

# Submission to the Senate Committee on Defence, Foreign Affairs and Trade, Inquiry into Australia's Foreign Relations (State and Territory Arrangements) Bill 2020

12 October 2020

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## 1. Introduction

1.1 Why is Australia's Foreign Relations (State and Territory Arrangements) Bill 2020 deemed necessary now rather than ten or perhaps thirty years ago? The reason is simply that until recently it has not been evident that a foreign state has been building relationships with subnational governments and with universities as a means of influencing or interfering in Australia's foreign policy and shaping the national conversation in ways more favourable to the foreign state. Interference by the People's Republic of China is rife in Australia and includes a divide-and-conquer strategy exploiting the federal system of government and using universities to build its "discourse power".<sup>2</sup> These are elements of the systematic, coordinated and well-resourced campaign by the Chinese Communist Party to extend its influence into the major institutions of democracy in Australia.

1.2 As long as subnational governments and universities continue to live in a state of innocence, they will remain easy targets for the CCP's influence campaign. Once they understand that they face new risks from foreign interference then they have a simple but powerful means of responding—*due diligence*. Proper due diligence carried out on potential foreign partners will tell them what they need to know and how to proceed. Because of the opacity of China's regulatory, judicial and financial systems, the severe limits on its media, and deliberate government obfuscation, carrying out due diligence on Chinese entities is unusually difficult compared with almost any other country.

1.3 Subnational governments and universities in Australia are not equipped to do proper due diligence on Chinese entities. When they emerge from their state of innocence, they will see the new law not as a regulatory burden but as a framework in which they can cooperate with the federal government to carry out due diligence on their foreign partners. Commonwealth expertise and resources will be devoted to assisting entities lacking the skills or resources to evaluate foreign partners. The government has already allocated \$25 million over the next two years to carry out this work, and more will undoubtedly follow. Working with the Commonwealth in this way will give subnational governments and universities the confidence that they are not exposing themselves to foreign influence risks or linking

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<sup>2</sup> 'Discourse power', or *huayuquan*, is a CCP term that refers to the ability to set the agenda and steer the direction of public discourse. A leading Chinese scholar, Xiang Debao, has written that through the Belt and Road Initiative China "is exercising its international communication and international discourse power". On these themes, see Clive Hamilton and Mareike Ohlberg, *Hidden Hand: Exposing How the Chinese Communist Party is Reshaping the World* (Hardie Grant 2020).

themselves unwittingly with covert military and intelligence agencies.<sup>3</sup> The act might be called the Due Diligence Act.

1.4 In a landmark 2018 report on CCP influence by the Hoover Institution at Stanford University, the authors call for “constructive vigilance” with regard to China’s foreign influence activities.<sup>4</sup> They note that “as China becomes more reliant on its old Leninist system and ‘united front’ tactics, [as] Sino-US relations become more contentious, and [as] the CCP seeks to more forcefully build influence in American communities through channels detailed in this study, *local leaders will be called upon to give greater weight to national interests* when forming exchange relationships with PRC actors.”<sup>5</sup> This is, in a nutshell, the rationale for the new law being considered by this Committee.

## 2. CCP targets subnational governments

2.1 In recent years, various scholars and experts have revealed that China’s government has been targeting subnational governments and universities for influence work, including building relationships with elites outside of central government in order to influence the centre. One element of the Chinese Communist Party strategy is known as *liyong difang baowei zhongyang* or “using the local to surround the centre”, that is, using good relations with local actors to pressure national governments.<sup>6</sup> (The strategy was developed in the 1930s by Mao Zedong in the civil war with the Nationalists.)

