs, the Foreign Minister did not travel to China (Raby, 2018a). When Australia's Foreign Minister Julie Bishop and China's Foreign Minister Wang Yi met in Argentina in 2018, Wang Yi said that the two countries had “difficulties” caused by the “Australian side” in recent months (Dziedzic, 2018). At the end of 2018, Australia's current Foreign Affairs Minister, Marise Payne, broke the three-year trend of not travelling to China in a move that helped to continue the “normalization” of relations between the two countries (Raby, 2018a).

Despite tensions, both Turnbull and Morrison have attempted to normalize relations with China. Each PM has given speeches that highlighted constructive relations between the two countries (Raby, 2018b). Shortly before being ousted as PM, Turnbull gave a speech in front of China's ambassador to Australia, at a major event, on relations between the two countries and the

“vital importance” of their partnerships (Turnbull, 2018; Raby, 2018a). Turnbull’s successor, Scott Morrison’s speech highlighted mutual interests, respect, and co-operation between Australia and China. The speech made headlines in China and was featured on the Australian Embassy’s webpage in China (Raby, 2018a).

In March 2019, the Morrison government announced that it will invest AU\$44 million over the next five years to form the National Foundation for Australia-China Relations to strengthen the countries’ bilateral relations (DFAT, 2019c; Payne, 2019). The innovative National Foundation, which replaces the Australia-China Council, will promote ties between the countries and engage with China through the private sector, cultural organisations, NGOs, federal agencies, and more (Payne, 2019).

3. Literature Review

3.1: The Gap in the Research

While the literature shows that a close, positive relationship between Australia and China exists and that investments are essential for Australia’s growth it does not heavily delve into the fears and concerns surrounding influence. However, there are hundreds of recent news stories, press releases, and think tank pieces that do, and these will be included.

Some research exists that explains what countries should do to combat Chinese influences, especially in the EU, however, there is little evidence on what has actually been done to combat it in Australia. A key reason for this is that while Australia has taken extensive measures to combat Chinese influence, most of what the country is doing is very new, within the past three to four years (2015-2018, continuing into 2019). There is evidence of rising concerns over Chinese investments in Australia starting before this time frame that will be examined in this paper, as well.

The gap that becomes evident in the literature review, and what will be examined throughout, is that while there is a close economic and trade connection between Australia and China, there are not many academic articles

specifically targeted at what Australia is doing to combat influence and how it can serve as an example for other countries (Western countries in particular).

3.2: Prior Research

In recent years, China has risen to become the world's second largest economy (Ploberger, 2016: 69). Many speculate that China's economy will soon rise above that of the U.S. and become the world's largest economy (Leinert Novosel, 2016: 119). If measuring according to Purchasing Power Parity, then the Chinese economy (19.24% of the world's share) has already overtaken that of the U.S. (15.03%) (International Monetary Fund, 2019).

Alongside the growth of China's economy, Chinese foreign investments have also increased. China's FDI was US\$ 200 billion in 2016 alone (Hanemann and Huotari, 2017; 3). Between 2005 and 2018, the estimated value of "China's overseas investment and construction" is nearly US\$2 trillion (China Global Investment Tracker, 2018).

Unsurprisingly, Chinese investors are investing in projects that have a benefit for China (i.e., mining and resource sectors) (Drysdale, 2011: 63). China's five-year plan states that it intends to continue foreign investments abroad (National Development and Reform Commission, 2016). While it is unlikely that China's overseas investments will cease anytime soon, Australia is trying to find a balance between allowing Chinese/foreign investments and maintaining control of key assets and resource sectors (Drysdale, 2011: 68).

Chinese FDI encompasses a wide range of industries, including technology, energy, manufacturing, and telecommunications (Hanemann and Huotari, 2017: 3; Seaman et. al, 2017: 16). Besides financial gain, China seeks a host of further advantages through their investments such as market access, technological know-how, and influence (Seaman et. al, 2017: 10-155; United States Congress, 2017). China's investments have targeted "highly advanced and sensitive technologies" that can result not only in economic gain but also in military gain (Gill and Schreer, 2018: 166).

China is extremely important to Australia in many aspects: capital and investments, trade, education, etc. (McCarthy and Song, 2018: 323). China has

heavily invested in Australia. FDI has played an important role in helping to create a prosperous Australian economy (Drysdale, 2011: 61). Nearly one-fourth of FDI in Australia is invested in the mining industry which has resulted in further concerns about China having control over critical infrastructure (CI) in Australia. (Drysdale, 2011: 61).

While many, including former PM Paul Keating, believe Australia cedes to U.S. foreign policy in a “subservient” manner, in recent years it is China, not the U.S., that is being seen as threatening Australia’s independence (Dupont, 2017). Many scholars indicate that current Chinese investments might be a cause for concern, especially pertaining to national security (Hanemann and Huotari, 2017: 6-9; Seaman et. al, 2017). This idea is known as the China Challenge or how much independence Australia will have “in a Chinese-dominated regional order” (Dupont, 2017). It is further stated that China is a concern because it is a rapidly developing military power with state ownership in the economy that is acquiring high-tech weaponry and the ability to control certain kinds of infrastructure (Hanemann and Huotari, 2017: 6).

China and its President Xi Jinping’s willingness to use coercion also serves as a direct threat to Australia, as does China’s model of development, centered on an authoritarian view instead of a democratic one that relies on a “rules-based international order” with a basis in freedom of speech, separation of powers, respect for human rights, etc. (Dupont, 2017). Some have even gone so far as to state that Chinese investments aim to “weaken Western unity” and that China is a direct threat to Western and “European ‘values and interests’” (Benner et. al, 2018: 5). This can be partially seen through China’s disregard of the rulings of the International Arbitration court that has ruled on the SCS claims and their willingness to “weaponize trade for political gain” (Dupont, 2017).

Over the last thirteen years, Australia has received over US\$111 billion worth of investments from China (China Global Investment Tracker, 2018). In comparison, Europe, as a whole, has received around US\$360 billion worth of investments (China Global Investment Tracker, 2018). Chinese investments have been key to job creation and increased incomes (Manicom and O’Neil,

2010, 30). Ted Baker, the chairman of Westpac Banking Group, stated “Australia has borrowed from abroad” and its “prosperity has been built on foreign investment” (Evans, cited in Drysdale, 2011, 61). Australian politicians have been vocal about the importance of Chinese investments for Australia’s growth, including Australia’s former Treasurer, Wayne Swan who stated that Australia would be protected from many aspects of the financial crisis because of its growth from Chinese investments (Swan, as cited in Manicom and O’Neil, 2010, 30).

Following a string of major Chinese investments, and attempted investments, in Australia in 2008-2009, fear began to build over these economic inroads (Drysdale, 2011: 57). Many of these attempted investments were later blocked by the Foreign Review Investment Board (FIRB) citing national security concerns.

The governments of PMs Howard (1996-2007) and Rudd (2007-2010, 2013) voiced concerns about the Chinese gaining control of strategic resource sectors (Manicom and O’Neil, 2010; 31). Concerns arose that motives for acquiring equity stakes came from “government policy in Beijing rather than free market forces” (Manicom and O’Neil, 2010; 31). As a result, Australians began to fear SOEs, businesses or entities that are wholly or partially owned by a government, and what they might do to the Australian economy and business sector (Drysdale, 2011; 61-66). A major concern is that it can be difficult to determine a SOEs’ motives because of a foreign government’s involvement (and party in China’s case) (Drysdale, 2011: 66).

The fears surrounding Chinese SOEs included: Chinese companies selling mining extraction rights under the market price to China (transfer pricing), market manipulation if they controlled a large stake, “access to sensitive price” details, and Chinese control of SOEs (Drysdale, 2011: 64). Additional fears include the alleged theft by China of other countries’ intellectual property and Chinese policies that are aimed at allowing Chinese industries to corner the market (car EV batteries) and protecting Chinese industries until they are ready to compete with others (Dupont, 2017).

Despite these fears, Australia remains a popular destination for Chinese investments and very few projects, out of the hundreds of thousands of applications, have been rejected by the FIRB (Drysdale, 2011: 69-70).¹ Following a hostile bid (a bid presented to shareholders even though management is against it) by Sinosteel for the mining company Midwest and the Chinalco bid for Rio Tinto, former Treasurer Swan stated that investments in “strategic” sectors of the Australian economy would undergo closer scrutiny by the government (Manicom and O’Neil, 2010; 31). As of 2019, multiple high-profile projects have been rejected. But, Canberra must be careful when limiting Chinese influence, as the two countries now have a high degree of interdependence (Manicom and O’Neil, 2010, 31).

James Laurenceson’s 2018 report, “Do the claims stack up? Australia talks China”, addresses a number of the fears that Australians have surrounding Chinese investments. Laurenceson’s study is an attempt to examine Australia’s fears with fact; he believes that think tank-tanks, journalist, politicians, etc. have been creating “a climate of fear” without evidence (Raby, 2018a). It is important to note that Laurenceson is deputy director of the Australia-China Relations Institute (ACRI), which published the report, and the ACRI was created with funding by Xiangmo Huang (Raby, 2018b).

Huang is a billionaire whose residency has been revoked, citizenship bid blocked, and who has been barred from re-entering Australia (Knaus, 2019). He was banned due to concerns over his involvement in a political scandal and concerns over his involvement “as part of China’s global influence network” (Knaus, 2019).

Laurenceson addresses several fears that Australians’ have concerning Chinese investments. China’s rise has contributed to concerns over these investments (McCarthy and Song, 2018: 324) Laurenceson first addresses the ideas of a China threat which is “the fear of being taken over by China” versus China angst (Changst as others call it) which is the fear of losing influence or

¹ See Table 1: FIRB Deals 2010-2018 in the Appendix

being overtaken by China (Laurenceson, 2018: 8-9; McCarthy and Song, 2018: 323).

The first major fear that he addresses is the concern over foreign money, particularly Chinese money, in Australian politics. The claim that Australian political parties have become reliant on foreign money is overblown because Chinese money was defined too broadly (Laurenceson, 2018: 10-11).

Laurenceson claims that these major donations only relate to two Chinese billionaires (one of which is a naturalized citizen) and in recent elections, Chinese donations only encompassed around 6% of total funds (Laurenceson, 2018:11).

In addition to the claims and evidence not aligning, he claims there is no real evidence of Australia shifting positions based on Chinese funds (Laurenceson, 2018: 13-14). Laurenceson also found little to no evidence that the Chinese diaspora is disloyal to Australia or that Chinese students in Australia work for the Chinese Communist Party (CCP) (Laurenceson, 2018: 20-40).

Chinese money in politics has become extremely topical in Australian and the rest of the Western World. Between 2013-2015, over AU\$5.5 million, from Chinese linked donors and companies, has been donated to the Liberal and Labor parties (Bates and Jakobson, 2017). When Australia expressed concern over these donations, Huang Xiangmo called these warnings and concerns “groundless” and “racist,” (Bates and Jakobson, 2017).

China’s political influence attempts in Australia are “contentious and potentially disruptive” (Bates and Jakobson, 2017). Chinese leaders aim to promote political influence among elites (Bates and Jakobson, 2017). The Sam Dastyari case (section 5.1) is a prime example of Chinese money influencing politics (Bates and Jakobson, 2017). The highly-publicized influence scandal occurred in Australia when Labor MP Dastyari accepted money from a CCP linked donor and he later adopted a viewpoint contrary to his party’s view on the SCS.

Concerns surrounding the implications of Chinese money in politics can be seen in other Western countries, further sparking influence concerns in Australia. This comes in the form of China receiving a return on investment in

the form of political sway or “offering economic benefits in exchange for political support” (Benner et. al, 2018: 15). Since China started investing in Greece and Hungary, both countries have fought to prevent language that would be harmful to China from being included in European Union (EU) Statements (Benner et. al, 2018; 16; Seaman et. al, 2017: 14). These statements pertained to Chinese territorial claims and the country’s poor human rights records (Benner et. al, 2018: 16). Greece’s former PM Tsipras has praised China’s Belt Road Initiative (BRI) using China’s rhetoric (Benner et. al, 2018:16). Similar instances can be seen in Australia as well, which will be discussed later in the paper.

Benner et. al, fear that Chinese investment is creating a politically dependent Europe, especially in Eastern and Southern Europe (Benner et. al, 2018: 35-38). There are numerous examples of Chinese backlash against countries when they go against Chinese’s policies. China is notorious for threatening or punishing countries that resist or challenge them (Dupont, 2017). For example, countries or individuals who have met with the Dalai Lama have received backlash (Seaman et. al, 2017: 164). Embargoes (Norway, Philippines, Japan, etc.) are another example.

