




# Australia and the 2016 arbitral award

**NATALIE SAMBHI**

**AUSTRALIAN NATIONAL UNIVERSITY**



“ Australia is a key partner for the Philippines and strong supporter of the rules-based global order BUT its participation in upholding that system is complicated by increasingly **ambivalent relations with China.**”



Source: AFR

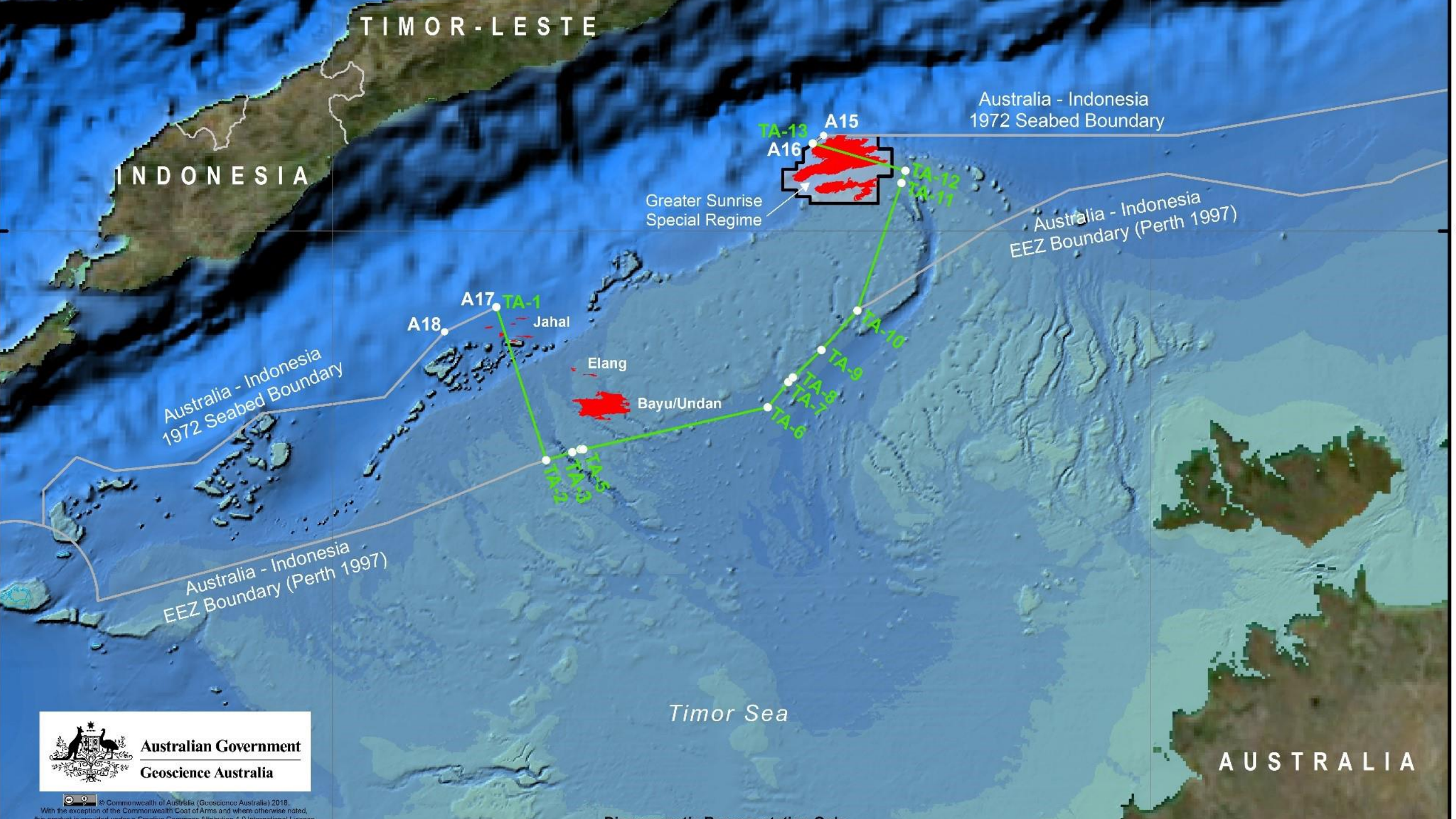
# Foreign Minister Julie Bishop

- ▶ “Final and binding” on both the Philippines and China
- ▶ “Australia urges all South China Sea claimants to resolve their disputes through peaceful means ... refrain from coercive behaviour and unilateral actions designed to change the status quo in disputed areas.”
- ▶ “Australia will continue to exercise our international law rights to freedom of navigation and overflight, and support the right of others to do so.”

