



## Australia and the Belt and Road Initiative: An overview

There was only one direct mention of the Belt and Road Initiative (BRI) in Australia's Foreign Policy White Paper, released on November 23, and it signalled the Australian Government would continue its cautious approach toward the initiative.

The White Paper acknowledged that '[t]he region's infrastructure needs are massive and wide-ranging'.<sup>1</sup> But it emphasised that it is in Australia's interests 'for this infrastructure to be developed in a way that conforms to [strong, transparent rules; fair and open competition; transparent and non-discriminatory arrangements with predictable regulatory systems]'.<sup>2</sup>

The paper went on to say:<sup>3</sup>

We also favour infrastructure that has robust social and environmental safeguards and avoids unsustainable debt burdens on the economies of the region. It is on this basis that Australia engages with regional infrastructure initiatives, including China's Belt and Road.

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That the reference to BRI was placed in the context of safeguards necessary for Australian engagement is in keeping with the manner in which Foreign Minister Julie Bishop and Department of Foreign Affairs and Trade (DFAT) Secretary Frances Adamson have publicly treated with the BRI this year.<sup>4</sup>

However, the White Paper ostensibly went further than public comments to date in a paragraph that might be read as an acknowledgment of Australia's concern with the geostrategic ramifications of the initiative:<sup>5</sup>

Economic power is also being used for strategic ends. We are already seeing increased competition over regional economic integration, including in the financing of infrastructure projects. There is a risk that trade and investment, which in the past have acted to restrain strategic rivalry, could fuel it instead.

When asked during a press conference at the launch of the White Paper about the government's approach to the BRI vis-à-vis the Opposition's

- 4 See e.g., Julie Bishop, 'Australia-China Foreign and Strategic Dialogue – joint press conference with Chinese Foreign Minister Wang Yi, Canberra' February 7 2017 <[https://foreignminister.gov.au/transcripts/Pages/2017/jb\\_tr\\_170207.aspx](https://foreignminister.gov.au/transcripts/Pages/2017/jb_tr_170207.aspx)>; Andrew Greene, 'DFAT boss warns international students to resist Chinese Communist Party's 'untoward' influence', *ABC News*, October 9 2017 <<http://www.abc.net.au/news/2017-10-09/universities-warned-to-resist-chinese-communist-party-influence/9030372>>; Andrew Greene, speech transcript screenshot, *Twitter*, October 9 2017 <<https://twitter.com/AndrewBGreene/status/917310759960428544>>; Laura Tingle, 'Benign strategic picture for region despite Trump, tensions', *Australian Financial Review*, June 20 2017 <<http://www.afr.com/news/policy/foreign-affairs/benign-strategic-picture-for-region-despite-trump-tensions-20170620-gwuv84>>.
- 5 Australian Government, 2017 Foreign Policy White Paper, pp 26-27 <<https://www.fpwwhitepaper.gov.au/>>.

<sup>1</sup> Australian Government, 2017 Foreign Policy White Paper, p <<https://www.fpwwhitepaper.gov.au/>>.

<sup>2</sup> *Ibid.*, p 45.

<sup>3</sup> *Ibid.*, p 45.

'pretty strong and favourable stance towards the initiative', Prime Minister Malcolm Turnbull was non-committal, saying that Australia would continue to focus on specific projects:<sup>6</sup>

[W]e approach infrastructure projects on their merits and investments on their merits. And there is plenty of Chinese investment in Australia. In fact, we are open to investment.

Trade Minister Steven Ciobo added:<sup>7</sup>

[T]here are many complementarities between initiatives we're undertaking in Australia and initiatives that China is pursuing...We recognise the impact of each other's particular initiatives and we see great chances for collaboration and cooperation.

### Federal Government

After the signing of the China-Australia Free Trade Agreement, and after signing up to become a founding member of the Asian Infrastructure Investment Bank in 2015, there seemed to be some Australian appetite to participate in the BRI. A DFAT business briefing in July of that year observed that:<sup>8</sup>

China's approach is broadly in line with the focus of the G20.