In 2017, China boycotted South Korean products and cancelled shows with South Korean performers after South Korea ignored China’s warnings/concerns over the U.S.’s Terminal High Altitude Area Defense (THAAD) missiles that could see into China. China's concern with the THAAD system is that it will give the U.S. military the ability to examine China's airspace and potentially track Chinese military equipment and movement on the ground (Reals, 2017). In addition to billions of U.S. dollars in losses from China decreasing tourism to the country, Lotte Group, a prominent South Korean company, lost more than US\$ 1 billion. This raises a concern over Australia’s dependence on China for trade because, like Australia, South Korea also relies on trading with China.

In Australia, a prominent book publisher Allen & Unwin refused to publish a book concerning Chinese influence in Australia for a fear of backlash from China. French President Macron has alluded to Chinese investments when he

stated that EU countries' openness to foreign investments is "sometimes at the expense of European interests." Finally, Germany withdrew approval for Chinese investment in Aixtron for security reasons (Gill and Schreer 2018: 166; Hanemann and Huotari 2017: 8-9).

In addition, China has banned some political elites from traveling to China, while a number of former Foreign Ministers from France and Germany work for or consult on behalf of China and a former Liberal trade minister, Andrew Robb, took an economic consulting job with a Chinese billionaire who is closely aligned with the CCP (Benner et. al, 2018: 20-21; McKenzie et. al, 2017c).

Throughout 2017, Western governments have accused China of espionage and attempts to gain influence outside of China (Smyth, 2017). Clive Hamilton, author of *Silent Invasion: China's Influence in Australia*, stated that China has attempted to target political parties in Australia not for ideological reasons, but for influence (Smyth, 2017). In 2016, PM Turnbull ordered a report that looked into foreign influence in Australia. The report, which will be discussed later, found that China had been seeking to influence Australian politics for over a decade (Mercer, 2018).

Australians must recognize that as China continues to rise, it has and will continue to engage within all aspects of Australian society (Bates and Jakobson, 2017). Economic transactions are not straightforward, and the CCP's influence efforts are likely to remain (Bates and Jakobson, 2017). If Australia becomes anti-China or anti-immigrant, it could be detrimental for the Australian economy as Chinese trade, investments, tourism, students, etc. are likely to decline (Bates and Jakobson, 2017).

4. Areas of Chinese Influence and How Australia is Pushing Back Against Influence Achieved through Investments

Australia is stuck between a rock and a hard place when it comes to balancing between Chinese investments and influence. These investments have been key to Australia's success, but have allowed too much Chinese influence (Saciotto and Loosemore, 2018: 507). As a result of this, concerns surrounding Chinese money in politics and the economy have increased in recent years.

China has received negative press in Australia as these anxieties continue to rise. One prominent example of this dates back to 2015 when the China Communications Construction Company (CCCC) received negative attention after it acquired Australia's largest construction company (Sacilotto and Loosemore, 2018: 507). The main worries surrounding investments pertain to fears of China gaining political influence (including meddling in Australian politics), acquiring critical national infrastructure, and China gaining influence in the Pacific as the country continues to grow.

Australia is so concerned about the potential influence of investments that its 2017 Foreign Policy White Paper stated that Australia would "continue to consider the national interests when reviewing foreign investment proposals" (2017 White Paper, 2017: 14). The aforementioned concerns will be addressed in the following sections: Investments, Politics, and Australia's Growing Role in the Pacific.

4.1: Chinese Investments Influence Concerns

As one looks back in history, one will notice that Australia has a long history of welcoming investments that have been instrumental to the country's success (Gaetjens, 2018). Over the past ten years, Chinese investments in Australia have grown tenfold (Xuan and Erchi, 2018). Before 2007, Chinese investments were almost non-existent but for the past three years, as of 2018, Chinese investments have served as the largest source of investment proposals and accounted for "25 percent of the value of all approved investment in 2016-2017" (Gaetjens, 2018). These investments have resulted in prosperity for both countries as well as the two countries becoming intertwined through education, immigration, tourism, etc. (Gaetjens, 2018).

Following these increased investments and the attention surrounding them, criticism and concerns were raised by academics and the press, among others. These concerns were triggered by the scale and number of Chinese projects, worries over China gaining control over certain CI, China's new intelligence law, etc. According to historian Geoff Wade, another key problem area is that "every senior business person in China is closely connected to the party," according to Jakobson and Parker, meaning that business decisions abroad

could potentially be linked to the party's interest (Wade, 2016). While not all Chinese capital is state-controlled, it is likely state-directed because of the links between the party and the state (Wade, 2016).

The following section will look at China's new intelligence law, which has been a cause for concern, as well as recent large-scale investments (including Huawei) that have received media attention. Finally, what Australia is going to combat these concerns will be addressed.

4.1a: China's New Intelligence Law

In June 2017, the National People's Congress (NPC) passed a controversial new intelligence law that resulted in additional concerns in Australia surrounding the intent of China within the country. The bill is attributed to being part of the reason as to why Huawei was banned in Australia, which will be covered later in this paper. According to a Chinese Journalist, who follows the NPC, the National Intelligence Law (NIL), went into effect on June 28th, 2017. The Standing Committee of the National People's Congress (NPCSC) adopted the law "after two deliberations" a hasty move that is unusual when new laws are being passed (Wei, 2017).

Despite the law pertaining to such an "important and complex" issue, Wei described the law as containing "only 32 vaguely worded articles" (Wei, 2017). Xinhua, China's State-run news agency, said that the law was necessary to "ensure the nation's security interests are met" (Blanchard and Shepherd, 2017). In the name of national security, the new law gives Chinese authorities the ability to monitor and investigate individuals and institutions (domestically and internationally) both inside and outside of China. Article 28 of the Law gives agencies the right to detain violators for up to 15 days and charge them with a crime (Chinese National People's Congress Network, 2017: 5). Gu Bin, an associate professor at Beijing Foreign Studies University, who is a member of the CCP, states that the law is "often misunderstood", and "does not authorise pre-emptive spying" but only work that is defensive in nature (Bin, 2019).

When the law went into effect in 2017, there were a number of legislative amendments aimed at strengthening China's national security (Dackö and

Jonsson, 2019: 2). One of the biggest concerns that countries have with the NIL is that it applies to all organisations in China (private, public, foreign shareholders, etc.), all Chinese citizens, and it applies globally to all Chinese groups, which means that even those who are outside of China could be subject to the law (Dackö and Jonsson, 2019: 2).² This stems from the broad nature of Article 7 which states that:

Any organization or citizen shall support, assist and cooperate with the state intelligence work in accordance with the law, and keep the secrets of the national intelligence work known to the public. The State protects individuals and organizations that support, assist and cooperate with national intelligence work. (Chinese National People's Congress Network, 2017: 2).

According to the Chinese Constitution, all people with Chinese nationality are also its citizens and therefore, since there is no geographical limitation, the law applies to all Chinese citizens, whether they are inside or outside of China's geographical borders (Dackö and Jonsson, 2019: 2). Due to the broad definitions, and lack of geographical constraints, it is believed that the NIL can apply to Chinese subsidiary companies whose parent companies are headquartered in China (Dackö and Jonsson, 2019: 2).

Article 11 of the NIL further specifies that the Chinese intelligence agencies can collect information on the activities of “institutions, organizations and individuals” (Dackö and Jonsson, 2019: 2: 4; Chinese National People's Congress Network, 2017: 3). The ability of China to collect intelligence or recruit companies or individuals to collect information is a concern that countries have been considering when examining Chinese investments and foreign acquisitions, including the recent Huawei ban in Australia and the U.S.' ban of China Mobile International from providing, “international telecommunications services between the United States and foreign destinations” (Federal Communications Commission, 2019: 2,9).

² For the purpose of this paper, the translation that is being consulted comes from a cached image from npc.gov.cn that is currently available on a Brown University page.

4.1b: Major Chinese Investments that Have Been Scrutinized and Blocked

While there have been a number of large-scale investment bids in recent years, two major bids caused concern in 2009 and were on the precipice of the problems surrounding Chinese investments. The two bids were the 2009 bids for Rio Tinto and Oz Minerals. The Rio Tinto bid was a controversial bid by Chinalco, a Chinese SOE, that placed a US\$19.5 billion-dollar cash bid for a “substantial interest” in the Australian mining company Rio Tinto (Mendelsohn and Fels, 2014: 69). The bid resulted in unfavourable press and commentary by politicians over the fact that Chinalco was an SOE.

Another concern was the that the Rio Tinto deal would create “vertical integration” where China would not only own but also produce resources that it needed to purchase (Mendelsohn and Fels, 2014: 70). As a result, China would artificially reduce the prices of Rio Tinto’s foods by overflowing the market (Mendelsohn and Fels, 2014: 70).

The government had previously extended the review process by an additional 90 days, to further evaluate the proposal (Mendelsohn and Fels, 2014: 69). The Treasurer, Wayne Swan, stated that the decision was “tough”, and that time was needed to evaluate the proposal “in great depth and detail” (Mendelsohn and Fels, 2014: 69).

Ten days before the Treasurer was to announce his decision on the acquisition, Rio Tinto withdrew from the agreement (Mendelsohn and Fels, 2014: 69). The Chinese media implied that Rio Tinto withdrew from the agreement following pressure from the Australian government (Mendelsohn and Fels, 2014: 69).

The other controversial investment that caught the public’s eye in 2009 was the Oz Minerals acquisition. Minmentals, another Chinese SOE, planned to purchase 100% of Australian mining company Oz Minerals for AU\$2.6 billion (Mendelsohn and Fels, 2014: 70). Treasurer Swan said that the proposed deal infringed upon Australia’s national security interest and that it could not continue as it was (Mendelsohn and Fels, 2014: 70). The security issue was that the deal included mining operations in Prominent Hill, near where the Australian military tests defence weaponry (Mendelsohn and Fels, 2014: 70).

After a modified proposal was introduced, that excluded Prominent Hill, Swan approved the deal (Mendelsohn and Fels, 2014: 70).

In November 2015, the government blocked foreign entities from buying S. Kidman and Co. Ltd, which is Australia's (and one of the world's) largest private property owner and the largest beef producer (Agence France-Presse, 2015). The company was subject to a bidding war between two Chinese investment companies, Genius Link Group and Pengxin, for AU\$350 million (Agence France-Presse, 2015). Treasurer Scott Morrison agreed with the FIRB's decision that the deal would be against the country's national interest (Agence France-Presse, 2015).

However, the following year Morrison accepted a new joint bid that sold the property to Outback Beef which is made up of Hancock Beef which is majority-owned by Australia's richest woman, Gina Rinehart (67%) and Shanghai CRED (33%), her Chinese based partner (Johanson, 2016). Since Hancock Beef will remain in charge of the day-to-day handling and operations the company is considered to be majority-Australian owned, showing that the FIRB is willing to accept bids in critical industries so long as an Australia company remains the majority-owner (Johanson, 2016).

In 2016, two Chinese companies, State Grid Corporation, owned by the Chinese government, and Cheung Kong Infrastructure, bid to secure a 99-year lease for a majority stake (50.4%) in Australian based electricity distributor Ausgrid (Massola et. al, 2016). The preliminary statement released by Treasurer Scott Morrison cited that the deal, ballparked to be worth about AU\$10 billion, raised national security issues (Massola, 2016). In August, Morrison followed the advice of the FIRB and blocked the acquisition because he found that it "would be contrary to the national interest" (Morrison, 2016).

Two years later, in November 2018, Treasurer Josh Frydenberg blocked CK Group's AU\$13 billion bid for the APA Group, an Australian gas line operator, due to national security concerns (Scott and Thornhill, 2018; Frydenberg, 2018a). In a preliminary statement released by Frydenberg, he informed CK Group that its acquisition "could be contrary to the national interest" (Scott and Thornhill, 2018; Frydenberg, 2018b). Primarily, his

national interest concern was that the deal would result in “an undue concentration of foreign ownership by a single company group in our most significant gas transmission business” (Frydenberg, 2018b).

Following the 2017 Chinese NIL, concerns surrounding Chinese companies became heightened due to the fear that the companies could be required to aid China in intelligence collection. Many feared that Beijing might require companies (i.e., Huawei and ZTE) to turn over sensitive data (Packham, 2018a). The Chinese NIL is considered to be a focal point in the Treasury’s decision to block Huawei’s 5G project in Australia. In addition to blocking Huawei, ZTE Corporation was also blocked by the government. The Huawei blocking, however, received more attention. The NIL makes it hard for governments to trust the companies, despite Huawei stating that it would not hand over data to China. An anonymous government source said that Huawei is a Chinese company “and under Communist law, they have to work for their intelligence agencies if requested” (Packham, 2018a).

