

Each week China Matters collates news items about the Australia-China relationship

## Media Roundup Issue 88 (08/09/18 – 14/09/18)

### 1. The complexities of cyber sovereignty in Chinese airlines over Australian skies

**08/09/18**

**Bang Xiao**  
**ABC News**

Recently on a trip to Shanghai, I was confused to find that as my plane lifted off Melbourne's Tullamarine tarmac, the internet services that I took for granted like Google, Facebook, and Twitter failed to load while WeChat and Weibo were still accessible.

I had been attempting to browse the internet on my China Eastern-Qantas codeshare flight with no success, before I realised the continuous buffering was not due to low signal.

Instead, I had somehow hit the Great Firewall of China while still in Australian airspace. This confused me because my flight — that I booked on the Qantas website — was listed with Wi-Fi services.

As someone born in China before the beginning of internet censorship in the mid '90s, and having become accustomed to unlimited internet access in Australia over the past decade, I felt uneasy about having to face 10 hours without internet — or more specifically, restricted internet.

*Read more: <http://www.abc.net.au/news/2018-09-08/i-confronted-the-great-firewall-of-china-in-australian-airspace/10159900>*

### 2. If China's on the rise, why do so many want out?

**09/09/18**  
**Bill Birtles**  
**ABC News**

For 33-year old Shanghai-resident Lucy Lu, it is her children's education that's driving her towards Australia.

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"I feel Chinese education doesn't let people breathe. The pressure is huge," she said. The mother of two, along with her husband, have employed a migration lawyer to plan a move to Australia, possibly to Melbourne.

They are attracted by the good environment, the more "laid-back" school culture and they have a relative who has lived in Australia for 20 years.

But they are also seeking respite from a country where tremendous economic progress has not always meant improvements in other areas. "Even though China's economy is very good, there are other aspects where we feel the flaws and holes are still quite large," Ms Lu said.

*Read more: <http://www.abc.net.au/news/2018-09-09/if-china-is-on-the-rise-why-do-many-want-to-leave/10214604>*

### 3. US soft power: Ex-CIA analyst Peter Mattis warns Australia about China's influence

**09/09/18**

**Angus Grigg**  
**Australian Financial Review**

The Trump administration may have become "crazy town", but the remaining adults showed Australia last week that no one does soft power quite like the Americans.

Whether you call it the deep state or "steady state", it's impressive to watch and is far superior to anything the challenger, China, has to offer. Last week's display came in the form of Peter Mattis, a former analyst at the Central Intelligence Agency, who was in Australia for a speaking tour.

He was brought out by the State Department to speak broadly around the topic of influence peddling by China's Communist Party. As you would expect, he's hardly sanguine about the threat and shared his views at a public lecture and in media interviews before holding a series of departmental briefings in Canberra this week.

*Read more (Paywall): <https://www.afr.com/news/world/asia/us-soft-power-excia-analyst-peter-mattis-warns-australia-about-chinas-influence-20180908-h154i4>*

### 4. China and Australia deepen Blockchain links

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**10/09/18**

**James Eyers**

**Australian Financial Review**

A group of Australian blockchain start-ups, including Labrys, Beam and AgriDigital, are in Shanghai this week, on a trade mission organised by Austrade and the Australian Digital Commerce Association.

Over the weekend, the entrepreneurs completed a boot camp run by members of the embassy, including a session on how to protect their intellectual property. On Monday, they visited several of China's largest fintech companies, including \$US150 billion-valued (\$211 billion) Ant Financial's Shanghai headquarters in the city's Pudong district.

China's fintech market towers over all others. Ant operates the world's largest online and mobile payments platform – with 520 million users. It has also been investing in blockchain, devoting part of its blockbuster \$US14 billion Series C funding round earlier this year to the new technology.

An example is the blockchain-based cross-border settlement service it launched in June to manage fund transfers between Hong Kong and the Philippines.

*Read more (Paywall): <https://www.afr.com/technology/china-and-australia-deepen-blockchain-links-20180905-h14ycd>*

## 5. Are we being played in the Pacific?

**10/09/18**

**Fergus Hanson**

**The Strategist**

If you were trying to design a low-cost strategy to constrict the operational horizon of an important US ally in the region, China's ploys in the Pacific wouldn't be a bad model to examine.

