

Quebec City Laurentia Port Project

Soon a Chinese Container Port in Eastern Canada for the next *sixty years*?

Canada as myopic as Australia

Canada and Australia: two Dominions, same politics.

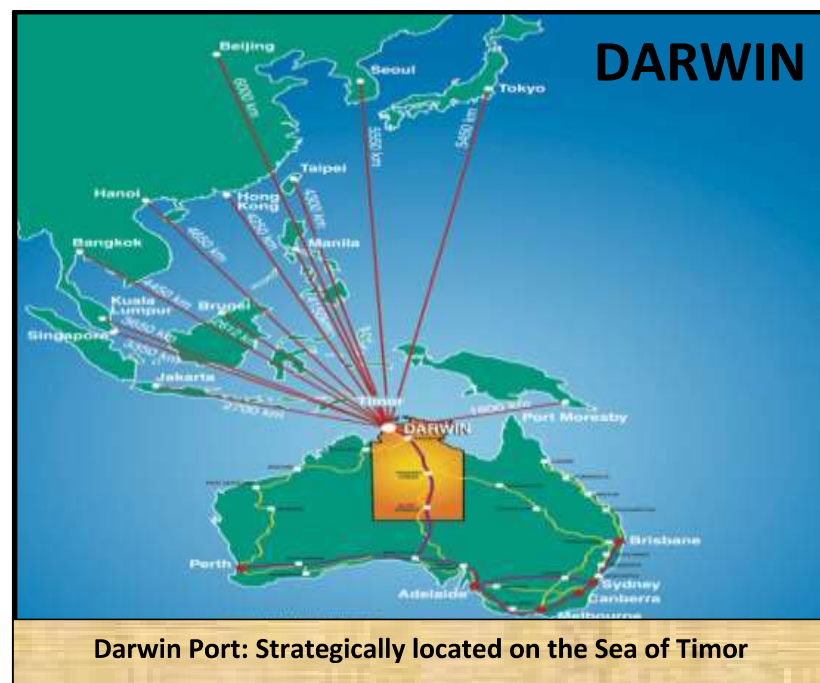


Where the reader will discover quite similar practices between the Governments of Australia and Canada, two Dominions best cousins in the Commonwealth, their stupidity being a mirror image of each other.

Two Ports at the Antipodes

Two Strategic Locations

Two British Dominions: same myopia.



The Ports of Québec (Canada) and of Darwin (Australia): being antipodal does not mean behaving any differently.

Same mentality, same blunders, same headaches for their State Governments.

Administratively, those two British Dominions are milk brothers.

Here is the « funny » story of the port of Darwin, capital city of the remote Northern Territory in Australia, which mirrors what is happening right now in Québec, Canada. The Port Darwin facility was somewhat sleepy and facing financial problems (*same as the Port of Québec*). The city of Darwin itself is quite isolated from the rest of Australia (*as Québec City is from Canada*), but enjoys a strategic location on the Timor Sea (*as Québec City on the St. Lawrence River*).

In Darwin, nice place but not front and center in the thoughts of mainstream Australians (*like Québec City in the thoughts of the Rest of Canada*), some local officials had a great idea: to sell their seaport to a Chinese corporation for 99 years. Exactly the same kind of deal the Port of Québec wants to clinch with a mastodon Chinese corporation...only for 60 years. In the case of Australia, the Chinese company was found to be close to the Chinese Communist Party, not to mention the People's Liberation Army. Big surprise.

Nowadays, a few years after the Darwin *cognoscenti* sold their seaport to the Chinese in a deal similar to what is now proposed for the Port of Québec, the Australian State Government is finally waking up to some geopolitical realities. It wants to regain State control of that strategically-located seaport, relations between Australia and China deteriorating by the day. Last, but not the least, the Americans have told Australia to get back the Port of Darwin under State control, since they maintain a Marine's base over there.

In Australia, all tax payers will have to shed money to make do for the “*parochial short-term thinking*” of local City and Port officials. In Canada, the cost of terminating the secret May 2019 Agreement signed by the Port of Quebec, C.N. Rail and Hutchison Ports (China) would be much less, no physical investments having yet been made up to now by any of the parties involved.

If the reader has time to read only one of the following articles, we suggest he chooses the most “funny”: «**How and why did the Northern Territory lease the Darwin Port to China**». It paints a carbon-copy of what we actually live through in Québec. Names of some of Québec's local officials come in mind at almost every paragraph. Quite comical in a sense, but costly.

