China Down Under: Beijing’s Gains and Setback in Australia and New Zealand

by Richard McGregor

Australia and New Zealand have emerged in recent years as frontlines in clashes between the West and China. In some respects, the two countries make for unlikely combatants. Both economies are heavily trade-dependent, have long looked to Asia to do business, and have enjoyed a boom in commercial ties with China over the past two decades. But both countries, to differing degrees, along with other robust democratic cultures willing to criticize undemocratic practices, have a deep ambivalence about Beijing’s growing political and security role in the region. The true test of their resolve will come when there will be a substantial economic price for challenging China. For Beijing, the two countries are valuable economic partners but, particularly in the case of Australia, troublesome politically.

In April 2019, a Chinese coal industry official surprised participants at a Beijing conference normally devoted to business issues by openly attacking Australia. “You can’t earn Chinese money and then politically make irresponsible comments about China and become unfriendly,” Cui Pijiang, director of the China Coking Industry Association, said. “This is something the Chinese government can’t tolerate.” At the time of the conference, the unloading of Australian coal at Chinese ports had already been delayed for months, giving rise to speculation that Beijing was leveraging trade resources for political advantage during a period of bilateral tensions. Chinese foreign ministry officials had carefully avoided linking the delays to politics, and when pressed by reporters they placed the blame for the delays on the quality of Australian coal. The Australian government had been cautious in its public statements, initially uncertain as to whether the delays were the result of a depletion of coal inventories that were a regular feature of the Chinese market. But the comments by the industry official confirmed that China was using its economic relationship with Australia to put pressure on Canberra. Although no surprise, it was a concrete sign to Australia that relations with Beijing were moving to a new phase, with valuable trade ties increasingly and openly, being tied to Beijing’s political objectives. For New Zealand, it was a taste of what might lay ahead, should their bilateral ties further deteriorate.

Australia and New Zealand are part of the West’s exclusive intelligence-sharing club, the “Five Eyes,” along with the US, the UK, and Canada. But their relations with China have long been distinct from those of the other Western countries. They are both Western nations in the Asia-Pacific region, physically isolated from the geographic power centres of the US and Europe. Their economic ties with Asia have run far deeper and for longer than those of the other Western countries, with both nations hitching a ride on the successive Asian economic booms since the late 1950s and 1960s, the biggest of all which has taken place in China since the turn of the century.

Additionally, the ways the two countries interact commercially with China is distinct. Their companies, by and large, do business with China rather than in China. Put another way, they have invested little on the ground in the mainland, unlike the American, European, and Japanese multinationals. Rather, they have prospered by selling bulk commodities, such as iron ore (Australia) and milk powder (New Zealand), directly to Chinese customers, and they have encountered fewer of the market access and IP theft problems than the other developed economies. New Zealand was the first developed country to sign, in April 2008, a free-trade
agreement with China. Australia signed its own agreement in November 2014. Fee-paying students and tourists from China have also become important contributors to their respective economies.

Australia and New Zealand differ from each other in significant ways. Australia has always been a closer partner with the US politically—in the intelligence sphere and militarily, whereas New Zealand split from the ANZUS security alliance with the US and Australia in the 1980s over the issue of nuclear weapons. To a degree, Australia looks more to Asia; New Zealand focuses on the Pacific. New Zealanders also grate at the notion that they might follow the lead of “big brother” Australia in foreign policy. But the two countries’ similarities remain striking. Nowhere is this more evident than in their populations. The Anglo-Celtic settler roots in both countries are being transformed by immigration from Asia, especially from China, which is an important factor in the current conflict.

There are also striking similarities and key differences, in how Canberra’s and Wellington’s relations with Beijing have become strained. In both countries, academics, government advisers, intelligence officials, MPs, and the media have directly opposed what they see as interference in domestic politics by Chinese Communist Party–aligned community organizations and by Chinese assertive behavior in the South China Sea and elsewhere in the world. Both countries have resisted pressure from Beijing to allow Huawei, the Chinese telecommunications giant, to build their next-generation 5G mobile networks. And in both countries, the business communities have been aghast at the political infighting over China-related issues and critical of their own governments.