2.2 Leading CCP expert Professor Anne-Marie Brady writes that the aim of *liyong difang baowei zhongyang* is to “utilise sister-city relations, local government investment schemes, and connections with indigenous groups to influence central governments and promote China’s agenda.”<sup>7</sup>

2.3 CCP analyst Jichang Lulu explains that subnational governments are seen as easy targets, giving rise to the *localisation of united front activity*: “At the local level, perceptions of the potential benefits of engagement with Xi’s ‘Belt and Road’ initiative are often remarkably optimistic, and knowledge asymmetry can help avoid scrutiny of the more controversial political or military aspects of cooperation projects.”<sup>8</sup>

2.4 The Hoover Institution report devotes a chapter to CCP influence through state and local governments in the United States, noting that, especially under Xi Jinping, “China seeks to groom local business, political, and media leaders in countries around the world.”<sup>9</sup>

2.5 Over the last several years, with growing understanding in Canberra of Beijing’s interference activities and measures to counter them, this CCP tactic has morphed into a closely related one—*nongcun baowei chengshi* or “using the countryside to surround the

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<sup>3</sup> For example, if UTS had known that CETC is a major weapons supplier to the People’s Liberation Army then it (presumably) would not have partnered with the corporation. If Monash University had known about COMAC’s history of espionage and links to China’s intelligence agency then (presumably) it would not have signed an agreement with it.

<sup>4</sup> Larry Diamond and Orville Schell, eds, *China’s Influence & American Interest: Promoting constructive vigilance*, Stanford: Hoover Institution Press, 2018.

<sup>5</sup> Diamond and Schell, eds, *China’s Influence & American Interest*, p. 32. My emphasis.

<sup>6</sup> This is discussed, with many examples from around the world, in Hamilton and Ohlberg, *Hidden Hand*.

<sup>7</sup> <https://sinopsis.cz/en/new-zealand-anne-marie-bradys-parliamentary-submission-on-political-interference/>

<sup>8</sup> Jichang Lulu, ‘Confined discourse management and localised interactions in the Nordics’, *Sinopsis*, 22 October 2018.

<sup>9</sup> Diamond and Schell, eds, *China’s Influence & American Interest*, p. 30.

city”, that is, strengthening one’s position where the enemy is weak in order to surround the enemy’s stronghold.<sup>10</sup> In this case, China has stepped up its influence work in the states and territories. My observations indicate notable progress in Victoria, Western Australia, Tasmania and the Northern Territory.

2.6 The Victorian government’s decision to sign the state onto a Belt and Road Agreement with Beijing, and to make the state China’s “gateway” to the nation, is a classic example of “using the countryside to surround the city” (that is, Canberra), or in this case, use the countryside to bypass the city to achieve the objective and undermine national foreign policy.<sup>11</sup> The federal government needs the power to prevent a state entering into an agreement that is not only inconsistent with Australia’s foreign policy but actually undermines it. Victoria’s BRI followed years of careful grooming of senior political leaders.<sup>12</sup>

2.7 In its thoughtful submission to this inquiry, the Australian Local Government Association provides a list of local government arrangements (other than sister cities) that would be scrutinised under the new law. Victoria has eleven with Chinese entities, compared to only three in NSW and three in Queensland.

### 3. Sister cities

3.1 For the CCP, sister-city and sister-state agreements have been effective avenues for gaining influence in municipalities and states or provinces around the world. The point to grasp here is that, in the case of China, sister-city agreements are not spontaneous expressions of the desire for cultural and economic exchange between two cities. While in the West a decision to enter a sister-city partnership is made by a council or city government, in China the process is coordinated by the Chinese People’s Association for Friendship with Foreign Countries (CPAFFC), an official organisation masquerading as an NGO.<sup>13</sup> The CPAFFC forms an integral part of the CCP’s united front network of covert overseas influence agencies. Its task is to win friends under the banner of “people-to-people diplomacy”.

3.2 Most municipal governments lack even a rudimentary understanding of the CCP’s political goals in these arrangements. When Australian mayors and councillors meet their sister city counterparts in China, they are in fact meeting Communist Party officials. Behind the sister-city banner, the CPAFFC systematically advances the Party’s political and strategic goals. Communist Party officials build personal relationships that can then be weaponised when a city overseas plans an activity the CCP does not like, such as dealings with Taiwan or

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<sup>10</sup> The phrase and the strategy were developed by Mao Zedong, see <http://cpc.people.com.cn/GB/64156/64157/4418377.html>

<sup>11</sup> Clive Hamilton, “China has been successful in ramping up its influence in Victoria”, *The Age*, 23 May 2020. “Daniel Andrews was engaging in *biaotai*, which in CCP lexicon means expressing allegiance to the Party by repeating its political phrases.”