As for Canada, let's see if the Federal government wakes up in time to stop the madness that the Port of Québec is now engaged in and end up faring better than its Australian counterpart.

Read also:

« [**CHINA – Controlling \(for 60 years\) the Gateway to the Great Lakes St. Lawrence Seaway System**](#) ».

« [**CHINE - Maîtriser pour 60 ans la porte d'entrée du Système de transport maritime Saint-Laurent Grands lacs**](#) »

WANTED!

CASH REWARD

\$1000.00

For a copy of the Top Secret Agreement signed on May 28, 2019, between the Port of Quebec, the Canadian National Railways (CN) and Hutchison Ports of CHINA, giving command and control of much of the Beauport Peninsula near Historic Quebec City to this Chinese company for the next SIXTY YEARS (60).

Get your hands on this Top Secret Agreement and ONLY THEN, get in touch with:

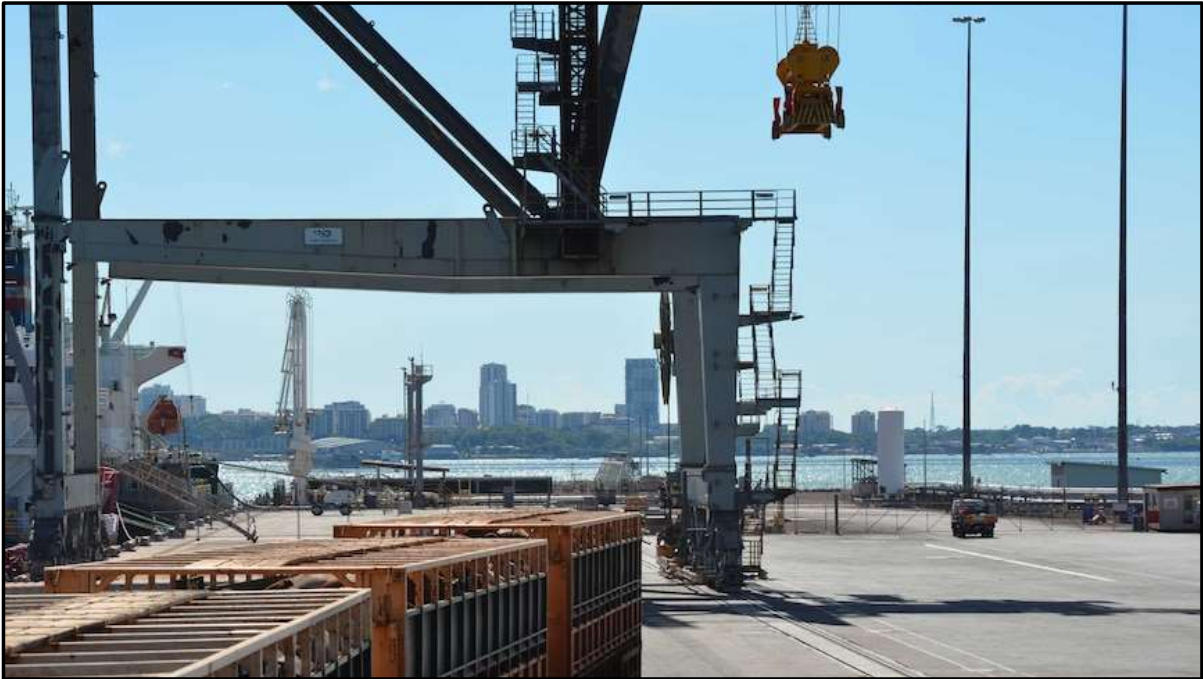
nauolonnois@gmail.com

This bounty will be yours as soon as the document found will have been authenticated by one of these signatories: the Port of Québec, CN or Hutchison.

How and why did the Northern Territory lease the Darwin Port to China, and at what risk?

By [Christopher Walsh](#)

[Web link to article](#) March 11 2019



Cattle are loaded at Darwin Port, which was handed over to Chinese company Landbridge on a 99-year lease.

Southern contestants on Millionaire Hot Seat don't typically get questions about Darwin correct. Their knowledge of the Northern Territory is limited to crocs, fishing and oppressive heat. And so it was in June 2017, when then-federal treasurer Scott Morrison stumbled late into the office of the NT News, the Territory's paper of record, while a Millionaire Hot Seat question flashed on the screen in the biggest television in the office.