# Australia and Timor-Leste maritime boundary

- ▶ 2002: Timor-Leste's independence, maritime boundary renegotiated
- ▶ April 2016: Timor-Leste initiated UN Commission Conciliation proceedings
- ▶ Gas and oil reserves in Greater Sunrise fields
  - ▶ 144bn cubic metres of gas, 226m barrels of condensates (ABC)
  - ▶ Worth USD40 billion
- ▶ March 2018: Australia and Timor-Leste reach agreement, settle permanent maritime boundary






**Australian Government**  
**Geoscience Australia**

# China factor?

1. Being a good neighbour to Timor-Leste
  - ▶ Spying
  - ▶ Australia exploited vulnerability: Horta, Gusmao
2. Resolves perception of hypocrisy, even though not inconsistent with long-standing commitment to negotiation (Strating)
3. China factor: China bearing on maritime issues much closer to home for Australia

# Debates in Australia





“Australia will continue strongly to support US global leadership...We believe that the United States’ engagement to support a rules-based order is in its own interests and in the interests of wider international stability and prosperity. Without sustained US support, the effectiveness and liberal character of the rules-based order will decline.”

Foreign Policy White Paper 2017, p. 7

# Rules-based global order


- ▶ Enforcement of rules vs norm of restraining from force

# FONOPs

"We should not do it with fanfare. We should not do it on the basis of mocking and humiliating. **We should not do it on the basis of confrontation.** We should do it on the basis of the law."

Kim Beazley





“ The situation in the South China Sea is messy and complex...Rather [FONOPs] could help **destabilise** a situation that is looking increasingly more stable. The operations would not be supported by most Southeast Asian countries. They would only add to the **strategic distrust** that continues to prevent effective management of the South China Sea and activities within it. ”

Prof Sam Bateman, Australian National Centre for Ocean Resources and Security, University of Wollongong