Discussions between Australia and China on Australian BRI participation had, up until earlier this year, focused on potential alignment of the BRI with Australia's Northern Development Strategy – a nation-building initiative focused on encouraging investment throughout Australia's north.

According to Chinese Ambassador Cheng Jingye, a working group was set up to explore the synergies between the two proposals following the August 2015 Australia-China Strategic Economic Dialogue.<sup>9</sup>

6 Malcolm Turnbull, Press conference with the Hon Julie Bishop MP, Minister for Foreign Affairs and the Hon Steven Ciobo MP, Minister for Trade, Tourism and Investment at the launch of the government's Foreign Policy White Paper, transcript, November 23 2017 <<https://www.pm.gov.au/media/press-conference-launch-government%E2%80%99s-foreign-policy-white-paper>>.

7 Ibid.

8 'China's 'One Belt, One Road': Economic implications for Australia', Business Envoy, Investment and Economics Branch, Department of Foreign Affairs and Trade, July 2015 <<https://dfat.gov.au/about-us/publications/trade-investment/business-envoy/Documents/business-envoy-july-2015.pdf>>.

9 Cheng Jingye, ChAFTA anniversary dinner, speech, Australia China Business Council, Melbourne, Australia, November 24 2016 <<http://www.acbc.com>>.

But despite initial openness to this idea, Australian enthusiasm diminished in 2016 with notable lack of comment by senior Australian government representatives despite public urging at the highest levels in China to link the two initiatives.

Chinese President Xi Jinping in two meetings with Prime Minister Turnbull urged alignment. During Prime Minister Turnbull's first official visit to China in April 2016 the Chinese Foreign Ministry summary of his meeting with President Xi noted that the President expressed his '[hope] that both sides could align China's Belt and Road initiative with the 'Northern Development' plan of Australia'.<sup>10</sup>

President Xi repeated this proposal during a meeting with Prime Minister Turnbull on the sidelines of the G20 summit in Hangzhou in September 2016. *Xinhua* reported that he 'called for the aligning of China's Belt and Road Initiative with Australia's plan to develop its northern region'.<sup>11</sup>

Prime Minister Turnbull in both instances did not address the call directly.

It was then reported in March 2017, in the days preceding a visit by Chinese Premier Li Keqiang that the Australian Government had declined to formally endorse the BRI by signing a Memorandum of Understanding (MOU) on linking the BRI with the Northern Development Strategy.<sup>12</sup>

Australia's national security committee of cabinet had debated twice prior to Premier Li's visit and opted to reject the proposal, despite an 'upbeat' oral brief on the matter by Australian Foreign Minister Julie Bishop.<sup>13</sup>

[au/news-details\\_224](http://www.theaustralian.com.au/news-details_224)>.

10 Ministry of Foreign Affairs of the People's Republic of China, 'Xi Jinping meets with Prime Minister Malcolm Turnbull of Australia', April 15 2016 <[http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1356599.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1356599.shtml)>.

11 *Xinhua*, 'China to advance strategic partnership with Australia: President Xi', *Xinhua*, September 4 2016 <[http://news.xinhuanet.com/english/2016-09/04/c\\_135659281.htm](http://news.xinhuanet.com/english/2016-09/04/c_135659281.htm)>.

12 Primrose Riordan, 'China snubbed on road and port push', *The Australian*, March 20 2017 <<http://www.theaustralian.com.au/national-affairs/foreign-affairs/china-snubbed-on-road-and-port-push/news-story/1534e4f7de0ab0031818854d24ae0a91>>.

13 Paul Kelly, 'Cabinet saw no gain in Xi Jinping's 'project of the century'', *The Australian*, May 29 2017 <<http://www.theaustralian.com.au/national-affairs/foreign-affairs/cabinet-saw-no-gain-in-xi-jinpings-project-of-the-century/news-story/098f7cfd460bc1ecc95468ed566871c4>>.

