

Submission to the Joint Standing Committee on Trade and Investment Growth

Inquiry into diversifying Australia's trade and investment profile

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Introduction

Thank you for the opportunity to make a submission to this inquiry. The Committee has taken on the vital task of beginning to rethink the role of Australia in the world after the Covid-19 catastrophe. The historical rupture brought by the virus is an opportunity for this nation, and many others, to tackle directly two tensions that have been building for more than a decade, that is, our excessive dependence on China's markets for our exports and the influence of the Chinese state in Australian politics enabled by our economic linkages.

These distinct but related challenges for Australia were captured perfectly by Professor John Fitzgerald when he wrote: "The greatest danger in planning for post-pandemic Australia is not sovereign risk to businesses but business risks to sovereignty."² In other words, we need measures to mitigate both:

- the risk to Australian jobs from excessive reliance on a market subject to manipulation for political advantage; and,
- the threat to Australia's democratic system arising from industry pressure on Australian governments to make political concessions, pressure amplified by Beijing's interference activities.

This submission concentrates on the second of these. It does so by explaining the political-economic context of Australia's relationship with China drawing on my knowledge of how the Chinese state under the Chinese Communist Party operates.³ Ambassador Cheng Jingye's brazen threat of 28 April to punish Australia economically over a political disagreement was a stark warning that Australia's high level of economic reliance on China exposes us to Beijing's use of "sharp power" to pursue its political and geo-strategic ends.⁴

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² John Fitzgerald, "The Great China Distraction: post-pandemic Australia requires more than a trade fight", *Crikey*, 15 May 2020.

³ Explored at length in Clive Hamilton, *Silent Invasion: China's influence in Australia* (Hardie Grant Books, 2018) and Clive Hamilton and Marieke Ohlberg, *Hidden Hand: Exposing how the Chinese Communist Party is reshaping the world* (Hardie Grant Books, 2020).

⁴ "Sharp power" was first defined by the Washington-based National Endowment for Democracy in 2017. In 2019, NED's executive director noted that China's sharp power is "an approach to international affairs that typically involves efforts at censorship and the use of manipulation to degrade the integrity of independent institutions. Neither "hard" but nor "soft", sharp power has the effect of limiting free expression and distorting the political environment". Chris Walker, "China's foreign influence and sharp power strategy to shape and influence democratic institutions", Testimony before the U.S. House Permanent Select Committee on Intelligence, published on May 16, 2019.

Globalization upturned

Trade policy since the 1980s has been based on a particular view of the world and how it is evolving, one of increasing openness with trading nations adhering to an agreed set of international rules governing trade and investment in ways that make for a level playing field.

The core of the argument has been based on a widely accepted economic theory showing that free markets in goods and services will maximise economic growth and therefore national wellbeing. Globalisation—global interconnectedness through cross-border flows of goods, services, technology, capital and labour—extends the argument to the integration of all aspects of economic activity, from free trade to uninhibited investment and labour flows between countries.

While the policy has been built on powerful economic arguments, in practice globalisation has been driven as much by a broader internationalist worldview that privileges that ability of corporations and investors to do business unconstrained by national policies that limit their activities or “distort” markets, such as tariffs, restrictions on capital flows, and unequal taxation rates.⁵

The 2015 China-Australia Free Trade Agreement was defended using the usual arguments about the mutual benefits of free trade in goods and services. It also allowed for easier investment flows and greater labour mobility, although only in one direction.

Although not without critics, the free market and broader internationalist worldview has prevailed in the centres of political and corporate power. Those holding this view backed China's admission to the World Trade Organization in 2001 even though it was a long way from being a “market economy” as required. Supported by powerful business interests, policy makers believed Beijing's reassurances that China would remove a wide range of policies and practices that favoured its exports, inhibited imports and constrained multinational companies operating in China.

