



## Steve Bannon on Australia and China

Steven Bannon, former chief strategist to US president, Donald Trump, has courted Australian media in a bid to influence public opinion on China. On July 9 2018, Peter Hartcher, Fairfax's international editor, gave Mr Bannon his first interview with an Australian media outlet.<sup>1</sup> After hearing then-Prime Minister Malcolm Turnbull's 'China reset' speech on August 7 2018,<sup>2</sup> Mr Bannon contacted the ABC's *Four Corners* host, Sarah Ferguson, telling her, 'I need to talk to you now because that speech is a huge mistake'.<sup>3</sup> He told Ms Ferguson that Mr Turnbull was 'way too much of an appeaser [on China]' and criticised the Australian government's approach to China as 'weak'. The ABC granted Mr Bannon an interview and this was broadcast on *Four Corners* on September 3 2018.<sup>4</sup>

Mr Bannon has claimed:

This fact sheet was prepared by James Laurenceson, Deputy Director, Australia-China Relations Institute, University of Technology Sydney.

Images credit (left to right): Gage Skidmore (Wikimedia Commons); Shutterstock; Shutterstock

'Australia is at the front lines of this. We are in an economic war with China...they are a totalitarian mercantilist system...the Chinese don't play by the rules.'<sup>5</sup>

'Australia is the canary in the mineshaft. Australia can show you when good and decent people play by rules, and the next thing they look around and money and economic resources and economic assets of a country are owned by another country and all of a sudden you see influence operations on their politicians. That's what's happening.'<sup>6</sup>

'You [Australia] are the San Andreas fault between China and the West...You are the representative of Athens and the democratic Western tradition, and China is a Confucian totalitarian system.'<sup>7</sup>

'Australia is an object lesson in what to avoid... [Chinese investment went into] natural resources, tech, then you have overseas Chinese putting money into politics and now you finally wake up.... And you wake up and you say, 'hold on – who controls our economic base', because doesn't politics ultimately come off who controls the economic base?''<sup>8</sup>

'It's not about the tariffs and math, it's about bringing manufacturing jobs back from China...'<sup>9</sup>

1 Peter Hartcher, 'Australia on the front line of clash with China, says Steve Bannon', *The Sydney Morning Herald*, July 9 2018 <<https://www.smh.com.au/world/asia/australia-on-the-front-line-of-clash-with-china-says-steve-bannon-20180709-p4zqfi.html>>.

2 Malcolm Turnbull, 'Speech at the University of New South Wales, Sydney', August 7 2018 <<https://www.malcolmturnbull.com.au/media/speech-at-the-university-of-new-south-wales-sydney-7-august-2018>>.

3 'Steve Bannon criticises Australia's approach to China as 'weak'', *ABC Radio National Breakfast*, September 3 2018 <<http://www.abc.net.au/radionational/programs/breakfast/steve-bannon-criticises-australias-approach-to-china-as-weak/10194222>>.

4 Sarah Ferguson, 'Populist Revolution', *ABC Four Corners*, September 3 2018 <<http://www.abc.net.au/4corners/populist-revolution/10196348>>.

5 Ibid.

6 Ibid.

7 Peter Hartcher, 'Australia on the front line of clash with China, says Steve Bannon', *The Sydney Morning Herald*, July 9 2018 <<https://www.smh.com.au/world/asia/australia-on-the-front-line-of-clash-with-china-says-steve-bannon-20180709-p4zqfi.html>>.

8 Ibid.

9 Ibid.

How do these claims stack up against the available evidence?

1. In 2017 China bought \$116.0 billion of Australian goods and services. In comparison the US bought \$21.0 billion. China delivered Australia its largest bilateral trade surplus, \$48.6 billion, while the US delivered Australia its largest bilateral trade deficit, \$26.5 billion. Australia has recorded a trade surplus with China in every year since 2008.<sup>10</sup>

2. A mercantilist system describes a system of political economy that seeks to enrich a country by restraining imports and encouraging exports.<sup>11</sup> In 2017 China's current account – a leading indicator of payments between a country and the rest of the world<sup>12</sup> – recorded a surplus of just 1.3 percent of its GDP.<sup>13</sup> This compares with 8.1 percent for Germany and 4.0 percent for Japan, both US security allies.

3. Far from being the 'canary in the mineshaft', by 2014 43 countries counted China as their largest partner, compared with 31 for the US.<sup>14</sup> The gap continues to grow since China became the world's largest goods trader in 2013.<sup>15</sup> In short, a large number of countries share Australia's position in economic partnership with China.

