

Australian Alert Service dossier

“Global Britain”—the UK imperial faction’s bid to keep worldwide dominance

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Britain to enforce imperial order in face of new era

By Elisa Barwick

While Chinese President Xi Jinping laid out an entirely new concept of economic globalisation—one which is beholden to the common good—in a plenary speech at the 17-20 January World Economic Forum (AAS 25 Jan.), British Prime Minister Theresa May promised to hold back the tide and enforce the old imperial order.

In her speech at Davos, Prime Minister May praised globalisation and free trade, claiming it had lifted millions from poverty and had an overwhelmingly positive impact on the world. “Yet beyond the confines of this hall”, she said, “those forces for good that we so often take for granted are being called into question. The forces of liberalism, free-trade and globalisation that have had—and continue to have—such an overwhelmingly positive impact on our world ... forces that underpin the rules-based international system that is key to our global prosperity and security, are somehow at risk of being undermined.” (Emphasis added.)

May ignored the fact that the productive economies of most nations have been stripped and looted since the advent of the modern free trade era, along with the British Empire’s historical subjugation of its colonies, forcing them to provide cheap labour and sell raw materials without manufacturing or development.

May acknowledged that a growing number of people believe that the forces of free trade and globalisation “are not working for them”. They feel “that mainstream political and business leaders have failed to comprehend their legitimate concerns for too long”, she said. She charged, however, that parties on the far right and far left are “exploiting” those concerns among the population. Her response was an echo of Tony Blair, insisting that “the politics of the mainstream can deliver the change people need”, in order that extreme parties “who embrace the politics of division and despair; who offer easy answers; who claim to understand people’s problems and always know what and who to blame” are not chosen by the masses.

Therefore, she said, the UK “will step up to a new leadership role as the strongest and most forceful advocate for business, free markets and free trade anywhere in the world ... [to] shape a new era of globalisation ... that will bring the benefits of free trade to every corner of the world”.

May’s comments recall those of the Head of the British Royal Navy, Admiral Sir Philip Jones, in an October 2016 speech in Washington DC. Intersecting discussion of Britain’s place in world trade after the Brexit vote, Jones said, “the Royal Navy stands ready once again to be melded and aligned for the best effect with our nation’s growing global ambition”—just as it did “at the height of Empire”, he asserted in an earlier speech at Mansion House, referring to Britain’s “growing position of global maritime leadership”. (AAS 23 Nov. 2016)

Which way USA, Australia?

In continuing to support the Trans-Pacific Partnership (TPP)—an Anglo-American ruse to excise China from economic integration in the Pacific region, invented as part of the Asia Pivot plan to surround China militarily—Prime Minister Malcolm Turnbull is hitching his wagon to the British strategy. US President Donald Trump deep-sixed the TPP when he signed an executive order cancelling America’s involvement. Japanese Prime Minister Shinzo Abe described the trade plan as “meaningless” without US involvement, but Turnbull pledged to forge ahead with the plan.



The joint Trump and May White House press conference on 27 January. Photo: AFP/Ron Sachs/DPA

As for the USA, while establishment media play up the prospects of a US-China trade war, cancellation of the anti-China TPP is a step in the direction of collaboration. Both Chinese and American spokesmen have made clear neither country wants, or would benefit from, a trade war.

If they’re not careful, however, it could be set off for them. The imperial world order Prime Minister May intends to revive requires America. One scenario was spelled out in “Goodbye military intervention, hello economic warfare” in London’s 23 January *Financial Times*, which said that any geopolitical upheavals, especially between America and China, “could provide a fantastic global opportunity for the UK”. Putting Britain’s directives for America firmly on the table, the author, Ukrainian-born British businessman and major Conservative Party donor Alexander Temerko, suggests Trump could use economic warfare to break up Chinese and Russian collaboration using the old strategy of “divide and conquer”.

Temerko, whom Russia has tried to extradite on fraud charges related to the 2007 Yukos Oil Company collapse, seemingly has no sense of the consolidation in relations between Russia and China made in the context of a BRICS (Brazil, Russia, India, China, South Africa) and New Silk Road commitment to a new global economic paradigm. “The Trump presidency could present Britain with a brilliant opportunity”, he blindly concludes: “a chance to reposition ourselves as a true global power with political and economic ambitions and boasting interests around the world once again. We must be ready to grasp it.”

No doubt this is why the British were the first to descend on Washington for a sit-down with Trump. During her visit, British Prime Minister Theresa May repeated the US-British “special relationship” (p. 16) mantra *ad nauseam*. “We’ve done everything together...”, she said at her and Trump’s joint press conference, and now “we have the opportunity—indeed the responsibility—to renew the Special Relationship for this new age—the opportunity to lead, together, again.” Ignoring the fact that Trump described NATO as “obsolete”, May hinted at the geopolitical game plan to Republican leaders in Philadelphia, saying “America’s leadership role in NATO—supported by Britain—must be the central element around which the Alliance is built.” She expressed concerns about countries with “little tradition of democracy, liberty and human rights—notably China and Russia—[which] have grown more assertive in world affairs”, advocating that the USA and Britain unite to uphold the dominance of the West.