In many policy areas, China did not honour its promises. Its list of infractions is long, from continued subsidies, artificially low-interest loans from state banks, manipulation of regulations, and systematic state-sponsored technology theft. US manufacturing industry, which had had high hopes of benefiting from investment and trade with China, finally ran out of patience. In 2017, the US Chamber of Commerce published a report highly critical of Beijing's “Made in China 2025” program, which it said “illustrates the state's intent to leverage China's legal and regulatory systems to favour domestic Chinese companies over foreign ones in targeted sectors”.⁶ The Chamber's signal that it was no longer willing to tolerate China's continued use of trade barriers and theft of technology was the shift that gave the Trump administration the opening to launch the trade war.⁷

Beijing does not view the US-China trade war merely as a disagreement over trade policy; it sees it as a phase in a long struggle for geo-political dominance. As many Party documents and speeches by leaders attest, the Chinese Communist Party believes itself to be engaged in a war with the West led by the “chief enemy”, the United States. Xi Jinping has warned Party

⁵ The power of this corporate push is no better illustrated than by the investor-state dispute settlement mechanisms now commonly built into trade and investment treaties, that is, the legal right of foreign corporations to sue national governments if they change their policies.

⁶ https://www.uschamber.com/sites/default/files/final_made_in_china_2025_report_full.pdf p. 7

⁷ See Hamilton and Ohlberg, *Hidden Hand*, 102

members to prepare for a long and intense struggle between China's system and that of the West, one in which China will prevail.⁸ After the elimination of the liberalising elements within the Party, it's unlikely that China can become a responsible global actor as long as it is ruled by the CCP. As recent events have underlined, it would be unwise for Australia to base its trade and investment policies on the assumption that China will "see the light" and behave differently.

China's economic statecraft

It's vital that Australian policy makers better understand the tactics used by the CCP in pursuing its global ambitions. While direct levers of economic influence (boycotts, import regulations and so on) are used by Beijing, it also attempts to influence and coerce foreign governments through proxies. It routinely mobilises business groups and corporate leaders in the targeted country to apply pressure on their government to relent. A few hints from Chinese officials about how it would be a pity to jeopardize a good relationship is usually enough to prompt business lobbies and mining tycoons to speak out in public or to privately pressure senior ministers to capitulate to Beijing's demands.

When Ambassador Cheng picked out universities, tourism, beef and wine as industries "China's consumers" might boycott, it was probably not a random list. He was sending a message to vice chancellors, tourism executives, farmer representatives and wine exporters to pressure Canberra to back down. Leaders of other industries dependent on China exports also heard the message. Beijing's primary business lobby in this country, the Australia China Business Council, was quick off the mark, arguing that the "reality is right now that business wants to trade with China" and there are no alternatives.⁹

This is a well-drilled tactic of the Chinese Communist Party. In the Party's lexicon it's known as *yi shang bi zheng* (literally, "using business to pressure government"). Examples are legion: Taiwanese tourism operators marched in the street after Beijing slashed tourist numbers; and, US business groups linked to CCP front organisations have pressured the Trump administration to end the trade war. Often, business groups act pre-emptively, before Beijing prods them.

Understanding *yi shang bi zheng* is important for the inquiry because standing up to direct pressure may still leave Beijing's proxies undeterred. In addition to protecting their financial interests, some business leaders have been groomed over many years and have come to believe that it is always in Australia's interest to appease Beijing.¹⁰ While financial interest makes them easy targets for the CCP's techniques of persuasion, once they become "friends of China" (a formal Party category) their minds have been rewired so that they believe that whatever keeps Beijing contented is in their own and their country's interests. In the case of a mining billionaire noisily calling for appeasement, it seems natural to ascribe his actions to a desire to protect his company's exports to China; but if he were to divest himself completely of all financial links to China he would continue to act as a Party megaphone.

