

Testimony to US House Armed Services Committee, 21 March 2008.

John Garnaut, in personal capacity.

Chairman Thornberry, Ranking Member Smith, and distinguished Members of the Committee. It's an honour to be here. Thank you for the generous invitation to talk with you all today.

To understand the mechanics of China's international influence we need to look beyond the gravitational pull of the Chinese economy and the war-fighting power of the People's Liberation Army. Both are important. But neither are as important as the world of influence and interference which sits between those two poles. This is the domain in which the Chinese Communist Party manipulates incentives inside our countries in order to shape the conversation, manage perceptions and tilt the political and strategic landscape to its advantage.

The party works hard to find common interests and cultivate relationships of dependency with chosen partners. The modus operandi is to offer privileged access, build personal rapport and reward those who deliver. From open source materials we know this is happening in universities, in business communities, in ethnic Chinese communities, in media and entertainment, and in politics and government. But the Communist Party institutions, ideologies and methodologies involved are so alien to our systems that we have been having trouble seeing them let alone responding. The party has been "winning without fighting", to borrow some of its terminology.

However, under the uncompromising leadership of President Xi Jinping, China's activities have become too brazen and aggressive to continue to ignore. A re-evaluation is taking place in half a dozen established democracies around the world, including Australia and the United States. Many more are entering the conversation.

I have described the Australian experience in a Foreign Affairs article which is attached to my written submission and I won't duplicate it now. But there is one point I'd like to underscore - and that is the vital importance of maintaining principles, analytical clarity and strategy.

Our challenge - the shared challenge of democracies across the world - is to work with the strengths and shore up the vulnerabilities of our open, multicultural, democratic systems in order to push back against authoritarian interference. We need a rigorous and principles

approach that is capable of securing a broad and durable consensus within countries and between them.

We need to identify and conceptually separate the “black” from the “white” while recognising that there is a large grey area of ambiguity and plausible deniability that sits in between. This requires a great deal of empirical work, both in and outside government.

Once we have an empirical baseline, and clarity about which categories of activity we care about and how much we care, then we can design a surgical response that manages the risks and targets the harm without hurting ourselves.

In my view, we should continue to welcome ordinary diplomacy, transparent public diplomacy and economic activity that does not come with strings attached. I doubt we could lift the drawbridge and cut ourselves off from the world even if we wanted to.

But wherever covert, coercive, or corrupting elements are involved - when legitimate and transparent forms of influence cross the line into harmful “interference” - then we need to respond.

Shutting down the black is primarily a counterintelligence and law enforcement challenge. An enormous one, I might add.

But this won't be enough on its own.

We also have to build transparency and accountability mechanisms to illuminate the vast array of grey. We need to reinforce and re-activate the antibodies of our civil societies - the natural antibodies which the party has been working to disable and suppress.

In Australia, the Turnbull Government is developing a counter-interference strategy that is built upon the principles of sunlight, enforcement, deterrence and capability. The strategy is country-agnostic in that it is designed to apply to any country's misbehaviour, not just China's.

The strategy includes new legislation to tackle the black and also the grey. One set of laws introduces tough but graduated criminal provisions against political interference and espionage. Another set of laws imposes disclosure obligations for those working in Australian politics on behalf of a foreign principal – this is an upgraded transparency regime

loosely modelled on your Foreign Agents Registration Act. Importantly, enforcement activities are also being brought into a central integrated hub.

But this is only the very early stages of a difficult struggle to reinforce the integrity of our democratic processes. There is an enormous body of hard work to be done. I'm very much looking forward to the discussion.

March 9, 2018

How China Interferes in Australia

And How Democracies Can Push Back

John Garnaut



JASON LEE / REUTERS

The Australian flag flutters in front of the Great Hall of the People during a welcoming ceremony for Australian Prime Minister Malcolm Turnbull in Beijing, China, April 2016.

Australia is the canary in the coal mine of Chinese Communist Party interference. Over the past 18 months, the country has been shaken by allegations of the Chinese party-state working to covertly [manipulate](#) the Australian political system and curate the wider political landscape. There are claims of [Beijing](#)-linked political donors buying access and influence, universities being co-opted as “[propaganda vehicles](#),” and

Australian-funded scientific research being diverted to aid the modernization of the People's Liberation Army (PLA). Most notoriously, an ambitious young senator, Sam Dastyari, was exposed for parroting Communist Party talking points and giving countersurveillance advice to a Chinese political donor before being hounded into premature retirement.