China has been talking a big game in the Pacific. It's been reported as looking to fund a major regional military base in Fiji and scoping Vanuatu for a military base of its own. And it apparently has plans to refurbish four ports in Papua New Guinea, including the strategically significant Manus Island.

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Over the decade 2006–2016, it has committed US\$1.8 billion in aid, and Chinese telco Huawei has sought to build undersea internet cables in the region. Australia's response has been frenzied, but perhaps not yet that strategic.

Our aid spending in the South Pacific has been hurriedly increased from A\$1.1 billion in 2017–18 to A\$1.3 billion in 2018–19, the 'highest ever contribution' we've made in the region. Australia had to outbid China for the Fiji base, investing a 'significant' figure.

*Read more:* <https://www.aspistrategist.org.au/are-we-being-played-in-the-pacific/>

## 6. Report reveals scale of China's human rights abuses of Uighur people

**10/09/18**

**Primrose Riordan**  
**The Australian**

A new report alleges human rights violations in China's Xinjiang are of a scale not seen since the Cultural Revolution and people are locked up simply for having relatives or friends living abroad.

The report also alleges ethnic minority Chinese nationals have been detained in political education centres in the region just for downloading apps such as WhatsApp or for using a Virtual Private Network — allowing one to cross the great firewall.

*The Australian* can also reveal new allegations that an Australian Uighur grandfather was detained for a night in Guangzhou airport earlier this year in a bare room without a bathroom on an attempt to visit his detained children.

The Human Rights Watch report interviewed 58 former residents of Xinjiang, including detainees of China's political education camps in the region and the findings back up a recent UN review which said as many as one million people from China's ethnic minorities may be detained in these facilities.

*Read more (Paywall):* <https://www.theaustralian.com.au/news/world/report-reveals-scale-of-chinas-human-rights-abuses-of-uighur-people/news-story/02ad4562d4703babcb9a4ea1de2af699>

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## 7. Australia-China relations: who's in the dark?

**11/09/18**

**Ron Huisken**

**The Strategist**

Not for the first time, Australia is wrestling with the stance it wants to (or needs to) adopt towards the People's Republic of China. Our economic wellbeing is more strongly linked to China than are most other economies in the world, and that link is stronger than it has been with our primary economic partners in the past—the UK and Japan.

Moreover, this correlation isn't going to weaken over the foreseeable future and, if it weakens too abruptly, the pain will be intense. For some time now, China has pressed us to translate this compelling economic association into something deeper at the political and societal level.

Australia's national interests point quite unambiguously to being proactive in seeking the closest and most constructive relationship with China that we can get.

Relationships of trust and confidence between states develop from openness and transparency (about feelings and interests, about assessments and evaluations of third parties and international events and developments, about decision-making processes and so on) and from both sides finding that reciprocity to be rewarding and reassuring.

*Read more: <https://www.aspistrategist.org.au/australia-china-relations-whos-in-the-dark/>*

## 8. 'Let me buy Rio Tinto': China's brazen bid to buy our companies

**11/09/18**

**Peter Hartcher**

**Sydney Morning Herald**

Within two days of being sworn in as the 38th Treasurer of Australia, Joe Hockey found himself in a traditional-style hut on the island of Bali. Chinese officials had been back and forth to the hut again and again to arrange to the last detail the meeting that Hockey was about to have with China's finance minister.



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But when Lou Jiwei entered, Hockey was utterly unprepared for his opening words.

Lou shook the Australian's hand, sat down, lit a cigarette without asking Hockey's permission and said: "Why won't you let me buy Rio Tinto?" the giant Anglo-Australian mining conglomerate.

It was Hockey's first meeting with his Chinese counterpart, once ranked by *Forbes* magazine as the 30th most powerful person on earth. Recovering from his surprise, Hockey replied: "That's fine - as long as you'll let Qantas buy China Southern", one of the Middle Kingdom's big three airlines.

*Read more: <https://www.smh.com.au/national/let-me-buy-rio-tinto-china-s-brazen-bid-to-buy-our-companies-20180910-p502rz.html>*

## 9. Uighur 'human rights crisis': Australia urged to impose sanctions on China

**12/09/18**

**Biwa Kwan**

**SBS News**

Australia is being urged to join the push for economic sanctions against China over the mass detention of Uighur Muslims in Xinjiang. Australia's Uighur diaspora has urged the government to follow the lead of US senators who called the treatment of the minority group a "human rights crisis".