Huawei is a Chinese technology company that is the third largest smartphone supplier and the largest maker of telecom network gear (Packham, 2018a). Huawei has had a prominent place in the world media following a string of accusations by the U.S. that Huawei had intentionally broken U.S. laws. Huawei was accused of trying to cover it up by destroying and concealing evidence and trying to steal the ‘Tappy’ technology from T-Mobile.

In addition, the CFO’s daughter, Meng Wanzhou, was charged with subverting U.S. sanctions against Iran (Uren, 2019). The arrest warrant was issued on August 22, 2018, the day before the Huawei ban was announced. In addition, the U.S., Australia’s security and Five-Eyes ally, claimed that the FBI found emails in 2013 where bonuses were offered to employees “based on the value of information they stole” which added to the concerns of industrial espionage by China (Jennings, 2019).

In June 2018, the Australian Financial Review reported that security agencies had advised against Huawei’s 5G bid (Collinson, 2018). Liberal Senator David Fawcett spoke out in agreement with the ban because “sometimes they [China] don’t play by the same rules” (Collinson, 2018). A few days after Fawcett

spoke out against the bid, Nationals MP George Christensen also agreed with rejecting the bid because Huawei has ties with the CCP and will report security information to China (Collinson, 2018).

Despite Huawei offering Australia complete oversight, which is similar to the deal they have with the UK where agents are allowed to examine all Huawei products, the Treasurer banned Huawei and LTE in August 2018 (Packham, 2018a; Biggs and Duke, 2018). Just one month prior to the ban, The UK's National Cyber Security Center said that it was "less confident" in its ability to provide "long-term technical assurance of sufficient scope around Huawei" (Uren and Cave, 2018).

Despite Huawei's pleas and a tweet saying that it has "safely & securely" delivered services for 15 years, the Australian government believed that it was unable to find the sufficient tools to mitigate the potential security risks as 5G networks are different, more complex networks than the current ones (Biggs and Duke, 2018).

In a joint statement, aptly titled "Government Provides 5G Security Guidance To Australian Carriers," released following the ban, then Treasurer Scott Morrison insinuated that more details were involved surrounding the ban. Companies that are subject to "extrajudicial directions from a foreign government" may not be able "to adequately protect a 5G network from unauthorized access or interference" (Fifield and Morrison, 2018).

Following the Huawei ban, the Ministry of Commerce in China said that Australia's decision to ban Huawei was the "wrong decision" and that it would have a negative impact on both Australian and Chinese companies (Needham, 2018). The ministry said that Australia should focus on the bigger picture concerning trade and cooperation instead of "restrict[ing] business activities in the name of national security" (Needham, 2018).

China's Foreign Ministry also responded saying that the Australian government should "abandon ideological prejudices and provide a fair competitive environment for Chinese companies" (Uren and Cave, 2018).

The Chinese media also reacted strongly to the decision. The Global Times', (a nationalist tabloid), first English editorial after the announcement, was titled "Canberra stabs Huawei in the back" (Uren and Cave, 2018).

However, it is important to note that Chinese investors are not the only ones being blocked. The Treasurer blocked ADM, an American company, from acquiring Australian based GrainCorp in 2013 and Shell Oil, a British-Dutch company, from acquiring Woodside in 2001 (Botterill et. al, 2013).

4.2: What is Australia Doing to Combat Investment Influence?

The size and scope of the Rio Tinto deal placed Chinese investments and acquisitions in the public eye and resulted in public concern (Drysdale, 2011: 63). The deal was the catalyst that resulted in a string of measures being enacted to prevent further anxiety from arising concerning Chinese investments becoming too large or China acquiring or investing in an industry or business that might cause national security concerns.

These measures took the form of modifications to the Australian FIRB, the blocking of investments (section 4.1b), and legislative measures. Despite these measures over the past ten years, PM Scott Morrison stated that foreign investment in Australia is welcome so long as "it is not contrary to the national interest" (Morrison, 2016).

4.2a: Foreign Review Investment Board (FIRB)

The Foreign Acquisitions and Takeovers Act 1975 (FATA) established the legal framework for foreign investment screenings in Australia. The Act lays out what acquisitions are subject to approval including all private foreign investors who will acquire a substantial interest (15%+) in a company or control of a company valued over AU\$248 (Sanyal, 2013). The FIRB was created in response to an investment boom in the resource sector in Australia in the 1970s (Mendelsohn and Fels, 2014: 61).

The board serves a very important function as it is tasked with ensuring that "creeping acquisitions are not taking place" that would negatively impact the Australian economy (jobs and companies included) and it must acknowledge and protect against consequences that go beyond "a simple monetary

investment” (Joyce et. al, 2008: 76-77). As it currently stands, the FIRB is comprised of a Chairman, six part-time Members, and one full-time Executive Member all of whom come from the private sector and government agencies (Foreign Investment Review Board, 2019a).

Due to the board’s openness, there have been very few decisions deemed controversial, until the uptick in Chinese investments (Mendelsohn and Fels, 2014: 61-62). However, despite criticisms of the board not being open to foreign investments, a 2011 study found that Australia is open to foreign investment and that Chinese outbound direct investment received less resistance in Australia compared to other potential destinations (Mendelsohn and Fels, 2014: 61-62).

The framework for foreign investment in Australia is comprised of the FATA and the governments’ foreign investment policy. The Treasurer works alongside the FIRB which “administers the FATA in accordance with the policy” to determine if an investment proposal coincides with the country’s national interest or if it is contrary to it and should be blocked (Mendelsohn and Fels, 2014: 60, 63; Sanyal, 2013).

Threshold levels, in the FATA and foreign investment policy, exist to determine whether an investment reaches the eligible scope for review (Mendelsohn and Fels, 2014: 63). Thresholds are triggered when “either the amount paid for an interest or the value of an entity or asset exceeds the threshold amount” with the exception for agricultural land where the threshold is cumulative, applying to ALL investments held (Foreign Investment Review Board, 2019c). The threshold amounts differ based on category, non-land proposals or land proposals. While some thresholds start at \$0, the highest is AU \$1,154 million (Foreign Investment Review Board, 2019c).

While the FIRB works alongside the Treasurer and makes recommendations, the final say on every decision resides with the Treasurer and he can overturn the FIRB, as the board serves in a purely advisory capacity (Mendelsohn and Fels, 2014: 63).

By the time Treasurer Wayne Swan stepped into the position in 2007, Australia was beginning to experience an influx in Chinese investments.

Treasurer Swan stated that since he became Treasurer in Nov. 2007, he approved, on average, one Chinese investment application almost every nine days (Joyce et. al, 2008: 66). Around this time, concerns arose surrounding SOEs or a business or company that is owned, or mostly owned, by a government. Since investments by companies that are owned, controlled, or linked to a foreign government might pursue interests that are more political or strategic in nature, they are potentially putting Australia's national interest at risk (Swan, 2008a).

In February 2008, Treasurer Swan released six guidelines that the FIRB would consider when examining investment proposals by SOEs and foreign governments (Swan, 2008a; Swan, 2008b). The six principles are whether: (Swan, 2008b)

1. An investor's operations are independent from the relevant foreign government.
2. An investor is subject to and adheres to the law and observes common standards of business behaviour.
3. An investment may hinder competition or lead to undue concentration or control in the industry or sectors concerned.
4. An investment may impact on Australian government revenue or other policies.
5. An investment may impact on Australia's national security.
6. An investment may impact on the operations and directions of an Australian business as well as its contribution to the Australian economy and broader community.

The first and second principles were seen as being aimed at China as it looks at state ownership (Drysdale, 2011: 62). The first principle aims to look at how dependent an investor or company is or is not on their home government (Drysdale, 2011: 62). While these guidelines can be applied to any country, a leaked cable, from the U.S. Embassy, stated that U.S. diplomats were briefed by a former FIRB executive about the new guidelines that were "mainly (to do with) concerns about Chinese investments in the strategic resources sector" (Drysdale, 2011: 63).

The subtext of the second principle states that proposals by “foreign government-owned or controlled investors” that are transparent “are less likely to raise additional national interest concerns” (Swan, 2008b). When responding to transparency concerns and the use of the “Six Principles” in a speech at the Australia-China Business Council, Swan explained that Australia intends to maintain “a market-based system” and that SOEs can result in a conflict of interest because of concerns surrounding the control over pricing and production (Huang and Austin, 2011: 56).

In addition to the principles, the FIRB offered recommendations to the Treasurer that resulted in a number of proposals being blocked (section 4.1b). In 2018, The Security of Critical Infrastructure Act 2018 was passed which resulted in the creation of the Critical Infrastructure Centre which works alongside the FIRB. That law and the Centre are discussed below.

4.2b: Legislation and Rulings

Since the uptick in Chinese investments and the concerns of Chinese influence in Australia, legislation has been passed in Canberra that aims to combat it. In 2015, regulations and a re-write of the FATA were enacted to strengthen the foreign investment framework. They included the following six acts, rules and regulations (Wheeler et. al, 2015: 2):

- *Foreign Acquisitions and Takeovers Legislation Amendment Act 2015 (FATLA Bill/Act)*
- *Foreign Acquisitions and Takeovers Fees Imposition Act 2015 (Imposition Bill/Act)*
- *Register of Foreign Ownership of Agricultural Land Act 2015 (Register Bill/Act)*
- *Foreign Acquisitions and Takeovers Regulation 2015*
- *Foreign Acquisitions and Takeovers Fees Imposition Regulation 2015*

In early 2015, the Abbott government stood true to their campaign promise and improved the scrutiny of foreign investments in Australia. Treasurer Joe Hockey announced that the screening threshold for foreign purchases of

agricultural land would drop to AU\$15 million from AU\$252 million (Hockey, 2015). The threshold applies to the cumulative value of all land, including the proposed purpose, that the foreign investor holds (Hockey, 2015). If the investor owns three agricultural properties worth AU\$5 million, then all future agricultural investments, regardless of the value, will be subject to screening. However, this threshold for agricultural land does not apply to private investors from the U.S., New Zealand, and Chile whose threshold is \$1,094 million (Parliament of Australia, 2016). During the legislative overhaul that occurred later in the year, the government further lowered the agribusiness threshold to \$55 million meaning that the total value of the acquisition, including the investors other interests (and their associates), must be more than \$55 million to trigger a review by the FIRB (Parliament of Australia, 2016).

In 2015, a package of three bills: *FATLA Bill*, *Imposition Bill*, and *The Register Bill*, aimed at modernizing the FATA and strengthening the foreign investment enforcement scheme, was introduced (Brennan et. al, 2015). The *FATLA Bill* amends the *FATA 1975* and includes a number of changes: it provides “a statutory basis for the requirements that apply to foreign government investors” transfers responsibility for administering certain regulations of foreign investment to the Australian Taxation Office (ATO) (real estate included), “introduce[s] civil and criminal penalties”, “lowers the review threshold for investments in the agricultural sectors, and allows for fees to be paid for investment applications among other things (Foreign Acquisitions and Takeovers Legislation Amendment Bill 2015, 2015).

The Imposition Bill imposes fees on certain applications and actions made under the *FATLA bill* (Foreign Acquisitions and Takeovers Fees Imposition Bill 2015, 2015). *The Register Bill* established a Register of Foreign Ownership of Agricultural Land that is administered by the Commissioner of Taxation at the ATO (Register of Foreign Ownership of Agricultural Land Bill 2015, 2015). The bills received the Royal Assent in November of 2015 and were enacted on 1 December 2015.

The extensive 2015 rewrite and additions to the foreign investment scheme, resulted in a number of important changes. In addition to what was stated

above, the FATLA resulted in major provisions, including that under the new laws, every foreign investors' holdings from the same country, became associated for the sake of determining thresholds for FIRB review (Brennan et. al, 2015). This means that all associates from one country will have their Australian holding values combined and, if the aggregate amount is above a certain value, every future investment proposal will be sent to and reviewed by the FIRB (Brennan et. al, 2015). Another major change under the FATLA was that the substantial interest threshold was raised from 15% to 20% and, once the threshold is hit, the Treasurer must be notified of the acquisition and they must approve it (Wheeler et. al, 2015: 1-5).