From a Chinese perspective, the two countries have long been valuable economic partners while at the time representing potential political opportunities. For China’s industrial modernization, Australia has been an invaluable and reliable supplier of raw materials, just as it was for Asia’s other tigers. Likewise, New Zealand has been an important source of safe foodstuffs, especially dairy products. But China has always had an eye on the political advantage of pulling them away from their traditional allies and partners. After a Chinese diplomat, Chen Yonglin, sought political asylum in Sydney in 2005, he reported that Hu Jintao had outlined a plan to make Australia part of China’s “Grand Border Strategy” to obtain natural resources and to “turn Australia into a second France, that dares to say “no” to America.”2 Similar sentiments have been expressed regarding New Zealand.

**Australia’s Fight**

In Australia, the divisions with China have been more visceral and have reached higher levels in the political system than those in New Zealand. Malcolm Turnbull, who was prime minister from 2015 to 2018, criticized China by name for interfering in Australian politics. In 2018, Australia passed laws ordering agents of foreign governments to register their overseas affiliations and sources of support, banned political donations from foreigners, and expanded the definition of espionage. In contrast, New Zealand has only discussed similar measures, without acting. Jacinda Ardern, New Zealand’s Prime Minister, like her predecessor, John Key, has determinedly steered clear of direct criticism of Beijing.

Australia’s relations with China began their downward spiral in 2016. In the past, Canberra often had to manage tensions with Beijing over Taiwan, Tibet, and the US alliance and defense policy. In 2009, to Beijing’s annoyance, a defence white paper produced under then prime minister Kevin Rudd focused on the strategic implications of China’s rise. A Chinese speaker and long-time student of the country’s politics, Rudd’s experience with the Chinese Communist Party made him a hard-headed interlocutor for Beijing. But it was not until
Malcolm Turnbull took over leadership of the conservative Liberal Party, and with this the position of prime minister, that relations with Beijing reached a tipping point.

A banker and businessman before becoming a politician, Turnbull was an unlikely China combatant. He had always been more captured by the opportunity China offered than by any threat the country may have posed. In speeches in 2011, he struck a sceptical note about the inevitability of conflict between China and the West. He emphasized the need for balance between Beijing and Washington and argued against a defense strategy based on the possibility of a naval war with China in the South China Sea. “It makes no sense for America, or its allies, to base long-term strategic policy on the contentious proposition that we are on an inevitable collision course with a militarily aggressive China,” he said. In Washington, on the basis of such comments, Turnbull was tagged a Panda hugger in hawkish circles. In office, however, Turnbull’s views changed as he became disillusioned about China’s protestsations of goodwill in foreign policy and its hardball tactics in bilateral disputes.

Over the course of 2016 and 2017, a cascade of issues forced into the open what until then had largely been a subterranean debate about China’s rise. A new defence white paper in February 2016, mentioned a “rules-based order” fifty-six times, a barely coded criticism of China’s ambitions to eventually displace the US-led system in the region. Australia angered Beijing by supporting the decision of the international tribunal in The Hague in July of that year, that backed Manila in its rejection of China’s expansive sovereignty claims in waters off the Philippines. In March 2017, Australian senators refused to support an extradition treaty with China, forcing the government to withdraw the legislation. That debate prompted one of Beijing’s more brazen interventions in domestic politics. Several weeks after the Senate debate, Meng Jianzhu, who at the time headed the CCP’s Politics and Law Commission, lobbied the Labor Party to support the treaty. In a private meeting in Sydney, according to a leaked account of the encounter, Meng said that it would be “a shame if Chinese government representatives had to tell the Chinese community in Australia that Labor did not support the relationship between Australia and China.”

Later in 2017, Turnbull and Foreign Minister Julie Bishop made speeches at separate forums in Singapore, both of which China perceived as pointedly critical. Bishop remarked that democracy and democratic institutions were “essential” if nations were to reach their potential. Turnbull warned Beijing about adopting a “coercive” foreign policy in the region and alienating its neighbors. “Such a dark view of our future would see China isolating those who stand in opposition to or are not aligned with its interests, while using its economic largesse to reward those toeing the line,” he said.