<sup>12</sup> Anthony Galloway, “‘Discourse control’: Political leaders’ language changes after signing up to Belt and Road, Clive Hamilton says”, *Sydney Morning Herald*, 13 June 2020.

By “grooming” I mean the use of psychological techniques to befriend and establish a rapport with a target in order to lower their inhibitions, create a sense of reciprocity and open them to seeing the world in a way that suits one’s interests.

<sup>13</sup> Hamilton and Ohlberg, *Hidden Hand*, pp. 83-6, 124-5.

with the Dalai Lama. They can also be pressured to criticise federal government policies, as has occurred in the United States during the recent trade war.<sup>14</sup>

3.3 Beijing now has many “friends” in local governments across Australia who are more likely to see relations between the two countries in a way favourable to China. Beijing knows that some of these mayors and councillors will make their way into state and federal governments.

3.4 A glimpse into the “grooming” of mayors can be had from recent events in Wagga Wagga after the council, in the mayor’s absence, voted to end its sister city relationship with Kunming because of anger over China’s handling of the coronavirus.<sup>15</sup> The Sydney consulate made veiled threats, the Kunming Municipal Government attacked the “slander” and “blasphemy” of the errant councillors, and various multicultural groups expressed alarm. A week later, Wagga Wagga council rescinded the motion, although not before several Chinese-Australians spoke at the meeting in support of the decision to end the sister-city relationship. The mayor said he was “distraught” at the initial decision, which damaged the “goodwill” built up over time. He declared that the sister-city agreement “is a people-to-people relationship, it’s not a relationship with the Chinese Government, so politics shouldn’t play a role in the sister city relationship.” Of course, it’s not a “people-to-people relationship” but a Party-to-people relationship. Wagga’s mayor had been groomed.

3.5 It seems likely that Rockhampton Regional Council’s growing affiliations with Chinese officials and companies—including its 2018 Sister City Agreement with Zhenjiang and a trade and tourism MOU with developer Shanghai Yuexing Group—were instrumental in the Council’s otherwise inexplicable decision to erase a small Taiwanese flag painted by two local schoolchildren on a large papier-mâché bull celebrating the school’s ethnic diversity. The Brisbane consulate had complained about the tiny image to the mayor, who then ordered council workers to paint over the children’s flag. Parroting CCP opinion, she said the action was in line with Australia’s “one China policy” (an absurd claim on a number of levels). Erasing Taiwan is precisely the kind of outcome the CCP aims for in its influence work with subnational governments.<sup>16</sup>

#### **4. Localisation of united front work around the world**

4.1 The same tactics are being used across the Western world.<sup>17</sup> In the United States, Washington expressed serious concern when it emerged that the annual U.S.-China governors summit, held in Kentucky in May 2019 at the height of the trade war, was co-organised by the National Governors Association and the CPAFFC. Commenting on the role of the CPAFFC, united front expert John Dotson observed that the Americans involved “might think they’re dealing with a representative of a civic organisation but they’re not. They’re actually dealing with ... functionaries of the Chinese Communist Party”.<sup>18</sup>

4.2 In Canada, China’s influence-building in local government became a contentious public issue in 2018 after newspapers reported that the Chinese consulate general in Vancouver had for some years been hosting cocktail receptions at the annual convention of local government

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<sup>14</sup> Hamilton and Ohlberg, *Hidden Hand*, p. 82.

<sup>15</sup> <https://www.abc.net.au/news/2020-04-22/coronavirus-wagga-rescinds-vote-to-cut-with-china/12173476>

<sup>16</sup> A point also made by Diamond and Schell, eds, *China’s Influence & American Interest*, p. 30.

<sup>17</sup> See Hamilton and Ohlberg, *Hidden Hand*, for many examples some reproduced here.