Trump’s America First strategy is not exactly Xi Jinping’s win-win philosophy of collaboration for mutual benefit, but neither is it a proven strategy for geopolitical domination. That is yet to be determined; therefore exposing the intentions of the British Establishment is key.

UK plans new imperial trade bloc

By Elisa Barwick

Britain's post-Brexit plan to dominate world trade and champion a new free trade era is to take shape through the Commonwealth. Next month the first ever Commonwealth Trade Ministers Meeting will be held in London, and will feature several roundtables with a focus on trade in the post-Brexit era.

A February report issued by Her Majesty's Government, "The United Kingdom's exit from, and new partnership with, the European Union", heralds the event, declaring that "We will be champions of free trade driving forward liberalisation bilaterally, as well as in wider groupings, and we will continue to support the international rules based system." The report points to the advantages the Commonwealth bestows: "The Commonwealth has 52 member countries, including some of the world's fastest growing. It accounts for more than two billion people and spans six continents. In 2015, intra-Commonwealth trade was valued at almost US\$700 billion."

The upcoming meeting, organised by the Commonwealth Enterprise and Investment Council (CWEIC) and the Commonwealth Secretariat, creates a forum to discuss "trade and investment cooperation, with a focus on how countries could better use their informal links with each other through the Commonwealth to complement their memberships of regional and other formal trade agreements", according to a CWEIC press release. CWEIC chairman and Conservative Party Lord Jonathan Marland told *The Guardian* on 13 January that the focus will not be on Brexit, and that the timing, occurring just as the May government is set to invoke the Article 50 procedure to exit the European Union, is purely coincidental. Marland did acknowledge, however, that the UK must rebuild its relationships with Commonwealth countries "and reap the benefits", given its "significant footprint" historically in the Commonwealth. "I want the UK to get its mind set around the fact we're in an incredibly strong position [post Brexit]", he said.

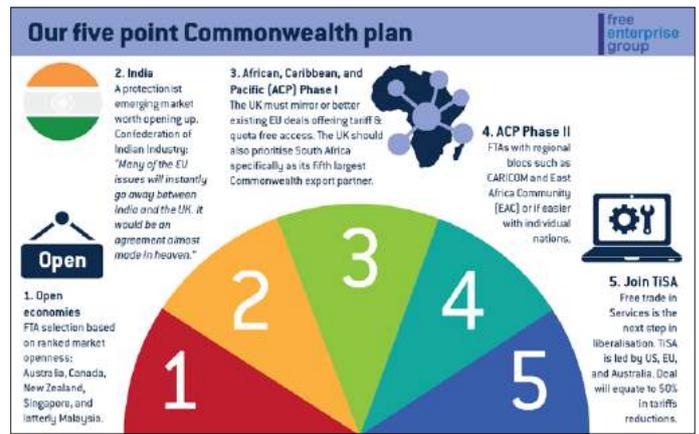
On 2 February, First Sea Lord and head of the Royal Navy Admiral Sir Philip Jones gave yet another speech stressing the role of the navy in securing the UK's global economic ambitions, as it did at the height of the Empire (AAS 23 Nov. 2016). "Last December, the Prime Minister [Theresa May] stood on the deck of [the Royal Navy's flagship] HMS *Ocean* and told the assembled audience that the Royal Navy was central to her vision for Britain to forge a new positive, confident role for our country on the global stage...", he said. "In short, I cannot remember a time when the Royal Navy has been more relevant to the UK's security challenges, or more important to our global ambitions."

This imperial mindset brings to mind the argument between British Prime Minister Winston Churchill and US President Franklin D. Roosevelt, discussing what the post-war world would look like, in 1941 at Newfoundland. Roosevelt turned the British free trade ideology against Churchill by demanding an end to "Empire preferences". As recounted by FDR's son Elliott Roosevelt, an aide to his father during World War II:

"Of course', [Roosevelt] remarked, with a sly sort of assurance, 'of course, after the war, one of the preconditions of any lasting peace will have to be the greatest possible freedom of trade.' ...

"No artificial barriers', Father pursued. 'As few favoured economic agreements as possible. Opportunities for expansion. Markets open for healthy competition.'

"Churchill shifted in his armchair. 'The British Empire trade agreements', he began heavily, 'are—'



A graphic showing the five phases of Britain's plan to expand its trade outreach via the Commonwealth. Source: Free Enterprise Group

"Father broke in. 'Yes. Those Empire trade agreements are a case in point. It is because of them that the people of India and Africa, of all the colonial Near East and Far East, are still as backward as they are.'"