⁸ Hamilton and Ohlberg, *Hidden Hand*, 9-11

⁹ <https://www.reuters.com/article/health-coronavirus-australia-china-trade/australian-pms-call-for-virus-inquiry-may-harm-long-term-china-trade-business-leaders-idUSL4N2CI4ZV>

¹⁰ 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.

In addition, it's worth noticing that as soon as Beijing expressed its ire at Minister Payne's call for an inquiry, several influential commentators who frequently call for appeasement of China went on the attack, castigating the government for its ineptness and for provoking Beijing "unnecessarily".¹¹ While the attacks can be seen as a legitimate difference of opinion expressed in a free society, it's also likely that some of them were encouraged to speak out by CCP proxies. And some were quoted in China's state media. They undermined public support for the government and added to pressure on Canberra to back down.

The PRC is the world's leading practitioner of "economic statecraft"—the use of economic power to coerce other nations to adopt political positions agreeable to Beijing. Beijing's strategy of "killing the chickens to scare the monkeys" describes highly publicized attacks on individual countries or businesses to deter others. Onlookers are liable to say to themselves: "Thank goodness it's not us. What must we do to make sure we aren't next?"

As always, the rage from Beijing in response to Australia's call for an inquiry should not be taken to reflect real anger. CCP leaders are tacticians and calibrate public expressions of rage to achieve the desired ends—turning the dial on their rage-o-meter in public statements and state media. The dial was turned up high in response to Australia's perfectly reasonable call for an independent international inquiry, suggesting that Beijing fears the truth more than we might have thought. In this case, it was unable to wring the neck of the Australian chicken and the monkeys did not scatter. Instead, the monkeys of the world united.¹²

While threats of punitive measures against Australia while it led calls for an independent inquiry into Covid-19 can be seen as an attempt to prevent an investigation, the continued campaign of economic retribution *after* the world community had agreed to conduct an inquiry should be understood as a message being sent by Beijing to other middle powers to deter them in the future from sticking their necks out in the way Australia did.

Yi shang bi zheng has been a constant in Australia's political life for some years and has been very successful. When a foreign minister issued an anodyne statement regretting the death of famous dissident writer, she received calls from mining magnates and two vice chancellors telling her that Beijing is upset and that she should withdraw her comments.

The *vagueness* of threats is another tactic often adopted by Beijing.¹³ Vague threats frighten a wider range of actors because they are uncertain about whether they may be included. Vagueness also give Beijing deniability. When Ambassador Cheng invoked the possibility that Chinese consumers may spontaneously decide on a boycott of Australian goods he knew

¹¹ Media proprietor Kerry Stokes, who has close business links with China and personal links with President Xi, used the *West Australian* to mount an attack on the government's call. Perennial friend of China, Geoff Raby described the prime minister's call for an independent inquiry as "divisive and unhelpful" ("PM's Virus Inquiry was a Lose-Lose Call", *Australian Financial Review*, 4 May 2020). Former prime minister Kevin Rudd said the discussions should be taken into backrooms, the venue always preferred by Beijing because "quiet diplomacy" plays to its strengths. For him, these "very complex, very difficult and very hard questions" should not be debated in public but left to Mandarin-speaking statesmen who are on good terms with top CCP cadres. Unlike Andrew Forrest, according to Reuters, other business groups "didn't want to publicly criticise the Australian government's tactics, because they feared this could be used in Chinese propaganda." (<https://www.reuters.com/article/health-coronavirus-australia-china-trade/australian-pms-call-for-virus-inquiry-may-harm-long-term-china-trade-business-leaders-idUSL4N2CI4ZV>).

¹² In 1941, Winston Churchill gave a speech in which he reported that French general Marshall Petain had told Britain's generals that if they continued to resist Germany then "In three weeks England will have her neck wrung like a chicken," to which Churchill retorted: "Some chicken! Some neck!"