It was reported that:<sup>14</sup>

The main reason for Australia's reluctance was that there was no evidence that signing up had tangible benefits. [The committee felt that] it did not appear that it would lead to extra investment from China beyond what would happen anyway. [And] the government was not satisfied with the details — or lack of detail — in the China proposal.'

Both heads of the Defence and Immigration Departments also warned against joining the two initiatives because of 'strategic concerns'.<sup>15</sup>

Despite the rejection of this proposal, both Australia and China continue to engage in broad discussions about the initiative. For example, Trade Minister Ciobo represented Australia in May's 'Belt and Road Forum for International Cooperation'.

In a media release prior to attending the forum Minister Ciobo said, 'Australia supports the aims of initiatives such as the Belt and Road that improve infrastructure development and increased opportunities in the Asia-Pacific region'.<sup>16</sup>

He added:<sup>17</sup>

Australian companies have significant expertise in infrastructure construction, so I will be working to identify projects for Australian businesses that address the serious infrastructure shortfalls across our region.

Minister Ciobo supported a trade statement issued at the Forum, and in doing so elected not to join a protest by European officials over its wording.<sup>18</sup>

While Minister Ciobo's invitation to, and attendance of, the Belt and Road Forum indicated a level of Australian openness and support of

the initiative, it might also be noted that his participation was limited to a partial one day of the two-day forum.

In early September Australia signed an MOU with China on cooperation with Australian companies on BRI infrastructure projects in third party countries.<sup>19</sup>

Australia and China are also reportedly in the midst of discussions regarding the formation of a working group to further explore other means of cooperation under the BRI umbrella:<sup>20</sup>

[National Development and Reform Commission] and DFAT officials continued these discussions on 28 September, including on how cooperation could occur in practice, such as through establishing an officials' working group to act as a clearing house for information exchange with companies.

Australia is also exploring other means to support infrastructure projects in the region. Officials from Australia, the US, Japan and India during a sidelines meeting at the East Asia Forum in November reportedly discussed a proposal to lead a push for the Asian Development Bank and World Bank to increase funding for infrastructure. An article in the *Australian Financial Review* quoted a source 'familiar with the talks' as stating:<sup>21</sup>

They want to ensure there is another option on the table to fund infrastructure, not just what the Chinese are offering.

## Federal Opposition

The Opposition Labor Party have notionally positioned themselves as more receptive to engaging with the BRI, subject to national interest and national security qualifications.

In an interview at the Boao Forum for Asia on March 27, Shadow Minister for Trade Jason

14 Ibid.

15 Andrew Greene and Andrew Probyn, 'One Belt, One Road: Australia's 'strategic' concerns over Beijings bid for global trade dominance', *ABC News*, October 23 2017 <<http://www.abc.net.au/news/2017-10-22/australian-concerns-over-beijing-one-belt-one-road-trade-bid/9074602>>.

16 Steven Ciobo, 'China's Belt and Road Forum', media release, May 14 2017 <[http://trademinister.gov.au/releases/Pages/2017/sc\\_mr\\_170514.aspx](http://trademinister.gov.au/releases/Pages/2017/sc_mr_170514.aspx)>.

17 Ibid.

18 Steven Ciobo, 'Belt and Road Forum', media release, May 14 2017 <[http://trademinister.gov.au/releases/Pages/2017/sc\\_mr\\_170514b.aspx](http://trademinister.gov.au/releases/Pages/2017/sc_mr_170514b.aspx)>; Tom Phillips, 'EU backs away from trade statement in blow to China's 'modern Silk Road' plan', *The Guardian*, May 16 2017 <<https://www.theguardian.com/world/2017/may/15/eu-china-summit-beijing-xi-jinping-belt-and-road>>.

19 Andrew Tillet, 'Labor's Asia plan called naïve and hypocritical', *Australian Financial Review*, September 29 2017 <<http://www.afr.com/news/labors-asia-plan-called-naive-and-hypocritical-20170928-gyr1ww>>.