In Australia's 2016 Census, 1,051 people identified "Uighur" as one of their ancestries, but estimates cited by the ABC this year say more than 3,000 Uighur Muslims now call Australia home.

Last month, a UN human rights panel said it had received credible reports up to one million Uyghurs may be held in detention, claims China dismissed.

Reports say the secret "internment camps" are designed to rid the Muslim Turkic minority of their devotion to Islam and swear loyalty to China's President Xi Jinping.

Nurmuhammad Tukistani from the East Turkistan Australian Association said the treatment of Uighurs by Chinese officials has taken a huge toll on the mental health of those in the local community.

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Read more: <https://www.sbs.com.au/news/uighur-human-rights-crisis-australia-urged-to-impose-sanctions-on-china>

## 10. Chinese video surveillance network used by the Australian Government

**12/09/18**

**Dylan Welch and Kyle Taylor**  
**ABC News**

They've been used to identify ethnic minorities and political dissidents in China, and were last month banned by the US due to concerns they were creating a "surveillance network" among federal agencies.

Now it appears a pair of Chinese video surveillance companies have become entrenched in Australia's government as well.

One camera was used to monitor security threats at a sensitive Australian military base. Another hangs outside the front entrance of the Canberra office complex that houses the Australian government's top lawyers, two federal departments focussed on national security and an Australian intelligence agency.

And then there are the hundreds of thousands of surveillance cameras in houses, on street corners, in local council offices, at schools and universities, on buses, in shopping centres and thousands of other public spaces across Australia.

Read more: <http://www.abc.net.au/news/2018-09-12/chinese-video-surveillance-network-used-by-australian-government/10212600>

## 11. Whacking the mole: how Australia scrambles to regulate Chinese technology

**12/09/18**

**Sarah Logan**  
**The Conversation**

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Did you ever go to your local show as a child? Remember that infuriating game where to win you had to hit every mole which popped its head out of a hole? I imagine Australia's government feels like it's playing whack-a-mole in regulating Chinese information and communications technology right now.

A clearer policy on regulating information and communications technology in the context of national security threats may help. Though in this version of the game, the stakes are rather higher than cheap toys at the local show.

Last month, the Australian government effectively banned Chinese companies Huawei and ZTE from tendering for our national 5G network.

This week, the ABC revealed a range of secure locations using surveillance equipment made by Chinese companies which are likely to be banned from providing such equipment to government in the US.

*Read more: <https://theconversation.com/whacking-the-mole-how-australia-scrambles-to-regulate-chinese-technology-103085>*

## 12. Prometheus bound: How China's power is constrained

**12/09/18**

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

The more Australia positions itself as if there is only a binary choice between US or Chinese hegemonic influence in the region, the more likely conflict becomes. The first step in a foreign policy reappraisal is to recognise that the World Order has changed and there is no returning to the status quo.

The New Order is of course still evolving, but the old one has gone. It is also important to understand the New Order is not to our liking: it is one in which the US is less engaged in providing leadership and where authoritarian states are more influential.

The New Order has rules, many of which are administered by UN functional agencies in Geneva, such as dealing with civil aviation, intellectual property, refugees, health or maritime affairs.

But there will also be new rules being made by newly emergent powers, mostly led by China, such as with the creation of the Asia Infrastructure Investment

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Bank. Australia needs to make itself an early participant in such processes so that we can help shape them to better accommodate our interests.

*Read more (Paywall): <https://www.afr.com/news/policy/foreign-affairs/prometheus-bound-how-chinas-power-is-constrained-20180912-h159py>*

### 13. CKI pipeline bid risks veto on national security grounds

**12/09/18**

**Phillip Coorey and Angela Macdonald-Smith**  
**Australian Financial Review**

A \$13 billion bid by Hong Kong's CK Group for Australia's east coast gas pipeline network has been cleared by the competition watchdog but faces stiff opposition from all levels of federal government on national security grounds.

With the bid needing the approval of the Foreign Investment Review Board, senior sources told *The Australian Financial Review* that the government's initial disposition was to block the bid although no decision had yet been made.

"We have serious concerns about it," said a senior source familiar with the issue. The government is also mindful that blocking the bid would further infuriate Beijing, which was angry over the decision last month to veto Chinese telco Huawei from playing any part in Australia's new 5G network.