HA ! HA !

It was far too difficult for \$500, but Mr Morrison knew the answer all too well. "They didn't tell us about it!" Mr Morrison shouted, throwing his arms up in frustration, as the question hung on the screen: "Which Australian city controversially leased their port to a Chinese company in 2015?" The answer was Darwin.

But the \$506 million question Australians want answered now is — why did the Northern Territory Government do it and how did they get away with it? Australians clearly have Darwin and the NT firmly in their minds after the episode that propelled the sleepy territory into a geopolitical brawl it had never considered nor understood. Simone Noirot, a retired nurse from rural NSW, wanted to know (along with a lot of other people), making this is the most-asked question in the history of Curious Darwin program.

“The \$ 506 million question Australians want answered now is – why did the Northern Territory Government do it and how did they get away with it? “

“The simple reason why is “stupidity”, said Neil James, executive director of the Australia Defence Association (ADA)”

Leasing one of Australia's most important strategic assets

The simple reason why is "stupidity", said Neil James, executive director of the Australia Defence Association ([ADA](#)). Academics, politicians, lawyers, national security experts, viewers of Millionaire Hot Seat, the New York Times, even the former president of United States Barack Obama have all asked — how the hell was the sun-soaked Northern Territory Government allowed to lease off one of Australia's most important strategic assets to the Chinese without proper federal oversight?

Here's how. For years, the NT had lobbied the Commonwealth to invest millions in developing the rinky-dink Darwin Port that was only turning over a few million dollars annually in cattle, mining and gas interests.

**Same myth
in Québec**

→ Successive governments believed the port held the cure to the NT's economic maladies and that if it could be expanded and maintained, it would surely be a secret weapon in the NT's economic resurgence — and the rest of the nation's by extension — as Australia's "gateway to Asia".

But for years, the Federal Government didn't see its potential — or at least not enough to invest in it. In 2012, the Country Liberal Party — long viewed by itself as the "natural ruling party of the Territory" — was brought back to power after 11 years in the wilderness, and while no gauge of public opinion was taken, decided all public assets were up for grabs.

The first was the port. Expressions of interest were sought in late 2014 and early 2015, with 33 respondents signalling their interest in acquiring it. A special selection committee was struck that would have oversight of the entire process and ultimately select the winning bidder.

That team included director of major projects Ann Tan; Tourism NT chief executive Alastair Shields, then under-treasurer Jodie Ryan, head public servant Gary Barnes, former Queensland head public servant Jon Grayson and John Watkinson, who sat on the Port Corporation's board. Between July and October 2015, the bids were shortlisted, referred to the Foreign Investment Review Board (FIRB) and the ACCC, and "binding contracts" eventually entered into with Landbridge Group, according to the NT Government.

'A seriously dumb idea': ADA

Landbridge Industry Australia is a subsidiary of Shandong Landbridge Group, which has interests in port logistics, petrochemicals, timber and real estate development in China. It has also worked with state-owned companies like China National Petroleum Corporation, which supplies oil to Landbridge and allows it to sell fuel at retail pumps.

! Its billionaire owner Ye Cheng had been named by the Chinese Government in 2013 as one of the top 10 "individuals caring about the development of national defence" and the company was later found to have extensive links to the Chinese Communist Party and the People's Liberation Army.

In an interview in Beijing in 2016, Mr Ye said the Darwin Port investment fit the company's strategy to expand its shipping and energy interests and served China's foreign policy goal known as [One Belt, One Road](#) — an initiative the Australian Commonwealth has still not signed up to, citing security concerns raised by intelligence agencies.

Same in → **The Northern Territory Government has refused to release the final proponents' offers, citing commercial-in-confidence reasons.** Québec There is much confusion over this. Sources with knowledge of the deal say Landbridge's \$506 million bid was far and away the highest offer, and that includes Adam Giles, the chief minister at the time. But others — including some of the public servants who orchestrated the deal — say two other bids were near the same price point, but refuse to release those offers for confidentiality reasons, almost four years later.



**The lease of Darwin's port was slammed
as "parochial short-term thinking."**

We may never know what those bids — from Australian and European companies — were. Either way, it doesn't add up, Mr James said. "If [Landbridge's] offer was the best offer, but it introduced a major element of strategic risk for the whole country, they should have had the common sense to realise they take the second best offer or the third best offer and not have any strategic risk," he said.