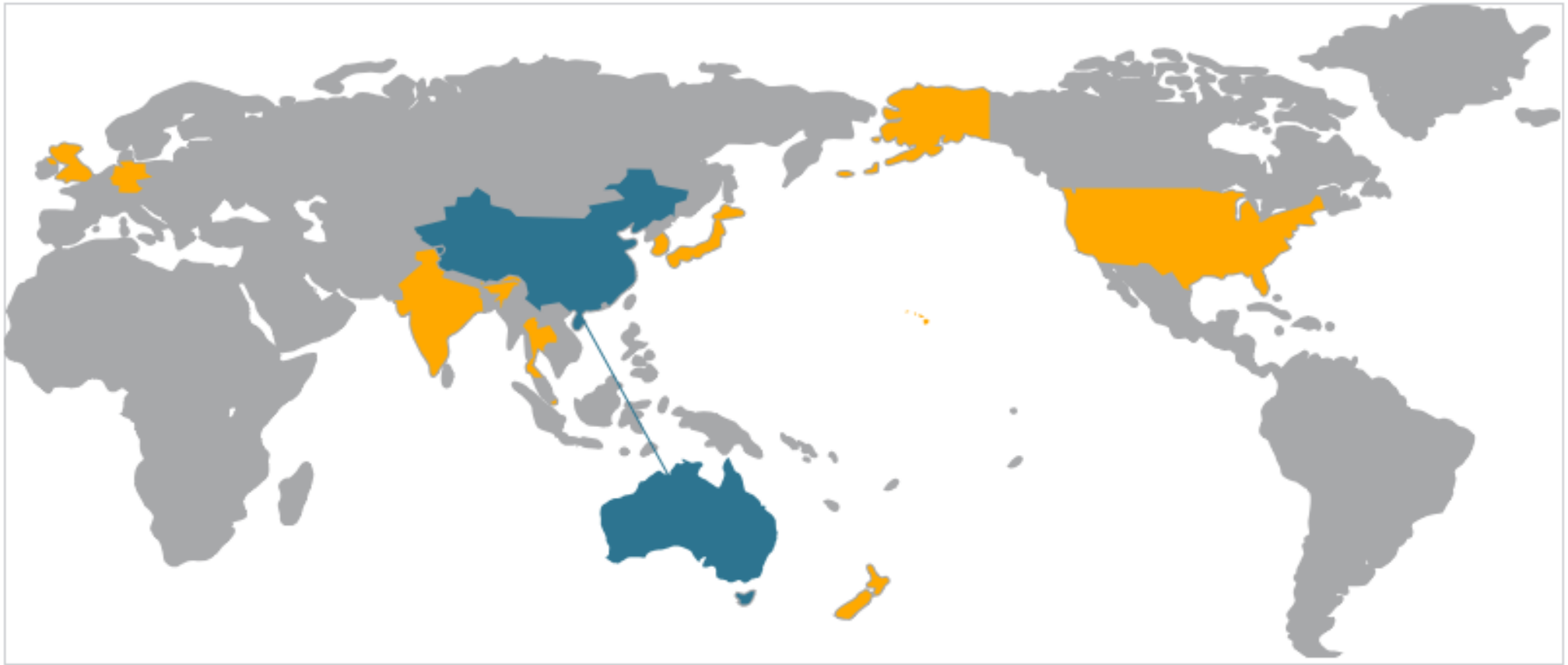




Source: RAAF



# The China challenge for Australia



### Australia's goods & services trade with CHINA (A\$ million) (a) (b)

Year	Exports	Imports	Total trade	Rank
2016-17	110,427	64,287	174,714	1

Source:  
DFAT

Rank in 2017	Economy	2015	2016	2017	% of total	% change 2016 to 2017	5-year trend % growth
1	United States	876.4	853.2	896.9	27.5	5.1	6.9
2	United Kingdom	481.4	520.7	481.4	14.7	-7.6	4.2
3	Belgium	247.1	270.1	305.3	9.3	13.0	9.6
4	Japan	201.6	215.7	219.2	6.7	1.6	7.6
5	Hong Kong (SAR of China)	86.3	102.2	116.6	3.6	14.1	17.0
6	Singapore	98.7	91.2	82.0	2.5	-10.1	5.6
7	Luxembourg	60.3	74.5	81.0	2.5	8.8	4.7
8	Netherlands	66.3	76.6	79.0	2.4	3.2	15.9
9	China	75.4	84.1	65.0	2.0	-22.8	21.6
10	Switzerland	54.2	58.5	53.7	1.6	-8.2	-2.7

Source: DFAT



Source: ANU



A close-up photograph of Sam Dastyari, an Australian politician, looking slightly upwards and to the left. He is wearing a dark suit, a white shirt, and a red tie.

## **Sam Dastyari defended China's policy in South China Sea in defiance of Labor policy, secret recording reveals**

Australian Story By [Quentin McDermott](#)

Updated 29 Nov 2017, 5:58pm

## **Sam Dastyari 'tried to pressure' Tanya Plibersek not to meet with Chinese activist**

By [Quentin McDermott](#)

Updated 11 Dec 2017, 9:03am

Source: ABC



# Lowy Institute Poll 2018

- ▶ Australians seem more concerned about Chinese investment than influence ...
- ▶ Only 41% of Australians view foreign interference in political processes as a 'critical threat'
- ▶ 72% respondents say Australian government is 'allowing too much investment from China'
- ▶ 82% of Australians see China as 'more of an economic partner' than a 'military threat' (up three points since 2017)
- ▶ 63% express concern about China's influence in Australia's political processes, 58% are concerned about influence of United States



# Recommendations

1. Leverage broader synergies within the Indo-Pacific
  1. strengthen **multilateral and minilateral support** for rules-based global order
  2. build habits of dialogue and cooperation
  3. Indo-Australis
2. Invest in marine science
  1. Indonesia's precedent of using **data to build domestic consensus**
  2. Joint research and fishing stocks monitoring

Source: CNN Indonesia





Thank you

[natalie.sambhi@anu.edu.au](mailto:natalie.sambhi@anu.edu.au)



“ More than ever, Australia must be **sovereign, not reliant**. We must take responsibility for our own security and prosperity while recognising we are stronger when sharing the burden of leadership with trusted partners and friends.”

Foreign Policy White Paper 2017, p. iii



## Selected major Chinese investments in Australia in 2017

Target Name	Acquirer Name	Industry Sector	State	FINAL Value (AUD million)
Coal & Allied Industries Limited	Yancoal Australia Limited	Mining	VIC <sup>1</sup>	3,400 <sup>2</sup>
The Real Pet Food Company	New Hope / Temasek	Food and Agribusiness	NSW	1,000 <sup>3</sup>
Ansell Sexual Wellness Division	CITIC Capital Partners Limited & Humanwell Healthcare	Healthcare	NSW	800
Automotive Holdings Group Limited	HNA Group	Transport	WA	400
PRP Diagnostic Imaging Pty Ltd (70% stake)	Hengkang Medical Group Co., Ltd.	Healthcare	NSW	337
Hanking Gold Mining Pty Ltd.	Shandong Tianye Real Estate Development Group Co Ltd	Mining	WA	330
Talison Lithium	Tianqi Lithium	Mining	WA	320
Trinity Group	Beijing Enterprises Water Group	Infrastructure	SA	250
G8 Education Limited	China First Capital Group	Education	QLD	245
Darling Downs, Origin Energy	State Grid	Infrastructure	NSW	235
Stockyard Hill Wind Farm from Origin Energy	Goldwind	Renewable Energy	NSW	110

Source: The KPMG/Sydney University database

1. Yancoal's acquisition of Coal & Allied Industries is recorded as an inflow to Victoria due to the Target's headquarters. The assets acquired by Yancoal are geographically located in NSW.
2. This value includes AUD303m Non-contingent royalty.
3. For reasons of confidentiality we use the published deal value including the non-Chinese equity value in this table.