The proposed Cheung Kong Infrastructure bid for pipeline company APA Group, which would give it control of almost 60 per cent of Australia's pipelines, also faces stiff resistance from Coalition backbenchers.

*Read more (Paywall): <https://www.afr.com/news/cki-pipeline-bid-risks-veto-on-national-security-grounds-20180911-h159ar>*

### 14. Proposed China tax changes alarm Australian business

**12/09/18**

**Phillip Coorey and Angela Macdonald-Smith**  
**Australian Financial Review**

Proposed changes to China's taxation system which will make it easier to tax foreign employees' offshore income have alarmed Australian businesses

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operating in the world's second-largest economy. They warn the reforms will make it harder to attract talented executives to the country.

Under new personal income tax laws, Australians and other foreigners working in China for more than six months of the year could have to pay tax on offshore earnings such as rental income and investments.

The proposed new rules are part of a wider revamp of China's taxation system to bring the country's regulations in line with international standards. They remove tax breaks for expatriates introduced decades ago when the country was desperate for foreign talent as the economy opened up.

"In the past China had an open door policy. China wanted to encourage people to come and work here. Now they are starting to align these things back to international standards," Stephanie Liu, a partner at Azure Group, which advises Australian firms in China, said.

*Read more (Paywall): <https://www.afr.com/news/cki-pipeline-bid-risks-veto-on-national-security-ground-20180911-h159ar>*

## 15. Huawei or another: Chinese firm may still be involved in 5G

**13/09/18**

**Jennifer Duke**  
**Sydney Morning Herald**

There is widespread confusion about how the government's ban on Chinese-based telcos from participating in the high-speed mobile network will affect some providers, with at least one major mobile supplier considering using Huawei for parts of its 5G network build.

The next generation of mobile networks, 5G, is expected to initially build onto pre-existing 4G and 4G LTE technology, with some telcos looking to use new antennas attached to these legacy networks in the early stages of a 5G rollout. Vodafone and Optus both use Huawei equipment as part of their current 4G mobile networks, while Telstra's network is largely built with equipment from Swedish company Ericsson.

However, a recent ban by the federal government on security grounds excluding companies like Huawei from participating in building 5G has led to confusion

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from some telcos about how they should treat their current networks when it comes to future expansion.

One major mobile player does not believe there would be any requirement to remove Huawei equipment from its 4G network as it moves into 5G, while another is “uncertain”.

*Read more: <https://www.smh.com.au/business/companies/huawei-or-another-chinese-firm-may-still-be-involved-in-5g-20180912-p503bt.html>*

## 16. Huawei and the ambiguity of China's intelligence and counter-espionage laws

**13/09/18**

**Samantha Hoffman and Elsa Kania**  
**The Strategist**

Since late August, Chinese telecom firm Huawei, along with another Chinese telecom, ZTE, has been banned from providing 5G equipment to Australia. The Australian government didn't directly name the companies, but said that 'the involvement of vendors who are likely to be subject to extrajudicial directions from a foreign government that conflict with Australian law, may risk failure by the carrier to adequately protect a 5G network from unauthorised access or interference'.

Huawei later issued a statement, saying that:

"Chinese law does not grant government the authority to compel telecommunications firms to install backdoors or listening devices, or engage in any behaviour that might compromise the telecommunications equipment of other nations."

A mistaken and narrow understanding of Chinese law should not serve as the basis for concerns about Huawei's business. Huawei has never been asked to engage in intelligence work on behalf of any government."

The problem is, Huawei's claim doesn't respond adequately to the evidence-based scepticism on which the Australian government based its decision.

*Read more: <https://www.aspistrategist.org.au/huawei-and-the-ambiguity-of-chinas-intelligence-and-counter-espionage-laws/>*

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## 17. FIRB decision on APA could feed broader geopolitical tensions

**13/09/18**

**Tony Boyd**

**Australian Financial Review**

If Hong Kong-based CK Group's \$13 billion bid for APA Group is knocked back on national interest grounds, it will be hard to separate the decision from the rising geopolitical tensions between China and the United States.

A negative decision by Treasurer Josh Frydenberg, based on advice from the Foreign Investment Review Board, will inevitably be seen through the prism of US attempts to force China to open its markets.