¹³ As explained by Perry Link, 'China: the anaconda in the chandelier', *Chinafile*, 11 April 2002.

that the Australian government would interpret it as a threat, but could shrug it off by saying “consumers will do whatever they do”. Beijing then created further uncertainty by claiming that its penalisation of beef and barley imports were unrelated to Australia’s call for an inquiry but arose from a long-running dumping dispute and hygiene regulations. While there had been a long-running dispute over barley, the timing of the announcement of tariff penalties left little doubt. This deniability is reinforced by pro-Beijing commentators in Australia, some of whom went into print arguing that the Ambassador made no threat but was merely stating facts.¹⁴

While maintaining the pretence that China’s consumers make their own decisions, in truth the Chinese government exercises considerable influence over consumer behaviour both through its control of media and through its ability to quietly instruct companies and organisations in China to implement a boycott. For example, travel agents can be instructed to send no more group tours to a targeted country and importers can be instructed to avoid Australian goods by citing bogus “problems”. No company in China can afford to disobey.

Beijing uses its control over media to ramp up or damp down patriotic outrage, as was evident in media-stoked anti-Japanese rioting in 2012. In 2016, the government decided to stop anti-American protests outside KFC restaurants in China. When in 2017 the media whipped up patriotic anger against South Korea for installing an anti-missile system to protect itself from a rampant North Korea, supermarkets in China owned by the Korean chain Lotte were trashed, leading to the company withdrawing from China. Chinese state-owned or influenced media have at times dramatized, exaggerated and even invented instances of abuse or bullying of Chinese students in Australia as a way of signalling to Chinese parents that Australia is not a safe place for their children. The CCP’s almost total control of information in China means that it’s difficult for parents to assess the true situation.

Mitigating business risks to sovereignty

What can be done to mitigate business risk to sovereignty? By “sovereignty” I mean a parliamentary system of elections and government decision-making free of covert, corrupt and coercive foreign influence?¹⁵

It would be helpful in the new commercial-political environment created by Beijing’s use of economic statecraft if the federal government were to identify systematically those sectors of the Australian economy that are most prone to *yi shang bi zheng*. It could then enter dialogue

¹⁴ Jane Golley, ‘Cooler headlines must prevail in Australia-China debates’, *Canberra Times*, 4 May 2020. “Just because the Chinese government can and has used coercive tactics in the past”, Golley opined, “it doesn’t follow that they would have this time”. Golley believes the trade threat story is a media beat-up illustrative of the anti-China atmosphere in Australia. If she were a Chinese student, she wrote, she would be reluctant to come to Australia. Another of Beijing’s friends, Ramesh Thakir, deployed the debating trick known as “whataboutism”. He mentions the ambassador’s “threats” then immediately pivots to the real guilty party, the United States—Ramesh Thakir, “Sound the Trumpists: The deputy sheriff rides again”, *Pearls and Irritations*, 6 May 2020.

¹⁵ A definition similar to that put forward by John Fitzgerald in “China influence: in defence of parliamentary sovereignty”, *The Interpreter*, Lowy Institute, 19 April 2018. It applies to state governments too. *Yi shang bi zheng* is only one among several tactics being used by the CCP to undermine Australia’s sovereignty (see *Silent Invasion*).

with the companies most vulnerable to being used for political coercion. Three factors are relevant in assessing a sector's vulnerability.¹⁶

1. The sector's share of revenue derived from exports to China, and possibly those most dependent on vital imports from China.
2. The ease with which the sector's exports can be sourced from elsewhere in the world. (China has few alternative sources for iron ore imports, making the industry less vulnerable, but there are many destinations Chinese tourists may be directed to.)
3. A measure of the lobbying power of each sector, bearing in mind that Beijing is well aware of the industry sectors with most influence over government in Australia. Lobbying power is most obviously tied to a sector's size, measured by employment or revenue; others factors include the location of its employees in sensitive electorates, public sympathy for the industry, and the professionalism of its lobbying organisation.

