

## Australian perspectives on the Belt and Road Initiative

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Elena Collinson

Around 130 countries have reportedly signed agreements with the People's Republic of China (PRC) in some capacity on engagement with the Belt and Road Initiative (BRI) since its launch by President Xi Jinping in 2013. Thirty-seven world leaders were in attendance at Beijing's second Belt and Road Forum this year, up from 29 last year.

The BRI is largely touted as an infrastructure development initiative by the PRC, described by President Xi as 'a new option for other countries and nations who want to speed up their development while preserving their independence'.<sup>1</sup> But this is merely one aspect of an initiative that is in reality shaping up to be a multi-pronged and ambitious geostrategic framework for PRC foreign policy. A useful conceptualisation is put forth by former China correspondent for *The Australian*, Rowan Callick, who described the BRI thusly: '[T]he PRC is transitioning towards becoming a pervasive global player, with Xi's signature Belt and Road Initiative – wrapping itself now not merely around the Silk Road from Asia to Europe but around the globe – at the core.'<sup>2</sup>

Exactly what the BRI's scope is has been fodder for much discussion. For example, on July 8, PRC Defence Minister Wei Fenghe told a meeting of senior defence officials from South Pacific and Caribbean countries that the PRC would be 'willing to deepen military exchanges and cooperation' under the auspices of the BRI.<sup>3</sup> This seemed to be public confirmation from a senior government

representative of a military dimension to the BRI, which would belie the PRC's stated intentions about the nature of the initiative. How significant a development this is remains unclear, but nonetheless adds to the uncertainty around the BRI.

The PRC continues to court countries to participate in the BRI, focusing particularly on countries of geostrategic significance. But while deals have been inked on numerous BRI projects, many have yet to materialise. The BRI is also the subject of structural concerns, particularly around transparency, governance and debt, which has diminished some countries' appetite to engage with the initiative, including Australia. This has compelled the PRC to acknowledge, and pledge to address, some of these issues.<sup>4</sup>

Chief amongst countries vocally agitating against the BRI has been the US, with senior officials criticising the initiative in set piece speeches and engaging in attempts to recruit other countries in coordinated pushback against the PRC. This has yielded mixed results. For example, a reported attempt by the US State Department in April to persuade 12 diplomats from allied nations to sign a joint statement criticising the BRI was met with refusal.<sup>5</sup> The US has, however, joined with Australia and Japan to establish a trilateral infrastructure financing fund to provide an alternative, of sorts, to the BRI.

US Secretary of State Mike Pompeo during a visit to Sydney for the annual Australia-United States Ministerial Consultations (AUSMIN) summit in August

1 'Socialism with Chinese characteristics enters a new era: Xi', *Xinhua*, October 18 2019 <[http://www.xinhuanet.com/english/2017-10/18/c\\_136688475.htm](http://www.xinhuanet.com/english/2017-10/18/c_136688475.htm)>.

2 Rowan Callick, 'The China Challenge', CIS Occasional Paper 171, Centre for Independent Studies, July 2019, p 2.

3 'China to deepen military cooperation with Caribbean countries, Pacific island countries: defense minister', *Xinhua*, July 8 2019 <[http://www.xinhuanet.com/english/2019-07/08/c\\_138209338.htm](http://www.xinhuanet.com/english/2019-07/08/c_138209338.htm)>.

4 Alfred Romann, 'Who will benefit from China's Belt and Road Initiative?', *Al Jazeera*, April 28 2019 <<https://www.aljazeera.com/news/2019/04/benefit-china-belt-road-initiative-190427131051786.html>>.

5 Noah Barkin, 'The US is losing Europe in its battle with China', *The Atlantic*, June 4 2019 <<https://www.theatlantic.com/international/archive/2019/06/united-states-needs-europe-against-china/590887/>>.

called for a ‘determined effort’ between Australia and the US to ‘band together’ on the PRC, nominating the BRI as a key security challenge for both countries:<sup>6</sup>

The time is right because the challenge China presents to us in the region is upon us, whether that is the militarisation of the South China Sea or their Belt and Road Initiative.