But no issue grabbed political center stage more than the debate over China’s influence and interference operations. The CCP, under the banner of the United Front Work Department, has both an overt and covert program to win over, or at least to neutralize, non-party community leaders and entities. In the past, most of the focus of such work was on Taiwan, Hong Kong, and the diaspora communities in Southeast Asia. Countries such as Australia and New Zealand, where mass immigration and students from China, as opposed to from elsewhere in Asia, are relatively recent, have become new battlefronts. One of the problems of debating such issues is widespread ignorance about the Chinese political system, which means nearly every conversation about how the system works requires a dose of adult education. It is also difficult to define the often covert influence and interference operations undertaken by the Chinese party-state, and then to distinguish them from the kind of ordinary diplomacy in which every country engages.
In Australia, the story had a villain who allowed the press to bring an otherwise obscure issue to life. Sam Dastyari, a young, Iranian-born Labor Party senator from New South Wales, was forced to resign his parliamentary committee positions after it was revealed he had taken money from Chinese donors for personal legal expenses. Over a period of months, a series of related revelations forced him also to resign from Parliament. Most of the stories on this issue focused on his relationship with Huang Xiangmo, a Chinese citizen with permanent residence in Australia. With Huang at his side at a press conference, Dastyari contradicted his party’s policy on the South China Sea. Dastyari later warned Huang that his mobile phone was being tapped by Australia’s domestic security services. In late 2018, the Australian government revoked Huang’s residency rights while he was in Hong Kong.

There have been multiple domestic and diplomatic pitfalls in taking on China. Australia is a modern multicultural country with deep xenophobic roots, making it perilous for a political leader to single out one specific ethnic group. Between 5 and 10 percent of Australians have some Chinese ancestry, and Mandarin is the second most common language in the country that is spoken at home. Beijing has long had many vocal supporters in the local business community and at universities, which are increasingly reliant on business from China. They have always been highly critical of the government’s handling of the issue. Jamie Packer, one of the country’s richest men, said that Australia should be more “grateful” to China for its purchases of commodities, as if Beijing were doing Canberra a favor by trading with it. (Australia runs a substantial trade surplus with China.) In the midst of the bilateral blow-up in 2018, vice-chancellor of Sydney University, Michael Spence, accused Canberra, and by extension Turnbull, of “Sinophobic blatherings.”

During the bitter debate about China, bipartisanship over foreign policy threatened to crack. The government was often poorly disciplined as it struggled to strike a consistent tone, thereby making its job even harder. Turnbull came under particular criticism for appropriating, in both English and Mandarin, the famous phrase attributed to Mao Zedong on the establishment of the People’s Republic of China in 1949. In justifying his government’s foreign interference laws, Turnbull said: “The Australian people have stood up.” His use of the phrase attracted scorn from Rudd, with whom he had had a personal falling out. “[Turnbull] seems to think it’s a smart thing to then publicly punch the Chinese in the face, which is what he did with his extraordinarily ridiculous statement.”

In the end, Turnbull pushed through new legislation setting up a registry for agents of foreign governments, banning foreign political donations, and pushing local organizations under the sway of outsiders to show their hand. These laws give the authorities tools to force above ground any covert activism on behalf of Beijing, which in the long run will be healthy for Australian democracy. But building a new capability to deter foreign interference came at a cost. Bilateral relations soured, a process that was cemented by Turnbull’s decision in 2018 to ban Huawei from building new mobile networks in Australia.

China on Canberra

Although Beijing has long accepted Australia’s security treaty with Washington, during times of diplomatic stress, the Chinese have targeted the alliance on and off for years. In the mid-1990s, for example, the People’s Daily, the party’s official mouthpiece, referred to Australia and Japan as America’s “crab claws” in the region, gripping Beijing and holding it down. But China’s invectives toward Australia, both in official statements and the party-controlled press, have never been as pointed and prolonged as they have been in recent years. China’s comments have ranged from criticizing Australia as a lackey of Washington to being
ungrateful for the bountiful trade relationship. Occasionally, the Chinese have blamed Australian criticism on racism.

During the talks over the FTA between China and Australia, and subsequent to its signing in 2015, Chinese scholars were cautiously optimistic that the two countries could maintain a stable relationship and manage geopolitical tensions. Wu Xinbo of Fudan University, while noting that Australia had supported the Obama administration’s rebalancing toward Asia and had condemned Beijing’s establishment an air defense identification zone (ADIZ) in the East China Sea, suggested Canberra’s economic ties with China would temper its strategic voice. “Generally speaking, Australia will not take the initiative to challenge China's major interests,” he wrote. Writing a year later in the Global Times, Wu Zhenglong similarly hoped that the FTA would draw the countries closer together. But Wu also offered a realistic perspective on the US-Australia alliance. “It is one of the important cornerstones of Australia's foreign policy,” he said. “From a practical perspective, Australia cannot be expected to weaken this relationship.”