The bill also further introduced the concepts of 'significant' and 'notifiable' actions. Significant actions are actions that do not require advanced notification be given to the Treasurer but the action can be prohibited or overturned by the Treasurer if it is found that the action conflicts with Australia's interest (Wheeler et. al, 2015: 1-5). Significant actions are actions that "result in a change in control involving a foreign person or be taken by a foreign person" (The House of Representatives [The HOR], 2015: 3). Certain significant actions are also notifiable actions, or actions that have a mandatory notification requirement and the Treasurer must be notified before any actions can take place (The HOR, 2015: 3-4; Pyburne, 2015). An action is notifiable if a foreign person acquires: "a direct interest in an Australian entity or Australian business that is an agribusiness," "a substantial interest in an Australian entity," or "an interest in Australian land" (The HOR, 2015: 40). The action must also meet the threshold and be an action taken by a foreign person (The HOR, 2015:41).

Finally, the *FALTA bill* made an important change to the acquisition of agricultural land. The bill replaced the definition of "Australian urban land" with "Australian land" (The HOR, 2015: 5). The new definition includes: "agricultural land, commercial land, residential land or a mining or production tenement" (The HOR, 2015: 5). The definition of agricultural land includes all land that is used or could reasonably be used for business production (Wheeler et. al, 2015: 3). Now all laws and thresholds that previously applied to

“Australian urban land” apply to all “Australian land” (Wheeler et. al, 2015: 3).

The Imposition Bill introduced application fees for all foreign investment applications (Wheeler et. al, 2015: 5). Prior to the bill, there were no fees imposed by the FIRB, meaning that the cost of the applications and administrative duties fell on the taxpayers, not the investors (Wheeler et. al, 2015: 5). The fee must be paid before the application is processed and the amount varies depending on the investment type and value (Wheeler et. al, 2015: 5).

The 2015 Register Bill introduced a framework that created the Agricultural Land Register which was established by the ATO (Wheeler et. al, 2015: 4). The registry, operated by the ATO, establishes a registry for foreign ownership of agricultural land and the ATO will issue statistical reports based on the registry (Wheeler et. al, 2015: 4). Foreign persons will be required to report their agricultural land holdings and any changes in holding, regardless of the value (Wheeler et. al, 2015: 4).

In 2015, the Northern Territory (NT) of Australia leased the Port of Darwin to a Chinese company for a 99-year lease. The deal was extremely controversial, and still is to this day, and led government officials, Australians, President Obama, national security experts, and more to question how this deal was able to go through (Walsh, 2019). NT lobbied for the government to invest in the port for years with no luck but in 2012 the Country Liberal Party came to power in the territory (Walsh, 2019). The party set up a special selection committee that would oversee and have oversight on the sale of the Darwin Port. The bids were sent to the FIRB and the contract eventually went to Landbridge Group (Walsh, 2019).

There were a number of concerning details surrounding the deal that came out. According to inside sources, and Chief Minister Adam Giles, the 506 million-dollar offer was not the highest bid and on top of that it “introduced a major element of strategic risk” (Walsh, 2019). Even more suspicious is that David Potaznik, a managing partner at Flagstaff, the company hired to broker the

deal, was hired by Landbridge shortly after the Port Darwin deal was finalized (Walsh, 2019).

In addition to the Port of Darwin sale, two other major ports were sold in 2014 to the Chinese based companies in the 2010s both in joint-ventures. In 2014, the Port of Newcastle was leased for 98-years by the government of NSW to Hastings Funds Management and China Merchants, both 50% stakeholders in the Port (Public Works Committee, 2019: 5). According to a Parliamentary report, the AU\$1.75 billion deal's deed and sale conditions were not released to the public or Parliament (Foschia, 2014; Public Works Committee, 2019: 17).

Two years later, in 2016, the Victorian government approved a 50-year lease for the Port of Melbourne (Edwards, 2016). The deal worth AU\$9.7 billion was won by the Lonsdale consortium comprised of Future Fund, Queensland Investment Corporation, Global Infrastructure Partners, China Investment Corporation (CIC), and Borealis Infrastructure (CBFCA, 2016). CIC holds a 20% stake (Victorian Government, 2018: 5).

How was the controversial Port Darwin deal able to slip through the cracks and get past the FIRB, which is tasked with ensuring the national interest of the country? At the time of the deal, there was a loophole where the deal was exempt from scrutiny because it was between a private company and a territory government (same applied to state governments) (Swan, 2019). Brian Wilson, the chairman at the FIRB at the time of the deal, stated that he reached out to the defence and intelligence agencies for a response about the deal but was told that they had no issue (Swan, 2019). However, it was later revealed that senior figures did not receive the proper information and only learned about the deal shortly before it was announced (Swan, 2019).

Four months after the Port Darwin deal, Treasurer Scott Morrison closed the loophole that allowed the deal to occur, thus allowing for scrutinisation of the sale of CNI to foreign governments. In March 2016, Morrison announced that Australia's foreign investment rules were being bolstered to allow the FIRB to review "the sale of critical state-owned infrastructure assets to private foreign

investors” (Morrison, 2016). The Critical Infrastructure (CI) assets that became subject to review under the amendment include:

public infrastructure (an airport or airport site; a port; infrastructure for public transport; electricity, gas, water and sewerage systems); existing and proposed roads, railways, inter-modal transfer facilities that are part of the National Land Transport Network or are designated by a State or Territory government as significant or controlled by the Government; telecommunications infrastructure; and nuclear facilities (Morrison, 2016).

The rule amended the Foreign Acquisitions and Takeovers Regulation and had State and Territory support. The amendment is a part of a wider scheme of Australian government responses to protect Australian interests from foreign influence.

The Register of Foreign Ownership of Water or Agricultural Land Rules, passed in 2017, amended the *Register of Foreign Ownership of Agricultural Land Act 2015* to require that any foreign person holding, or who will hold, a “registrable water entitlement” or a “contractual water right” must register with the ATO (Doran et. al, 2016). The bill is different than the similar Agricultural Register because it requires the registration of water holdings in all industry sectors not just for the use of agricultural land (Doran et. al, 2016).

In 2018, more announcements were aimed at targeting foreign investments. On February 1st, following the concerns surrounding the sale of S. Kidman & Co Limited, Treasurer Morrison announced the 30-day advertising clause, a new rule that required that all agricultural land be marketed and advertised to Australians first, before it could be marketed to foreign investors for sale (Morrison, 2018b). The land is required to be marketed to “Australian bidders for a minimum of 30 days” (Morrison, 2018b). This rule ensures that Australians have a chance to participate in the sale.

Later in 2018, the *Security of Critical Infrastructure Act 2018* was passed to “manage the complex and evolving national security risks of sabotage, espionage and coercion posed by foreign involvement in Australia’s critical infrastructure” (Security of Critical Infrastructure Act 2018, 2018). The act is

comprised of three main elements (Security of Critical Infrastructure Act 2018, 2018):

- A registry of Critical Infrastructure Assets - this will paint a clearer picture of ownership and high-risk sectors of critical infrastructure.
- Information gathering power - the Secretary of the Department of Home Affairs has the power to ask both owners and operators of assets for more information on assets.
- Ministerial directions power - the Minister for Home Affairs can demand an owner or operator of critical infrastructure to do certain tasks to lower national security risks.

The Act, a response to the Port of Darwin and Ausgrid deals, established the Critical Infrastructure Centre which will work alongside the FIRB to “pre-emptively assess national security risks for critical infrastructure” and will establish and maintain a registry (Ryan, 2017).

4.3: Conclusion

As a result of a number of high-profile investments, including the Rio Tinto deal, the FIRB strengthened their measures and blocked lucrative deals in order to protect Australia’s national security. Following the Port Darwin sale, Australians became more concerned with foreign ownership of critical sites, companies, farmland, etc. The Board released a set of six principles to increase transparency on how the board operates and to target SOEs from gaining CNI.

The Treasurer and Parliament drafted and passed a series of bills to strengthen framework to protect Australian interests by increasing scrutiny and ensuring that more deals are subject to FIRB and Treasury review. Following further concerns over Chinese investments, particularly following the implementation of the NIL, the FIRB rejected the Huawei and ZTE 5G deals in Australia.

In addition to the measures listed above Australia has also ordered the “forced sale of 27 properties... illegally acquired by foreign nationals” enacted stricter

penalties for those who break the rules, and enacted formal requirements to ensure that companies investing in Australia pay taxes (Morrison, 2016).

5: Political Influence Concerns and Australia's Response

Australia's fears surrounding Chinese influence extend beyond the realm of investments and into the political realm. These fears involve the concern that the CCP is trying to influence Australian politicians into supporting CCP supported policies or that it has politicians on its payroll. Concerns became so rampant that in 2016, PM Malcolm Turnbull commissioned the Garnaut-ASIO dossier to investigate Chinese influence in Australian politics. It is important to note, at the time the dossier was commissioned up until the passage of laws by the Australian government, foreign donations were allowed in Australian politics, thus, the donations given to politicians were not illegal. Instead, the issue was with the fact that many were concerned about the implications of foreign donations and how they might be being used as a form of influence.

The dossier, headed by John Garnaut, is still classified, however, as a result of it, the Australian Parliament introduced, drafted, and passed legislation to combat foreign interference in politics (Uren, 2018b). The report, which targeted all levels of government, claims that the CCP tried to influence policy making for over a decade (Uhlmann, 2018). Turnbull claims that despite its classification, the report's "outcomes have galvanised us to take action" (Uhlmann, 2018; Turnbull, 2017).

Garnaut says that CCP's influence is "too brazen and aggressive to ignore" as it aims to subtly gain access (Uhlmann, 2018). Since the report, the Chinese government has detained and questioned individuals, including Mr. Yang Hengjun and Dr. Fend Chongyi, on the content of the report and John Garnaut (McKenzie, 2019). Dr. Feng, who was detained for six days, said that officials wanted to know "in every detail" what Mr. Garnaut was working on for the government (McKenzie, 2019).

Later, when testifying in front of the U.S. Congress, Garnaut stated that the CCP "manipulates incentives inside our countries in order to shape the conversation, manage perceptions and tilt the political and strategic landscape to its advantage" (Garnaut, 2018b). In the same testimony, he submitted an

article into the testimony that Phillip Wen, an Australian journalist, discovered that Beijing took steps to create grassroots movements that supported Beijing's policies and that many Australian politicians were not aware of the basic information of Chinese donors to their campaigns (Garnaut, 2018b). A network was exposed by Chen Yonglin, a defector and former diplomat from China, that kept tabs on all Chinese Australians who "defied the party line" through a network of informants (Garnaut, 2018b).

In 2017, it was revealed that the Australian Security Intelligence Organisation (ASIO) warned political parties that donations from two of Australia's biggest donors had "strong connections to the Chinese Communist Party" and might come with strings attached" (Garnaut, 2018b). One donation, US\$400,000, was an attempt to soften the Labor Party's stance on the SCS (Garnaut, 2018b).

Following the Garnaut Report, a strategy of four principles was created. First, the strategy aimed to target foreign states' interference instead of the diaspora communities (Garnaut, 2018b). Second, it would not single out Chinese interference but would be aimed at all foreign interference, regardless of the country (Garnaut, 2018b; Turnbull, 2017). Third, it would distinguish between transparent diplomacy and "cover, corrupting, or coercive" conduct (Garnaut, 2018b). Fourth, a focus would be built upon "sunlight, enforcement, deterrence, and capability" (Garnaut, 2018b). This strategy resulted in a series of legislation that will be discussed after introducing the reader to important incidents of foreign interference in Australian politics.

5.1: The Political Scandals, Meddling, and Influence Concerns

As previously mentioned, the CCP has been accused of running a campaign of influence and control in Australia. This campaign is multi-faceted and attempts to influence politicians with donations and also the Chinese diaspora living in Australia (McKenzie, et. al, 2017b). This covert campaign was described by four journalists at the Sydney Morning Herald as "an aggressive form of 'soft power,'" Peter Varghese, former chief of Australia's diplomatic service, said that China's influence approach is concerning (McKenzie, et. al, 2017b).

It was revealed that in 2015 the director general of the ASIO personally warned the leaders of the major political parties in Australia that several of their donors had links to China (Uhlmann, 2016). Brian Loughnane (Liberal), George Wright (Labor), and Scott Mitchell (Nationals) were briefed on names of donors that the ASIO had concerns about (Uhlmann, 2016). A source familiar with the conversation said that Lewis told the three men to “be careful” and another political figure who was briefed stated that Lewis said “the connections between these guys and the Communist Party is strong” (McKenzie et. al, 2017a).

Despite being warned of possible CCP connections, the parties continued to accept money from the men. There were two major donors, both Chinese billionaires, that became synonymous with Chinese political influence scandals in Australia: Huang Xiangmo and Chau Chak Wing. The two businessmen are both property developers (Cave and Williams, 2017). Chau, founder of Kingold Group, is an Australian citizen, while the other, Huang Xiangmo, Yuhu Group, was a resident who at the time of the scandal had applied for citizenship (Cave and Williams, 2017). Chau’s investments link him to newspapers that spread China’s propaganda (Cave and Williams, 2017).