20 Primrose Riordan, 'Australia 'dips its toes' in China's Belt and Road Initiative', *The Australian*, October 5 2017 <<http://www.theaustralian.com.au/national-affairs/foreign-affairs/australia-dips-its-toes-in-chinas-belt-road-initiative/news-story/8cac5f7d521c825f4154dfbb8ac5a2c2>>.

21 Angus Grigg and Lisa Murray, 'Australia seeks to curb China's infrastructure influence', *Australian Financial Review*, December 3 2016 <<http://www.afr.com/business/infrastructure/australia-seeks-to-curb-chinas-infrastructure-influence-20171203-gzxlsy>>.

Clare encouraged Australian businesses to look for opportunities to involve themselves in the initiative:<sup>22</sup>

In simple terms, One Belt, One Road means more roads, more railways, more ports and more airport infrastructure...The next step is whether other parts of the Australian economy can benefit from this big investment in infrastructure as well; whether it is becoming involved in the engineering side, the construction side, the design side.

It's going to be a challenge but it is a great challenge to have.

On March 29 Shadow Foreign Affairs Minister Penny Wong said in a speech to Australian heads of mission that Australia needs 'a policy that looks at the BRI with an eye to identifying points of mutual interest and complementarity rather than reflexive negativity'.<sup>23</sup>

Senator Wong later penned an opinion piece for *The Australian*, which stated that Australia's 'reluctance to join the Asian Infrastructure Investment Bank was timorous and self-defeating.' She asserted, 'We need to display much greater confidence in harnessing the opportunities of the BRI'.<sup>24</sup>

Speaking at the Australian National University on August 8, Senator Wong stated:<sup>25</sup>

We should be prepared to look at individual initiatives under the BRI and, where determined on a case by case basis, pursue those that accord with our national interests.

Shadow Minister for Defence Richard Marles has also supported the 'case by case' approach, stating:<sup>26</sup>

Certainly it's not about rejecting China's initiative out of hand. That makes no sense at all. There are going to be important infrastructure projects and desire from China to invest in them which may well be in our national interest that we should ultimately support.

He added, 'Clearly though, we do need to be bearing in mind our national security when we engage in these and we need to be looking at things through that lens.'<sup>27</sup>

The Labor Party has thus far refrained from supporting an alignment of the BRI with the Northern Development Strategy, but neither have they ruled it out. Shadow Treasurer Chris Bowen in a speech outlining the Labor Party's Asia strategy on September 29 said:<sup>28</sup>

We will come to office if we win the next election with an open mind as to how Australia and China can best collaborate on the Belt and Road Initiative, with a clear eyed approach to our respective national interests.

We will examine proposals on a case by case basis including considering how the Northern Australia Infrastructure Facility and the Belt and Road Initiative can best complement each other.

### State and Territory governments

Some Australian state and territory governments have shown notional interest in engagement with the BRI.

The Northern Territory Government framed its 2015 decision to lease the Port of Darwin to the Chinese company Landbridge in terms of securing its 'place on China's 'Maritime Silk Road' trade route'.<sup>29</sup>

22 Glenda Korporaal, 'One Belt, One Road a great challenge: Jason Clare', *The Australian*, March 28 2017 <<http://www.theaustralian.com.au/business/one-belt-one-road-a-great-challenge-jason-clare/news-story/237049fb8eeace507d8d107dc7156280>>.

23 Penny Wong, 'Foreign policy in a time of disruption', speech, Global Heads of Mission Meeting, Canberra, Australia, March 29 2017 <<https://www.pennywong.com.au/speeches/foreign-policy-in-a-time-of-disruption-speech-to-global-heads-of-mission-meeting/>>.

24 Penny Wong, 'This is hardly the time to be timid in our region', *The Australian*, May 2 2017 <<http://www.theaustralian.com.au/opinion/this-is-hardly-the-time-to-be-timid-in-our-region/news-story/20c59b8cb4780de57b5b18bd7215ee37>>.