The scandals might seem odd. Few countries on the planet have benefited as clearly from [China](#) as Australia has. Its society has been enriched by waves of Chinese migrants and sojourners for 160 years. Its national income grew as much as 13 percent in a single decade as a result of China's resource-intensive construction boom, according to the Australian Reserve Bank. And an easing of the resources boom has been offset by the spending power of 180,000 Chinese students and a million tourists each year, along with hundreds of thousands of migrants who have mostly thrived in their new country.

Yet these are the very ingredients that make Australia's debate over Chinese influence so interesting. Nobody knows what happens when a mid-sized, open, multicultural nation stands its ground against a rising authoritarian superpower that accounts for one in every three of its export dollars. Even the firebrand editorial writers of China's tabloid press seem unsure. "Australia calls itself a civilized country, but its behavior is confusing," [The Global Times](#) wrote. "While it is economically dependent on China, it shows little gratitude."

The Australian conversation has evolved from amorphous anxieties about Chinese influence and soft power into more precise concerns about covert interference by the Chinese Communist Party. Media reports are shedding light upon a hidden world of inducements, threats, and plausible deniability. They reveal a dimension of risk that sits between the poles of economic attraction and military force, which Western Sinologists, diplomats, and national security officials had not previously focused on. The more we learn, the more it

seems that there is little that is soft about the way the party wields power beyond its borders.

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The distinctive part of the Australian experience is not what China is doing there but how Canberra is pushing back in the face of threats from Beijing and pressure from local business leaders worried about economic retaliation. Clarity of diagnosis has set the stage for a surgical response—one that manages the risks and targets the harm while attempting to maintain the overall project of engagement. This is not an easy balance to strike, but Australia’s efforts to do so should be closely watched by leaders from Washington, Auckland, Ottawa, and Berlin—who may soon find themselves in a similar position.

CHINESE AUSTRALIANS LEAD THE DEBATE

Key to the party’s operations in Australia is collapsing the categories of Chinese Communist Party, China, and the Chinese people into a single organic whole—until the point where the party can be dropped from polite conversation altogether. The conflation means that critics of the party’s activities can be readily caricatured and attacked as anti-China, anti-Chinese, and [Sinophobic](#)—labels that polarize and kill productive conversation. And it is only a short logical step to claim all ethnic Chinese people as “sons and daughters of the motherland,” regardless of citizenship.

Yet contrary to claims of Sinophobia, the Australian debate has from the beginning been anchored in the community of Chinese Australians. Ethnic Chinese writers, entrepreneurs, and activists have led in drawing the nation’s attention to the

party's efforts to suppress the diversity of their opinions through surveillance, coercion, and co-option.

In 2005, Chinese defector Chen Yonglin exposed an enormous informant network that kept tabs on Chinese Australians, including Falun Gong practitioners, who defied the party line. He explained how he would use the information to take targeted coercive actions like confiscating passports, denying visas, and shutting down meetings. In 2008, Chinese Australian writer [Yang Hengjun](#) illuminated the party's efforts to mobilize thousands of red-flag-waving students to march on Canberra's Parliament to "defend the sacred Olympic torch" against pro-Tibet and other protestors, as the torch wound its way to the Olympic ceremony in Beijing. After the 2009 arrest of Australian iron ore executive Stern Hu, several Chinese Australian entrepreneurs revealed that they were targeted by the Chinese security system in ways that other Australians were not. They were all jailed on trumped-up charges, stripped of their assets, and mistreated during interrogations. The Kafkaesque tragedy of [Matthew Ng](#), [Charlotte Chou](#), and [Du Zuying](#) became front page news in Australia because they and their families chose to tell their stories.

More recently, Chinese Australian journalists have laid a foundation of investigative reporting on the party's concealed links to Australian politics. Philip Wen, Beijing correspondent for The Sydney Morning Herald, showed how the party was "[astroturfing](#)" grassroots political movements to give the impression of ethnic Chinese support for Beijing's policies and leaders and to drown out its opponents. He also discovered that Australian politicians did not know basic details about Chinese citizen political donors who were bankrolling their campaigns, [including their real names](#). Student journalist Alex Joske, who owes his Chinese language fluency to his Beijing-raised mother, has mapped the party's "[united front](#)" networks and shown that they are now so ubiquitous—and well-resourced—that they are crowding out

independent opportunities for ethnic Chinese community and political representation. He's also shown how those networks can be activated to [silence Chinese Australians, including](#) his own experience of being intimidated by leaders of the local Chinese Students and Scholars Association.