Huang leads the Australian Council for the Promotion of the Peaceful Reunification of China (ACPPRC), a group that promotes a One China that is Beijing, not Taipei, led and also opposes independence for Tibet (Cave and Williams, 2017). The ACPPRC, which has documented links to China’s intelligence agencies, works to undermine the independence movements in Hong Kong and Taiwan and asserts “China’s fiercely disputed claims over the South China Sea” (McKenzie et. al, 2017a). Huang, who along with colleagues spoke at an event celebrating 66 years of the CCP’s rule, gave over AU\$2.6 million in donations to the major Australian parties over a 4-year period (McKenzie et. al, 2017a).

Following the Garnaut Dossier, Fairfax Media and Australia Broadcasting Corporation (ABC), investigated Chinese meddling in Australian politics and exposed a number of concerns surrounding the two billionaires (Glavin, 2017).

Many of these findings are discussed below. Varghese summed up the Australian position well, “China would find it unacceptable if Australia was to organise protests in China” and in response, Australia “should consider it unacceptable for a foreign government to be [encouraging], organizing, orchestrating or bankrolling protests on issues” (McKenzie, et. al, 2017b). Chen Yonglin, a former Chinese official in Australia, stated that the disclosed donations were only a small portion “compared to the transactions completed under the table” (Cave and Williams, 2017).

In 2016, Huang’s citizenship application was stalled by the ASIO, which resulted in Huang paying a former Labor Minister, Santo Santoro, thousands of dollars to help secure him Australian citizenship (McKenzie and Koloff, 2019). Santoro went so far as to arrange meetings between the billionaire and the Immigration Minister at the time, Peter Dutton (McKenzie and Koloff, 2019). Recordings later emerged in which Santoro claimed he could help Huang gain access to Dutton to expedite his citizenship (McKenzie and Koloff, 2019). Santoro’s price for such access was AU\$20,000+ and in March 2016 Santoro, Dutton, Dutton’s senior staff, and Huang had lunch in Sydney’s Chinatown (McKenzie and Koloff, 2019). Santoro denies that he was paid to help Huang obtain citizenship but rather that he was assisting him in “understand[ing] Australian politics” while Huang’s spokesman said that the two worked together on an official capacity pertaining to “advice regarding business” (McKenzie and Koloff, 2019).

Dutton later gave approval to Labor Minister Sam Dastyari, riddled in his own CCP scandal, to conduct a private citizenship ceremony for the Huang family, something that is usually reserved for urgent or special cases (McKenzie and Koloff, 2019). Dastyari claimed that when he wrote to Dutton asking for an expedited citizenship ceremony, he did not believe that it would be approved or as he stated that it would have “a snowflake’s chance in hell” of being approved (McKenzie and Koloff, 2019). Dutton later stated that Huang never donated to his campaign and that any questions surrounding Huang’s citizenship should be referred to Dastyari (McKenzie and Koloff, 2019). Huang’s citizenship was later rejected by the ASIO over concerns surrounding

his close links to the CCP (McKenzie and Koloff, 2019). In November 2018, Huang was banned from entering Australia (McKenzie and Koloff, 2019).

However, this incident was not the first time that Huang requested an immigration favour from his political connections. In 2013, Ernest Wong, the deputy mayor of the Australian Labor Party (ALP), wrote a letter to support one of Huang's Chinese employees in securing a work visa (which was rejected) (McKenzie et. al, 2017a). A few months later, Huang and two members of the ACPPRC donated AU\$500,000 to the New South Wales (NSW) ALP, shortly after, Wong ended up taking a vacated seat in the NSW State Parliament (McKenzie et. al, 2017a).

In 2016, Huang rescinded an AU\$400,000 donation to the ALP following the Labor shadow defence spokesman's comments criticizing China's recent "destabilizing" actions in the SCS (McKenzie et. al, 2017a). The following day, Dastyari came out saying that what China does in the SCS is their "own affair" and "Australia should remain neutral and respect China's decision." (McKenzie et. al, 2017a). According to Rory Medcalf, The Australian National University's National Security College, the 400K donation is a prime example of "economic inducement being turned into economic leverage or coercion" (McKenzie et. al, 2017a).

When looking at the Huang's scandals, one name keeps popping up: Sam Dastyari. Sam Dastyari was a Labor Party Senator who resigned following a string of scandals connected to Huang and connections to the CCP. In addition to calling the immigration department four times on Huang's behalf, his two most controversial scandals involved warning Huang that he might be being surveilled/have to evade such surveillance and changing his position following a political donation (McKenzie et. al, 2017a). Dastyari, the ALP NSW secretary, was tasked with handling Huang and his colleagues' donations to the party (McKenzie et. al, 2017a). During this time Dastyari had an outstanding bill of AU\$5,000 which Huang settled for him (McKenzie et. al, 2017a).

A year later, Dastyari exceeded his allocated travel funding by AU\$1,670.82 and he sent his balance to the Top Education Institute, a Chinese private

education provider in Sydney (Bourke, 2016). Cabinet Minister, Peter Dutton, the same minister involved in the immigration scandal with Dastyari, accused him of being a “double agent” (Denyer, 2017).

The Senator openly supported the position of the CCP concerning the SCS, contrary to his own party’s position, after receiving a donation from Huang’s company the Yuhu Group (Denyer, 2017; van Nieuwenhuizen, 2018: 2). Dastyari stood next to Huang as he stated that China’s “integrity of its borders is a matter for China,” supporting the government’s refusal to accept the rulings of the international court on the SCS (McDermott, 2017).

Furthermore, he had a secret in-person meeting with Huang. During the meeting, he warned Huang that he was likely being surveilled and gave him advice on how to evade the surveillance by the Australian government (Denyer, 2017; McDermott, 2017). Finally, he tried, unsuccessfully, to convince his party’s deputy leader to not meet with a pro-democracy group from Hong Kong (Denyer, 2017).

The other Chinese donor Chau Chak Wing is infamous for scandals of his own. Chau’s ownership of a Chinese newspaper has placed him in extensive contact with CCP propaganda authorities (McKenzie et. al, 2017a). Since 2004, Chau has donated over AU\$4 million to Australian political parties (McKenzie et. al, 2017a). The prominent Chinese-Australian political donor was named by Liberal MP Andrew Hastie as having close ties to the CCP and for being “Co-Conspirator 3” or “CC3” in the 2013 UN bribery scandal that involved a US\$200,000 bribe (Grigg, 2018). UN General Assembly President, John Ashe received the money to attend a real estate conference in China (Morgan, 2018). Chau was further accused by Hastie of trying to undermine Australian politics to seek influence (Grigg, 2018). However, Chau has denied being a member of the CCP and says that he has never been a member (Morgan, 2018).

In addition to the aforementioned scandals, there have been concerns surrounding other activities conducted by the CCP or CCP supported groups, such as the United Front with political motives. Sheri Yan, accused in a UN bribery scandal, was also believed to be working for a Chinese Intelligence

Agency (McKenzie et. al, 2017a). Yan married Roger Uren, the assistant secretary of the Office of National Assessments (ONA), which briefs the PM “on highly classified intelligence matters” (McKenzie et. al, 2017a). While being investigated for suspicion that she sought clandestine influence on behalf of the CCP in Australia and the US, highly classified Australian documents were found in their apartment (McKenzie et. al, 2017a). Prior to the raid, it was confirmed by eight government officials, off the record to *The Sydney Morning Herald*, that intelligence was being collected that suggested the CCP was conducting a foreign interference campaign in Australia (McKenzie et. al, 2017a). As mentioned earlier, a former Liberal trade minister stepped down from office and took a consultation job with a CCP linked company that paid AU\$880K a year (Garnaut, 2018a).

In addition, China has used threatening, passive-aggressive rhetoric to encourage Australia to support its positions, including a bilateral extradition treaty between the two countries (Garnaut, 2018a). Meng Jianzhu, China’s Security Chief, said that it would be a shame if the Chinese Community in Australia had to be told that bilateral relations between the two countries were not supported (Garnaut, 2018a). Australian publisher, Allen & Unwin, dropped the publication of a book by Clive Hamilton that exposed “the extent of Chinese influence in Australia” following fear of retribution by the CCP and China (Hamilton, 2018).

On February 8th, 2019, a “sophisticated state actor” according to PM Morrison, carried out an attack against Australia’s Parliament and political parties (Labor, Liberal, and Nationals) (Quackenbush, 2019). The two primary suspects are China, Iran, or Russia but based on motivations, “China is the leading suspect,” according to Fergus Hanson who heads the International Cyber Policy Center at the Australian Strategic Policy Institute (Quackenbush, 2019).

As a result of Chinese influence concerns in Australian politics, former Labor Senator, Stephen Conroy, urged the PM to reform the electoral donation process to “ban foreign companies” from any donations (Uhlmann, 2016). He further pointed out that Australia was in the minority as it was “one of a very

small number of countries who actually don't ban this practice" (Uhlmann, 2016). A practice that would soon take place in Australia.

5.2: The Legislative Responses

PM Turnbull stated that foreign states were making "unprecedented and increasingly sophisticated attempts to influence the political process" in Australia and abroad (Australia passes foreign interference laws amid China tension, 2018). Following warnings from the ASIO, the Australian parliament began one of the most significant reforms to their counterespionage laws in over 50 years (Australia passes foreign interference laws amid China tension, 2018).

The CCP's United Front Work Department is believed to be actively recruiting agents among Australian elites (including politicians) to promote China's views or positive views of China (Hamilton, 2018). The foreign interference bills are aimed at combating future scandals, and concerns of the Garnaut Dossier, and believed to be aimed at preventing the United Front's goal "to make the foreign serve China" (Hamilton, 2018).

The new laws ban foreign agents from influencing any aspect of Australian politics, media, or civil society with some offenses carrying prison sentences of up to 20 years (Chan, 2018). In the same speech, Turnbull called out the Dastyari case as being a "clear case" of Chinese influence and that other reports are just as disturbing (Chan, 2018). Geng Shuang, the spokesman for China's Foreign Ministry, said the complaints by Australia over this supposed Chinese influence hurt the relationship between the two countries (Chan, 2018). He later followed up by saying that he hopes countries can shed this "Cold War mindset" (Chan, 2018). This cold war mentality was also referenced by Duncan Lewis, ASIO director-general, who believes that espionage activities are reaching dangerous heights with "more foreign intelligence officers today than during the Cold War," and heightening the concern are the increased number of ways to attack (Chan, 2018).

On 7 December 2017, PM Turnbull introduced *The National Security Legislation Amendment (Espionage and Foreign Interference) Bill 2017* and *the Foreign Influence Transparency Scheme Bill 2017 (the Foreign Influence*

Transparency Scheme Bill) (Turnbull, 2017a). When PM Turnbull introduced the bills, he stated that Australian agencies lacked the legislative tools they needed. He further claimed that the results of the classified report (Dossier Report) required action (Turnbull, 2017b). Australia is taking the reports that the CPC is interfering in the media, universities, and politics very seriously as their relationship with China “is far too important to put at risk by failing to clearly set the terms of healthy and sustainable engagement” (Turnbull, 2017b).

The bills were “designed to reinforce the strengths of our open democratic systems while shoring up its vulnerabilities” including the “unprecedented” threats of espionage and foreign interference that Australia is facing (Turnbull, 2017a). While the activities might not be overt, the threat of foreign interference is “extensive, unrelenting and increasingly sophisticated” with a wide range of serious consequences: undermining Australia’s sovereignty, harming trade relations and Australia’s reputation, compromising CNI, etc. (Turnbull, 2017a). The Director-General believes the threat of foreign influence “is greater than when Soviet agents penetrated the federal government” (Turnbull, 2017b).

The interference is against Australian interests and hostile foreign intelligence services have increased their resources and improved the sophistication of their activities (Parliamentary Joint Committee on Intelligence and Security [PJCOIAS], 2018). Foreign Intelligence services and actors have targeted a range of Australian interests including intellectual property, and officials and influential people have become prime targets (PJCOIAS, 2018). The AISO described situations where influential people (politicians, business officials or intelligence officers) acted on behalf of foreign intelligence officers to obtain privilege and classified information, on a range of issues to gain an advantage (PJCOIAS, 2018).

The two bills were introduced with the intent of “counter[ing] the threat of foreign states exerting improper influence over our system of government and our political landscape” (Turnbull, 2017a). Both bills are a part of the Government’s Counter Foreign Interference Strategy which has four pillars:

sunlight, enforcement, deterrence, and capability (Turnbull, 2017a). The bills are supported by the AISO and the Director-General of Security (Turnbull, 2017a).