Australia, for its part, has thus far refrained from following the lead of the US in its public characterisation of the BRI and abstained from joining a campaign of overt pushback, opting to characterise itself as ‘neutral’ on the initiative.<sup>7</sup> Australia has expressed notional support for the developmental aspects of the BRI and what it can contribute to the region, but has at the same time expressed reservations, along the lines of the structural concerns noted above. It has furthermore sought to counterweight the BRI through its commitment to a ‘Pacific step up’ (with initiatives such as the Australian Infrastructure Financing Facility) and support for the Quad, an informal strategic dialogue with the US, Japan and India.

It is unlikely that Australia will move away with any haste from its current position on the BRI at the federal government level, which is to consider BRI-umbrella projects on a case-by-case basis instead of formally ‘signing up’ to the initiative. This position was most recently reiterated by Foreign Minister Marise Payne in June.<sup>8</sup> Moreover, the uncertainty with which the BRI is viewed by influential quarters of government was reinforced by Home Affairs Minister Peter Dutton earlier this month.<sup>9</sup>

While most Australian state and territory governments, such as New South Wales, Queensland and Western Australia, have opted to leave the formulation of policy on the BRI solely within the purview of the federal government, there is not as yet complete unanimity on this front. Victoria is currently the most prominent exception, having signed two memoranda of understanding (MoUs) on the BRI, and the Northern Territory has spoken welcomingly of the initiative in recent years.

Australian businesses, free to pursue BRI projects in their own right, continue to express some enthusiasm for more formalised engagement with the initiative by the Australian government, although arguably seem more circumspect about this than in the past.

This fact sheet lays out recent perspectives on the BRI in Australia at the federal and state government levels and in the business sphere.

For more background on the BRI and Australia, refer to the author’s December 2017 briefing ‘Australia and the Belt and Road Initiative: An overview’.<sup>10</sup>

## Federal government

The Australian government has been at pains to ensure a careful, moderate public tone on the BRI is generally adhered to, continuing on policy articulated under the Turnbull government. However, comments by the Home Affairs Minister earlier this month provide an indication of how the BRI is being discussed in Canberra.

Prime Minister Scott Morrison in an interview going into the federal election in May clearly laid out the Australian government’s position on the BRI:<sup>11</sup>

We have a neutral position on that. We don’t sign up to it. We don’t participate in it – that’s the position of the Australian government.

The Prime Minister went on to repeat government support for business engagement with the BRI:

There are individual Australian companies, though, who do participate in that and we seek to facilitate that as well and have no issues with that. It’s good for Australian companies, it’s good for Australian jobs.

The potential for positive contributions to regional development by the BRI are also acknowledged when discussing the initiative. Ahead of his attendance at the G20 in Japan, the Prime Minister said:<sup>12</sup>

Australia welcomes the contribution that the Belt and Road Initiative can make to regional infrastructure investment and to regional development.

6 Brad Norington and Cameron Stewart, ‘US call for help battling China’, *The Australian*, August 5 2019 <<https://www.theaustralian.com.au/nation/step-up-to-the-plate-on-china-says-pompeo/news-story/f5295e97f7b68ca01b15c53ff01de569>>.

7 ‘Scott Morrison gives his final 7.30 interview of the 2019 campaign’, transcript, May 16 2019 <<https://www.abc.net.au/7.30/scott-morrison-gives-his-final-7.30-interview-of/11121856>>.

8 Nathan Hondros, ‘Why WA is China’s next target in its controversial Belt and Road scheme’, *WAtoday*, June 12 2019 <<https://www.watoday.com.au/politics/western-australia/why-wa-is-china-s-next-target-in-its-controversial-belt-and-road-scheme-20190611-p51wjg.html>>.

