

# Australia: Relations with China behind defence minister scandal

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The furore that has enveloped Australian Defence Minister Joel Fitzgibbon over his friendship with a Chinese-Australian woman has brought into the open a conflict within ruling circles over the consequences of Australia's rapidly expanding financial and commercial relations with China.

On March 26, the Fairfax-owned *Sydney Morning Herald* and Melbourne *Age* published front-page claims that Defence Department officials had conducted a secret investigation into relations between Fitzgibbon and Helen Liu, a wealthy businesswoman with multi-million dollar property investments in both countries. The information was allegedly leaked to the newspapers from within the Defence Department.

In the course of the investigation, the newspapers' sources claimed that an officer of the Defence Signals Directorate (DSD)—a spying agency responsible for monitoring foreign communications—illegally hacked into Fitzgibbon's personal computer where they located Ms. Liu's banking details. Defence department officials allegedly presented information to their superiors that Liu had made sizeable donations to the Labor Party; that Fitzgibbon rented a Canberra property from Liu; and that he had received expensive gifts from her. The higher ranks, however, took no further action.

Fairfax journalists spoke to Fitzgibbon before publishing the story, and asked him whether he had received any gifts that should have been declared to parliament. He replied "no". Publicly responding to the articles that day, he declared his family and Liu's had been "personal friends" since at least 1993. He stressed that he rented the property from her at normal market rates. In response to the journalists' allegations of illegal monitoring by DSD, the Defence Department ordered an inquiry.

The issue gained additional heat later that evening, when Fitzgibbon revealed he had failed to disclose that Ms Liu paid for two trips that he took with her to China, one in 2002 and another in 2005.

Fitzgibbon's staff indicated to the press that the leaks were part of an effort to discredit the minister, and that they stemmed, above all, from tensions inside Defence over the Labor government's

attempt to restructure its notoriously inefficient bureaucracy. The minister, a source claimed, was "at war" with the department.

Since taking over the ministry in November 2007, Fitzgibbon has directed several inquiries into the functioning of the Defence Department. A major review into purchases and other spending, released last September, criticised the department's "behaviours and culture" and highlighted its staggeringly inaccurate cost estimates. Twenty-five projects approved since 2000, for example, had blown out to \$29 billion from initial estimates of \$16.5 billion.

Earlier last month, Fitzgibbon had publicly labelled the department "incompetent" over a mix-up in which special force troops on duty in Afghanistan were overpaid and subsequently forced to repay the money, without the minister's knowledge.

Fitzgibbon's personality may well have aggrieved certain bureaucrats and Labor's agenda will have certainly alienated defence contracting interests, who stand to lose significant amounts of money. The government wants to slash \$1 billion from recurrent defence spending and may scale back several big ticket purchases that had been approved by the former conservative government of John Howard.

Nevertheless, departmental grievances do not explain the focus on Fitzgibbon's relations with Liu. If the minister were eventually forced to resign over the perks he received from his rich friend, this would in no way alter Labor's policies. Nor do they explain the alleged involvement of the DSD, an organisation with close links to the US National Security Agency (NSA) and Central Intelligence Agency (CIA). [See: Australian military intelligence agency emerges in "Fitzgibbon affair"]

A critical factor in the entire affair is its timing. The Fitzgibbon "scandal" has erupted just as the minister's department is in the throes of finalising a new Defence White Paper, which will set out the strategic and defence environment in the Asia-Pacific region during the next 20 years. One of the key factors under consideration is the rise of China as an economic, political and military power in the region, and the associated decline in the influence of the United States.

In a major speech delivered last September, Rudd hinted that a

theme of the White Paper will be that Australia cannot continue to depend upon its post-war alliance with the US to the same extent that it has since World War II. Australia would need to "seek security dialogue" with China, he declared, and defined the country's regional role as trying to prevent "competition and tension overriding cooperation". In other words, Canberra would no longer necessarily act as an obedient and unquestioning US ally, but would concentrate on neutralising potential conflicts between the region's two major powers.

The obvious flaw in such a "neutral" strategy is that Australian capitalism is becoming ever more economically dependent upon China. China is now the country's fastest growing trading partner and most obvious source of investment capital. The concern among sections of the Australian establishment—and also in Washington—is that Chinese economic clout will ultimately translate into overriding political and strategic influence.

The Liberal opposition party has given vent to these concerns in its response to the Fitzgibbon affair. Their attacks have centred, not on the possibility of corruption, but on charges that Labor has already become too close, or even beholden, to the Chinese regime.

Last Thursday, shadow treasurer Joe Hockey attacked Labor Prime Minister Kevin Rudd over a secret meeting he held on March 19 with a senior Chinese official, Li Changchun, two days before a trip to the United States. Hockey declared: "We discover that Kevin Rudd had a meeting with the Chinese propaganda minister and didn't tell the Australian media. I mean, what's going on?"

Later, Hockey also raised suspicions over the extent of Chinese purchases of Australian treasury bonds, which are being used to finance a growing budget deficit, and over recently announced Chinese investment plans. "The Australian government is borrowing \$500 million a week from the Chinese government," he thundered. "We also have major new interests from China in [mining giant] Rio Tinto and other minerals' companies. What's going on?"

The next day, opposition leader Malcolm Turnbull directly implied Fitzgibbon's paid trips could be connected to purchases that Chinese consortiums were seeking to make.

Turnbull asked: "They are very substantial gifts. What were the trips about? Who did he meet with? What was the agenda? None of these things have been explained. China has a vested interest in acquiring our natural resources at low prices.... [T]he relations of our senior ministers with China should always be openly and transparently disclosed. And Mr Fitzgibbon has not done that so the question is what else has been going on. What else haven't we been told?"

In the same interview, Turnbull denounced Rudd for acting like a "roving ambassador for the People's Republic of China" by

advocating that Beijing should be given far more influence within the International Monetary Fund (IMF).

Further reports on Helen Liu and her close ties to Fitzgibbon have documented her access to senior figures within the Chinese government, including the foreign minister and serving provincial governors, as well as former presidents and premiers. Others have highlighted her membership of committees close to the Peoples Liberation Army and organisations that agitate for the return of Taiwan to mainland rule.

Labor has clearly been rattled by the campaign. Attorney-General Robert McClelland made the unusual step of revealing that the main spy agency, the Australian Secret Intelligence Organisation (ASIO), had informed him that it had no information indicating Helen Liu was a security risk.

While government ministers have accused the opposition of making racist appeals and promoting conspiracy theories, they have also stressed their "independence" from China. On March 28, Labor Treasurer Wayne Swan announced he was blocking the proposed \$2.6 billion purchase of mining company OzMetals by Chinese firm Minmetals on national security grounds. He said his decision was based on the fact that one of the mines operated by OzMetals was too close to the Australian military facility at Woomera.

On March 31, Trade Minister Simon Crean, in Beijing for talks on the terms of a potential free trade agreement, declared that "at no stage have we been handmaidens to the Chinese" and insisted that no pact would be signed without major concessions from China.

The "Fitzgibbon affair" may well be a calculated warning to the Rudd government that it should not go too far in its reconsideration of Australian foreign policy. The incident points to the type of political realignments that could emerge in the Asia-Pacific, as the rise of China and the decline of US imperialism produce ever-greater tensions. The nightmare scenario for the Australian ruling elite is that, at some stage, it will be confronted with having to make a choice between its economic lifeline in China and its strategic alliance with the world's dominant military power, the United States.



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