

Media Roundup Issue 82 (28/07/18 – 03/08/18)

1. China: The real reason Australia's pumping cash into the Pacific?

28/07/18

John Powers

South China Morning Post

When the leaders of Australia, Papua New Guinea and the Solomon Islands this month signed off on a deal to link the three countries via an undersea internet cable, Canberra positioned itself as a thoughtful neighbour, eager to help developing nations in its own backyard.

“We spend billions of dollars a year on foreign aid and this is a very practical way of investing in the future economic growth of our neighbours in the Pacific,” said Australian Prime Minister Malcolm Turnbull, whose country is spending A\$137 million dollars – two-thirds of the project’s cost – to give the two countries access to reliable high-speed internet services for the first time.

But what Turnbull did not mention at the signing ceremony in Brisbane on July 11, when he was flanked by Solomon Islands Prime Minister Rick Houenipwela and Papua New Guinea Prime Minister Peter O’Neill, was that Australia has another, arguably deeper motivation for taking on the project: countering China’s growing influence in the region.

Read more: <https://www.scmp.com/week-asia/geopolitics/article/2157169/china-real-reason-australias-pumping-cash-pacific>

2. Post Trump, our Plan B needs to focus on China, India, Japan

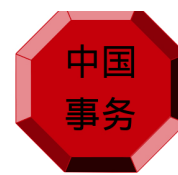
28/07/18

John McCarthy

The Australian

Donald Trump’s recent acts of political arson have left most in the international policy world reeling. They also may be sharpening Australia’s focus on how to deal with global and regional change.

When Trump was elected, the government and opposition realised we would be dealing with a different US president. Most did not like what they saw.



Nonetheless, neither main party was prepared to express doubt over US international commitments or to suggest it was no longer business as usual.

...

The need to regain equilibrium was implicit in a strongly reasoned paper last month by former ambassador to China Stephen FitzGerald and Linda Jakobson, head of think tank China Matters. The [paper](#) accepted that Australia should maintain robust domestic and international security policies. It also suggested that the government needed to develop a clear narrative on China that explained Beijing's objectives, including the positives and negatives for us.

Read more (Paywall): <https://www.theaustralian.com.au/news/inquirer/post-trump-our-plan-b-needs-to-focus-on-china-india-japan/news-story/87713488af448d8e24f49707911b05d4>

3. More engagement with ASEAN is Australia's best hedge in Asia

29/07/18

**Geoff Raby (China Matters Associate)
Australian Financial Review**

Australia's diplomacy in recent years can at best be described as underwhelming, if not at times inimical to Australia's national interests. In March, however, the presence of ASEAN Heads of Government in Australia, meeting at Prime Minister Turnbull's initiative, was an important event.

It is to be hoped that it will mark a return by Australia to its previous middle-power role in the Asia-Pacific region. In the past, Australia has led high-profile regional initiatives which have involved it working constructively and cooperatively with ASEAN states individually and collectively.

These have included the establishment of APEC, the creation of the APEC Summit, the Cambodian Peace Settlement and the Bali Process on People Smuggling. Each is a legacy of Australia's three recent "foreign-policy" Prime Ministers – Hawke, Keating and Howard. Prime Minister Turnbull now has the opportunity to establish his foreign-policy legacy.

Read more (Paywall): <https://www.afr.com/news/politics/world/more-engagement-with-asean-is-australias-best-hedge-in-asia-20180729-h139zg>



4. Islam's 'Dalai Lama' urges Australia to speak out against China's police state

29/07/18

David Wroe

Sydney Morning Herald

The world's leading activist for China's Muslim minority group has urged Australia not to let its economic relationship with Beijing get in the way of speaking out against the group's repression.

Exiled Uighur leader Rebiya Kadeer, who has been compared to Tibet's Dalai Lama, spoke after a United States diplomat told a watershed congressional hearing in Washington that the police state imposed on the ethnic minority in China's north-west was among the worst cases of repression now happening in the world.

Ms Kadeer, 71, told Fairfax Media that international concern about her people was growing - as shown by the Washington hearing chaired by top Republican and past presidential candidate Marco Rubio, who called for Washington to consider applying sanctions to Chinese officials.

