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PARLIAMENTARY DEBATES



THE SENATE

PROOF

ADJOURNMENT

Trade with China

SPEECH

Tuesday, 8 September 2015

BY AUTHORITY OF THE SENATE

SPEECH

<p>Date Tuesday, 8 September 2015</p> <p>Page 91</p> <p>Questioner</p> <p>Speaker Lambie, Sen Jacqui</p>	<p>Source Senate</p> <p>Proof Yes</p> <p>Responder</p> <p>Question No.</p>
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Senator LAMBIE (Tasmania) (21:26): For reasons which will become obvious as my speech tonight unfolds, the information I am about to disclose to the Australian Senate would never have been spoken about by members of either the Liberal-National or Labor parties. Australia has a very complicated relationship with China and, to quote the ancient Chinese curse, we 'live in interesting times'. On 31 August this year, the same day when three major Australian industry groups launched a campaign to generate public support for the China free trade deal and when finance minister Mathias Cormann was reported in the *Australian Financial Review* as saying:

'People in Western Australia, perhaps more so than other parts of Australia, very well understand the importance of the trade relationship with China'

other media reported, under the headline 'China ready to launch military power from artificial islands in South China Sea':

By 2017, military analysts expect China will have equipped its new sand islands with ports, barracks, battlements, artillery, air strips and long-range radar systems that will enable it to project military and paramilitary power into the furthest and most hotly-contested reaches of the South China Sea.

Those facilities would give China the ability to obstruct other claimant countries and potentially disrupt sea lanes that carry more than three-fifths of Australia's merchandise trade, according to military analysts.

In the same article our defence minister, Kevin Andrews, is reported to have strongly supported US Secretary of Defense Ashton Carter's comments in May 2015 when he:

... demanded a 'lasting halt to land reclamation' and commissioned plans to conduct 'fly throughs' and 'sail throughs' within 12 nautical miles of the artificial islands.

The media article which reports on our defence minister's support for the US Secretary of Defense, Ashton Carter, continues:

China has won the first round of its contest for control in the South China Sea by completing construction of an archipelago of artificial islands, say senior Australian sources.

And there is little that will stop China from winning the next round, too, as an indecisive US Administration and allies including Australia struggle to follow through on earlier promises to challenge unlawful Chinese claims with 'freedom of navigation' exercises, the sources say.

So, on 31 May this year, we had two media articles describing the reaction of two different Abbott cabinet ministers to China's relationship with Australia.

Firstly, we have a finance minister who urges the Australian people to embrace a deal with China which, first, has the potential with investor-state dispute settlement or ISDS clauses and associated legal opportunities for our government to be sued by Chinese companies and, second, has provisions that allow the importation of Chinese workers to seriously compromise our nation's security and sovereignty. Secondly, we have a Defence minister who essentially urges the Australian people to be wary and on guard against a China whose unlawful international actions in international waters in the South China Sea have already compromised our national security and sovereignty.

On the very important subject of China taking actions which have compromised our national security and sovereignty, I have not even mentioned in my arguments so far other acts that China has carried out in recent times which have threatened Australia or Australia's allies' security and sovereignty. Most notable was the surprise visit

of a flotilla of three Chinese warships in February 2014 on a military exercise that included combat simulations which sailed past territorial waters and Christmas Island. The media report of the incident said:

Never before has a Chinese naval drill come so close to Australia.

... ..

This month's exercise took the theory a good step closer to reality, bringing China's bold ambitions virtually to Australia's doorstep. In doing so, it has crystallised the challenge facing our military planners in preparing for a very different world.

On the subject of China's military might, I think of their recent parade. While our military planners are preparing for a very different world because of the rapid increase in Chinese military might and the willingness of the Chinese government to use that might, it appears that the Liberal and National Party leaders and members of this parliament, with their calls to rush into a free trade agreement with China and unreasonable abuse of those who urge caution, have not prepared for a very different world.

The important point I would like to make about a free trade agreement with China compared, for example, with FTAs listed on Australia's Department of Foreign Affairs and Trade website, including those with India, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand and the United States, is that those countries have democratically elected governments who have not used their military to threaten Australia's security and sovereignty. China does not have a democratically elected government. Under communist rule, it has a long and spectacular history of human rights abuses. It has an equally long history of uninvited, aggressive military acts towards its neighbours, including our very own Australia.