9 Ben Doherty and Melissa Davey, ‘Peter Dutton: China accuses home affairs minister of ‘shocking’ and ‘malicious’ slur’, *The Guardian*, October 12 2019 <<https://www.theguardian.com/australia-news/2019/oct/12/peter-dutton-accuses-china-of-stealing-intellectual-property-and-silencing-free-speech>>.

10 Elena Collinson, ‘Australia and the Belt and Road Initiative: An overview’, Australia-China Relations Institute, University of Technology Sydney, December 5 2017 <<https://www.australiachinarelations.org/content/australia-and-belt-and-road-initiative-overview>>.

11 ‘Scott Morrison gives his final 7.30 interview of the 2019 campaign’, transcript, May 16 2019 <<https://www.abc.net.au/7.30/scott-morrison-gives-his-final-7.30-interview-of/11121856>>.

12 Scott Morrison, ‘Where we live’, speech, Asialink, Sydney, June 26 2019 <<https://asialink.unimelb.edu.au/stories/australia-and-the-indo-pacific-an-address-by-prime-minister-scott-morrison>>.

But at the same time, concerns around the current iteration of the BRI are not shied away from, with threshold standards important to Australia consistently made clear. The Prime Minister had told *Caixin* magazine in November last year that Australia was ‘keen to strengthen engagement with China in regional trade and infrastructure developments that align with international standards of governance and transparency.’<sup>13</sup>

This was reinforced by Department of Foreign Affairs and Trade Secretary Frances Adamson, who, during a visit to Beijing to represent Australia at the second Belt and Road Forum, in a speech on April 25 said:<sup>14</sup>

Australia’s participation reflects our preparedness to engage in the Belt and Road Initiative (BRI).

...

Australia wants to strengthen engagement with China on projects that align with international standards of governance, transparency and debt sustainability.

The Australian government also continues to maintain that it will assess participation in BRI projects on a ‘case-by-case basis’, a stance reiterated by the Foreign Minister in June:<sup>15</sup>

Australia is prepared to consider Belt and Road projects on a case-by-case basis according to their individual merits.

The BRI has not factored into much public discussion by the government this year, but on October 11 Home Affairs Minister Peter Dutton, in some of the strongest public language on the PRC used by a senior minister yet, stated that a ‘frank conversation’ needed to be had about the PRC, nominating the BRI as one of several key issues. This was noted within the following context:<sup>16</sup>

My issue is with the Communist Party of China and their policies to the extent that they’re inconsistent with our own values.

The Prime Minister sought to soften the rough edges of these remarks, but did not fully contradict them.<sup>17</sup>

The Australian Labor Party (ALP), despite having expressed some openness to the BRI in years previous, has been largely silent on their positioning this year.

By contrast, former prime minister and leader of the ALP, Kevin Rudd, in an opinion piece laying out a suggested blueprint for a national China strategy published on September 6 wrote:<sup>18</sup>

There are...areas where it may be difficult to work constructively with Beijing, but where it’s possible to do so. We could engage our Chinese friends on the future the Belt and Road Initiative, as opposed to simply demonising it as the definition of all ideological evil.

He had expounded on this notion during a previous speech in August saying:<sup>19</sup>

I often say to our American allies on the BRI: where’s your cash to match it? China is prepared to put somewhere between one and three trillion dollars on the table.

## State and territory governments

While most state and territory governments, such as New South Wales, Queensland and Western Australia, have opted to refrain from formal engagement with the BRI, leaving it to the federal government to chart a course in that area – a course of action preferred by the federal government – there is not complete unity on this front. Victoria has opted to effectively go it alone, signing two MoUs with the PRC, while the Northern Territory continues to speak highly welcomingly of the initiative.

### Queensland

Queensland under Labor Premier Annastacia Palaszczuk emphatically ruled out formal

13 Li Xin and Ke Dawei, ‘Exclusive: Australia’s Prime Minister says China not targeted by investment restrictions’, *Caixin*, October 9 2018 <<https://www.caixinglobal.com/2018-10-09/exclusive-australias-prime-minister-says-china-not-targeted-by-investment-restrictions-101333112.html>>.