The Espionage and Foreign Interference Bill and the Foreign Influence Transparency Scheme Bill were part of a package consisting of three laws. The third law was *the Electoral Legislation Amendment (Electoral Funding and Disclosure Reform) Bill* (Douek, 2018). While all three bills have since been passed, each targets a different concern and collectively they strengthen transparency in Australian politics. To create a sense of urgency, the Attorney General warned about foreign agents who were “causing chaos in the contest of elections” and how the bills needed to be passed quickly, before the next election (Douek, 2018).

The Espionage and Foreign Interference Act amended the *Criminal Code Act 1995* by introducing espionage related offenses for foreign interference in Australian politics or the political process, sabotaging CI, theft of trade secrets, introducing new treasons offenses, and more (The HOR, 2018a). Under the new law, the maximum penalty is 20 years imprisonment if an act was conducted intentionally and 15 years if it was unintentional (Douek, 2018). The act makes it illegal to attempt to influence any Australian democratic right or political process in collaboration with or on behalf of a foreign principal (Douek, 2018). The bill contains new offences for spying and theft of trade secrets on behalf of a government.

The Foreign Influence Transparency Scheme Bill established a Foreign Influence Transparency Scheme that requires certain individuals “undertaking certain activities on behalf of a foreign principal” to register with the government (The HOR, 2018d). In addition, the registrants are required to disclose the nature of their work and relationship with the foreign actor (The HOR, 2018d). The Bill applies to foreign: governments, entities, political organisations, and any individual being directed by a foreign government (Walker, 2018). The purpose of the bill is to ensure visibility in both “the forms and sources of foreign influence in Australia’s federal government and political processes” (Australian Government, 2019).

The Attorney General's office has the ability to issue "transparency notices" which identify companies or individuals that are considered to be connected with a foreign government entity or individual (Australian Government, 2019). Those who are suspected of not complying can be issued a transparency notice which that requires the foreign principal to provide information to the Attorney General's office (Munro, 2018). The Australian Intelligence Agencies and the deputy secretary in Home Affairs will help identify cases that need to be investigated (Munro, 2018). The following acts will not be considered criminal if they are registered and opened: lobbying, communicating on behalf of a foreign government, disbursing funds (Munro, 2018).

When the *Foreign Influence Transparency Scheme Bill* was passed, a number of non-profits had concerns surrounding the bill. The concerns were over the fact that the transparency scheme was too broad, including the definition of foreign principle (Grattan, 2018). Charities, non-profits, the media, lawyers, etc. were concerned that they might be adversely affected by the law because of the broadness and therefore required to register (Grattan, 2018). Foreign principals became foreign governments, foreign government related entities, foreign political organisations, and foreign government-related individuals and "activity for the purpose of political or government influence" became "substantial purpose of the activity has to be political influence, rather than just 'a' purpose of it" (Grattan, 2018). In the end, more than 60 amendments, to combat concern, were agreed to, with bipartisan support, in a committee meeting (Grattan, 2018).

The Espionage and Foreign Interference and Foreign Influence Transparency Scheme Bills were both accused of being too broad and therefore, amended in committee to protect charities and religious groups (Scott, 2018). Both bills were drafted and passed with bipartisan support (Smyth, 2018a). The amendments were "rushed through parliament" before a scheduled special election in July of 2018 (Doeuk, 2018). The new bills were deemed to be "strong" and "critical" to combat the "growing and ever-changing threat" by Attorney General Christian Porter (Hutchens, 2018b).

The Reform Electoral Funding and Disclosure Reform Bill amended the *Commonwealth Electoral Act of 1918*. The outline of the bill states that integrity is key to Australia's electoral system, but the government has not "kept pace" with regulating political finance (The HOR, 2018b: 4). This bill is key in targeting the concerns that the AISO had over foreign donors and the issue of politicians not really knowing where their money was coming from.

The bill introduces a number of changes. The two most prominent being that it prohibits donations from foreign governments and SOEs and it establishes a registry for non-party political actors to report donations (The HOR, 2018c). The bill restricts all political parties and campaigners from receiving a donation valued at \$1,000 or more from a foreign donor and gifts over AU\$100 if they gift will be used for electoral expenditures (Australian Electoral Commission, 2019). The law applies to federal level elections, each state has different laws pertaining to foreign donations. New South Wales, Victoria, and Queensland all have restrictions on foreign donations at the state level while South Australia, Tasmania, Western Australia, Australian Capital Territory, and the Northern Territory do not have restrictions (Muller, 2018).

The Joint Standing Committee on Electoral Matters (JSCEM) offered recommendations concerning foreign donations including that: donation reform should be "transparent, clear, consistent, and enforceable" and "aligned with Australia's sovereign interests," political donations from foreign citizens and entities should be banned, and that penalties should increase for non-compliance (The HOR, 2018b: 4). Once the bill was proposed the JSCEM proposed further recommendations for the bill which the Senate passed amendments to address (The HOR, 2018b: 4). The bill builds upon the *Electoral and Other Legislation Amendment Act of 2017* in order to reduce foreign influence in Australian elections by restricting foreign money in electoral campaigns (The HOR, 2018b: 4).

Merriden Varrall, director of the East Asia programme at the Lowy Institute in Sydney stated that it is both public knowledge and a public secret that these new laws are directed at China (Power, 2018). The bills received backlash from the Chinese government including a statement by the Chinese Embassy

in Canberra after Turnbull stated that there were “disturbing reports about Chinese influence” (Needham and Wroe, 2017). The statement said that some politicians’ remarks were “irresponsible” saying that “stories about Chinese influence were 'made up out of thin air’” (Needham and Wroe, 2017).

Following the introduction of legislation that will ban foreign political donations and legislation that aims to limit attempts to influence Australian politics and society, threats came from Beijing that Turnbull needed to “feel the pain” for this legislation (Quackenbush, 2019). China further denied any allegations of political interference in Australia and China’s Ambassador to Australia, Cheng Jingye, stated that Australia was harbouring a “Cold War mentality” against China (Scott, 2018).

In March 2018, a group of scholars from China and the Chinese diaspora in Australia submitted a statement to Parliament (Concerned Scholars of China, 2018). The letter stated that the new laws would harm “scholarly contributions to the public debate” and that the claims of Chinese influence are not backed by evidence (Concerned Scholars of China, 2018). Instead, the pro-Beijing vs. pro-Australia debate is polarising and Australia is failing to accept mainstream viewpoints that are diverse (Concerned Scholars of China, 2018). Just because a Chinese scholar or individual supports a viewpoint, it does not mean that they are “speak[ing] on behalf of hostile foreign interests,” instead the debate is being harmed by sensationalising such rhetoric (Concerned Scholars of China, 2018).

A few days later, a response was written by scholars who are members of the Chinese diaspora. These scholars on China and China-Australia relations stated that the government should be concerned by CCP inference (Open letter respondents, 2018). The group encouraged the debate to remain fact-based instead of trying to bring racism into it, as the debate is not based on racism or sensationalised rhetoric (Open letter respondents, 2018).

5.3: Conclusion

Following the scandals involving Member of Parliament (MP) Dastyari, with Chinese businessman Huang surrounding large donations, as well as concerns based on donations from Chau; the Australian government was forced to

respond. *The Espionage and Foreign Interference Bill* and *the Foreign Influence and Transparency Scheme Bill* both passed the Australian Senate on 28 June 2018 (Collinson, 2018). *The Electoral Funding and Disclosure Reform Bill* passed in November 2018 (Douek, 2018).

The overhaul resulted in foreign donations being banned in Australian federal elections, a lobbying registry for all foreign entities being established, and additional offences established for spying or interfering in the Australian political process. Attorney General Christian Porter stated that these bills send strong messages “to those who seek to undermine us” and show that Australia is aware of their activities (Collinson, 2018).

6: Australia’s Growing Role in the Pacific

The Pacific Islands are at the forefront of "an emerging power struggle" as Australia and China fight for influence in the aid-dependent region (Hollingsworth, 2019). As China continues to grow economically, its geopolitical involvement in the Pacific and around the world has grown exponentially. Australia is again caught in a tricky position of trying to balance China (economic ally) and the U.S. (military ally), as China’s growing ambitions are on Australia’s “doorstep” in the Pacific. The region has been deemed Australia’s “part of the world” by the government with Australia having “special responsibilities” in the region (Morrison, 2018a).

China has been actively engaged and present in the Pacific for a “well documented” period, so why is Australia just now choosing to “step up” (Dayant and Pryke, 2018)? While an exact reason is not known it could be that China has empowered the region and Australia is trying to “get back into the game,” or the fact that China has been using its aid program to gain traction in the region (Dayant and Pryke, 2018). Rory Medcalf, of the Australian National University’s National Security College, attributed the change to China becoming “far more assertive, far more insensitive to the security anxieties of others” over the past 10 years (Wroe, 2017).

Former Army Chief, Peter Leahy, stated that he believes Australia was slow to see what China was doing and now it has realized that “China has gotten ahead of us” (Collinson, 2018). While PM Morrison stated that “Australia

cannot take its influence in the Southwest Pacific for granted. And sadly I think too often we have” (Morrison, 2018a).

Whatever the reason, Australia is actively trying to become more engaged in the region by targeting countries that have been subject or are in the process of being subject to Chinese influence.

6.1: China’s Involvement in the Pacific

Over the past two decades, China’s engagement in the Pacific has increased significantly. Since 2013, China has deepened its ties in the Pacific through developmental aid, investments, tourism, and trade (Meick et. al, 2018: 1). China holds first place, as the top trading partner throughout the region and the second largest investor and aid donor (Herr, 2019). Why is China investing in the Pacific? In addition to the concerns of China building bases in the South Pacific, six of the sixteen nations that recognise Taiwan are in the Pacific (Hollingsworth, 2019). Since Chinese investments have increased, PNG has "downgraded its diplomatic relations with Taiwan" and the Solomon Islands is expected to announce whether it will cut ties with Taiwan in upcoming months (Hollingsworth, 2019).

China’s engagement has become an issue of concern as reports of a military base, “debt traps, spy ships and ‘roads to nowhere,’” have risen in the media (Herr, 2019). Concetta Fierravanti-Wells, Australia's Minister for International Development and the South Pacific, blamed China for funding useless infrastructure (buildings and roads) that the islands could not repay (Hollingsworth, 2019; Bhaya, 2018). China responded by stating that her remarks were “full of prejudice and bias” (Hollingsworth, 2019). Some critics state that China’s aims are not a “friendly” or “trustworthy” form of soft power, but rather that China is aiming for “uncritical acceptance” of China’s goodwill through shared values with the ultimate goal being a realignment and a hegemonic China (Herr, 2019).

From June 2006 to 2016, the Lowy Institute found that China had invested over US\$1.78 billion dollars across 218 projects in the eight countries within the region (Brant et. al, 2016). The eight countries are: The Cook Islands, Federated States of Micronesia, Fiji, Niue, PNG, Samoa, Tonga, and Vanuatu

(Brant et. al, 2016) The “debt-trap” is a concern that China deliberately provided aid or loans to the above countries to create a dependency or “deliberate ensnarement” (Herr, 2019: 21). A number of the countries receiving this aid and loans are in debt to China, including Tonga, PNG, Vanuatu (Collinson, 2018). The PM of Tonga, Akilisi Pohiva, has expressed concerns that Tonga might default on its debt and has asked China to forgive their loans (Herr, 2019: 21).

China has become notorious for its territorial disputes and militarization of the SCS. As it stands a number of countries have overlapping territorial claims in the SCS including: Brunei, China, Malaysia, Philippines, Taiwan, and Vietnam (SCMP Reporter, 2019). The three major disputes are over the Paracel Islands, the Spratly Island, and the Scarborough Shoal all of which China claims sovereignty over (SCMP Reporter, 2019). China claims the entire Spratly Island chain and uses the nine-dash line as a basis for what it states is its claim in the sea (they claim most of the region) (SCMP Reporter, 2019). The nine-dash line is an imaginary line that China uses for its “historical” claim to around 90% of the disputed territory and waters (Zhen, 2016). The line first appeared in 1947 as an 11-dash line but two dashes were dropped in the 50s as a gesture for communist North Vietnam (Zhen, 2016).

The Philippines contested the nine-dash line at the Hague, arguing that the line exceeded the limits of entitlements under the UN Convention on the Law of the Sea (UNCLOS) (Zhen, 2016). In 2016, the International Tribunal at the Hague ruled that China has no “historic rights” to the sea and that rock outcrops could not be used for territorial claims (SCMP Reporter, 2019). Despite both China and the Philippines being signatories of UNCLOS, China ignored the ruling stating that it had “no binding force” (SCMP Reporter, 2019; Zhen, 2016).

