US-China tensions expose rifts in Australian ruling circles

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Intensifying US economic, diplomatic and military pressure on China, and the Chinese regime's counter-offensive, are fuelling rifts inside Australia's government and the corporate and political establishment as a whole.

The Trump administration is threatening a trade war against China, while accusing Beijing of militarising the South China Sea and seeking to coerce North Korea into a deal that would endanger China's strategic interests. Under these conditions, the US military-intelligence apparatus is reinforcing its insistence that there must be no wavering by Australia from lining up against China, its biggest export market.

Renewed accusations of "Chinese interference" in Australia are being promoted in the media, to try to poison public opinion against China. These are in preparation for potential military conflict and to hit back against voices of concern in ruling circles about the impact on the multi-billion dollar profits at stake for Australian capitalism.

Washington's push produced extraordinary scenes in Australia's parliament this week. First, on Tuesday, the chairman of the joint parliamentary intelligence and security committee, Andrew Hastie, a Liberal-National Coalition government backbencher, threw what the media called a "grenade" into recent government efforts to overcome a chill in relations with China.

Hastie, an ex-SAS military commander, used parliamentary privilege to accuse a prominent Chinese-Australian billionaire, Chau Chak Wing, of having "co-conspired" to bribe the president of the United Nations General Assembly, John Ashe, in 2013. Chau, whom Hastie declared had "extensive contacts in the Chinese Communist Party," became an Australian citizen about 20 years ago and conducts business, mainly real estate dealings, in both countries.

Hastie cited a briefing he received when he recently led a delegation to the United States to discuss the Australian government's "foreign interference" bills, which particularly target China and Chinese Australians. During his speech, Hastie tabled sealed US FBI documents.

By using parliamentary privilege, Hastie cut across defamation proceedings that Chau is taking against the Australian Broadcasting Corporation and Fairfax Media for previously reporting the unproven claims against him. Hastie also launched another broadside against "Chinese interference," citing, as examples, Chau's donations of $4 million to the Liberal-National and Labor parties, and $45 million to universities, since 2004.

Hastie delivered his bombshell with the support of Labor MP Anthony Byrne, who is the deputy chair of the intelligence and security committee. Byrne gave leave to Hastie to table US documents in parliament, saying: "Leave is most definitely granted in support of my friend and colleague."

Questioned in parliament the next day, however, Prime Minister Malcolm Turnbull insisted he knew nothing about Hastie's speech until after it was delivered. If that is true, Hastie and his backers secretly worked behind Turnbull's back to strike a blow at recent government attempts to mend fences with Beijing.

Turnbull next told parliament that the US briefing, which he said was attended by at least one Labor MP—was not classified. Asked whether he had "sought information from our intelligence agencies about the implications of publicly sharing the details of an FBI investigation," Turnbull simply said "yes."

Earlier in the week, Foreign Minister Julie Bishop requested a meeting with Chinese Foreign Minister Wang Yi on the margins of a G20 gathering in Argentina. Bishop sought to end an apparent Chinese freeze on ministerial contacts between the two countries.

Bishop said her discussion with Wang was "very warm and candid and constructive," but a Chinese foreign ministry spokesman provided a more frank assessment on Tuesday. He said Wang "stressed that if Australia sincerely hopes that the relations between the two countries could return to the right track" then "it must break away from its traditional thinking" and "take off its tinted glasses to look at China's development from a more positive angle."

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The next day, an editorial in the *Global Times*, state-owned publication, called for trade retaliation against Australia. "Sino-Australia relations have remained on a steady downward slope since last year due to distorted reporting on behalf of Australian media and remarks made by Australian politicians on China's alleged interference and infiltration in Australian internal affairs," it said.

"China should not be too hasty about burying the hatchet simply every time Canberra puts on a smile.… Last year, Australia exported $76.45 billion in goods to China. Lowering Aussie exports by $6.45 billion would send cold chills up and down the spine of Australia. Of course, it would be an even greater shock if the import reductions totaled $10 billion."

A speech by Australian Reserve Bank Governor Philip Lowe on Wednesday displayed the concerns gripping sections of big business about the potential economic damage. Lowe said "Australia's deepening economic relationship with China" meant "both countries have a strong interest in managing this important relationship well."

Making an indirect criticism of Trump's protectionism, the central bank chief said: "Together, we can also be a strong voice for the importance of an open international trading system and for effective regional cooperation."

Lowe said the Chinese economy, the world's second largest, was on track to become twice as large as the US economy when China's per-person income reached half of that in the US—"something which should be achievable." He noted that China accounted for one-third of Australia's exports and about 25 percent of inbound tourism expenditure, and Chinese student enrolments in Australia had doubled to nearly 200,000 during the past decade.

Lowe highlighted Australian capitalism's vulnerability to a US-China trade war. "Among the largest economic risks that Australia faces is something going wrong in China," he said. "And perhaps the single biggest risk to the Chinese economy at the moment lies in the financial sector and the big run up in debt there over the past decade."

Significantly, Lowe delivered his remarks to the Australia-China Relations Institute at the University of Technology Sydney, which has a building named after Chau Chak Wing, a major donor.

The institute is headed by former Australian foreign minister Bob Carr, who was branded "Beijing Bob" by a recent book, *Silent Invasion*, which provocatively accused Beijing of plotting to take over Australia. The author, Greens member Clive Hamilton, damned Carr for urging the US to accommodate to China's rise.

Hamilton also travelled to Washington this year, where he testified to a congressional committee on the alleged threat of Chinese influence in Australia, which the US political and security apparatus regards as a key testing ground for the battle to retain US hegemony over the Indo-Pacific. In his book, Hamilton fed efforts to create a wartime-like atmosphere, suggesting that a US-led war would be the only means of preventing China conquering Australia.

Yesterday, Hamilton was again featured in the media, exploiting Hastie's speech to reiterate his claims and demand that the University of Sydney hand back a $15 million donation from Chau for a museum and study centre.

Labor MP Byrne's role in assisting Hastie's tabling of FBI files highlights the Labor Party's alignment behind Washington. Labor leader Bill Shorten initially expressed concerns that Hastie had violated US secrecy rules. In parliament, he asked Turnbull whether Hastie had provided details from "a confidential briefing" from US authorities.

However, Hastie was soon praised by other Labor MPs. Defence spokesman Richard Marles said Hastie's speech showed "how important it is that we get our foreign interference laws passed."

Likewise, the shadow attorney-general Mark Dreyfus denied there were any fractures within the security and intelligence committee, whose report on the legislation is overdue. He said Labor was "working constructively with government members" of the committee on the bills "and will continue to do so."

These bills not only target China. They constitute a far-reaching attack on freedom of speech, especially anti-war opposition, including by outlawing political activity in cooperation with foreign or international organisations. These extraordinary, chilling measures are bound up with Australia's ever-closer integration into the US military preparations for war against China.

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