<sup>18</sup> John Dotson, ‘China explores economic outreach to U.S. states via united front entities’, blog post, *Jamestown Foundation*, 26 June 2019

leaders, the Union of BC Municipalities. No other foreign legation had sought to exert influence over local government leaders. But for China befriending mayors and councillors sets up a network of personal bonds and reciprocal obligations that can facilitate investments and build a cohort of voices urging the federal government to do nothing to upset Beijing. After a number of such receptions without controversy, in 2019 several BC mayors, including Vancouver's, announced that henceforth they would boycott them. The UBCM then banned foreign sponsorship of its annual convention.<sup>19</sup>

4.3 Anne-Marie Brady has described how the CPAFFC has carefully cultivated mayors in New Zealand, helping to smooth planning decisions for Chinese investments, including BRI infrastructure projects.<sup>20</sup> She noted that the CPAFFC has staged an annual China-New Zealand mayoral forum. At these forums, New Zealand mayors have made a series of exchange and cooperation commitments in the fields of tourism, education and investment and signed pro-Beijing statements.

4.4 CCP analyst Jichang Lulu has explored the localisation of united front influence activities in the Nordic countries, where local officials with considerable decision-making power are targeted for "friendly contact" because they are insulated from strategic debates in the capital cities and do not have the expertise to understand Beijing's intentions and tactics.<sup>21</sup>

4.5 In Sweden, the small municipality of Lysekil was approached by a Chinese consortium offering to build a new deep-sea port, along with new infrastructure and a health resort.<sup>22</sup> It emerged that the chairman of the consortium had strong links to the United Front and the PLA, indicating that the offer was part of Beijing's maritime strategy of acquiring ports around the world (including Australia). Although the consortium pressured the Lysekil municipality for a rapid answer in order to have a deal signed before it attracted attention in Stockholm, news of its links to the CCP leaked out and the proposal soon died.<sup>23</sup>

4.6 In 2019 Prague City Hall voted to terminate its sister-city partnership with Beijing because Beijing insisted on including a "one China policy" clause. Prague's newly elected mayor argued that the partnership was supposed to be a cultural one, and that the "one China" clause was a matter of international politics. Beijing was enraged, with the embassy demanding that Prague reverse its decision or "it will be their own interests that will be hurt". Cultural groups with "Prague" in their names had their China tours cancelled. Prague refused to back down and two months later announced that it would partner with Taipei instead of Beijing. The case demonstrates that the CCP views sister-city agreements as an instrument of political power.

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<sup>19</sup> <https://www.cbc.ca/news/canada/british-columbia/ubcm-convention-china-reception-banned-1.5375718>

<sup>20</sup> Anne-Marie Brady, 'Magic weapons: China's political influence activities under Xi Jinping', Wilson Center, September 2017.

<sup>21</sup> Jichang Lulu, 'Confined discourse management and localised interactions in the Nordics', *Sinopsis*, 22 October 2018.

<sup>22</sup> Hamilton and Ohlberg, *Hidden Hand*, pp. 81-2.

<sup>23</sup> <https://jichanglulu.wordpress.com/2018/01/24/lysekina-soe-pla-linked-united-frontling-want-a-deep-sea-port-in-sweden/>

## 5. Universities and CCP influence

5.1 The universities have mounted a coordinated attack on the proposed legislation, making a string of unfounded and hyperbolic claims about the likely impact of the new measures.<sup>24</sup> Unfortunately, they have responded in the same way each time the federal government has introduced a policy responding to foreign interference or theft of intellectual property. The fact that the universities repeatedly argue that the measures would violate their academic freedom shows that they simply do not accept that the problem exists. When they emerge from the age of innocence, they will understand that the measures already taken and now proposed are aimed precisely at *protecting* academic freedom on campus.

5.2 The universities' campaign against this bill may itself be seen as a manifestation of the success of the Chinese Communist Party in shaping the way Australia's universities see the world and especially their relationship with China. They are, in effect, doing Beijing's work.

5.3 This time the universities have drafted overseas partners like the Russell Group to make submissions, even though it is ludicrous to suggest that an agreement between an Australian university and Cambridge or Kings College London would be deemed adverse to Australia's foreign relations. The Russell Group's claim that "this Bill introduces significant uncertainty, unpredictability and indeed risk, into any engagement Russell Group members might undertake with an Australian university partner" is just silly, and it is embarrassing that our universities should put these words into the mouths of their esteemed partners.