Churchill declared that "England does not propose for a moment to lose its favoured position among the British Dominions. The trade that has made England great shall continue, and under conditions prescribed by England's ministers." Roosevelt countered that backward countries would not be developed by "eighteenth-century methods", i.e. colonialism.¹

Australian support

Former Australian Prime Minister Tony Abbot in January called for an "absolutely free" trade agreement between Australia and the UK, given our close historical and cultural ties. Abbot wrote the introduction to a paper, "Reconnecting with the Commonwealth: the UK's Free Trade Opportunities", produced by British think-tank the Free Enterprise Group. Founded by Conservative MPs, the group is dedicated to saving the maligned reputation of liberal economics.

Abbot declared: "Brexit means that Britain is back. The country that gave the world the English language, common law and the Mother of Parliaments is once more to seize its destiny as a global leader. ... Of course, no two countries are more like-minded than Britain and Australia. We have a language, a set of values and a large slab of history in common."

The pamphlet goes on to summarise the plan: "Brexit offers the UK an opportunity to pursue an independent, worldwide trade liberalisation and tariff elimination agenda—ushering in a return to its free trading principles."

At last year's G20 summit, Prime Minister Malcolm Turnbull said Australia was keen to secure a "very strong" free trade deal with the UK after Article 50 was invoked, offering special trade negotiators to help the UK's reorganisation.

Australia's role within the Commonwealth recalls to mind the shift in British policy outlined in 1995, in Australian economist Katherine West's (British) Royal Institute of International Affairs report, "Economic Opportunities for Britain and the Commonwealth", calling for Australia to become the British Empire's base and launching pad to economically break into the entire Asia-Pacific region and keep China in check. Now, with the era of cooperation around the New Silk Road and its adjuncts rapidly unfolding, this couldn't be more important for British domination of trade.

1. Elliott Roosevelt, *As He Saw It* (New York: Duell, Sloan and Pearce, 1946).



City scrambles to maintain European supremacy post-Brexit

By Robert Barwick

The City of London banking centre is sending its own delegation to Brussels to negotiate Brexit terms for the City independent of the UK. According to the 3 July *Financial Times*, the initiative, to be led by former City minister Mark Hoban, “is independent of government but has the unofficial support of senior figures in Whitehall [the British government]”.

This is an entirely predictable action by the City, which although located in London largely functions outside of UK law; Labour Party leader Jeremy Corbyn’s mentor Tony Benn called the City “an offshore island moored in the Thames”. Its independence, and exemptions from British law, are protected by a royal charter. Unlike the rest of the UK economy, which has decayed over the decades of Britain’s membership of the European Economic Community and European Union, the financial services sector based in the City has flourished, its total assets under management expanding from the equivalent of 100 per cent of British GDP in 1975, to more than 450 per cent in 2016.

The reason the City flourished within the EU is simple: the EU is a creation of the City of London, as the Citizens Electoral Council documented in its 2016 pamphlet *The British Empire’s European Union: A Monstrosity Created by the City of London and Wall Street*. The EU is the enforcer of banker directives such as free trade, financial deregulation, privatisation and austerity that cripple its member nations but profit the City of London and the global banking system. The City, through Margaret Thatcher’s government, created the European Single Market, which her ministers boasted achieved the “Thatcherisation” of Europe through massive deregulation; and in recent years the City has been behind the push for a Capital Markets Union (CMU), a single market for financial capital which London would naturally dominate and which would direct more capital flows through London. Already, because the City is an enclave of deregulation, London dominates financial gambling in Europe: *Financial Times* notes the City “provides three-quarters of EU hedging activities and foreign exchange [aka derivatives trading], and half its lending and securities transactions”.

This is what the City is determined to preserve, through its independent negotiations with Europe. The leader of the City’s delegation, Mark Hoban, is a key person in the upper management of the City. As well as being a former City Minister—officially the Financial Secretary to the Treasury, the dedicated liaison between the government and City—Hoban chairs what the *Financial Times* calls the “little-known” International Regulatory Strategy Group (IRSG), a high-powered agency representing the City’s financial institutions and backed by the 1,000-plus-year-old City of London Corporation and its lobby group TheCityUK. The IRSG was established to influence regulatory decisions by governments, primarily in Europe but also worldwide.

Hoban is pushing for a “free trade” deal in financial services, which would allow City institutions to operate freely in Europe and vice versa. The Association of Financial Markets in Europe found that without such a free-trade deal UK-based lenders would face €15bn of restructuring expenses and up to €40bn of extra capital requirements. London-based firms are also threatening to relocate, with their



The City of London, which a royal charter exempts from many UK laws. Photo: Wikipedia

thousands of employees, to Dublin or Frankfurt—threatening the City’s status as the world’s premier financial centre.