Australia is not investing in hundreds of billions of dollars in state-of-the-art fighter jets and submarines because our defence planners see a future military threat from our current free trade partners—those being India, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand and the United States. Let's at least be honest. We owe it to future generations of Australians. Australia's purchase of hundreds of billions of dollars of sophisticated military hardware—the F35 fighter jets and submarines—is because of the very real military threat the Chinese communist government poses to our nation and our allies. This is a simple statement of fact and not, as the Liberals and Nationals would have you believe, a xenophobic rant.

While I acknowledge that China is our major trading partner at the moment, I still make the point that Australia has a very complicated relationship with China. That relationship becomes even more complicated when you consider the extraordinary investment that most of Australia's major political parties have allowed the Chinese communist government to make in a coalmine on the Liverpool Plains in New South Wales. I visited the proposed Chinese government owned Shenhua coalmine site on the Liverpool Plains in New South Wales recently. The Chinese government would never allow the Australian government to establish a mine in the middle of their prime agricultural land. How that proposed Chinese government owned mine was ever given government approval to be established on some of the richest farming land in Australia defies rational explanation.

The Liverpool Plains site and exploration licence for the Chinese government owned mine was first approved by the disgraced and officially corrupt New South Wales politician Ian Macdonald. Ian Macdonald was found to be corrupt in 2013 by New South Wales's Independent Commission Against Corruption after he illegally approved a mining exploration licence for a different Hunter Valley company without reasonable cause or justification in 2007-08. Nonetheless, in 2008, to the surprise of all fair-minded people, the former Labor minister Ian Macdonald issued the mining exploration licence for the Chinese government owned mine against the advice of his own department.

Another extraordinary event happened with the Labor Party minister's granting of the mining exploration license. The Chinese government through its state owned company Shenhua paid a record Australian price of \$300 million for an exploration licence. The Chinese government then also agreed to pay another whopping \$200 million for a mining licence should it be issued. So we have a situation where the Chinese government's state owned company had, without turning a sod, committed a whopping \$500 million to a coalmine in the middle of Australia's best farming land after a corrupt Labor politician gave them the official green light.

I have been reliably informed that, on the day Shenhua handed over the \$300 million cheque to the New South Wales government, former Independent member of federal parliament Tony Windsor was in the New South

Wales state parliament and met representatives of Shenhua and asked them how were they going to handle the significant underground water issues at the site of their mine. Their response was unusual. Shenhua argued that it did not matter as the mine was in the Hunter Valley. Tony Windsor explained to them that this was incorrect and that they were west of the Great Dividing Range. They were visibly confused.

Fortunately for the Chinese government owned coal mine, the then energy minister, Liberal Chris Hartcher, changed the definition of 'flood plain' for the Shenhua project without any consultation or official process. Chris Hartcher was accused by the New South Wales corruption watchdog in 2013 of being the mastermind of a political slush fund. He resigned from cabinet in December 2013 after the Independent Commission Against Corruption, the ICAC, raided his office on the state's Central Coast. However, the Chinese government owned mine in the middle of our prime agricultural land continued to forge ahead at the proposed site despite the fact that its overburden and part of the eastern pit are on a flood plain as defined by the Water Management Act. But the new definition put in place by Liberal politicians says they are no longer on a flood plain.

Leader of Nationals, Andrew Stoner, via email two weeks after his party, along with the Liberals, won the election in 2011, requested the Minister for Planning to expedite the Chinese government coalmine despite claiming during the election that they would protect prime agricultural land. The initial New South Wales Planning Assessment Commission review made 25 recommendations to alter the Shenhua mine plan. The official Shenhua mine response argued against 19 of the recommendations and the government's official determination of the Planning Assessment Commission agreed with Shenhua mine. Again, kindly, the New South Wales government appointed board also removed each of the recommendations that Shenhua did not like and had argued against. The official New South Wales government conditions outlined extra land to be bought due to noise and dust impacts, and it would cost Shenhua mine approximately \$300 million to comply. The Chinese government owned company then argued it would be politically sensitive for a foreign company to own such large tracts of prime agricultural land, and then—surprise, surprise—the Liberal government appointed mining review body removed this condition and saved the Chinese government owned mining company \$300 million.

At the start of the process, Shenhua mine told the Liverpool Plains community in consultation meetings that they would undertake a valley-wide groundwater model to validate the mine and to make sure it would not impact on groundwater. Dr Jurgen Schaeffer was used as a consultant and underground expert to do this task. Shenhua mine to date have not presented a valley-wide groundwater model and deny they were ever going to do one. This denial is unusual because one of Dr Schaeffer's main tasks was to present a valley-wide groundwater model. Shenhua mine terminated Dr Schaeffer's contract three years after starting his work on underground water impacts. The Liverpool Plains community wonder what Dr Schaeffer told the Chinese government owned company. Did he say something about the groundwater on the Liverpool Plains that they did not want to hear?