And for every story of state-sponsored coercion and co-option that Chinese Australians publicize, there are dozens that never surface. One journalist told me how he'd been summoned to a karaoke bar and physically assaulted in retaliation for his report on the dealings of a Chinese state-owned company in Australia. Another gave a parliamentary committee a confidential dossier detailing how Beijing sought to choke one of Australia's last independent Chinese-language media platforms by intimidating its advertisers. In this case, one China-based advertiser was forced to stop after a Ministry of State Security official camped in its office for two weeks. Another, in Australia, agreed to stop after being invited to a three-hour "tea" session at a Chinese consulate in Australia. At the same time, [pro-Beijing media proprietors are rewarded](#) with free content, equipment, and business opportunities.

VULNERABILITIES TO INTERFERENCE

The Chinese Communist Party invests enormous resources in shutting down discordant voices and providing incentives to develop more favorable ones. The party's United Front Work Department, which, according to former U.S. intelligence analyst Peter Mattis, seeks to "mobilize the party's friends to strike at the party's enemies," reaches not just into Australia's Chinese diaspora but also beyond, through front organizations such as the Australian Council for the Peaceful Promotion of Reunification of China. Similarly, the PLA intelligence system operates platforms, [such as the China Association for International Friendly Contacts](#), that work to outsource the party's messaging by finding common ground

with self-interested or naive intermediaries. The modus operandi is to offer privileged access, build a personal rapport, and reward those who faithfully recite the suggested talking points.

Authoritarian interference probes and exploits different vulnerabilities of democracies in different ways. Australia's vulnerabilities include broken funding models for universities and media, uniquely lax campaign finance laws, and a special egalitarian disrespect for retired politicians. Interference activities corrode the trust that makes open, democratic, and multicultural systems work. They can corrupt political processes. And to the extent that they impact directly on the parliamentary system, they cut to the core of sovereignty itself. In May of last year, Meng Jianzhu, then China's security chief, warned the Labor opposition leadership about the electoral consequences of failing to endorse a bilateral extradition treaty. According to [The Australian newspaper](#): "Mr Meng said 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."

In some Australian quarters, the party's predilection for shutting down critical voices has become deeply internalized. The first book-length treatment of Chinese influence work—Clive Hamilton's [Silent Invasion](#)—was shelved by three successive publishers over preemptive fears of retaliation by Beijing. Similarly, Australian university leaders have publicly [dismissed concerns](#) about improper Chinese pressure—including from their own scholars—while simultaneously launching a fence-mending mission to soften the [economic retaliation that they fear is coming](#).

CANBERRA STEPS UP

In recent months, the conspiracy of silence has been

punctured by a catalytic process in which journalists, scholars, security officials, and politicians have all started to learn from each other. The process has involved security agencies communicating warnings to the public more clearly than before; journalists building on those warnings and drawing upon scholarly expertise; and politicians taking security agencies and credible media investigations seriously.

In June 2017, a joint investigation by the Australian Broadcasting Corporation and Fairfax Media [revealed](#) that the Australian Security Intelligence Organization (ASIO) had warned the major political parties that two of Australia's most generous donors had "strong connections to the Chinese Communist Party" and that their "donations might come with strings attached." One of them leveraged a \$400,000 donation in an attempt to soften the Labor Party line on the South China Sea. A Fairfax reporter, Nick McKenzie, also revealed that a Liberal trade minister had stepped directly from office into a consultancy job at a party-linked company, earning \$880,000 a year [for unspecified services](#).

Late last year, as the media reports kept rolling in, Prime Minister Malcolm Turnbull's Liberal coalition government declared political war on Senator Dastyari's collaboration with an "agent of a foreign country." By then, Dastyari had been shown to have recited Beijing's South China Sea talking points almost word for word, immediately after his benefactor had threatened to withdraw a \$400,000 donation. He had counseled the Chinese citizen donor—whom ASIO had labeled as a security risk—to place his phone aside to avoid surveillance of their conversation. The Turnbull government's attacks served a partisan political purpose, but they also brought the question of foreign interference into the mainstream conversation and, for the first time, showed that there were limits to acceptable conduct.