It would appear that the City has been forced to negotiate independently as a result of the 8 June British election. Theresa May’s Conservative government—which like Thatcher’s is wholly owned by the City—fully intended to prioritise the City’s demands in its Brexit negotiations, but the election severely weakened May and strengthened Labour’s Jeremy Corbyn. No friend of the City, Corbyn has argued forcefully against a “bankers’ Brexit” and against turning London into an offshore tax haven beside Europe; Corbyn’s plan for a “people’s Brexit” includes reviving the British industries that suffered under the EU while the City flourished.

Chancellor justifies austerity

Following Jeremy Corbyn’s confounding success in the British election on an anti-austerity platform, which left the Theresa May government to negotiate a hung parliament, May and her ministers signalled they had taken account of the result and would end their austerity policies. Thus far, it is just words. Last week the Conservatives voted down a Jeremy Corbyn amendment to give nurses and firemen a pay rise, and on 3 July Chancellor of the Exchequer Philip Hammond demonstrated his deeply-held commitment to austerity in a speech to the business titans attending the President’s Dinner of the Confederation of British Industry (CBI). Far from decrying the damage done to ordinary Brits by seven years of austerity, Hammond boasted of the Conservatives’ management of the post-2008 economy.

Upon taking government in 2010, he said, they knew “that to demonstrate commitment to restoring the public finances to maintain our credibility with markets and international investors, we would have to take the difficult long-term decisions for our country. And with the hardworking people of this country we have made great progress. For the last two years, Britain has been the second fastest growing G7 economy. Far from losing 1.2 million jobs—you have created 3.4 million new private sector jobs. Our employment rate is now the highest on record. Unemployment rate is at a 40 year low. And from a post-war high in 2009, we have reduced the deficit by three-quarters as a share of GDP. ... We should be proud of these achievements.”

Of course, if even a fraction of this were true, the Conservatives would not have been reduced to a hung parliament.



A new era of British maritime power

By *Elisa Barwick*

The UK is planning a greater military presence in Asia and the South China Sea using its two new aircraft carriers, to build post-Brexit military alliances, with the US and Australia in particular.

When Britain's new Royal Navy aircraft carrier, HMS *Queen Elizabeth*—the largest aircraft carrier outside the US military—set sail in late June, First Sea Lord and Chief of Naval Staff, Admiral Sir Philip Jones, declared: “she will symbolise our military power and authority in the world for decades to come ... be in no doubt: a new era of British maritime power is about to begin.”

Defence Secretary Sir Michael Fallon waxed imperial: “This is a historic moment for the UK as our new aircraft carrier takes to sea for the very first time. This floating fortress is by far the most powerful ship ever built in Britain that will enable us to tackle multiple and changing threats across the globe. ... For the next fifty years she will deploy around the world, demonstrating British power and our commitment to confronting the emerging challenges from a dangerous world.”

When HMS *Queen Elizabeth* entered the Portsmouth Naval Base on 16 August, Admiral Jones explained that the Royal Navy is undergoing a “carrier-led revival”, a “triumph of national strategic ambition”.

“[N]othing better symbolises our nation's continued global role than the *Queen Elizabeth*-class carriers”, he said. Putting the shift in the context of the UK's exit from the European Union, the Admiral said the new capabilities would create a “highly visible UK presence on the global stage”.

“Working with the Army and Royal Air Force, the *Queen Elizabeth* class will project power and influence not just at sea, but in the air, over the land and in cyberspace. They will support all arms of Government to promote the UK's authority in the world”.

It was Jones who recommitted the Royal Navy to defending Britain's global ambitions and to protect its global trade interests, in an October 2016 speech in Washington following the Brexit vote. In an earlier London speech, Jones said that the Navy, “at the height of Empire and beyond ... has always been the guardian of maritime trade”. In the

The method behind Trump's apparent madness

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sanity, as he flips back and forth between his Presidential duties and campaign activities, but whether he can develop and get Congress to pass the legislation needed to fulfil his promises to the American people.

A real start would be to force McConnell and Ryan to pass legislation, already introduced in both Houses of Congress, to reinstate the 1933 *Glass-Steagall Act*, which broke up the Depression-era too-big-to-fail banks into separate commercial banks and investment institutions. Such a bold move would do more to advance his agenda than anything else. It would split the Democratic Party, which now remains unified against him. Senators Bernie Sanders (I-Vermont) and Elizabeth Warren (D-Massachusetts) would praise Trump for fulfilling his promise to break the grip of Wall Street over Washington—and rightly so.

16 November 2016 *Huffington Post*, British author Mark Curtis described it as the “return of imperial gun-boat diplomacy”, adding that Britain is “threatening to increasingly use its global military power to secure its financial and economic interests”.



HMS *Queen Elizabeth*. Photo: Royal Navy

Moving in on Asia

The Express reported on 19 August that as part of its post-Brexit message to the world, Britain will expand its military operations worldwide. The UK contributed personnel to the USA-South Korea military exercises which began on 21 August. The South China Sea will be another focus.