An index of vulnerability to foreign manipulation formed by combining these three factors would signal to federal and state governments which sectors need to be assisted to reduce their exposure to political exploitation. Publication of such an index by a federal government agency would in itself send a sobering message to those most exposed.

What are the policy approaches the federal government could take to reduce business risk to sovereignty? A number should be considered.

First, the federal government could liaise with vulnerable industries to make it clear that as they increase their exposure to China's market they face a unique business risk, that of being used by Beijing as leverage in political disputes. They could be urged to take this risk fully into their business planning and insurance cover. And they should be informed that they cannot expect taxpayers to bail them out if, after benefitting from strong growth, they find themselves stranded by Beijing's political actions.

The wine industry is a case in point. Over the last several years its profits have skyrocketed due to strong demand from China (Australia has surpassed France as the leading exporter to China).¹⁷ Yet a veiled threat from Beijing is enough to see winemakers rushing to pressure Canberra to change whatever it is doing to irritate the China's leaders. In June 2018, after the parliament passed foreign interference laws and Australian winemakers found their product facing unusual delays at China's customs, panicking winemakers demanded that the prime minister fly to Beijing to "repair relations".¹⁸ Winemakers need to be reminded that they knew *or should have known* that their rivers of gold came with a sovereign risk and, if they are targeted by Beijing, they have no right to ask Australians to sacrifice their principles to ease their commercial pain.

Secondly, for those sectors heavily dependent on China's market, the trade minister could direct Austrade to place a high priority on facilitating diversification of markets. Over the

¹⁶ If it's thought that exporting industries could be used coercively by countries other than China then a fourth factor could be added—a measure of political risk of trade with China compared to the political risks of trading in alternative markets. There are already indexes of political risk that could be modified for the purpose.

¹⁷ <http://theleadsouthaustralia.com.au/industries/primary-industries/australian-wine-boom-in-china-could-just-be-the-beginning/> "These numbers can be numbing but they must be comprehended to understand the magnitude of the market before us," said a leading exporter. "The Chinese middle class – the consuming class – is absolutely exploding."

¹⁸ <https://www.afr.com/politics/winemakers-demand-malcolm-turnbull-step-in-to-ease-china-wine-woes-20180604-h10yi9>; <https://www.drinkstrade.com.au/china-crisis-talks-for-aussie-winemakers>

years, the management of Austrade has become too heavily focused on China and a cultural change is needed in the organisation, beginning at the top. Other forms of assistance might be considered in specific sectors. Universities, for instance, have for some time talked about reducing their dependence on revenue from Chinese students, dependence that makes them vulnerable to capture (as per the University of Queensland) and to use as instruments to pressure government (a role some vice chancellors are all too willingly to perform¹⁹). The federal government controls various levers influencing international student recruitment.

Thirdly, the federal government could establish a fund, financed by a very small levy on exports, used to compensate exporters penalised for political reasons by Beijing. The fund would spread the cost of foreign economic coercion across Australia's export. China is known to provide subsidies to companies that face increased costs as a result of Beijing's use of economic coercion. For example, it is expected that China's brewers will be compensated for the increased cost of imports of high-quality barley after tariffs were imposed on imports from Australia.²⁰

Investment from China

The risks associated with investment flows from China are complex to work through and are not considered at length here.²¹ Two points, however, might be stressed.

First, finding information on Chinese investors in Australia is difficult, to say the least. Australian authorities would benefit greatly from the creation of a digital database collecting materials on Chinese investment and related matters for Australia, the Pacific and Southeast Asia.²² Such a publicly-accessible database would bring together in a single place all key materials to provide the most complete resource for China's relations with these regions. It would also facilitate the production of regular analyses, valuable to government agencies, journalists, academics and business people wishing to understand the issues. They would include: trade and investment projects; China's activities and foreign policies, especially the Belt and Road Initiative; and, the roles and activities of diverse Chinese organisations, corporations and individuals to be followed over time.