Turnbull also revealed that he'd commissioned a classified

investigation into foreign interference in August 2016. The findings had “galvanized” the government to map out a strategy shaped by four principles. First, a counter-foreign-interference strategy would target the activities of foreign states and not the loyalties of foreign-born Australians. As Turnbull put it, “Our diaspora communities are part of the solution, not the problem.” Second, the strategy would be country agnostic and not single out Chinese interference. Third, it would distinguish conduct that is “covert, corrupting, or coercive” from legitimate and transparent public diplomacy. And fourth, it would be built upon the pillars of “sunlight, enforcement, deterrence, and capability.” Turnbull introduced legislation that banned foreign political donations; imposed disclosure obligations for those working in Australian politics on behalf of a foreign principal; and introduced tough but graduated laws against political interference and espionage. (Days after Turnbull introduced these new laws, reports suggested that Beijing may have [activated its United Front networks](#) to campaign against the “ant-China, anti-Chinese” ruling Liberal coalition in a crucial by-election.)

According to one opinion poll, [two-thirds of voters support the foreign interference legislation](#), with just 11 percent opposed. Elite opinion, however, seems skewed the other way. University, media, and business organizations have accused the government of overreach and argued for exemptions. The government has conceded ground—carving “media” out of some secrecy and espionage offences—and it may go further after a parliamentary committee delivers its review at the end of this month. Some critics say that the government has failed to explain the interference problem, others that it has been too negative about Australia’s relationship with China. Many are concerned that loose language and allegations can too easily taint all ethnic Chinese people. Some are even more harsh and dismissive. Sydney University Vice Chancellor

Michael Spence, for example, has said that the Turnbull government should stop its “Sinophobic blatherings.”



DAVID GRAY / REUTERS

Australian Prime Minister Malcolm Turnbull waves with Chinese Premier Li Keqiang to members of the public as they walk along the Sydney Harbour foreshore in Australia, March 2017.

THE DEMOCRATIC WORLD’S PATH FORWARD

The Australian polity has become alive to a threat that other nations share but are only starting to recognize and confront. This recognition has been assisted by the sheer brazenness of Chinese President Xi Jinping’s drive for global influence and by watching Russian President Vladimir Putin and his agents create havoc across the United States and Europe. In the aftermath of the U.S. presidential election, it is far more difficult to dismiss foreign interference as a paranoid abstraction.

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If Australia has “woken up” the world on China’s interference, as a [senior Pentagon official puts it](#), it has been able to do so for five reasons. First, the debate originated inside the Chinese Australian community and has distinguished what the party is doing from its subjective [impact on those it targets](#). Second, Australia has sidestepped important but unproductive normative arguments about what China “is” and instead focused on empirical questions about what the Chinese party-state is doing. Third, the government commissioned a thorough cross-agency investigation that supported a firm internal consensus. Fourth, participants have worked hard to define the line that separates legitimate influence in an open society from intrusive interference. Finally, the principles are framed to apply equally to all countries that engage in covert, corrupting, or coercive behavior.

Turnbull aims to build a consensus around the defense of core democratic values and institutions, something Australia’s opposition Labor Party is likely to support. And Canberra is increasingly finding common cause with other democracies, including the United States. But there is a very long way to go.

Australia and the democratic world need to reinforce independent Chinese-language media platforms so that diaspora communities are not forced to rely on news that has been filtered by Beijing. Universities need new processes to ensure transparency, restore the integrity of research, and rebuild China literacy. Journalists, writers, and politicians need to avoid loose generalizations that make it easier for the party to make its case against them. And diplomats need to ensure that the relationship with China is a tool for achieving

national objectives, not an end in itself.

Intelligence agencies have begun to articulate their concerns, but they now need to go further. Warning about an abstract risk to “sovereignty” is not as helpful as explaining the modus operandi. And although U.S. agencies may be following Australia’s lead, Australian agencies should borrow from the [playbook of Special Prosecutor Robert Mueller](#) and use the prosecution process as an opportunity to advance public education. To date, journalists and politicians have had to carry too much of the load.

Australia has no choice but to work with the strengths and shore up the vulnerabilities of its open, multicultural, democratic system. It will match spies against spies when it has to. But, like all liberal democracies, it will only truly succeed when it can battle it out with evidence and reasoned argument on open terrain.

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