14 Frances Adamson, Remarks at Australia–China reception, Ambassador’s residence, Beijing, April 25 2019 <<https://china.embassy.gov.au/bjng/Speech190425.html>>.

15 Nathan Hondros, ‘Why WA is China’s next target in its controversial Belt and Road scheme’, *WAtoday*, June 12 2019 <<https://www.watoday.com.au/politics/western-australia/why-wa-is-china-s-next-target-in-its-controversial-belt-and-road-scheme-20190611-p51wjg.html>>.

16 Ben Doherty and Melissa Davey, ‘Peter Dutton: China accuses home affairs minister of ‘shocking’ and ‘malicious’ slur’, *The Guardian*, October 12 2019 <<https://www.theguardian.com/australia-news/2019/oct/12/peter-dutton-accuses-china-of-stealing-intellectual-property-and-silencing-free-speech>>.

17 *Ibid.*

18 Kevin Rudd, ‘Let’s cool it on the anti-China hysteria’, *The Sydney Morning Herald*, September 6 2019 <<https://www.smh.com.au/national/let-s-cool-it-on-the-anti-china-hysteria-20190905-p52o9r.html>>.

19 Kevin Rudd, ‘The complacent country: Alternative visions for Australia’s future in the region and the world’, speech, Australian National University, Canberra, August 28 2019 <<http://kevinrudd.com/2019/08/28/the-complacent-country-alternative-visions-for-australias-future-in-the-region-and-the-world/>>.

participation by the state in the BRI. The Premier said on November 12 2018:<sup>20</sup>

I firmly believe that issues in relation to One Belt One Road and the relationships between China and the Australian government should be at the (national) government-to-government level.

### New South Wales (NSW)

NSW under Liberal Premier Gladys Berejiklian also ruled out signing up to the BRI in November 2018, agreeing that ‘any commitment to infrastructure building on such a vast scale must remain in the hands of Canberra, not the states’.<sup>21</sup> The state government also confirmed that Beijing had not made any overtures to NSW regarding the BRI.

### Western Australia

Despite initially showing some openness to engagement with the initiative, Western Australia Premier Mark McGowan in June this year ruled out WA’s participation in the BRI:<sup>22</sup>

The BRI is not on our agenda and we won’t be signing up to this initiative.

The PRC had previously made approaches to WA terming the state and the PRC ‘natural partners’ and pressing the state to grasp the ‘historical opportunity presented’.<sup>23</sup>

### Northern Territory

The Northern Territory, under the leadership of ALP politician Michael Gunner, has exhibited some support for the BRI and the opportunities it might present for the territory.

The Chief Minister delivered the keynote address during the ‘One Belt One Road in Australia’ conference on July 10 2018, describing the Northern Territory as the ‘belt and road’s gateway into the markets and minds of Australia.’ He noted that Australia’s Developing the North Agenda and the BRI

‘work together’ and that there is ‘alignment’ between the two.<sup>24</sup>

This enthusiasm for the BRI was also expressed by the Chief Minister on October 14, when during a reception held in Darwin by the PRC Embassy in Australia to mark the 70th anniversary of the PRC, he said of BRI cooperation in an interview with PRC state media:<sup>25</sup>

I’d like to think of it as win-win. It’s how do we work together to develop common bonds or common economic opportunities.

### Victoria

Victoria is a notable outlier in its determined pursuit of the BRI. The first state to ‘sign up’ to the BRI in principle via an MoU last year, Victoria recently inked an MoU setting out more specific areas of cooperation. In the normal vein of MoUs with the PRC, however, the text of this second MoU is still fairly vague and general.

On October 8 2018 Victorian ALP Premier Daniel Andrews and the Chairman of the National Development and Reform Commission of the PRC, the country’s economic planning authority, quietly signed an MoU signing Victoria up to the BRI in principle. It was later announced at a formal ceremony on October 25.