Despite the disputes and other tensions between China and other countries over territory that were not mentioned, China has continued to militarize the SCS and artificially expand or create land to further its claims (Blackwill et. al, 2019). China has created 3,200 acres of new land in the Spratly Islands since 2013 (Blackwill et. al, 2019).

He Lei, a general in the PLA, stated that China was within its rights in the SCS when it deployed troops and weapons in the region (Chan, 2018). In addition to military exercises and missile tests, three of the most famous examples of China's militarization in the SCS are the: Fiery Cross Reef, Subi Reef, and Mischief Reef. All three of these reefs have the capacity to be used for military use with large runways, radar, communication facilities, sensors, and space for multiple combat aircrafts (Parameswaran, 2019). In January, it was reported that China would be constructing a new maritime rescue center on Fiery Cross Reef that would "protect navigation and transport safety" (Parameswaran, 2019).

In 2016, Chinese investments in the region were up 173% from 2014 totaling US\$2.8 billion (Meick et. al, 2018: 10). Around 70% of these investments were in PNG, an island country within close proximity of Australia (Meick et. al, 2018: 10). PNG has been an attractive target of China for a number of reasons: strategic location, resources (gas, mineral, untapped oil), being one of the largest nations in the Pacific and Australia's closest inhabited island, Saibai, is only 5 kilometers from PNG (McGregor, 2018).

In PNG alone, billions of dollars have been invested. Over US\$970 million in mining projects and in November 2017, the government approved projects by China Railway Groups, worth a reported US\$4.4 billion, to build roads, agricultural industrial parks, and to upgrade a water supply (Meick et. al, 2018: 10).

The investment that is the biggest concern to Australia however, is the Huawei deal awarded in October 2017 to build a national broadband transmission for PNG, via Indonesia (Meick et. al, 2018: 10). Nine months later, in July of 2017, it was announced that Huawei won a further contract to construct an undersea cable that connected the main islands of the Solomon Islands with further connectivity to Australia (Meick et. al, 2018: 10). The Solomon Islands cable installation was originally awarded to a British-American Company, however, the PM of the islands announced that Huawei would instead be awarded the contact (Meick et. al, 2018: 10). A committee in the Solomon Islands' parliament called for an inquiry into the rumor that the PM received a

US\$5 million political donation in exchange for awarding the contract to Huawei. Australia's concerns with Huawei building the cables are the same national security concerns that caused the FIRB to ban Huawei in Australia including: infiltration risks, intellectual property theft, and the potential for China "to shut down Australian networks in the event of a crisis" (Meick et. al, 2018: 10). Furthermore, Australia did not like the idea of China being involved in CNI in the Pacific (Meick et. al, 2018: 10).

An April 2018 article in the Sydney Morning Herald, further heightened concerns when it stated that "senior security officials" within the Australian government claimed that China and Vanuatu officials were in talks to build a Chinese military base in Vanuatu (Meick et. al, 2018: 6). This report came just a week after China committed to building government buildings, including a new residence for the PM, in Vanuatu (Wroe, 2018a). The report claimed that the planned base would be at Luganville Wharf, a Chinese-funded wharf that could dock "powerful warships" but Vanuatu denied these claims, stating that "no one in the Vanuatu government has ever talked about a Chinese military base in Vanuatu of any sort" (Meick et. al, 2018: 6; Wroe, 2018b) Despite both the Chinese and Vanuatu governments denying the base, the Luganville wharf has been referred to as a project with "stand-out... potential" for "dual use" (Wroe, 2018b).

In September 2018, tensions in the region continued to rise as the U.S. Freedom of Navigation exercise brought the USS Decatur within 45 yards of a People's Liberation Army (PLA) vessel near one of China's man-made military outposts in the Spratly Islands (Duncan, 2019). The PLA destroyer approached the USS Decatur in "an unsafe and unprofessional manoeuvre" according to a U.S. official (The Guardian, 2018). The encounter resulted in a month-long string of diplomatic hostility between Australia's top trading partner and Australia's top-security partner. Australia's Defense Minister, Christopher Pyne, came out in defence of the U.S. calling China's "use of intimidation or aggressive tactics as destabilising and potentially dangerous" and that the government has "consistently expressed concern over ongoing militarisation of the South China Sea" (Duncan, 2019; The Guardian, 2018).

6.2: Australia's Response

In November of 2017, Australia's Foreign Policy White Paper was released. As a result of stepping-up, engagement in the Pacific became one of the country's highest priorities (DFAT, 2018). The White Paper committed Australia to "a more ambitious and intensified engagement" in the region with a strategy that focused on stronger partnerships for economic growth and security and to create stronger relationships between Australians and people in the Pacific (DFAT, 2018). According to Foreign Minister Marise Payne, "stepping up in the Pacific" was "imperative" (DFAT, 2018).

6.2a: Stronger Economic Partnerships

Supporting infrastructure in the Pacific is one of the three areas of Australia's Pacific pivot. The aim is to help address the infrastructural needs of the nations through two major initiatives: the Australian Infrastructure Financing Facility for the Pacific (AIFFP) and providing additional "resources and powers" for the Export Finance and Insurance Corporation (Efic) which aids Pacific investments (DFAT, 2018). The AIFFP is an AU\$2 billion of grants and loans that will support the development of infrastructure in the Pacific (DFAT, 2018; DFAT, 2019a). The Department of Foreign Affairs and Trade (DFAT) and the Efic will work closely with their Pacific partners to determine high priority infrastructural needs including: telecommunications, transportation, water, energy, etc. (Department of Foreign Affairs, 2019). This allows Pacific Nations to turn to Australia for CI needs instead of to China.

In November 2018, Australia, the US, and Japan announced the Memorandum of Understanding, a trilateral partnership, that aims to "mobilise private capital" for infrastructural developments in the Indo-Pacific (DFAT, 2018). One day later, it was announced that Australia, Japan, New Zealand, and the US were all committed to the Papua New Guinea Electrification Partnership, which aims to provide 70% of PNG with electricity by 2030 (DFAT, 2018).

The Australian government has committed to other agreements to continue to strengthen economic partnerships in the Pacific. In 2018, Australia launched a pilot program called the Pacific Labour Scheme which aimed to meet rural business demands in the country by hiring workers from certain countries in

the Pacific (DFAT, 2018). By the end of the year, Australia announced that the program would be expanded to all Pacific island countries and there would be no labour caps (DFAT, 2018).

The PACER Plus agreement is a trade agreement signed by Australia, Cook Islands, Kiribati, Nauru, New Zealand, Niue, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu that aims to further integrate the economies in the Pacific to facilitate the “flow of goods, capital, and people across signatory countries” (DFAT, 2018). The program will also promote investments and provide a framework for Aid-to-trade assistance, helping to prevent reliance on Chinese concessionary loans that have resulted in debt for some of the islands (DFAT, 2018). Australia and New Zealand have already committed AU\$33 million for trade assistance (DFAT, 2018).

Between 2019-2020, Australia is expected to provide an estimated AU\$336.4 million in Developmental Assistance to the Pacific through the Pacific Regional Program (DFAT, 2019a). While Australia is focusing on the region as a whole (i.e., aid, diplomatic missions, investments), PNG is a key target area due to its proximity to Australia and concerns over the reported Chinese military base. The overview of Australia's aid program announced that the total aid budget for PNG in 2019-2020 is AU\$607.5 million (DFAT, 2019b).

6.2b: Stronger Security Partnerships

Australia has a keen interest in improving and strengthening security partnerships in the region. This is partially due to the 1951 ANZUS agreement that made Australia one of three countries responsible for ensuring the security of the Pacific. While the initial aim was to prevent the spread of communism, Australia has an interest in preserving security as a security crisis in the region could have adverse effects on Australia (i.e., refugees).

At the Pacific Islands Forum in September 2018, the Leaders adopted the Boe Declaration on Regional security which expands the traditional concept of security to include: human, cyber, and environmental (DFAT, 2018). The Declaration will establish the Australia Pacific Security College which will bring together officials from the countries and their agencies for “training and professional development opportunities” (DFAT, 2018).

In addition, a network of alumni will be established to encourage and facilitate cross-border collaboration (DFAT, 2018). The Pacific Fusion Centre is another initiative of the Declaration which will further facilitate information sharing and analysis throughout the Pacific to combat security challenges (DFAT, 2018).

In response to Australia's concerns surrounding the Chinese cables in PNG and the Solomon Islands, the Australian government announced, in November 2017, that it would fund an undersea telecommunications cable between PNG and Australia, and they were in talks to construct a similar cable between Australia and the Solomon Islands (Meick et. al, 2018: 10). The Coral Sea Cable System will be a submarine, telecommunications cable that connects Australia, the PNG, and the Solomon Islands, the bulk of which will be funded by the Australian Government (Reichert, 2018).

Also, in November 2017, the Quadrilateral Security Dialogue was renewed when officials from Australia, the U.S., India, and Japan met in the Philippines. Discussions concerning "increased prosperity and security in the Indo-Pacific" and keeping the Pacific "free and open" were held, according to the DFAT (Wroe, 2017). The meetings were seen as deepening co-operation to balance against China's expansion and were viewed by China as an effort by the four countries to limit its rise (Wroe, 2017).

While China was not expressly stated during the dialogue, upholding a rules-based order that includes a "respect for international law, freedom of navigation" which is associated with China's maritime activities, including the building of artificial islands, was mentioned (Wroe, 2017). A statement released following the dialogue mentioned the countries commitment to "continuing quadrilateral discussions" (Wroe, 2017). Medcalf stated that the talks could eventually lead to possible four-way maritime drills, surveillance, and information sharing between the countries (Wroe, 2017).

PM Turnbull announced in June of 2018 that Australia would invest in a joint drone surveillance program with the U.S. Navy for a price tag of AU\$7 billion (Collinson, 2018). The drones would perform reconnaissance and surveillance

throughout the Pacific, SCS, South East Asia, Antarctic, and the Indian Ocean for the countries and their allies (Collinson, 2018).

Following the rumors that China and Vanuatu were in talks to build a PRC military base on the island, PM Turnbull referred to Vanuatu as a key partner of Australia's when the Vanuatuan PM Charlot Salwai Tabimasmias visited Australia in June of 2018 (Collinson, 2018). The two countries announced that they intended to negotiate a bilateral security treaty between the countries and that Australia would increase educational funding in Vanuatu and strengthen the two countries cybersecurity partnership (Collinson, 2018).

In addition to Australia's past training of Vanuatu Police, the government announced that it would train 300 new Vanuatuan recruits (O'Keefe, 2019). In January of 2019, PM Morrison visited Vanuatu, marking the first visit by an Australian PM since 1990 (O'Keefe, 2019). During the visit, Morrison insisted that supporting the country's police and security would be key to ensuring "the stability of" the region (O'Keefe, 2019).

In 2018, following heightened concerns of Chinese activities in the Pacific, U.S. Vice President Mike Pence announced that Australia, the U.S., and PNG were partnering to develop and upgrade the dilapidated Lombrum military base on Manus Island (Dziedzic, 2018b). The deal would allow for Australian vessels to be permanently based at the new base (Dziedzic, 2018b). A few weeks after Pence made the announcement satellite data revealed that two Chinese research vessels were mapping waters near the base (Greene, 2019). While lawful, it was quickly noted that the mapping had dual-use (military and civilian) potential (Greene, 2019).

Australia and China were also locked in a bidding war to fund the Republic of Fiji Military Forces' Black Rock Camp in Nadi (Mudaliar, 2018). In August 2018, Australia received the winning bid because the Republic of Fiji Military Forces' stated that Australia's bid was more holistic while China's was a series of "bits and pieces" (Mudaliar, 2018). Both the Australian and Fijian governments have stated that Black Rock base will "act as 'regional hub for police and peacekeeping training and pre-deployment preparation'" (Mudaliar,

2018). Both Australia and China made donations to Fiji's Navy, China contributed a surveillance vessel and Australia a patrol boat (Mudaliar, 2018).

Australia has signed bilateral security partnerships with Tuvalu, Nauru, and PNG (DFAT, 2018). In conjunction with building the new telecommunication cable in the Solomon Islands connecting it with PNG and Australia, a bilateral security treaty was agreed upon between Australia and the Solomon Islands that committed AU\$2 billion to the Pacific Maritime Security Program and the creation of a Cyber Security Operations Centre (DFAT, 2018).