Read more: <https://www.smh.com.au/politics/federal/islam-s-dalai-lama-urges-australia-to-speak-out-against-china-s-police-state-20180727-p4zu06.html>

5. Yuan's fall could drive Chinese property investment in Australia

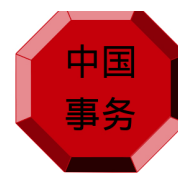
30/07/18

Elizabeth Redman

Australian Financial Review

The falling yuan could prompt Chinese nationals to invest more in offshore assets such as Australian real estate as a hedge against depreciation risk, according to international property website Juwai.com.

But there are hurdles for outbound investment, such as China's capital controls and Australian state and federal government taxes that discourage foreign purchasers.



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The Chinese currency has been falling against the US dollar and the Australian dollar amid an escalating trade war between the US and China, and the yuan may have further to fall.

"The desire to hedge depreciation risk is absolutely a driver of Chinese international property investment," Juwai.com chief executive Carrie Law said.

"Most of our buyers believe that the Chinese currency will be lower than it is today against the US dollar and other major currencies by the end of the year."

Read more (Paywall): <https://www.theaustralian.com.au/business/property/yuans-fall-could-drive-chinese-property-investment-in-australia/news-story/6bd0a2add2419102116710d761dfd300>

6. Australia, US and Japan sign regional pact

31/07/18

Daniel McCulloch

Herald Sun

Australia is forming a new infrastructure partnership with the United States and Japan, amid rising concerns of Chinese influence throughout the Indo-Pacific.

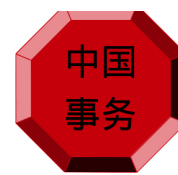
The trilateral pact promises to mobilise investment in projects that drive economic growth, create opportunities and foster a "free, open, inclusive and prosperous" region.

The agreement is in direct competition to China's 'One Belt, One Road' infrastructure initiative, and is widely seen as an attempt by the US to offer smaller nations an alternative to Beijing.

Without making specific reference to China, US Secretary of State Mike Pompeo said overnight the Trump administration was seeking "partners, not domination" in the Indo-Pacific.

Trade Minister Steve Ciobo denied the three-way initiative was a challenge to China, saying it only added to various regional programs already underway.

Read more (Paywall): <https://www.heraldsun.com.au/news/breaking-news/aust-us-japan-partners-for-indopacific/news-story/645aa8c37972d8f6f6a820d41ea6ba64>



7. China to send a frigate to Australia for military exercises

31/07/2018

Andrew Tillett

Australian Financial Review

A Chinese warship will take part in naval training drills off the coast of Darwin this year despite the prolonged tensions in the bilateral relationship between Beijing and Canberra.

The Australian Financial Review can reveal a Chinese frigate will participate in Exercise Kakadu in September, the Australian navy's major biennial series of war games that brings together fleets and thousands of personnel from Asia and Pacific nations.

Defence Minister Marise Payne confirmed China was among 27 nations invited to participate in the exercises.

"There are no plans for China to participate in live-fire activities. China is expected to participate in a range of activities including passage exercises, inter-ship communications and replenishment activities, and sea-training manoeuvres," Senator Payne said.

Read more (Paywall): <https://www.afr.com/news/china-to-send-a-frigate-to-australia-for-military-exercises-20180731-h13dec>

8. Defence plans to sell off mine-hunting fleet as China arms up

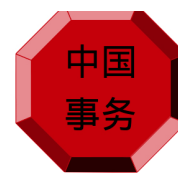
31/07/18

Rory Callinan

The Australian

A third of Australia's mine-hunting fleet has not left port for years and is to be sold off despite a massive build-up of mine-warfare capability by the Chinese, who have tens of thousands of the -devices that could cripple key ports and block vital sea lanes.

The sell-off has been condemned by a former senior mine-warfare commander who has warned that Australia's counter-mine capacity is untested and under strength.



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Last month, the Chinese navy conducted one of its largest mine-laying and counter-measures -exercises in the East China Sea involving just a fraction of its scores of ships, submarines and aircraft capable of laying mines.

The Australian navy boasts, as its key counter-mine warfare -assets, six Huon class mine--hunters that cost about \$1.2 billion in total and were expected to provide service into the early 2020s.

This week, the Defence Department confirmed two of the \$200 million ships had not left the docks at HMAS Waterhen naval base in Sydney for the past seven years.