A prohibition on the APA pipelines deal will confirm the view held by strategic analysts that Hong Kong-domiciled public companies are, in effect, under Chinese government influence.

This suggestion is anathema to CK Group and its advisers. They argue that Hong Kong's public companies are as free from government control and influence as those on the ASX.

*Read more (Paywall): <https://www.afr.com/brand/chanticleer/firb-decision-on-apa-could-feed-broader-geopolitical-tensions-20180913-h15bn0>*

## 18. China-Australia collaboration wins international award

**13/09/18**

**Xinhua**

The Torch Innovation Precinct at Australia's University of New South Wales (UNSW), which is based on a Chinese model, has taken out a top international education award for best Public/Private Partnership at a ceremony in London last week.

The PIEoneer Awards honour innovation and achievements in international education and has recognised the collaboration between UNSW and China's Ministry of Science and Technology, as being highly beneficial to all involved.

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UNSW's Torch Innovation Precinct, which launched in 2016 and is the first of its kind outside of China, provides a means by which researchers can connect more quickly and efficiently with organizations interested in their work.

Director of the Knowledge Exchange in the Division of Enterprise at UNSW, Warrick Dawson, told Xinhua "In Australia we've had a long history of being excellent at creating new knowledge but not so good at translating it."

*Read more: [http://www.xinhuanet.com/english/2018-09/13/c\\_137465171.htm](http://www.xinhuanet.com/english/2018-09/13/c_137465171.htm)*

## 19. Labor calls for increased pressure on China over alleged mass detention of Uighur Muslims

**13/09/18**

**Jack Kilbride**  
**ABC News**

The Labor Party has called on the Morrison Government to increase pressure on China over the reported mass detention of Uighur Muslims.

The comments came as United States Republicans called on the Trump administration to broaden sanctions on China to include entities involved in the situation in the Xinjiang Uighur Autonomous Region.

The global human rights community have expressed grave concern about the existence of "re-education camps" in China's far-western Xinjiang province.

In her first comments to media on the issue earlier this week, Foreign Affairs Minister Marise Payne said the Government had raised concerns with China about the situation in Xinjiang.

*Read more: <http://www.abc.net.au/news/2018-09-13/labor-calls-on-government-to-pressure-china-on-uighur-muslims/10240446>*

## 20. Bernadi wants Chinese student snitchers expelled

**14/09/18**

**Michael Owen**  
**The Australian**

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A “snitching scandal” involving Chinese students at the University of Adelaide highlights a threat of Chinese communist infiltration, Australian Conservatives senator Cory Bernardi says.

The South Australian senator yesterday called on the university to conduct a thorough investigation, and for any international students found to be “dobbing in fellow nationals” to the Chinese embassy for participating in democracy to be suspended or -expelled.

“Chinese Communist Party influence is reaching into our education system through so-called ‘Confucius’ Institutes, -affecting our young people’s lives on campus, reaching into business dealings and ultimately corrupting our politics,” Senator Bernardi said.

*Read more (Paywall): <https://www.theaustralian.com.au/higher-education/bernardi-wants-chinese-student-snitchers-expelled/news-story/b6c6f0c9091f5beff9d75b4739bb0a84>*

## 21. Frank Lowy speech: Chaos, Trump and China ‘risk our values’

**14/09/18**

**Damon Kitney**  
**The Australian**

“Unacceptable” political instability, the rise of China and threats to our alliance with the US caused by having a US President who is a “friend of authoritarians” risk -undermining Australia’s democratic values, business legend Frank Lowy says.

In an address last night to the Lowy Institute in Sydney, the foreign policy think tank he founded 15 years ago, Sir Frank warned that Australia too often sold “itself short” on the international stage.

He urged the federal government to stand its ground against China’s advance in Asia and embrace its historic alliance with the US, despite the challenges of working with Donald Trump’s -administration.

Sir Frank, who survived the Holocaust and fought in the Israeli War of Independence before -moving to Australia and building a multi-billion-dollar shopping-centre empire, said he had long -admired Australia’s parliamentary system. “But having five prime ministers in five years is not -acceptable,” he said

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in what is expected to be one of his final major speeches in his celebrated career.

*Read more (Paywall):* <https://www.theaustralian.com.au/business/frank-lowy-speech-chaos-trump-and-china-risk-our-values/news-story/c965aa60a8324f587a0288ec0787e783>