Such forbearance disappeared once the China debate heated up in Australia. Criticism of Australia came from all quarters, the official and semi-official media, the latter in the form of the party’s tabloid attack dog, the Global Times, from scholars and from government officials, from the foreign minister down. Government-to-government contacts were frozen in 2017. During this period, Foreign Minister Julie Bishop, did not visit China for two years. When she was able to meet Wang Yi on the sidelines of the G20 in Argentina in May 2017, both sides gave jarringly different accounts of the encounter. Ms. Bishop said the meeting had been “very warm and candid and constructive.” The Chinese version described it as anything but warm, calling on Australia to “take off its biased, colored glasses” and to return the relationship “to the right track.”

The Chinese embassy in Canberra was even more direct in its criticism, unusually so for a diplomatic mission. The embassy said in a statement that the allegations in Australia about influence and interference operations were “made up out of thin air and filled with a cold war mentality and ideological bias.” The statement said many media reports “not only made unjustifiable accusations against the Chinese government, but also unscrupulously vilified Chinese students as well as the Chinese community in Australia with racial prejudice, which in turn has tarnished Australia's reputation as a multicultural society.” In December 2017, the Global Times reported that an online poll had ranked Australia as the country least friendly to China during that year. Yu Lei, a research fellow at the Oceania Research Center of Sun Yat-sen University, told the paper: “In Chinese culture, treachery is really despised, and this is a key reason why Australia received the most votes.”

Throughout, in both public and in private, the Chinese have maintained that the deterioration in bilateral ties is all Australia’s fault. They blame the megaphone-nature of the Australian debate about influence and interference operations, critical statements about the South China Sea, and the exclusion of Huawei from the 5G mobile network. The Australian government has also sanctioned numerous anti-dumping actions, despite Canberra recognizing China as a market economy, another irritant in bilateral ties.

The fact that Beijing might have changed has not factored into any public assessment in China of the downturn and is rarely considered seriously even in private by the Chinese. Yet during the past decade, China has adopted a more assertive policy, most prominently by militarizing man-made islands in the South China Sea and aggressively challenging foreign navies in the region, even those that do not sail within its territorial waters. On top of that, the
fact that Beijing might not only countenance the Chinese community in Australia to work on its behalf but actively encourage it to do so is brushed aside, even though such activities are part of the standard CCP playbook.

But Beijing has not only been angry at Canberra because of the damage to bilateral relations. According to several diplomats, Beijing has also accused Australia of urging other countries to also re-examine and rethink their China policies, in effect attempting to build a global coalition that can consult on how to handle the rising superpower. Australia, for example, was the first country to keep Huawei out of its 5G telecommunications network. Beijing has long feared that other countries might follow Canberra’s lead. Official contacts have now been restored but as underscored by the delays in early 2019 at China’s coal ports, in due course Beijing is likely to impose some financial sanctions against Australia.

New Zealand and China

In New Zealand, the debate over Chinese influence in local politics was also sparked by a ready-made controversy. Like Australia, the debate featured dogged critics of the party-state, a scandal over political donations, and an intelligence community willing to go public with concerns about Chinese interference in New Zealand’s domestic affairs.

In September 2017, the Financial Times reported that Jian Yang, a China-born MP for New Zealand’s ruling National Party, had spent more than a decade teaching at elite facilities, including China’s top linguistics academy for military intelligence officers. Yang had emigrated to New Zealand in 1999 and entered Parliament in 2014. During his time in Parliament, Yang was a major fundraiser and he consistently pushed for both closer ties with Beijing and for policies and positions that echoed those of the CCP. “If you define those cadets, or students, as spies, yes, then I was teaching spies,” he said after his previous affiliations were revealed. Yang claimed he had always been open about his past. However, when applying for New Zealand citizenship, it was revealed that he had not disclosed his links to military intelligence. The National Party defended Yang and he remains in Parliament. Still, the idea that someone who had once trained Chinese intelligence officers should hold a pivotal position in the national parliament was an eye-opening moment for many New Zealanders.

Around the same time, Anne-Marie Brady, a Sinologist at the University of Canterbury in Christchurch, published an article about China’s influence operations. Entitled “Magic Weapons,” it gave intellectual ballast to the debate over the Yang case. Brady was a highly credentialed scholar and a tenacious advocate for her research, often to the discomfort of her government. Her views took on a higher profile after her home and office were burglarized and her car was tampered with. Despite police investigations, no culprits were ever apprehended. Brady had little doubt that the incidents were designed to intimidate her. “I am being watched,” she said. She also reported that her associates in China had been visited by security officials. A Chinese–New Zealand Labour MP, Raymond Huo, initially voted to block Brady from giving evidence to a parliamentary committee looking into foreign influence in elections. He reversed his decision after a public outcry, blaming the delay on procedural issues.