Read more (Paywall): <https://www.theaustralian.com.au/national-affairs/defence/defence-plans-to-sell-off-minehunting-fleet-as-china-arms-up/news-story/a4613e78374f4dd7f0f28ed1dbf7e1c5>

9.The new US-Japan-Australia infrastructure fund

31/07/18

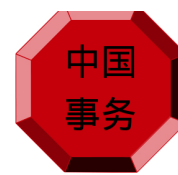
Jonathan Pryke and Richard McGregor
The Interpreter

Australian Foreign Minister Julie Bishop has announced a “trilateral partnership” for Australia, Japan, and the US for what is billed as “infrastructure investment in the Indo-Pacific”. In a speech in Washington, Secretary of State Mike Pompeo said the US had earmarked US \$113 million to spend on infrastructure in the Indo-Pacific.

Australia wasn't mentioned in his speech, and Japan has yet to announce anything at all, but we can presume this is one and the same initiative, with Bishop noting she looks forward to “formalising this trilateral partnership in due course”.

Despite neither Bishop nor Pompeo mentioning China, the proposal was immediately framed by commentators and the media as a counter to Beijing's Belt and Road Initiative (BRI).

For the three countries, this characterisation of their plan is as unsurprising as it is dangerous. Without significant resources behind it, the initiative runs the risk



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of looking like an attempt to challenge China, and falling well short in the process.

Read more: <https://www.lowyinstitute.org/the-interpreter/the-new-us-japan-australia-infrastructure-fund>

10. Why Australia wants to build its own 'Belt and Road' scheme with Japan and the US to rival China's investment

01/08/2018

Stephen Dziedzic

ABC News

Australia is teaming up the United States and Japan to set up a regional infrastructure scheme to rival China's massive Belt and Road Initiative.

Details are scant, and there are plenty of unanswered questions.

All three countries are signalling they want to offer countries in the region an alternative to Beijing. Dollar for dollar, Australia, the US and Japan do not have the capital to compete with the emerging superpower.

Still, if you're the leader of an infrastructure-hungry nation in South-East Asia or the Pacific, then life might soon become interesting. More countries might soon be knocking on your door with money in hand.

Read more: <http://www.abc.net.au/news/2018-07-31/australia-japan-us-alternative-to-china-belt-and-road-initiative/10055060>

11. Australia needs to keep its focus on expanding its China trade ties

01/08/2018

Glenda Korporaal

The Australian

This week's visit to Beijing by Britain's new Foreign Secretary, Jeremy Hunt, is a reminder to Australia of the intense competition for the Chinese trade dollar in a world of changing alliances.



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In his first major visit since taking the role on July 9 after the resignation of the outspoken Boris Johnson, Hunt's visit for the ninth China-UK strategic dialogue has included discussion on the potential signing of a free-trade deal following next year's Brexit.

While Australia's trade with China is still largely dominated by our resources — particularly iron ore, which makes up \$44 billion of our \$82bn in exports to China and is not something Britain could supply — Hunt's visit to China so early in his tenure is a sign of an evolving new world trade order.

Read more (Paywall): <https://www.theaustralian.com.au/business/opinion/australia-needs-to-keep-its-focus-on-expanding-its-china-trade-ties/news-story/4c56acb5ac4d8b4cca061666b176df2d>

12. Australia yet to strike deal with China for foreign minister's visit: sources

01/08/2018

Colin Packham

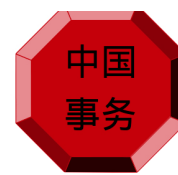
Reuters

A schedule for Australian Foreign Minister Julie Bishop to visit China has yet to be agreed, although dates were proposed more than two months ago, two sources said on Wednesday, an impasse in Canberra's efforts to repair strained relations.

Ties suffered in November 2017, after Prime Minister Malcolm Turnbull accused Beijing of meddling in Australia's affairs, and in May, when some Australian wines began to experience delays in clearing Chinese customs to enter their biggest market.

Late in May, Australia proposed dates for Bishop's travel as part of a series of meetings between the foreign ministers of the two countries held since 2014. A source aware of the protocol said talks over a visit would typically take "weeks", although a pact remains elusive.

"No agreement has been reached over dates, but they are confident that the meeting will proceed," said one source briefed on the matter by government officials, who declined to be identified as he was not permitted to speak to the media.



