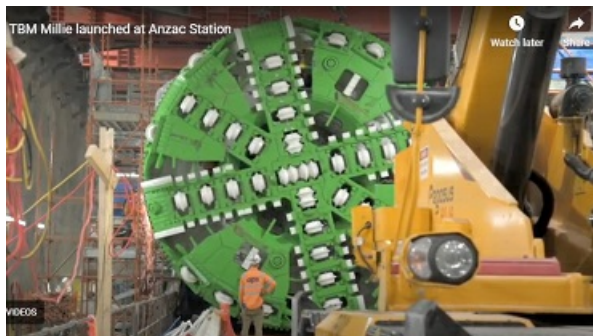


Victoria's BRI strategy grows economic cooperation and independence

Victoria's 2016 "China Strategy" revealed that Australia's second most populous state has been trying to make up for decades of no outlay for the real economy by increasing its share of Chinese students studying in Australia, tourists and foreign investment. This is the result of the neoliberal economic consensus which precludes new investment in—and in fact has deliberately shut down—large-scale industrial and agricultural capabilities. Victoria's decision to sign onto China's flagship Belt and Road Initiative (BRI), however, shows that it is not content to remain bound by that consensus, for which it is drawing the ire of operatives across the political sphere.

The China Strategy already showed tendencies in this direction, specifying engagement with China's main economic zones including industrial and manufacturing centres: the Bohai Economic Rim, surrounding Beijing and Tianjin; the West Triangle Economic Zone, between Xi'an, Chengdu and Chongqing; the Yangtze River Delta Economic Zone surrounding Shanghai; and the Pearl River Delta Economic Zone around Guangzhou. Additionally, Victoria established a program to expand scientific, technological and industrial cooperation with Jiangsu Province, which has been its sister state since 1979; cultural exchanges have also been fostered.



There are currently four massive drills like this one tunnelling under Melbourne. Photo: Screenshot/metrotunnel.vic.gov.au

Since it came to power in 2014 the Labor government of Daniel Andrews has been relatively proactive in getting infrastructure projects such as tunnels and level crossing replacements under way and expanding industry. In 2016 it established Infrastructure Victoria to identify the long-term infrastructure needs of the state in a 30-year strategy. A \$200 million Future Industries Fund was launched to promote manufacturing, particularly in the field of medical technologies, pharmaceuticals, energy technology, transport and agriculture, along with a \$2 million Asia Gateway Voucher scheme to encourage Victorian businesses to exploit opportunities in Asia. Up to \$50,000 is offered to businesses on a one-to-one co-contribution basis—to "assist the Recipient to become more productive, employ more people, create market access and in general increase their scale and profitability", according to Global Victoria.

Constrained within the current consensus and policy framework governments will always fall into the trap of courting foreign investment. A return to the policy of deploying national credit to fund nation-building development would reduce the need to seek foreign funding to allow the many entrepreneurs and developers seeking assistance to get new ventures off the ground. A repurposed Clean Energy Finance Corporation could immediately begin lending to state governments without any lead time. We can then begin to think much bigger than the Andrews government has to date.

Belt and Road

China has harnessed the power of public credit to finance infrastructure, particularly since the 2008 financial crisis exposed the vast gulf between the real economy and the financial sector. The BRI is an effort to share the benefits of largescale infrastructure development and connectivity with the rest of the world and now involves 137 countries and 30 international organisations. China has invited every country to participate, including the United States (in stark contrast to the USA conspicuously excluding China from its economic initiatives, such as the Trans-Pacific Partnership since dumped by Trump). Funds are earmarked for BRI projects from the Asia Infrastructure Investment Bank, the BRICS New Development Bank and Chinese banks. When the Australian federal government followed the USA and refused to sign up, Victoria decided to join, allowing its firms to be put on shortlists for project tenders. Numerous Australian construction and engineering firms have privately engaged with BRI projects, with business forums calling on the government to get on board. The worry now for the Anglo-American elite is that Victoria will learn from China's approach, which could infect the rest of the country, shifting our dependence on the financial establishment that holds the purse strings.