Like Australia, New Zealand also has had its own scandal about political donations. Simon Bridges, the leader of the opposition National Party, was taped by a disgruntled colleague when discussing donations from businessman Zhang Yikun. The discussion focused on the issue of how the Chinese community was keen to get its members into Parliament. Bridges memorably ranked Chinese donors as being more valuable than those from other migrant communities. “Two Chinese are better than two Indians,” he said. Zhang, who had served in
the PLA before moving to New Zealand in 2017, was reported to maintain close links with CCP organizations. “Time to face up to the rot at the heart of our democracy and break the hold of corrosive outside money: Reform electoral finance,” Brady tweeted in response to the scandal. An official statement from Beijing’s embassy rejected any claims that China was interfering in New Zealand’s domestic politics.

China has also been a source of tension at the top of the government in Wellington. Jacinda Ardern became prime minister in 2017 as the head of a minority Labor-led government, in coalition with Winston Peters of the New Zealand First Party. However, their approaches to China have often diverged. While Ardern has been cautious and reluctant to engage in public controversy, Peters has openly pushed for a tougher line toward Beijing. In a December 2018 speech in Washington, Peters said New Zealand was “unashamedly [asking] the United States to engage more [in the Pacific] and we think it is in your vital interests to do so.” In a pointed reference to Beijing, Peters added that time was “of the essence” as “larger players are renewing their interest in the Pacific with an attendant level of strategic competition.”

Given the way that New Zealand had often distanced itself from Washington over past decades, this was a significant entreaty. The Peters speech was reportedly not cleared with his prime minister.

The coalition government, under pressure from the US and Australia, knocked back an application from the provider, Spark, for Huawei to build the country’s 5G network. In a statement to the stock exchange, Spark said it had been advised using Huawei equipment would raise “significant national security risks.” The intelligence services have also warned against possible foreign interference in New Zealand’s elections. However, during a trip to China in late March, Ardern denied that Wellington had banned Huawei, saying it was “just not true,” leaving open the suggestion that the issue could be revisited.

In Beijing, Ardern refused to publicly criticize Beijing over its mass internment of Muslim Uighurs in western China. Only a week earlier, she had donned a hijab in solidarity with the victims of the slaughter of Muslims in a Christchurch mosque by an Australian white supremacist.

Ardern herself comes firmly out of the tradition in New Zealand politics that is sceptical of US power. In the words of one commentator: “New Zealand’s growing alignment with a faux Cold War posture runs against the tradition of foreign policy autonomy that Labour-led governments have cherished in recent decades. The South Pacific angle could easily upset New Zealand’s normal view that the last thing it needs is intensified great power competition in its immediate region.”

**China on Wellington**

Beijing has worked hard to peel New Zealand away from both the West and from Australia. Chinese diplomats, in addressing local business leaders and government officials in New Zealand and Australia, have commented on how well, compared to Canberra, Wellington has handled its relations with Beijing. Professor Brady said that during Premier Li Keqiang’s visit to New Zealand in March 2017 Chinese officials were overheard comparing relations with New Zealand to those Beijing enjoyed with Albania in the early 1960s. It was, as she said, a “telling and startling” analogy, as Albania famously split from the Soviet Union during this period to side with Beijing against Moscow.

Beijing has not been shy about publicly criticizing New Zealand over Huawei and the South China Sea. In early 2019, when New Zealand was debating Huawei and foreign interference, Chinese Foreign Ministry officials questioned the safety of Chinese tourists. The *Global Times* put the issue more bluntly, saying “some Chinese tourists are considering dumping their plans to travel to New Zealand this year as a way to punish the country.”
press reports caused huge consternation in New Zealand which was not used to being in the crosshairs of the region’s emerging superpower.

**Conclusion**

Beijing remains hopeful that New Zealand will, in some form, accept Huawei into its 5G network. Not only would that be a win for Huawei, it would also isolate Australia. Having successfully split Europe on issues like 5G and the Belt and Road Initiative, to be able to divide the trans-Tasman cousins would be a great victory for China.

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