Read more: <https://www.reuters.com/article/us-australia-china-diplomacy/australia-yet-to-strike-deal-with-china-for-foreign-ministers-visit-sources-idUSKBN1KM4U3>

13. China urges Australia to spend 'real money' in Asia

02/08/18

Glenda Korporaal
The Australian

China has urged Australia, the US and Japan to invest “real money” in improving infrastructure in Asia, downplaying the size of the \$US113 million (\$153m) development program announced this week.

Australia signed up to the Indo-Pacific infrastructure investment partnership with the US and Japan this week insisting that it was not meant to challenge China’s huge \$900 billion Belt and Road Initiative (BRI).

China’s foreign affairs spokesman Geng Shuang reacted coolly to the proposal in Beijing yesterday, saying China was willing to work with “all relevant countries, including the US, to promote -regional economic growth, stability and prosperity” in the region.

But he played down the impact of the Australia-US-Japan infrastructure investment initiative that is seen in Beijing as a US-led public relations proposal to counter the impact of the BRI and its growing investment in ties with countries in the region.

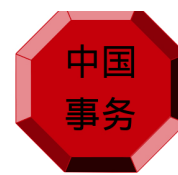
Read more (Paywall): <https://www.theaustralian.com.au/news/world/china-urges-australia-to-spend-real-money-in-asia/news-story/88b78b5485a238a97e0621594f23fdd8>

14. Australian trade surplus swells as China sucks up resources

02/08/18

Wayne Cole
Reuters

Australia’s trade surplus blew past expectations in June as exports to China boomed to their second highest on record, a sign the commodity-leveraged country was weathering the early stages of Sino-U.S. tariff hostilities.



A report on Thursday from the Australian Bureau of Statistics showed Australia's trade surplus swelled by 158 percent to A\$1.87 billion (\$1.38 billion), double the market forecast and the largest since May last year.

Exports climbed 2.6 percent on a pick-up in a broad range of goods from iron ore and gold to farm and manufactured items, the data showed. Imports fell 0.7 percent as a pullback in petrol outweighed strength in transport and telecoms equipment.

The windfall owed much to China, which has been hoovering up Australia's iron ore and coal output even as trade tensions with the United States have escalated.

Read more: <https://www.reuters.com/article/us-australia-economy-tradefigures/australian-trade-surplus-swells-as-china-sucks-up-resources-idUSKBN1KN0CS>

15. ASEAN might not be the way

02/08/18

Milton Osborne
The Interpreter

Former senior Australian diplomat Geoff Raby's substantial article written for the Asia Society and reproduced in the Australian Financial Review this week continues his "realist" approach to discussion of Australia's foreign policy choices. It's another piece that is bound to get attention – who can forget his earlier call for Foreign Minister Julie Bishop to be sacked?

Now Raby offers another set of proposals in relation to Southeast Asia that raise some interesting points about what matters as Australia copes with unprecedented challenges in the formulation of its foreign policy, at a time when China is growing in power and the future course of US policy is less clear than has been the case since the Second World War.

To quote one of Raby's prominent recommendations, "Collectively, ASEAN is the most obvious body with which Australia should engage on a China-hedging strategy". And he clarifies this observation by suggesting that Australia should "seek to strengthen and broaden each of our individual bilateral relationships across Southeast Asia as well as work with ASEAN collectively".



Read more: <https://www.lowyinstitute.org/the-interpreter/asean-might-not-be-way>

16. Planning Australia's Plan B: increasing defence spending will only provoke China

03/08/18

Mike Scrafton

The Strategist

Good policymaking, including strategic policymaking, requires a number of steps. There has to be an objective reason why the government should or shouldn't act. The options then need to be identified and assessed for efficacy, cost, risk and achievability and an evaluation strategy developed.

A number of recent posts advocating significant boosts to Australia's defence spending appear to miss some of these steps. Strategic policy formulation is different in important ways from most domestic policymaking. There's a long delay between deciding to acquire major capabilities and being able to field them, often decades.

That means the international environment into which they emerge could be fundamentally different from current circumstances or the anticipated future strategic situation.

Read more: <https://www.aspistrategist.org.au/planning-australias-plan-b-increasing-defence-spending-will-only-provoke-china/>