→ **"You don't farm out the risk to everyone in Australia over 99 years to save you some money in the early 20-teens."** It was a seriously dumb idea by a government that really hadn't thought through the consequences, and even if it had, was prepared to ignore the long-term costs, both financial and strategic, they were inflicting on the rest of the country. "It was the classic example of parochial short-term thinking winning out over what is in the national interest of all Australians across the country for the long term foreseeable future."

"It was the classic example of parochial short-term thinking winning out over what is in the national interest of all Australians across the country for the long term foreseeable future."

What are those risks?

The Americans, who use Darwin as a strategic pivot location for thousands of marines each year, are on the record stating their concerns around the [potential for Chinese operatives to spy on American and Australian navy ships](#).

But Mr James said there were other risks, including China's operations in the South China Sea and how Australia's strategic power to respond has been put at risk through the lease of the port. "There's a lot wrong with the Darwin harbour, but it's the best of a bad lot across northern Australia, so over the next 99 years, if we want to build a big naval base somewhere ... it's probably going to be in Darwin," Mr James said.

"But by leasing the commercial port in Darwin, even though it is well down the harbour, to someone who runs the risk of being a potential adversary over the next 99 years, it's the equivalent of leasing the Port to the Japanese in 1938." "When you look at a largely unknowable strategic future, it's actually shackled Australia's ability to adequately defend itself, and the tragedy is it was done unnecessarily."

Northern Territory Government defends deal

Same in
Québec

Jodie Ryan, who sat on the selection panel that chose Landbridge and was later promoted to the role of head public servant after the Gunner Labor Government's 2016 election victory, said the long-term risks of leasing the port to a Chinese-owned company were "considered as part of the assessment" and that "substantial due diligence was undertaken and involved independent financial and legal advisers".

"If Landbridge are no longer able to run the port it returns to NT government control," she said. But this may not be entirely accurate, according to experts. Lawyers familiar with the contract have told the ABC it has loopholes, including no such clause that would see it revert back to NT government control if Landbridge were to go bankrupt.

[The issue was raised in 2017](#), when reports surfaced that Landbridge was trying to use the port as collateral for a loan [*from China*], given its failing cash revenues. When Mr Morrison was treasurer, his office stopped answering emailed questions about the contract and invitations to show where precisely it states any Australian body can take control back. Mr James said he had other concerns about the claims that the port would revert back to the NT government control.

"This is an alarmingly simplistic argument," he said. "In a serious crisis, the last thing you would want to do is escalate it by taking the port back by the private lessee, if the private lessee is from a country that is very likely to be causing the strategic crisis in the first place." "The easiest way to avoid this problem is to not do the lease in the first place."

How did the deal go down?

A couple of questions have been raised over how the deal was executed. The NT hired "boutique" Melbourne financial firm Flagstaff Partners to help choose the winning bidder, and ended up

paying about \$13 million out of \$27 million total in fees charged to taxpayers to broker the deal. Flagstaff managing partner David Potaznik was hired shortly after the deal was finalised by [Landbridge Group](#) to sell a 20 per cent stake that needed to remain in Australian hands.

So, the man who helped lease the port to Landbridge then went to work for Landbridge, and was involved in selling the 20 per cent stake, which the new Northern Territory Government ended up taking over in 2017 for no cost. Mr Potaznik claimed to the Australian Financial Review in 2016 that he had not spoken to Landbridge officials about working for them until "well after the lease transaction was completed". The Northern Territory government never commented on the move.

Instead of using one of the multinational advisers like KPMG or Price Waterhouse Coopers for a project of this significance, the NT government hired a tiny Darwin-based firm called Merit Partners. Their report was contained to five pages and found nothing worth mentioning of impropriety during the selection process.

How did it get through FIRB and Defence?

Exactly the
same process is
taking place in
Canada →

A 2016 Senate committee revealed that while the Foreign Investment Review Board had been contacted to look at the deal, it ultimately didn't formally investigate because, at the time, there was an exemption from scrutiny of a deal like this because it involved a private company and a state or territory government. [The head of FIRB admitted the entire process had undermined public confidence](#), failed to show a balance between economic gain and national security concerns and was finalised on an "ad-hoc" basis.

The committee called for greater transparency in the decision-making process and for more details to be publicly disclosed, and its report stated the NT Government failed to answer key questions around the details of the port deal to the committee's satisfaction.