Victoria signed a Memorandum of Understanding (MOU) with the BRI in October 2018, and a BRI Framework Agreement in October 2019. The agreement, which is not legally binding, is between the Victorian State Government and China's National Development and Reform Commission (NDRC) to

“jointly promote the Silk Road Economic Belt and the 21st Century Maritime Silk Road”.

The Framework document lists principles and mechanisms for cooperation, a roadmap for key areas of cooperation and details for settlement of differences and termination. The roadmap was scheduled to be finalised in the first half of 2020, with a first draft due at the end of March for discussion.

Oriented to “common prosperity and development”, the agreement specifies that projects, trade and investment are to be conducted by private enterprises according to market and international rules. A joint working group will guide and facilitate the cooperation.

The focus of the agreement is practical cooperation to facilitate Victorian participation in Chinese infrastructure projects and Chinese participation in Victorian projects, as well as projects in third countries. Collaboration will include research, innovation and industrial cooperation particularly in high-end manufacturing, biotechnology, agriculture technology, incubator projects and aged care. Enhancement of two-way trade and of trade to third-party markets, especially in the areas of agricultural products, food, nutraceuticals and cosmetics is included. Infrastructure collaboration, propelled by a joint Infrastructure Accelerator body, will occur in the fields of construction, engineering, new technologies, design, legal and project financing.

In October 2019 Victoria participated in an infrastructure investment roundtable with major Chinese construction companies involved in some of the world’s most challenging builds including the Nanjing Yangtze River Tunnel and the Doha Tower in Qatar. Victoria’s “Big Build” comprising over \$80 billion of projects, including the North East Link, Metro Tunnel, West Gate Tunnel, Melbourne Airport Rail Link and Suburban Rail Loop was showcased, in order that Victoria’s “world-class engineering and design firms be better placed to bid for and win contracts for Belt and Road Initiative infrastructure projects around the world”, the Premier’s office reported.

With the roadmap not yet finalised, it is still early days, but progress and collaboration between Victoria and China includes:

- Technology and innovation research. Grants were issued for research to develop smog-busting technology; other areas of collaboration such as biotechnology and new medicines are being explored.
- Victoria will help train the next generation of GPs for Jiangsu Province and partner with Jiangsu firms in international innovation precincts. Australian companies will also provide aged care in China.
- Chinese contractors are part of joint ventures to construct Victorian projects such as the West Gate Tunnel and North-East Link. China Rail is assisting the build of new High Capacity Metro Trains.
- China leases 20 per cent of the Melbourne Port and large Chinese companies such as Alibaba Group and JD.com established their Australia-New Zealand regional headquarters in Melbourne. China’s third largest wine company established a \$110 million winery in Mildura, employing over 60 people.
- Expanding trade. Securing accreditation for Victorian abattoirs to supply beef and lamb to China is in progress. Food and fibre exports to China increased by 24 per cent from 2015 to 2017. Increased trade has boosted Victorian exports of wine, beef, fresh fruit and milk powder along with provision of consulting and professional services. In November 2019 Premier Andrews told the *Australian* that Victoria’s exports to China had risen to \$10 billion—up from \$6.5 billion in two years: “We’ve had to rewrite our China Strategy targets twice, because we’ve eclipsed all of them, and we’re due for another rewrite quite soon.”

According to the 29 April *Australian*, Federal Liberal Senator for Victoria Sarah Henderson demanded the Premier cancel the BRI agreement, claiming that in the wake of coronavirus, it was “now even more evident that the Belt and Road Initiative is not in our national interest”. Mouthing hollow words that “economic sovereignty has never been more important”, there was no sign that she or any other politician who attacks China and the BRI is about to reverse all the policies that purposely ran down our productive economy and forced dependency on overseas imports and foreign investment. Growing our productive sector through *both* a radical shift in economic policy *and* collaboration with all willing partners is the only pathway to true economic independence.

By Elisa Barwick, Australian Alert Service, 20 May 2020