5.4 Universities claim that the legislation will have a "chilling effect" on their extensive program of international alliances and agreements. If certain agreements are inconsistent with or undermine Australia's foreign policy then they *should* be put on ice. However, other than those with Chinese entities where thorough due diligence ought to be performed as a matter of course, the vast majority of agreements, current and future, will require nothing more than transparent reporting. Surely it's not beyond the wit of our university administrators to understand what this proposed law is aimed at.

5.5 There is now a mountain of evidence that Australian universities have been the target of a sustained and effective campaign by the Chinese Communist Party and its various agencies to use them to exert political pressure, to shape the national conversation and to open themselves to the purloining of advanced scientific and technological knowledge.<sup>25</sup> This is now so well understood outside university chancelleries that it is unnecessary to provide detailed examples. The main areas of concern are as follows.

- Engaging in research collaborations with Chinese companies closely linked with the PRC's military and security forces and hosting PLA scientists in Australian laboratories. Some of these scientists continue to receive large grants from the Australian Research Council.

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<sup>24</sup> Predictably, the submission from the University of Sydney adopts some of the more hysterical language.

<sup>25</sup> See, for example, Clive Hamilton, *Silent Invasion: China's Influence in Australia* (Hardie Grant 2018), chapter 10.

- Led by peak body Universities Australia, universities have been engaging in evasion and apologetics when asked about academics being recruited to the Thousand Talents Plan.<sup>26</sup>
- Hosting Confucius Institutes that: censor the politics and history of China in their language and cultural teaching, often replacing independent teaching of language and culture; exert political influence on administrators; and, aid in the monitoring of Chinese students. (The Confucius Institute at the University of Queensland is a particular problem as it appears to have been established explicitly to transfer science and technology to China.)
- Tolerating the violation of free speech on campus due to the activities of Chinese students and CCP proxies. The case of UQ and Drew Pavlou is especially egregious. A number of instances have come to light in which academics who have “offended” Chinese students have been pressured by their universities to apologise. UNSW has recently censored criticism of the CCP by one of its own academics and celebrated its “mateship” with the Chinese Communist Party.<sup>27</sup>
- Some China scholars admit that they engage in self-censorship and a number of academics have told me that they feel subtle but unmistakable pressure from their administrations to self-censor when it comes to comments on China and China-Australia relations.

5.6 University administrators, including a number of vice chancellors, have been so effectively groomed by CCP officials that they adopt Beijing’s rhetorical tropes to denounce federal government measures to counter foreign interference and technology theft, including accusations of Sinophobia and McCarthyism.<sup>28</sup>

5.7 The United States has many of the same problems in its universities, yet takes them much more seriously. Confucius Institutes are being closed down across the country. PLA scientists and those recruited to the Thousand Talents Plan are being dismissed and even charged. Free speech protocols are being enforced more diligently.

5.8 The submissions to this inquiry by the universities and their representative bodies show that they do not accept that this legislation responds to any identifiable problem and, to the extent that foreign influence might be a problem, they believe they can deal with it themselves. The fact that they have permitted the problem to flourish betrays an institutional blindness and arrogance. Although some universities have begun to make progress, overall the sector cannot be trusted to take account of Australia’s national security in its decision-making. Cultural change is needed. Holding the hands of university administrators as they learn to practice proper due diligence, as this bill promises, will help bring about that cultural change.

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<sup>26</sup> <https://www.theaustralian.com.au/higher-education/universities-australia-defends-thousand-talents-plan/news-story/482f582e2afcb2b2851be2a82dc1b595>

<sup>27</sup> <https://www.abc.net.au/news/2020-08-07/unsw-free-speech-controversy-china-political-backlash-canberra/12534580>; <https://twitter.com/CliveCHamilton/status/1308211938967445504>

<sup>28</sup> Andrew Clark, “Sydney Uni’s Michael Spence lashes government over ‘Sinophobic blatherings’”, *Australian Financial Review*, 28 January 2018. Spence said “I’ve never seen Chinese influence in university decision-making ...”.