The rules were ultimately changed to not let this happen again. FIRB chairman Brian Wilson told the committee he had become aware of the deal in late 2014 and asked for a response from Defence and intelligence agencies a few times in 2015, but was repeatedly told that Defence had no issue with the deal.

It was also later revealed that the Defence officials were only middle management, and that senior figures and the Minister of Defence only learned of the deal hours before the NT government announced it publicly. "It was an inexcusable stuff-up by the federal government and various departments, but that doesn't excuse the NT government making this parochial, stupid decision in the first place," Mr James said.

"You can't mortgage the strategic security of 25 million — and in the future more Australians — just to make a quick buck for a local political problem you have at the time, and then lie about it, and lie about it consistently in your supposed defence of it. "You may well find that future generations of Australians reading Australian history books will have the most scathing judgments about the idiocy of the decision-making.

"It's quite possible many decades in the future if there is a serious war, where this becomes a serious problem for us, people will wonder whether the decision wasn't just a stupid one, but whether the people doing it hadn't looked seriously at the concept and laws surrounding treachery."

Back in mid-December, when the current Labor Government was trying to explain how the NT was in the middle of a full-blown financial crisis that sees it borrowing \$4 million a day to keep operating, Jodie Ryan was asked in a briefing what happened to the \$506 million the NT received for the port.

She said it was put into general revenue and spent. It's long gone, with less than 96 years left.





China-Australia relations: ripping up Chinese firm's Darwin Port lease could cost Canberra

A revocation of the 99-year deal on national security grounds could have serious financial and commercial ramifications

Lease by Landbridge Group began in 2015 and triggered a sharp reply from Washington over not being consulted about the deal

The Australian government may have to pay taxpayer-funded compensation to a Chinese company if its lease contract of Darwin Port is overturned on national security grounds, but experts say the government has no “immediate imperative” to terminate the deal.

An Australian parliamentary inquiry's [call last month](#) for the government to consider revoking the 99-year lease to Landbridge Group has gained momentum after Minister for Defence Peter Dutton confirmed to *The Sydney Morning Herald* on Sunday that his department was looking into whether Landbridge should relinquish its lease under a set of critical infrastructure laws passed in 2018.

Such a move could also jeopardise Australia's sovereign risk rating – the level of interest a country has to pay for loans and credits – and would surely serve to further strain relations between Beijing and Canberra that have gradually worsened over the past year.

[Australia axes Victoria state's belt and road pact with China, amid icy ties with Beijing](#)

As Canberra's concerns over Beijing's impact on Australia's national security continue to mount, former prime minister Kevin Rudd also weighed in last week, saying Canberra should conduct a cost-benefit analysis to determine whether the lease to Landbridge was justified.

But unlike the axing of a non-binding Belt and Road Initiative memorandum of understanding (MOU) two weeks ago, the revocation of this deal could have financial and commercial ramifications, as it is a commercial contract, and would not be a simple tear-up like the MOU, experts say.

“Both parties have obligations under the terms of the lease, and the initial question is simply whether those terms are being met at this stage,” said John Garrick, a business law academic at Charles Darwin University. “If lease terms are not being met, there are standard procedures to follow for terminating a lease based on non-performance of an essential term, for example.



The revocation of this deal could have financial and commercial ramifications, experts say.

“But termination is extremely unlikely through the [Foreign Investment Review Board]. More likely, termination would come from a commercially negotiated mutual agreement that the lease is not viable.”

The review of the Darwin Port lease comes amid a political conflict that [began in April 2020](#) when Australia failed to consult Beijing before pushing for an international inquiry into the origin of the coronavirus.

The 99-year lease was a commercial contract signed by the Northern Territory government and Landbridge, with Landbridge paying A \$506 million (US\$393 million) to run the port’s operations. The Northern Territory government had been trying to get Canberra to invest and upgrade the port for 30 years before it put out a tender that was subsequently won by Landbridge in 2015.

However, the controversy surrounding the deal escalated after Washington – which has a [US marines base at Darwin Port](#) – took umbrage with Canberra for not being consulted about the deal. Aside from being a commercial port, it is also a base for Australian defence forces as well as the United States marines. But Landbridge is allowed to access only the commercial end of the port, and the company cannot invite naval visitations without government approval.