The program provides new patrol boats to 12 of the Pacific Island nations and funds aerial surveillance (O'Keefe, 2019). The Program is comprised of three main areas: "Pacific Patrol Boat replacement, integrated regional aerial surveillance, and efforts to strengthen regional coordination" (Department of Defence, 2018). The Program works to ensure that the Pacific Island countries can effectively collect, manage, and share security information, giving Australia intelligence sharing allies (Department of Defence, 2018).

Australia has also agreed to open five new diplomatic missions in the Pacific in the Cook Islands, French Polynesia, Niue, Palau, and the Republic of the Marshall Islands to ensure that all Members of the Pacific Forum have a diplomatic outlet (DFAT, 2018). Other initiatives include the Cyber Cooperation Partnership with the Pacific (strengthening cybercrime prevention), an annual Joint Heads of Pacific Security Forces event, a dedicated vessel to deliver support during humanitarian crises or disaster relief, the Forum Fisheries Agency (improve the management of fisheries), the Australian Defence Force Pacific Mobile Training Team (a permanent training force in the Pacific), and the Therapeutic Goods Administration's pharmaceutical assurance program to improve regional security (DFAT, 2018; Norman, 2018). While this section covers a number of initiatives by Australia, it is not extensive.

6.2c: Stronger People-to-People Links

The government recognizes that cultural connections through religion, sports, travel, etc. can be key to improving connections and relationships with the Pacific region. The final pillar that Australia is using to strengthen relations is

people-to-people links which focus on “social, educational and cultural links” in the Pacific (DFAT, 2018). In November 2018, PM Morrison announced that Australia would provide scholarships for Pacific students to come to Australia for secondary school (DFAT, 2018). The same package included the Australian Pacific Training Coalition which would increase vocational education and training scholarships and expanding teacher training which will expand to Fiji, Nauru, Tonga and Vanuatu in 2019 (DFAT, 2018). More than 9,300 Pacific Islander students have studied in Australia under an award scheme over the past 10 years, with 2,400 plus students receiving grants or scholarships since the New Colombo Plan launched in 2014 (DFAT, 2018).

Throughout 2017, the Turnbull government announced a number of new initiatives with the Pacific Islands. The Church Partnership Program with the Pacific creates links between churches in the region and Australia while the Australia Pacific sports linkages program offers grants to improve the link between the countries via sports (DFAT, 2018). The Pacific-Australia Card prioritises visa application processing to improve the travelling experiences of Pacific leaders (politicians, business(wo)men, and athletes) (DFAT, 2018).

The government also introduced the Pacific Research Program to research the Pacific in order to create better policies and programs in the region (DFAT, 2018). The Pacific Connect program was announced which aims to strengthen relationships between leaders in Australia and the Pacific across multiple sectors: public, private, and community (DFAT, 2018). It goes above initial connections to facilitate genuine, long-term relationships by “putting the 'right' people in the room to connect” (International Centre for Democratic Partnerships, 2017).

6.3: Conclusion

When announcing his Pivot to Asia, PM Scott Morrison, once accused of neglecting the Pacific Region, stated that Australia has an interest in making sure that the Southwest Pacific remains “secure strategically, stable economically and sovereign politically” (Norman, 2018). While Australia is now catching up, and it should have been engaged at an earlier stage, Morrison and former-PM Turnbull are keen on bringing the vulnerable,

isolated Pacific Island nations closer to Australia after concerns surrounding Chinese activities in the region. China has continued to have issues in the SCS with territorial disputes (including the escalated Scarborough Shoal), it has disregarded an international court ruling, increased aid and investments in the region (including the controversial debt trap), and the militarisation of the SCS, all of which have caused concerns to Australia.

As a response, Australia has increased its activities in the Pacific militarily, diplomatically, culturally, and economically to ensure a closer-link between Australia and countries in the region. Australia aims to show the Pacific countries that they are friends and that the government offers a more ideal package that is tailored to each country's needs. Over the next few years, billions of dollars will be invested in the region, diplomatic posts will be opened in every Pacific Island country, a military base will be revitalized, and a telecommunications cable (which Australia outbid China for) will be built. Each of these measures ensures a greater connection between the region and Australia and are key to Australia "stepping it up" when it comes to the Pacific to prevent the spread of Chinese influence.

7. Conclusion

In response to the research question, Australia has actively worked to limit Chinese influence in the country. The government has accomplished this, primarily over the past two years (2017-2019), with some measures dating back to 2009, through extensive legislative overhauls and other governmental measures which address influence economically, politically, and militarily.

Chinese investments in Australia have increased significantly over the past decade. The two countries' economies have become more linked as China has become Australia's top two-way trading partner and Chinese companies are investing heavily in Australia. Increased engagement between the two countries has resulted in influence concerns and public outcry that China is trying to influence everyday life in Australia and that China is moving closer to Australia and Australia's sphere of influence in the Pacific.

Following a series of high-profile investments in CI and the 99-year lease of Port Darwin, the government began to crack down on investments in Australia

that were deemed contrary to the country's national interest. This was achieved through the FIRB and bills passed through parliament.

Treasurer Swan released six guidelines for the FIRB that strengthened the review process and placed greater scrutiny on SOEs and foreign government ownership. The FIRB and the Treasurer made use of their ability to block investments to block deals such as the Rio Tinto mining deal, the Ausgrid electricity deal, the Huawei and ZTE 5G deals (among other blockings) all in the name of national security. This sent a clear message to Chinese investors that certain CNI would be subject to stricter scrutiny. Other deals that were accepted by the FIRB that included Chinese investors in CI were joint-ventures with Australia firms. This shows that Australia is not opposed to foreign ownership, only that it would prefer joint-ownership with an Australian company. A foreign investor is more likely to receive a greenlight from the FIRB if the deal is a joint-venture.

One of the key outcomes of the foreign investment legislative scheme was to strengthen the framework to protect Australian interests by increasing scrutiny and ensuring that more deals are subject to FIRB and Treasury review. This was accomplished by lowering investment thresholds which are subject to review and changing definitions of agricultural land to encompass any land that could reasonably be used for business production. *The Imposition Bill* imposes fees on all applications put forward for foreign investment approval, ensuring that the burden of the cost of foreign investments was not placed on Australians.

The series of bills, which were passed, established registries to keep track of foreign ownership of agricultural land and water holdings. Reports will be issued based on the data in the registry. The *Security of Critical Infrastructure Act* 2018 established a registry for all CI assets and allowed the government to inquire about any asset. This gives the government the ability to keep track of foreign ownership and ensure that assets are being properly maintained. The databases further provide transparency to citizens and allow them to have a better understanding of how far-reaching foreign ownership is.

The government further announced a new provision to encourage Australian ownership of agricultural land. The provision states that all agricultural land-sales must first be advertised and marketed to Australians for a period of at least 30-days before the land can be marketed to non-Australians. Keeping business, especially those that involve CI, in Australian hands has been important to recent governments. This can be seen by the FIRB blocking the foreign ownership of CI, FIRB approving deals that included Australian ownership (including previously rejected deals), and the laws aimed at favoring Australian ownership over foreign ownership.

As a result of public outcry, the Garnaut Dossier, concerns of “unprecedented influence” described by Australia’s intelligence agencies, and a political scandal connected to a Chinese political donor, the Australian government has reformed its system, passed legislation, and announced new initiatives to combat foreign political influence in the country. Australia passed these measures, despite close relations with China and the potential that China might retaliate against Australia. While China has verbally expressed anger with Australia, investments and trade continue between the two countries.

The Garnaut Dossier was the catalyst that the government needed to pass political influence reforms. Australia’s response to foreign influence and inference in domestic politics is on the forefront, as it was one of the first Western powers, and the first of the Five Eyes Intelligence network to pass extensive legislation to combat China and other foreign influence (Smyth, 2018a).

Australia’s legislative overhaul was the first extensive counter-intelligence overhaul since the 1970s and brought it into the 21st century to deal with emerging influence threats. Foreign donations over AU\$1000 were banned in Australian federal elections, a lobbying registry was established for all foreign entities, and additional offences for spying or interfering in the Australian political process were established including prison sentences. Then-PM Turnbull stated that it is important to “defend Australia’s sovereignty” and ensure that those making decisions for and influencing Australian politics “are Australian” (Smyth, 2018a). He further stated that foreign individuals or

powers who want to influence “Australian affairs, can do so... but they have to do it openly and transparently” (Smyth, 2018a). Before the legislative overhaul, Australia lacked the tools necessary to combat influence.

The Australian case has the unique opportunity to serve as a lesson or a potential model for other countries that are facing similar problems with Chinese influence in other parts of the world. The European Union is an attractive locale for Chinese investments which has also raised political influence concerns.

Countries such as Greece and Hungary, both recipients of Chinese investments have cases of politicians protecting the CCP in official EU statements, a result of increased investments (Gill and Schreer, 2018: 162). It is important to note that the EU has two systems of voting. A consensus-based system and a qualified-majority voting system. Countries like Greece and Hungary can attenuate language about China on consensus votes.

It is important to note that not all EU countries have the same economic situations. For example, Germany and France are stronger than Greece and Hungary. The Chinese invested in Greece when the country was failing, resulting in Greece’s relationship with China being different than Germany’s relationship with China.

Countries that have not taken measures to combat Chinese influence can learn from Australia, particularly through caution when dealing with FDI, while still maintaining a positive relationship with China (Manicom and O’Neill, 2010: 39). Some countries, however, are better suited to adopt comprehensive reforms, legislation, or implement measures like Australia. Australia is reliant on China, but China also heavily benefits from trade and relations with Australia. Weaker countries, such as Greece, do not have the same luxuries as the more powerful countries to implement as comprehensive reforms.

The Australia model is better suited toward strong democracies that are facing similar concerns including: the U.S., Canada, Germany, Sweden.³ A report issued by the Global Public Policy Institute and Merics recommended that the

³ For more information on Chinese Investments in Europe read Seaman et. al, 2017

EU bolster its investment screening tools, offer alternatives to Chinese investments, and increase transparency for actors engaged in the public debate (Benner et. al, 2018: 5). All of these concerns are addressed in the Australian model.

Fears are rising that Chinese investment is creating a politically dependent Europe, especially in Eastern and Southern Europe (Benner et. al, 2018: 14). Stronger, wealthier Europeans can enact similar policies (aid programs, exchanges, cultural connections) mimicking Australia's strategy in the Pacific to ensure that Chinese influence is stymied.

Australia sees the Pacific as a key area that is susceptible to Chinese influence. Australia has stepped-up initiatives to prevent Chinese influence from spreading. Australia, as part of ANZUS, sees itself as a country in charge of maintaining security in the region, but with China actively engaged that makes it more difficult.

China's increased engagement in the Pacific has resulted in PM Morrison prioritizing the region. One reason for this is that China is perceived to be intruding in Australia's "part of the world" (Morrison, 2018a). Australia's strategy is comprised of three main areas of improvement: economic, security, and cultural.

Australia will invest billions in the region, open diplomatic posts, build up its military base, and invest in infrastructure to ensure a close partnership with the region. In addition, Australia has signed and plans to sign additional bi-lateral security agreements with countries in the region, it will train police recruits in Vanuatu, and it will continue the Quadrilateral Security Dialogue with the U.S., Japan, and India.

The final pillar aims to strengthen links culturally, educationally, and socially. Australia intends to achieve this long-term goal with a program that will research the best policies and actions to connect the Pacific countries to Australia. Many other initiatives exist to strengthen ties, including prioritizing visas for Pacific Leaders, educational and vocational training scholarships, and sports and religious based programs.

As evidenced above, the Australian government's attempts to combat influence have been extensive. While on occasion, the country has received verbal backlash from China, the two countries continue to trade with one another, and they maintain diplomatic relations. Australia has passed these measures despite a close economic dependence on Chinese trade, indicating that other countries, in Europe and North America, facing similar influence concerns, can follow Australia's lead by passing and enacting measures aimed at combating foreign influence.

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Appendix

Appendix 1

Table 1: FIRB Deals 2010-2018

Years	Deals Accepted	Value of Deals Accepted	Deals Rejected
2010-2011	10,293	\$ 176.7 billion	43
2011-2012	10,703	\$ 170.7 billion	13
2012-2013	12,731	\$ 135.7 billion	0
2013-2014	24,102	\$ 167.4 billion	3
2014-2015	37,953	\$ 191.9 billion	0
2015-2016	37,953	\$ 247.9 billion	5
2016-2017	14,357	\$192.9 billion	3
2017-2018	11,855	\$163.1 billion	2

Sources: (Foreign Investment Review Board, 2014: 20-21; Foreign Investment Review Board, 2019b: 25-26)