

June 22, 2005

In regards to: Senate Committee Inquiry into Australia's Relationship with China

Committee Secretary
Senate Foreign Affairs, Defence and Trade Committee
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Sir,

SUBMISSION

I thank you for the opportunity to submit my views on our nation's relationship with China. I will address each of the three main themes contained within the Terms of Reference in turn.

(a) Australia's economic relationship with China

1. Trade and the Rule of Law. It is no secret that China's economy has developed faster than its legal institutions. To date, the Chinese government has been unable to clearly demonstrate a level of commitment to the rule of law. I believe that the two most significant problems associated with this is the debilitating moral impact that corrupt legal and business practices will have on Australian business and the significant business risk associated with rigged competition, lack of legal, accounting, and police transparency, and the threat of seizure.

2. Intellectual Property Rights: China is now the world's largest producer of pirated products. These products are now produced in some of the largest Chinese cities, including the capital. As China is still a totalitarian police state it is impossible to argue that this can be achieved without government support. Closer trade relations will increase the risk of IP theft.

3. Dumping: Dumping occurs when a product is exported and sold for less than the cost of production. Accurately determining the cost of production requires access to accurate and independently audited accounting records. As noted earlier, Chinese business and legal practices are not transparent. This means that even if anti-dumping legislation is built into a treaty the enforcement of these provisions would be very difficult.

4. Materials Sector: Australia is already a significant provider of raw materials to China. There is little reason to believe that a free trade agreement would, on balance, significantly improve on the existing trade arrangements.

(b) Australia's political relationship with China

1. Human Rights: Australia is a nation with a long tradition of equal rights and Parliamentary democracy. The current Chinese regime is the direct descendant of a government installed by the greatest mass murderer that the world has ever seen. At a minimum the current Chinese government persecutes of religious and ethnic

minorities, actively suppresses free speech and political dissent, occupies one nation (Tibet) and has threatened to invade another (Taiwan), sponsors a terrorist nuclear state (North Korea), and has dispossessed the land of peasants and the poor to buy the political support of the military and the new bourgeoisie. Why would Australia wish to strengthen our political ties with the ageing Chinese Communist rulers?

2. Cultural Ties: The current Chinese government has neither political or cultural ties with the more than 4 thousand years of China's Imperial legacy. Any deepening of cultural ties only serves to increase the fragile legitimacy of the current government.

3. China's political influence in Asia: North Korea is one of the greatest threats to Asian peace and prosperity. This nation is completely dependant upon Chinese sponsorship yet, under that very sponsorship, they were able to divert resources from feeding their starving people to building Atomic weapons. If China was unwilling to act for the benefit of humanity in North Korea why should we expect them to do so elsewhere?

4. China's ecological influence: The growing trade in "Traditional Chinese medicine" is rapidly driving to extinction the Rhino, Tiger, Elephant, etc. etc. etc. China is a police state and could stop this trade. They choose not to do so because it would entail a political risk.

5. Chinese pollution: China's manufacturing investments have failed to take into account the advancements in pollution control. There is growing evidence that Chinese air pollution is a significant contributor not only to Global warming but to our drought.

Any free trade agreement that fails to take into account these political, cultural and ecological risks would not be to Australia's benefit. Any free trade agreement that takes these into account will not be signed. Why then should we make the effort?

(c) Australia's response to China's emergence as a regional power

There can be little doubt that China has emerged as a major regional power. Our response to this fact must be well thought out and take into consideration some of the following:

1. Spying: It is now apparent that large numbers of Chinese intelligence agents are present in Australia. These agents undermine our political and economic institutions. These are not the actions of a responsible trading partner.
2. Military: Modern China does not have an identifiable military opponent yet state investment in the military continues to increase. The Chinese government has a history of resorting to military threats when they are unable to obtain their objectives.
3. America: Should China refuse to modernize her political and legal institutions I believe that there is little doubt that the US and China would be on a collision course. It is unlikely that Australia would be able to avoid entanglement in such an event. At that time, will we stand with our fellow democracy or with a police state? Such an event would be less disruptive for Australia if our level of economic, political, and cultural integration with China was carefully managed.
4. North Korea: As already noted, China's support of a nuclear North Korea is irresponsible and, unfortunately, representative of the current Chinese governments focus.

Based upon these factors, I cannot support an Australian-Chinese Free Trade Agreement. I submit that the current level of Australia-Chinese relations is adequate for our needs.

If the committee desires I stand ready to testify. I remain,

Respectfully,

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Sincerely,

Gary L. Fellman