The federal government appeared to be caught off-guard by the deal, with the Prime Minister criticising the lack of consultation with the federal government.<sup>26</sup> The Foreign Minister, however, had adopted a different tone, stating that states and territories are ‘encouraged...to expand opportunities with China’.<sup>27</sup>

On October 23 this year it was announced that Victoria had signed a second MoU with the PRC on the BRI, nominating cooperation in infrastructure, innovation, aged care and trade development, with the creation of a joint working group to guide cooperation chaired by the Victorian Premier and a senior PRC government official.<sup>28</sup>

20 Jared Owens, ‘Annastacia Palaszczuk weighs in on Victorian government’s controversial China Belt and Road Initiative deal’, *The Australian*, November 12 2018 <<https://www.theaustralian.com.au/nation/politics/annastacia-palaszczuk-weighs-in-on-victorian-governments-controversial-china-belt-and-road-initiative-deal/news-story/c724fbb417970bf0d6e022f9c4745f51>>.

21 Brad Norington, ‘China’s Belt and Road a bad fit for states, says NSW’, *The Australian*, November 17 2018 <<https://www.theaustralian.com.au/nation/foreign-affairs/chinas-belt-and-road-a-bad-fit-for-states-says-nsw/news-story/5eea735a36d16952e719c331f0f29e7d>>.

22 Nick Butterly, ‘WA Government won’t sign up to China’s Belt and Road initiative’, *The West Australian*, June 11 2019 <<https://thewest.com.au/politics/state-politics/wa-government-wont-sign-up-to-chinas-belt-and-road-initiative-ng-b881225762z>>.

23 Andrew Burrell, ‘Belt and Road an ideal fit for WA, says China’, *The Australian*, June 6 2019 <<https://www.theaustralian.com.au/nation/politics/belt-and-road-an-ideal-fit-for-wa-says-china/news-story/cf3b67e202ff912dba61e86e4056dbbd>>.

24 Michael Gunner, keynote speech, One Belt One Road Conference, Darwin, July 10 2018 <<https://chiefminister.nt.gov.au/articles/population-conference2>>.

25 ‘Belt and Road Initiative can be win-win, says Australia’s Northern Territory chief minister’, *Xinhua*, October 15 2019 <[http://www.xinhuanet.com/english/2019-10/15/c\\_138471623.htm](http://www.xinhuanet.com/english/2019-10/15/c_138471623.htm)>.

26 Scott Morrison, Doorstop – Kunda Park, QLD, transcript, November 6 2018 <<https://www.pm.gov.au/media/doorstop-kunda-park-qld>>.

27 ‘Foreign Minister Marise Payne to visit Beijing’, interview, *ABC AM*, November 6 2018 <<https://www.abc.net.au/radio/programs/am/foreign-minister-marise-payne-to-visit-beijing/10468604>>.

28 Office of the Victorian Premier, ‘Victoria and China take partnership to the next level’, media release, October 23 2019 <<https://www.premier.vic.gov.au/victoria-and-china-take-partnership-to-the-next-level/>>.

This time, the primary figure from the federal government to weigh in on the deal from the federal government was the Home Affairs Minister, who questioned the decision, asking: <sup>29</sup>

Why does he believe this is in our national interest? Why does he believe it's in Victoria's interest?

...

I haven't heard the rationale or the reasoning behind what seemed to be a pretty rushed decision.

The federal ALP, with the exception of vocalised support for the decision from former leader Bill Shorten, has thus far been silent on the decision.

## Business

With a few exceptions, Australian businesses have seemed to veer away from a previously vocal push for the Australian government to move forward with the BRI.

Businessperson and former minister Warwick Smith, currently chair of the Australian government's new National Foundation for Australia-China Relations, 'believes Australia should sign up' to the BRI':<sup>30</sup>

We should get some of the commercial opportunities from Xi Jinping's grand vision to recreate the old Silk Road trade routes.