The territory government also retains a 20 per cent stake in the port operator, according to Garrick, and has a say in key appointments such as the chief executive and chief financial officer, but does not share in any profits that Landbridge makes.

In a foreign investment framework inquiry that concluded in 2016, Australia’s Department of Defence reaffirmed that it did not have security concerns with the lease, and neither did the Foreign Investments Review Board or the Australian Security Intelligence Organisation. Despite giving it the green light back then, the government can still revisit the validity of the deal, according to Stephen Kirchner, director for trade and investment at the University of Sydney’s United States Studies Centre.

“I think it would reflect the fact that the original transaction was not given adequate whole-of-government scrutiny and was entered into with inadequate consultation with the US government. The government is cleaning up after itself now that it has the formal powers to do so,” he said. While the Australian government has the right to overturn such deals, as Beijing is aware, Garrick said there was no imperative by Canberra to terminate the lease.

If it does get terminated, however, Landbridge would be entitled to seek compensation – a likely sticking point – because unlike the belt and road MOU, this was not a government-to-government agreement but a commercially executed contract, says Daryl Guppy, a Darwin-based trade expert who has worked with the Northern Territory government on engagement with China.

“Ensuring that compensation is adequate is a difficult equation to solve,” Guppy said. “The federal government has been known to frequently pay far less than the value of an asset when compulsory acquisition has been used.”

An alternative would be for the government to buy out Landbridge, but either way, these initiatives need not be wrapped up in the “anti-China and drums of war rhetoric”, he said. “This noise serves domestic political purposes and ignores the international consequences,” Guppy added. “It is ironic that, if the dire warlike conditions predicted by the China hawks did develop, the Darwin port improvements made by Landbridge would be most welcome [for Australia], because the old neglected port would not have been fit for purpose.”

Additionally, Australia’s sovereign risk profile could also be compromised with future foreign investors being more guarded about doing business in Australia, Guppy said. Landbridge did not respond to a request for comment.



Anthony Galloway
May 3, 2021

Taxpayers could be on the hook for millions if Chinese owner forced to sell Port of Darwin

Australian taxpayers could face a multimillion-dollar compensation bill if the federal government forced a Chinese company to give up its ownership of the Port of Darwin. *The Sydney Morning Herald* and *The Age* revealed on Monday the national security committee of cabinet had asked the Defence Department to [review the Northern Territory’s 99-year lease](#) of the port to Landbridge in 2015.

Defence is reviewing Landbridge’s ownership of the Port of Darwin.

This could result in the company, owned by Chinese billionaire Ye Cheng, having to divest the strategically important asset on national security grounds under [critical infrastructure laws](#) passed in 2018. A costing undertaken by the Parliamentary Budget Office two years ago estimated the federal government would have to pay \$30 million in compensation to Landbridge if it was required to give up the port.

The PBO analysis, done at the request of Labor senator Kimberley Kitching, was based on a proposal for the Commonwealth to buy the port itself. It said the government would also have to pay \$690 million to purchase the remaining term of the lease but cautioned the costings were “highly uncertain” considering the lack of public information about the deal’s terms. The [\\$506 million deal](#) giving Landbridge operational control of the port and 80 per cent ownership of the land and facilities of East Arm wharf, including the marine supply base, [angered Australia’s key military ally the United States](#) and has unsettled national security figures in the federal government since it was signed six years ago.

Australia's foreign investment rules were tightened in 2016 to require Foreign Investment Review Board approval for the sale of critical infrastructure such as ports to private companies.

In more recent years, relations between Canberra and Beijing have deteriorated to their worst state in decades, with China imposing more than \$20 billion of tariffs on Australian exports following federal government decisions including banning Huawei from the local 5G network and pushing for an independent global coronavirus inquiry.

Defence Minister Peter Dutton confirmed his department had begun reviewing the Port of Darwin deal to provide advice to the national security committee. Senior government sources said there was no proposal for the federal government to buy the port but conceded it might be liable to pay compensation if it forced Landbridge to offload the lease to another party. No decision has been made and Defence is expected to come back to the national security committee with options in the coming months.





Jason Scott
Bloomberg
May 3, 2021

Australia is reviewing China's ownership of key port: Report

Australia defence minister tells local newspaper that the government would consider national interests in its review.



The Port of Darwin, sold to China in 2015 in a long-term lease and now under review by Defence Minister Peter Dutton, is a base for US marines.