Trevor Taylor of the Royal United Services Institute (RUSI), Britain's premier military think tank, told the *Express*: “The Ministry of Defence has expressed an interest in being involved in Asia and the South China Sea.” He continued, “One consequence of Brexit, perhaps, is it's made us more interested in relations with other countries, which might include Australia. One way of making yourself more relevant to Australia and even Japan is to commit some forces to operate in that area.”

In response to a July RUSI report on new military capabilities held by Russia and China, co-author Taylor commented, “The advancing capabilities of potential adversaries in Northern Europe, the Middle East and even East Asia need to be taken into account in reviews of UK defence policy and military tasks, British and NATO approaches to deterrence strategy, and the priorities for UK capability development.”

At the end of July, Secretary Fallon announced at least two of Britain's new warships would be sent to the Asian region in 2018. In Australia last month, Foreign Secretary Boris Johnson indicated the carriers would be used to test so-called freedom of navigation rights in the area, “to vindicate our belief in the rules-based international system”.

British press also report that the UK government has pledged to help the USA in any confrontation with North Korea, by sending nuclear submarines and aircraft within striking range of Pyongyang. The *Sunday Daily Star* of 20 August reports that plans for a special forces attack on the presidential palace by British and US troops have been drawn up. A source told the paper, that “Britain has plenty of assets it can offer to the US without getting directly involved in the fight.”

Former Chief of the General Staff of the British Army, Lord Richard Dannatt, who called the Iraq war a “strategic error of near biblical proportions” and an example of the decline of Britain's military prowess, has called for an increase in defence spending by a quarter to a half of 1 per cent of GDP, which he claimed “would send a very strong message ... [that] the UK is a strong and engaged player on the world stage” and will not withdraw from collective security responsibilities post-Brexit.



Anglo-Americans revive Quadrilateral Dialogue to set Trump against China

By Elisa Barwick

Declarations that a revived Quadrilateral Security Dialogue between Japan, the USA, India and Australia will function as a mechanism to “contain China’s rise” are premature. That notion is part of the desperate geopolitical drive by the failed elites of London and Washington to check the decline of Anglo-American economic power by confronting China in the Asia-Pacific. As one of its Australian cheerleaders, Australian National University’s National Security College head Rory Medcalf has admitted, it’s as much aimed at US President Donald Trump as at China, to convey the message that the USA’s main allies in the region want him to take a confrontational position towards China, rather than his preferred approach of doing deals. Yet there is no assurance that Trump will fully embrace the confrontational approach.

While Trump during his Asia tour this month engaged with the three other leaders of the four-way dialogue, he did not make any pronouncements on the plan himself. Although the White House issued statements that emphasised the Security Dialogue, it is unclear, given how Trump operates (the White House is full of Washington operatives who often scramble to undermine his instinctive positions on issues) and his unabashed warmth towards China, that he sees it in China-containment terms.

The main meeting between the four nations to discuss restoring the Dialogue, which briefly existed in 2007-08 at Japanese Prime Minister Shinzo Abe’s initiative, occurred on the sidelines of the East Asia Summit in the Philippines on 12 November. It covered the usual geopolitical mantras about a rules-based order in the Indo-Pacific, freedom of navigation and overflight, respect for international law, maritime security, and countering terrorism, but this meeting involved senior officials of Australia, Japan, the USA and India, not the top leaders. When Trump, Abe and Australian Prime Minister Malcolm Turnbull met the following day, the main discussion was about North Korea. Turnbull pointed to China as the key player to rein in North Korea’s “reckless and dangerous conduct”.

Another giveaway of the Dialogue’s fragility is that the shift it is claimed to represent hinges on the choice of terminology. Much has been made of US Secretary of State Rex Tillerson’s use of “Indo-Pacific” instead of “Asia-Pacific” in an 18 October address to the Centre for Strategic and International Studies (CSIS) in Washington, DC, on the subject of America’s relationship with India over the next century. The fact that Trump used the same language during his Asia trip can only be said with certainty to reflect the intention of those instructing his speechwriters, rather than Trump himself—an important distinction with this president.

According to various media reports, “Indo-Pacific” has become code for a “democratic”-led region, rather than an Asia-Pacific centred on China. Highlighting the use of the word is an effort to ascribe to Trump the motives of his predecessor. The Obama administration had referred to the “Indo-Pacific” as part of its Asia Pivot strategy, Liu Zongyi of the Shanghai Institutes for International Studies told the *South China Morning Post* (SCMP) on 12 November, “which



Japanese PM Abe, US President Trump and Australian PM Malcolm Turnbull met in the Philippines on 12 October. Photo: Screenshot

emphasised India as the ‘pillar’ of its policy in the Indo-Pacific region”. London’s *Financial Times* expressed Britain’s hope that Trump’s repeated use of the term is “a calculated effort to unveil his nascent strategy for Asia, which entails increased cooperation between the US, Japan, Australia and India aimed at countering the ever-expanding clout that China is wielding in Asia”. Yet the *FT* also admitted that India, on which the significance of this Indo-Pacific characterisation is based, is “ambivalent” towards the proposal. Outside of Japan, which due to its history must closely align with US policy, the Anglo-Americans’ loyal ally Australia appears to be the biggest backer.