Key Liberal and Labor politicians who enabled and helped the establishment of the Shenhua coalmine are not the only ones who have been caught up in corruption. The ABC reports that a number of directors of the Shenhua mine company have been investigated for corruption in China. A former vice-president of Shenhua in China is being investigated by judicial authorities and several others in that country have been accused of acting corruptly. A report Shenhua prepared for the Chinese government in May showed that at least three other executives had been accused of acting corruptly: a former vice chief executive is accused of pocketing large sums of money after allegedly colluding with unscrupulous businessmen; a former chairman of the subsidiary, Shenhua Ningxia Coal Industry Group, is alleged to have received bribes from contractors, including a donation for a family temple; and a chief engineer of safety at Shenhua Ningxia Coal Group was investigated for allegedly extorting money from contractors on a coal-fire extinguishing project. Chinese court documents also show that six managers from Shenhua Ningxia Coal Industry Group's subsidiaries have been given jail sentences of between five and 13 years for accepting bribes.

Despite this incredible story of corruption on corruption with those key officials associated with this mine and with community outrage over this Chinese government owned mine, the federal government last month granted conditional approval to Shenhua for an open-cut coalmine near prime agricultural land in New South Wales. This is not a mine site; it is a crime site—an officially sanctioned government approved crime site with the assistance of the Labor Party, the Liberal Party and the National Party. I want to know how this outrage and injustice happened on our finest farming land, prime agricultural land, the total of which only occupies 3.4 per cent of Australia's land mass. The establishment of a Chinese government owned coalmine on the Liverpool Plains is an extraordinary and unprecedented act which defies rational explanation. It is so extraordinary that there needs to

be an inquiry and questions must be asked in order to try to explain why a Chinese government owned coalmine ended up in the middle of our best food and fibre growing land the Liverpool Plains.

I asked my office to conduct research on the amount of influence the Chinese government has on Australia's political parties. My office studied the official figures on the Australian Electoral Commission website and found that there were two Chinese gentlemen with links to the Chinese Communist government who had donated significant funds to all political parties involved in the amazing and strange approval processes of the Shenhua coalmine. Dr Chau Chak Wing—also known as Zhou Zerong—is a Chinese-Australian billionaire property developer who owns: one, Kingold Group, one of the first foreign invested enterprises approved by the Chinese government; two, the HK Kingson Investment; and, three, Chun Yip Trading. Dr Chau invested in 2013-14 a total of \$1,355,000 in the following political parties: the Australian Labor Party, the Liberal Party of Australia and the National Party of Australia, including their New South Wales branches. Dr Chau in 2007-08, the year the Shenhua mine was approved in New South Wales by corrupt Labor minister Macdonald, invested \$761,000 under Hong Kong Kingson Investment in the Liberal, Labor and National Parties of Australia, including the New South Wales divisions. Dr Chau in 2007-08 made a further donation of \$399,962 under Chun Yip Trading in the Liberal and National Parties of Australia. Dr Chau in 2007-08 made another \$200,000 under Tech Dragon Holding Limited to the Liberal Party of New South Wales.

In media reports, former Prime Minister Mr Howard said he understood that Dr Chau had a 'very successful rags-to-riches story' and that he had himself attended 'a couple of functions' for the billionaire in China. Asked about Dr Chau's political connections in China, he replied simply: 'He's clearly very well connected.' I say that in Australia he is also clearly very well connected. Another political source said Dr Chau had become an important conduit for Australians looking for connections in China, and particularly southern China, at both a political and a corporate level. Another person living in China who presumably has connections with the Chinese government is Zi Chun Wang. He was the highest donor to the Labor Party in 2013-14, with two donations totalling \$850,000. Media reports say Mr Zi potentially operates under another name, is China based and is linked to Ever Bright Group.

Most Australians would be shocked to learn of the size of the donations to our major political parties by people who have links—most likely strong links—to the Chinese communist government. The question must be asked and answered, especially in light of the approval of the Shenhua mine, a Chinese government state owned mine: what political influence does this money—\$3.5 million—buy?

In future speeches I will further detail the money given to the New South Wales Nationals, Liberal and Labor parties by people with links to Chinese government, while a dodgy Chinese coalmine was given approval on our best prime agricultural farming land.

Senate adjourned at 21:45