25 Penny Wong, 'Looking forward – looking back: Australia and the Asian century', speech, Australia 360 Conference, Canberra, Australia, August 8 2017 <<https://www.pennywong.com.au/speeches/looking-forward-looking-back-australia-and-the-asian-century-address-to-the-australia-360-conference-canberra/>>.

26 Peter van Onselen and Paul Kelly, Interview with Richard Marles, *Sunday Agenda Sky News*, May 28 2017 <<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=d%3A%22media%2Fpressrel%2F5305269%22>>.

27 Ibid.

28 Chris Bowen, 'The case for engagement with Asia', speech, Asia Society, Sydney, Australia, September 29 2017 <<https://www.chrisbowen.net/transcriptsspeeches/the-case-for-engagement-with-asia/>>.

29 James Laurenceson, 'Will Australia follow the Belt and Road?', *East Asia Forum*, May 14 2017 <<http://www.eastasiaforum.org/2017/05/14/will-australia-follow-the-belt-and-road/#more-68032>>.

Victorian Premier Daniel Andrews – the only Australian state leader to be invited to the Belt and Road Forum<sup>30</sup> – stated, ‘There’s always an option’, when asked whether he was receptive to Victorian projects being funded under the auspices of the BRI.<sup>31</sup>

Why are we leaving it to our friends in New Zealand to sign up to the One Belt One Road partnership? We’re sending a message we’re not convinced about this.

In March 2016, Queensland Treasurer Curtis Pitt stated in a media release that while in China he would be meeting with the National Development and Reform Commission to ‘to gain a stronger understanding of China’s foreign direct investment policy and notably the ‘One Belt, One Road’ strategic initiative.’<sup>32</sup>

In September 2016, Chris Bourke, an Australian Capital Territory (ACT) government minister, told the ACT’s Legislative Assembly:<sup>33</sup>

The ACT government has a strong commitment to strengthening ties with China, consistent with the intent of the one belt, one road initiative—to connect the future of China’s neighbours with China’s own future.

Noticeably conspicuous, however, from expressing public interest – or, indeed, curiosity – in the BRI is New South Wales (NSW). NSW Premier Gladys Berejiklian has thus far made no public comment on the BRI. NSW Opposition leader Luke Foley on September 29 told a press conference that NSW and Australia would be signing an ‘economic suicide note’ if it did not engage with the BRI. He advocated for Australian consideration of a BRI MOU in the same vein as the document New Zealand signed earlier in the year:<sup>34</sup>

...New Zealand has signed a memorandum of understanding with the PRC around One Belt One Road cooperation, I mean Australia should be doing this.

30 Office of the Premier of Victoria, ‘Victoria on the world stage at meeting of global leaders’, media release, May 15 2017 <<http://www.premier.vic.gov.au/victoria-on-the-world-stage-at-meeting-of-global-leaders/>>.

31 AAP, ‘Victoria open to Silk Road plan: Premier’, SBS, May 17 2017 <<http://www.sbs.com.au/news/article/2017/05/17/victoria-open-silk-road-plan-premier>>.

32 Queensland Government, ‘Treasurer builds trade and investment links with China’, media statement, March 23 2016 <<http://statements.qld.gov.au/Statement/2016/3/23/treasurer-builds-trade-and-investment-links-with-china>>.

33 Legislative Assembly for the ACT: 2015 Week 11 Hansard, September 22 2015 <<http://www.hansard.act.gov.au/hansard/2015/week11/3356.htm>>.

34 Primrose Riordan, ‘NSW Labor leader echoes Chinese criticism of Australian media’, *The Australian*, September 27 2017 <<http://www.theaustralian.com.au/national-affairs/nsw-labor-leader-echoes-chinese-criticism-of-australian-media/news-story/e3b75579e712d150bf2200091e0894ff>>.