The UK strategy, and Australia

Particularly since the Brexit vote, British leaders have been explicit about their neo-imperial intention to flex their trade and military muscles in the Asia-Pacific region. Most recently, in a speech at the Defence and Security Equipment International arms fair in London on 11 September, First Sea Lord and head of the British Royal Navy Admiral Sir Philip Jones described moves to dominate maritime routes throughout the Pacific and Indian Oceans as “nothing less than a new era of British maritime power” (“Britain’s pivot to Asia, Mark II”, AAS 25 October, p. 10).

Back in January 2013, during the annual Australia-UK Ministerial Dialogue (AUKMIN) talks, UK ministers pushed for Australia and other nations of Asia to join with NATO to encircle China, as NATO had encircled Russia. Chinese leaders denounced the proposal as an attempt to build a “mini-NATO” (see Almanac: “British Empire grooms Australia, expands NATO, for war with China”). Neoconservatives operating within the US Congress and White House circles have also stoked Australia in this direction in recent weeks (AAS 1 November, “Tug of war continues over Australia’s role in Asia”, p. 11).

Since Trump’s election, Australia has taken the lead on drawing Trump into this containment strategy, against his instincts for doing deals with China. A 2 November *Australian Financial Review* article, headlined “Australia must push Donald Trump on stronger Indo-Pacific”, cited the Tillerson CSIS speech calling the Indo-Pacific “the most consequential part of the globe” and stressed the need for the region to be “free and open” rather than, as the author, the CSIS’s own Andrew Shearer claimed, choked up with Chi-

nese warships and submarines! (Which are easily outnumbered by US and allied military vessels.)

In June of this year, in his address to the Shangri-La Dialogue in Singapore, Turnbull had also cited the Indo-Pacific as the “most dynamic region”, warning China in the next breath against coercing or breaching the sovereignty of neighbouring nations. Turnbull continued the theme in his speech to the 2017 Asia Pacific Regional Conference in Perth on 4 November, referring a dozen times to the “liberal rules-based order”, and to “an Indo-Pacific that is open, prosperous and free”.

ANU’s Medcalf in the *South China Morning Post* of 12 November indicated that the Indo-Pacific strategy is targeted at China’s Maritime Silk Road, which covers the same area. “Japan, India and Australia have all been encouraging Washington to take a more Indo-Pacific view. The logic is that China is overextending into the Indian Ocean, a place where all key regional powers have interests and where India is the resident power. So managing China’s rise can only occur in this wider region, not solely in East Asia”, he said.

Medcalf, who whips up hysteria over supposed Chinese Communist Party interference in Australia’s sovereign affairs by equating it with Russian interference in the US election, revealed Australia has pursued an Indo-Pacific defence strategy since 2013. That view was formalised by the Government’s 2016 Defence White Paper, for which Medcalf was an advisor, which pledged support to the Asia Pivot and portrayed China as the single greatest threat to the rules-based order. (See Almanac, “‘Black-is-White’ Paper singles out Russia, China as threats to ‘global order’”.)

“We are not seeking to exclude China, but to ensure China does not dominate such a vast region”, Medcalf insisted to the *SCMP*.

In the wake of the first meeting of the “Quad” in Manila, Medcalf told the *Australian Financial Review* that the meetings on the East Asia Summit sidelines would have sent “a clear message that the democracies are planning a lot of solidarity and staying power in the region”. He revealed that the intention of the forum is to steer Trump in a different direction in regard to China, saying it would enable America’s allies to moderate President Trump’s position on various issues. “Allies can talk sense to Trump in unison”, he said.

In contrast, former Australian Ambassador to China Geoff Raby in the 6 November *AFR* called the Security Dialogue proposal counterproductive. In its first incarnation, he said, “It was also seen as introducing Cold War divisions in the Asia-Pacific and so dividing the region, which it was. And was completely at odds with decades of regional diplomacy that sought to unify the region along non-ideological lines to promote regional cooperation and integration.”

Reflecting the reality that Australia’s economy is entirely dependent on China, and that China has reached out the hand of cooperation to the whole world with its Belt and Road Initiative, Raby said: “[I]t is curious why Australia would want to join a group which China sees as hostile to its interests.”

Australia should take his advice and pull out of this misguided alliance, and encourage Donald Trump to pursue one of his better political instincts by likewise giving it the cold shoulder.

McCarthyite hysteria grows in Australia against China

Political interests in Australia are trying to stir up hysteria against an alleged Chinese infiltration of Australia’s political system, similar to the so-called Russia-gate witch hunt in the United States.