4. In 2017, the stock of assets in Australia owned by the US was \$896.9 billion. This was 14 times larger than the stock owned by China. The stock of

Chinese investment in Australia is less now than it was in 2014.<sup>16</sup>

5. In 2014-15 there were 2039 US-owned businesses in Australia. They accounted for 30.8 percent of the assets held by foreign-owned businesses and 5.5 percent of all businesses (domestic and foreign). In comparison, there were 204 Chinese-owned business, comprising 7.1 percent of the assets held by foreign-owned business and 1.3 percent of all businesses. There is not a single sector of the Australian economy that has more Chinese than US-owned businesses.<sup>17</sup>

6. Australia was the leading nation for Chinese investment abroad until 2015. Then it might have been true to describe Australia as a 'canary' with respect to Chinese investment. By 2017, however, the accumulated stock of Chinese investment in the US and EU was 1.4 and 1.5 times that of Australia, respectively.<sup>18</sup>

7. China is currently a respondent in 42 dispute cases at the World Trade Organization (WTO). The US is a respondent in 151.<sup>19</sup> Between 1995-2015, there were 38 suspensions requests submitted to the WTO's Dispute Settlement Body (DSB). These requests are brought subsequent to a country not complying with an earlier DSB ruling against it. The US has been the target of 68.4 percent of suspension requests, while China has been the target of none.<sup>20</sup>

10 Australian Government Department of Foreign Affairs and Trade, 'Trade time series data', May 21 2018 <<https://dfat.gov.au/trade/resources/trade-statistics/Pages/trade-time-series-data.aspx>>.

11 Laura LaHaye, 'Mercantilism', The Library of Economics and Liberty <<https://www.econlib.org/library/Enc/Mercantilism.html>>.

12 Australian Bureau of Statistics, Balance of Payments and International Investment Position, Australia, June 2018, September 4 2018, <<http://www.abs.gov.au/Ausstats/abs@.nsf/glossary/5302.0>>.

13 World Bank, Current account balance (% of GDP) <<https://data.worldbank.org/indicator/bn.cab.xoka.gd.zs>>.

14 Elena Holodny, 'This chart shows how China has quickly become a trading partner that matters', *Business Insider Australia*, September 2 2015 <<https://www.businessinsider.com.au/chart-how-china-has-quickly-become-a-top-trading-partner-2015-9?r=US&IR=T>>.

15 Jamil Anderlini and Lucy Hornby, 'China overtakes US as world's largest goods trader', *The Financial Times*, January 10 2014 <<https://www.ft.com/content/7c2dbd70-79a6-11e3-b381-00144feabdc0>>.

16 Australian Bureau of Statistics, International Investment Position, Australia: Supplementary Statistics, 2017, May 9 2018 <<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02017?OpenDocument>>.

17 Australian Government Department of Foreign Affairs and Trade, Economic activity of foreign-owned businesses in Australia 2014-15 <<https://dfat.gov.au/trade/resources/investment-statistics/Pages/economic-activity-of-foreign-owned-businesses-in-australia-2014-15.aspx>>.

18 KPMG and the University of Sydney, 'Demystifying Chinese investment in Australia', June 2018 <<https://assets.kpmg.com/content/dam/kpmg/au/pdf/2018/demystifying-chinese-investment-in-australia-june-2018.pdf>>.

19 World Trade Organization, Disputes by member <[https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_by\\_country\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm)>.

20 Arie Reich, 'The effectiveness of the WTO dispute settlement system: A statistical analysis', European University Institute Department of Law, November 2017 <[http://cadmus.eui.eu/bitstream/handle/1814/47045/LAW\\_2017\\_11.pdf?sequence=1](http://cadmus.eui.eu/bitstream/handle/1814/47045/LAW_2017_11.pdf?sequence=1)>.

8. Since the early 1970s employment in Australia's manufacturing sector has fallen by around 400,000. Half of these job losses occurred by the end of the 1970s before China began its reintegration into the global economy.<sup>21</sup> Manufacturing employment then stabilised over 1980-2008, before falling again. This coincided with a strengthening Australian dollar owing to the mining boom, not cheap wages in China.

9. In 2015-16, total foreign donations to Australian political parties accounted for 2.6 percent of total donations.<sup>22</sup>

---

21 Jeff Borland, Labour market snapshot, March 2014 <<https://sites.google.com/site/borlandjum/labour-market-snapshots>>.

22 Yee-Fui Ng, 'Ban on foreign political donations is both too broad and too narrow, and won't fix our system', *The Conversation*, December 7 2017 <<https://theconversation.com/ban-on-foreign-political-donations-is-both-too-broad-and-too-narrow-and-wont-fix-our-system-88567>>.