Secondly, it is often said that investment from China should be treated in the same way as investment from other countries. This view is based on the assumption that the relationship between business and government in China is more or less the same as it is in other countries. It isn't. The enforced collaboration between business and the state in China gives rise to what is sometimes referred to as a *Party-corporate conglomerate*. It arises partly from the deep intermingling of the "red aristocracy" with the business elite, and partly from the active presence of CCP cells in all large and medium-sized companies. (The party secretary in a company is usually the most powerful person, and is often appointed chairman of the board.) Chinese companies, state-owned and private, must always respond to the demands of the Party. It's well-known that China passed a law in 2018 requiring all Chinese companies and citizens abroad to comply with any request from China's intelligence agencies.

¹⁹ Michael Spence, vice chancellor of the University of Sydney, ridiculed government against foreign interference as "Sinophobic blatherings". <https://www.abc.net.au/radionational/programs/breakfast/university-of-sydney-vice-chancellor-criticises-government/9377646> The University derives an enormous share of its annual budget from Chinese students.

²⁰ Michael Smith, 'China's beer brewers bitter at barley plan', *Australian Financial Review*, 13 May 2020.

²¹ See Hamilton, *Silent Invasion* and Hamilton and Ohlberg, *Hidden Hand*.

²² This proposal has been developed in detail by Geoff Wade.

When China is no longer ruled by a Leninist party committed to exerting its influence abroad through Chinese companies then investment from China should be treated like investment from any other country.

Many investments in Australia by Chinese companies fall below the Foreign Investment Review Board's (pre-Covid) approval threshold. Approval was needed for acquisitions of 20 per cent of more of a company worth more than \$1.2 billion. (It's been cut to zero during the current crisis.) Various other conditions apply to residential and commercial real estate and agricultural land.

Yet there are reasons to question the desirability of:

- investments by companies and individuals with links to the Chinese Communist Party that may be used to advance united front influence work; and
- investments by private companies owned or controlled by individuals who are suspected of criminal activity in China.

Many investments falling into these categories are being approved by state and local governments, especially in regional areas where councils often grasp at any promised investment.²³ Authorities tasked with approving proposals for investments are mostly ill-equipped to understand how China's Party-corporate conglomerate works. Even if they are aware of the possibility of CCP links or shady backgrounds, they lack the capacity to carry out *due diligence* on proponents and are inclined to wave them through on the basis of project proposals alone. Due diligence faces special barriers when the information must come from China's extremely opaque court system, corporate regulators, banking system and complaints mechanisms. Often the media in China are the only source of information that may ring alarm bells. To gather this information, specialist skills in interpreting China's media are required in addition to the language requirements.

This problem extends to Australian universities eager to accept funds from wealthy persons some of whom are agents of influence for the CCP. They accept these funds and award honours to the donors even when there is evidence available that they have links to the CCP. In one prominent case, a Group of Eight university accepted a large donation from an individual whom intelligence agencies had warned should be avoided. The university has brushed these concerns aside.²⁴

²³ Examples include a large tourism and retirement development in Tasmania; money laundering through land purchases (<https://www.abc.net.au/news/2019-10-31/afp-melbourne-tasmania-property-alleged-chinese-money-laundering/11657344>); a tourism and retirement project on French Island in Victoria proposed by persons accused of pyramid schemes; and, a pilot training school at an airport in regional Victoria (<https://www.abc.net.au/news/2020-03-07/mildura-pilot-school-allegedly-funded-with-embezzled-china-loans/12032616>). Some investments are fronted by "white gloves", that is, cleanskins in Australia who are covertly operating on behalf of shady investors in China. Finding the real principals behind an investment only adds to the difficulty of ensuring its probity (<https://www.theguardian.com/australia-news/2019/nov/27/tasmania-rejects-chinese-backed-bid-to-build-tourist-resort-overlooking-national-park>).