Defence Minister Peter Dutton has confirmed his department is reviewing the ownership by a Chinese company of a strategically important port used as a base for U.S. Marines.

The National Security Committee of Prime Minister Scott Morrison's Cabinet had asked the defense department to advise on the ownership, Dutton said in an interview with the Sydney Morning Herald published late Sunday. Asked whether the government was mulling forced divestment, the minister said it would consider the national interests.

The move is likely to further increase tensions between Australia and its largest trading partner China, which have nosedived since the call by Morrison's government a year ago for Beijing to allow independent investigators into Wuhan to probe the origins of the coronavirus.

The Northern Territory government's deal in 2015 to sell a long-term lease to the Port of Darwin to Chinese firm Landbridge Group has been criticized by security experts. It came four years after then President Barack Obama secured a deal to base about 2,500 Marines in Darwin, which is on the doorstep of the Indo-Pacific.

China has slammed Australia's decision last month to use new laws to cancel the Belt-and-Road agreements with the Victorian state government. There has been increasing speculation Morrison may use the laws, passed in December, to scrap long-term leases held by Chinese companies at the ports in Darwin and Newcastle.

"In relation to the Port of Darwin, if there is any advice that I receive from the Department of Defence or intelligence agencies that suggest there are national security risks there, then you would expect the government to take action on that," Morrison said in a radio interview Friday.

‘Strategic own goal’: Defence reviews Port of Darwin’s Chinese ownership

The Morrison government has asked the Department of Defence to review the Northern Territory’s [99-year-lease of the Port of Darwin to the Chinese-owned company Landbridge](#) – a deal that has unsettled national security figures in the federal government since it was signed six years ago.

Defence officials are looking at whether the company, owned by Chinese billionaire Ye Cheng, should be forced to give up its ownership of the port on national security grounds under critical infrastructure laws passed in 2018. The federal opposition and national security experts have questioned the deal since it was signed in 2015.

Defence Minister Peter Dutton confirmed the National Security Committee of Cabinet had tasked his department to “come back with some advice, so that work is already under way”. Asked whether the options would include forced divestment, Mr Dutton said the government needed to wait for Defence to provide its advice and, “we can look at options that are in our national interests after that”.



The Defence Department is reviewing Landbridge's ownership of the Port of Darwin. GLENN CAMPBELL

Mr Dutton’s comments follow Prime Minister Scott Morrison suggesting last week his government would act on the port’s ownership if he received advice from the Department of Defence or national security agencies.

“If there is any advice that I receive from the Department of Defence or intelligence agencies that suggest that there are national security risks there then you’d expect the government to take action on that, and that would be right,” Mr Morrison said.

Michael Shoebridge, director of the Australian Strategic Policy Institute’s defence program, said he would support forcing Landbridge to divest from the asset but the company should consider doing so themselves. “I would wonder whether it is in the company’s commercial interests to continue operating that port for 99 years in the strategic environment they find themselves,” he said.

“I think it’s obvious that if the Darwin port lease was being considered today, the result would not be to lease it to a Chinese-owned company for 99 years.

“So with that realisation, how do you undo the damage and more importantly how do you develop Darwin as an increasingly important naval and defence facility in the darker strategic environment we and our partners and allies find ourselves in?”

Mr Shoebridge said the alternative to forced divestment was to develop the port around the section owned by Landbridge, “treating that part of Darwin port like the sand in the oyster”.

“It seems a strategic own goal for one of the best parts of Darwin Harbour to be in the control of a Chinese-owned operator,” he said.

In 2015, the NT government signed the \$506 million agreement with Landbridge, giving the Chinese company total operational control of the port and 80 per cent of ownership of the land and facilities of East Arm wharf including the marine supply base.

The federal government then tightened the foreign investment rules, requiring the Foreign Investment Review Board to approve the sale of critical infrastructure such as ports to private companies.



Conflict with China a ‘high likelihood’, says top Australian general

One of the nation’s top military commanders told his troops that Beijing is already engaged in “grey zone” warfare against Australia and they must plan for the high likelihood this may spill over into actual conflict in the future. The candid and confidential briefing by Major-General Adam Findlay to Australia’s special forces soldiers last year gives the most detailed insight yet made public into how the nation’s top military planners view the threat of China.



Major General Adam Findlay says Australia must prepare for the high likelihood tensions with China may spill over into actual conflict.