Professor Clive Hamilton has seized on publisher Allen & Unwin’s decision to delay publication of his latest book as proof of China’s sinister influence over Australia. Hamilton’s book, *Silent Invasion: How China is Turning Australia into a Puppet State*, accuses various Chinese Communist Party agencies of seeking to extend Beijing’s influence in Australia for strategic and political gains.

While some of Hamilton’s specific accusations may warrant examination, it is the premise of the book that must be called into question. It assumes that Australia is a superior liberal democracy, and that China is a threatening totalitarian power out to subvert us—much the same assumption that underpins America’s Russia-gate furore. This is Cold War-style paranoia, usually associated with right-wing neocons, coming from a left-wing academic, but one who is known for his aggressive activism on trendy establishment issues. For instance, Hamilton’s Australia Institute took point on pushing the climate-change agenda, and he bitterly attacked the Citizens Electoral Council for successfully blocking the government’s carbon-trading scam in 2009.

In this case, as with Russia-gate, Hamilton is accusing China of practices that are standard procedure by Western powers and their intelligence agencies. He highlights Chinese donations to Australia’s major political parties, which the CEC agrees shouldn’t be allowed from any foreigner, but that is a problem with Australia’s laws, not China. Chinese donations are no worse than the \$1 mil-

lion donation that British peer, Privy Counsellor and tax haven aficionado Lord Ashcroft made to John Howard’s Liberal Party in 2004; in fact, they are arguably better, as Ashcroft’s largesse smacked suspiciously of a pay-off for Howard’s support of the criminal invasion of Iraq, whereas China’s donations are pretty blatantly made to secure good relations that can avert conflict.

China is also accused of spying on its citizens who are studying here, as if Australia is not spying on the very same people as part of the Five Eyes global surveillance network controlled from the UK’s GCHQ and America’s NSA.

The purpose of Hamilton’s book is to whip up McCarthyite hysteria that stops Australians from seeing where China is coming from, which is not a desire for world domination, but a world in which no one nation dominates and national sovereignty is respected. In contrast, since 1992 Anglo-American foreign policy has been shaped by a post-Soviet Draft Planning Guidance issued by then US Secretary of Defence Dick Cheney which stated: “Our strategy must now refocus on precluding the emergence of any potential future global competitor.” The target of this doctrine was and still is China. China has made huge advances since then, such that it now rivals the USA as the world’s biggest economy, and is continuing to rise while the USA falls into decline. So long as the USA sticks with its unipolar doctrine, it is on a path for war with China, which Australia is expected to support. Hence China’s efforts to extend the hand of cooperation through its Belt and Road Initiative, and broker deeper relations with Australia’s institutions.

Britain's new mission: global enforcer of 'democracy'

By Elisa Barwick

In the *London Telegraph* of 14 March, *Sunday Telegraph* editor Allister Heath called for Britain to take the lead in creating a new global military and economic alliance to enforce "democracy", but also "capitalism", across the globe. Writing in response to the May government's accusations of Russia using "chemical weapons" in the UK against Sergei Skripal, Heath's column was headlined "Forget NATO. We need a new world alliance to take on totalitarian capitalists in Russia and China".

The next phase of Anglo-American regime change—which was always aimed at forcing nations to adopt so-called "democracy"—is to be a military-backed global order of "all liberal democracies that practice capitalism, and that respect human rights, intellectual property and privacy ... a values alliance", demanded Heath. This new regime would target countries like Russia, described as a "dictatorial, militaristic monster". Such an alliance is necessary, Heath says, because unfortunately "One cannot simply privatise a couple of companies or remove a tariff barrier or two and hope to replicate the City of London or New York."

Anyone who truly understands the evil which emanates from these two financial centres under the rubric of "economic liberalism"—which includes predatory financial looting, mass death from permanent wars, and no privacy due to an invasive surveillance apparatus using private social media companies and the NSA and GCHQ—would instantly exclaim, "Thank goodness!" The free trade mantra spread by the secretive Mont Pelerin Society (MPS), which shaped the modern British system of liberal economics, was inspired by such shining exemplars of humanity as the poverty-promoting Bernard de Mandeville, the pederasty-defending Jeremy Bentham, and the genocide advocate Parson Thomas Malthus.

The Dutch-born Englishman Bernard de Mandeville, who influenced Austrian School economist Friedrich von Hayek, wrote that "National wealth, indeed, consists not in money, but in 'a Multitude of laborious Poor'", and therefore "it would be ruinous to abolish poverty". Mandeville co-founded the notorious Hell-Fire Clubs in the early 1700s. Jeremy Bentham, a founder of British philosophical radicalism who opposed the "unalienable rights" asserted in the American Declaration of Independence, wrote a 1785 paper "In Defence of Pederasty". British East India Company economist Parson Thomas Malthus in his 1798 *Essay on the Principle of Population* demanded policymakers "make the streets narrower, crowd more people into the houses, and court the return of the plague ... and particularly encourage settlements in all marshy and unwholesome situations. But above all, we should reprobate [condemn—Ed.] specific remedies for ravaging diseases."