I don't want Australia to be left behind.

This builds on his assessment in June that with respect to the BRI, Australia has 'to do something a bit more formal'.<sup>31</sup>

Australia-China Business Council president John Brumby expressed a similar view:<sup>32</sup>

Australia needs a strategy to become part of the BRI if it wants to grow its economy.

Deloitte China BRI head Derek Lai in June said that Australia's abstention from formal engagement with the BRI was having a discernible impact on Australian business, although conceded this analysis was difficult to quantify. He noted:<sup>33</sup>

If you sign the MoU there is a different perception by Chinese companies...

Other members of the business community, whilst keenly exhibiting an interest in the BRI, are stopping short of advocating for the Australian government to 'sign up'.

For example, the agriculture sector is concerned that if Australia 'is not at the table, it will be on the menu'.<sup>34</sup> To this end, Agribusiness Australia in a report recommended that agribusiness seek opportunities to participate in the BRI. The report, however, while urging business participation, does not call on the federal government to reconsider its current BRI policy.<sup>35</sup>

Agribusiness Australia head and Elders boss Mark Allison said in October:<sup>36</sup>

Whether we formally sign up for BRI or not doesn't matter. That's a political question. But from a business point of view, not being anti-BRI may be helpful.

And Fortescue chief executive Elizabeth Gaines asserted earlier this year that that while 'belt-road is an opportunity', the company would leave 'policy for the policymakers'.<sup>37</sup>

### Author

Elena Collinson is Senior Project and Research Officer at the Australia-China Relations Institute, University of Technology Sydney.

29 Noel Towell, 'Andrews signs new belt-and-road deal with China: 'the right thing to do'', *The Sydney Morning Herald*, October 23 2019 <<https://www.smh.com.au/national/andrews-signs-new-belt-and-road-deal-with-china-the-right-thing-to-do-20191023-p533kf.html>>.  
30 Glenda Korporaal, 'Heat on Australia's Mr China', *The Australian*, September 14 2019 <<https://www.theaustralian.com.au/weekend-australian-magazine/warwick-smith-australias-mr-china/news-story/bd3b34f5997999253f3eef79d30936ee>>.  
31 Glenda Korporaal, 'Australia 'needs special envoys to court China'', *The Australian*, June 1 2019 <<https://www.theaustralian.com.au/business/economics/australia-needs-special-envoys-to-court-china/news-story/f93b63822f19815a6ba4f38d41fb21c8>>.  
32 Glenda Korporaal, 'Business lobby backing China's Belt and Road', *The Australian*, June 27 2019 <<https://www.theaustralian.com.au/nation/politics/business-lobby-backing-chinas-belt-and-road/news-story/08f427dd9f4a51a8745cc95997b7920d>>.

33 Patrick Durkin, 'China Belt and Road refusal hurting business', *The Australian Financial Review*, June 12 2019 <<https://www.afr.com/world/asia/australia-s-china-belt-and-road-refusal-hurting-business-20190612-p51ww1>>.  
34 Jenne Brammer, 'Belt up for ride with China: Elders chief', *The West Australian*, September 10 2019, p51.  
35 Brad Thompson, 'Grain growers the losers in China chill', *The Australian Financial Review*, July 25 2019 <<https://www.afr.com/companies/agriculture/agribusiness-warning-on-belt-and-road-breakdown-20190725-p52ap4>>.  
36 Glenda Korporaal, 'Elders call to get on board the BRI train', *The Australian*, October 15 2019 <<https://www.theaustralian.com.au/business/elders-call-to-get-on-board-bri-train/news-story/82cff86a3cf6db6542c2169ae559219c>>.  
37 Brad Thompson, 'Give China more credit, says Fortescue boss', *The Australian Financial Review*, July 4 2019 <<https://www.afr.com/companies/mining/give-china-more-credit-says-fortescue-boss-20190704-p5241i>>.