The then-special forces commander, who has since stepped down but who still advises the Australian Defence Force, highlighted the steps Australia’s military was taking to prevent war but also described a “high likelihood” that actual conflict could break out due to the unpredictable nature of foreign affairs.

“Who do you reckon the main [regional] threat is?” General Findlay asked his troops and officers before answering: “China”. “OK, so if China is a threat, how many special forces brigades in China? You should know there are 26,000 Chinese SOF [Special Operations Forces] personnel.”

Details of the April 2020 briefing have been obtained by *The Age* and *The Sydney Morning Herald* from multiple sources who have requested to remain anonymous because they are not authorised to speak publicly. They say General Findlay told his troops that, if the threat of conflict was realised, the ADF needed to rely not only on traditional air, land and sea capabilities but also on Australia’s ability to use cyber and space warfare.

He also highlighted the need for the ADF to reassert its presence and play “first grade” in south-east Asia and the south-west Pacific, describing how the military had uncovered information showing China was seeking to exploit “our [Australia’s] absence” in the region. “We need to make sure we don’t lose momentum ... get back in the region,” General Findlay said, highlighting Australia’s close ties to Indonesia.

In the past week the Australian government’s language on China has hardened. Defence Minister [Peter Dutton has said](#) a war over Taiwan could not be discounted, that Australia was “already under attack” in the cyber domain and that he wants to have a “more frank discussion with the public” about China’s intentions.

Mr Dutton said the Australian government's first priority was "continued peace in our region", but warned the country needed to be able to defend its waters to the north and west as a priority.

Influential public servant Michael Pezzullo, the Department of Home Affairs secretary, warned the "drums of war" were beating. However, former prime minister Kevin Rudd has said the escalating rhetoric "serves zero national security purpose" and risked inflaming tensions with Beijing. Former [foreign minister Bob Carr](#) wrote in *The Age* and *Herald* that "Australian diplomacy ought to be identifying the off-ramps that will avoid this nightmare" of war over Taiwan.

General Findlay's briefing, however, was never intended for a public or political audience. Rather, he told dozens of highly trained special forces officers and soldiers that "China has game planned" to avoid crossing traditional military red lines and was instead waging a more subtle form of attack. "They know that western democracies have peace, and then, when they cross a line, we get really angry. Then we start bombing people," said General Findlay, according to the sources. "China said, let's be smarter. Let's just play below the threshold, before it goes to war. Let's achieve things strategically without having war. So, now we have a new dimension."

China was on the one hand talking the language of "co-operation, where we all have happy families". But, along with the "Russia and North Korea and Iran and all the other aligned states", Beijing was competing with Australia in "the grey zone". China had focussed on "political warfare" enabling it to be "achieving strategic affects without going kinetic," he said. Political warfare involves a country realising its interests by using a range of covert and overt means short of actual war, including trade levers, intelligence operations, foreign interference, diplomacy, and cyber operations. "Kinetic" warfare is a military term for when conflict involves lethal force.

China last year imposed more than \$20 billion of tariffs on Australia as relations between the two countries worsened, while there was also a wave of cyber attacks on all levels of government and critical infrastructure such as hospitals and state utilities. General Findlay said that to "stop war from breaking out" Australia's military must compete against the "coercive constraints" imposed on Australia by China. In undertaking its own grey zone missions, Australia's aim was to "put the adversary at a disadvantage, put us at an advantage" and avoid war.

General Findlay also said it was the first time since World War II that Australia was facing a "peer enemy" in China. He said Australia's special forces must deal with this challenge while embracing the unprecedented reforms sparked by the military Inspector General's recent findings that soldiers allegedly committed war crimes in Afghanistan. General Findlay said that in embracing the arduous dual task of dealing with the threat posed by China while simultaneously undertaking major reforms, Australia's military should also embrace the advice of British wartime leader Winston Churchill: "If you are going through hell, keep going."

"We have got a cultural and professional transformation that is more significant than anything else that is going to occur in the ADF," General Findlay said. "At the same time, we have got to tool up for a new adversary. So this is the end point of the valley of hell that we are going into." The comments suggest the political establishment is now starting to issue some of the warnings in public that the military was being explicit about 12 months ago.

Mr Dutton and assistant defence minister Andrew Hastie have both recently made public statements about the need for the ADF to focus on its core military duties in the wake of the damning November 2020 Inspector General report into Afghanistan war crimes.