²⁴ In another prominent case, in 2014 the University of Technology Sydney accepted a donation from Huang Xiangmo to establish a pro-Beijing policy research centre or think tank. The University continued to defend Mr Huang and his donation after he was exposed in the media as a CCP agent of influence in 2016. When asked in September 2017 whether he would accept another donation from Mr Huang, the think tank's director Bob Carr said he would. Mr Huang was in 2019 finally banned from re-entering Australia on advice from ASIO. UTS appears to have admitted no mistake, nor does it appear to have withdrawn Mr Huang's adjunct professorship.

Australia's capacity to carry out due diligence needs urgent upgrading. The federal government could create a suitably staffed agency or unit that can assist Australian decision-makers to be satisfied of the *bona fides* of a Chinese company proposing a development.

Rethinking globalisation after Covid-19

Around the world, the vulnerabilities exposed by the pandemic are prompting a process of profound rethinking relations with the PRC. How far it will go is at present hard to know, but some decoupling will take place.

- Companies small and large in the West are examining their supply lines to reduce their dependence on China.
- Some foreign companies operating in China are now examining how to disengage in part or in full.
- Sectors like education and tourism that for years have ignored warnings, now understand their vulnerability and may begin to take diversification seriously.
- Governments are starting to examine ways of reducing national reliance on China for essential products, beginning by reassessing what "essential" means.
- Many nations are imposing more stringent limits on investments by Chinese firms, already taking measures to prevent the buy-up of distressed companies by predatory investors.

Perhaps above all, Western nations are finally realising that Beijing has no intention of abandoning its program of systematic technology theft. Under Xi Jinping, achieving technological dominance in the most advanced areas has become an urgent priority. It seems inevitable that the United States will not allow China to become the dominant power in advanced technologies without a fight. Nations will need to choose between an American and a Chinese technosphere.

In the wake of Beijing's punishment of Australia after its inquiry call, we have an opportunity to consider how to protect the nation's sovereignty, in the same way the federal government took measures to protect democratic institutions from foreign interference and subversion. With China using Australian businesses to blackmail the Australian government, sovereignty is no longer the sole responsibility of government. Businesses have become instruments by which China attempts to exercise dominance. A sovereign nation cannot allow this to continue.

The business community can be expected to resist. Shaped in the era of globalisation, the "top end of town" has adopted an internationalist worldview, believing that their only obligation is to maximise shareholder value. It's a belief built into the Corporations Act, which may need to be reinterpreted to induce directors to recognize that the nation is also a "stakeholder" in their company, or that their shareholders are not only profit-driven investors but citizens too.²⁵

It has often been said that the process of globalisation is whittling away at the nation-state. The internationalists who welcome the prospect believe the nation-state is or should be a historical relic in an increasingly connected world. Although there have always been tensions within this trend, the rise of China has destroyed the internationalist dream of a seamless

²⁵ <http://classic.austlii.edu.au/au/journals/SydLawRw/2007/23.html>

global economy that transcends the nation-state. The CCP never signed on to the idea; instead it has exploited it to China's advantage.

It's now painfully clear that, if the rest of the world continues to pursue the path of economic and financial liberalisation, while the world's soon-to-be biggest economy refuses to follow suit, then there can be only one outcome—a world subservient to Beijing. Some actors in Australia seem unperturbed by the prospect,²⁶ but most Australians are more inclined to the view that Anzacs fought and died for something, and are therefore willing to sacrifice some fraction of future economic growth to preserve our independence and freedoms. One consequence of the growing aggression of the CCP is that citizens in the West, who have mostly become complacent about their freedoms and the right to choose their governments, are being reminded of just how precious these hard-won privileges are.

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²⁶ James Laurenceson and Michael Zhou from ACRI argue that there is no problem with the economic relationship, which has evolved in an optimal way, and therefore no need for diversification or decoupling of any kind. <https://www.australiachinarelations.org/content/covid-19-and-australia-china-relationship%E2%80%99s-zombie-economic-idea>