Such is the basis of the "values" alliance proposed by Heath.

Like many commentators of late, Heath opened his article by asking why the spread of capitalism did not bring with it mass democracy. Why didn't Russia or China become more Westernised? Ultimately Heath answers his own question: "[T]rue liberalism can only exist when a certain set of values and institutions dominate." Russia and China were simply not willing to join the West in its degradation of human culture, as seen regularly in the pronouncements and initiatives of current Russian and Chinese leaders.

A 1 March article in the City of London's *Economist* magazine, "How the West got China wrong: It bet that China would head towards democracy and the market economy. The gamble has failed", noted that China has taken this a step further. Since Chinese President Xi Jinping offered "a new option for other countries" involving "Chinese wisdom and a Chinese approach to solving the problems facing mankind" at the 19th Communist Party Congress last October, "America now has not just an economic rival, but an ideological one, too."

Heath lambasts Russia and China for eroding the so-called "rules-based system", but as well as saying this new alliance should supersede NATO, he says the UN, which is the main institution of the rules based order, is out of date. "NATO is no longer enough: it is too European, too many of its members are outright pacifists, and Turkey's membership is problematic. The UN is ineffective and, like NATO, the product of a previous, 20th century conflict", he says.

Heath concludes: "Such an alliance would be the biggest shift in geopolitics since the creation of the UN. It would dramatically shift the global balance of power, and allow the liberal democracies finally to *fight back*. It would endow the world with the sorts of robust institutions that are required to contain Russia and China and to deal with cyber-terrorism or chemical warfare. Britain needs a new role in the world: building such a network would be our perfect mission." (Emphasis added.)

Heath is the former editor of *City A.M.*, the organ of the City of London Corporation, the ancient political entity that represents the UK's financial elite and is largely outside of democratic control. Heath knows he isn't speaking for the British public. On 5 November 2013 he wrote in *City A.M.*: "Slowly but surely, the public is turning its back on the free market economy"; this frank article was prescient of the political shift that brought Jeremy Corbyn to the leadership of the Labour Party. His call is on behalf of the British oligarchical elite who have always orchestrated wars to protect their interests. But with Jeremy Corbyn now as the alternative British prime minister, Heath and the British elites have their job cut out for them keeping their own population from rising up and overthrowing their anti-democratic power structures, before they can use their fake democracy as a cynical ploy to form a global alliance against Russia and China.



City of London Corporation spokesman Allister Heath has revealed plans for a new mission for Britain, which is the same old elite-serving imperialism dressed up in fake democracy and human rights. Photo: Screenshot

British elite scheme for war, but must contend with Corbyn

By Robert Barwick

To conduct its illegal air strikes on Syria on 14 April, the British Crown seized back from Parliament the Queen's power to instigate war. Under Britain's unwritten and supposedly "evolving" constitution, the UK since 2003 has operated under the precedent forced on Tony Blair for the invasion of Iraq, which was voted on by Parliament. This precedent was regarded as binding, to the extent that Blair's Foreign Secretary Robin Cook, who resigned in protest over Iraq, had recorded on his gravestone when he died in 2005: "I may not have succeeded in halting the war, but I did secure the right of Parliament to decide on war."

It is telling that Prime Minister Theresa May, who officially exercises the Queen's power under the so-called Royal Prerogative, felt she had no choice but to bypass Parliament if she were to ensure British participation in the air strikes. In 2013 the UK Parliament had unexpectedly voted against air strikes on Syria over similar claims of a chemical weapons attack, which vote had been the key factor in Barack Obama not being able to enforce his so-called "red line". A more serious setback to British war schemes, however, was the 2015 election of Jeremy Corbyn as leader of the Labour Party. For perhaps the first time ever, the UK government has had to contend with an Opposition Leader who staunchly opposes Britain's never-ending war schemes. Corbyn's principled leadership has given the British public a different example of patriotism, and the growing support he enjoys means that Parliament can no longer be relied upon to rubber stamp war schemes. If May ran the risk of going to Parliament and getting voted down, the air strikes may not have gone ahead, which would have undermined Britain's efforts to keep Donald Trump mired in Syria and in conflict with Russia.

In the lead-up to the alleged 7 April chemical weapons attack in Douma, Corbyn for a month had been the voice of reason in the Skripal affair, which May had used to escalate a diplomatic offensive against Russia. Refusing to be herded into joining the anti-Russia hysteria, Corbyn calmly demanded the May government produce evidence for her claims. Although May succeeded in recruiting NATO member countries and, as usual, Australia to her hysteria, Corbyn's scepticism was extremely damaging to the government's agenda, not least by its example to the British public that they can question the government's claims.

Corbyn took the same approach to the claims of a chemical weapons attack, demanding the British government follow international law and allow experts to collect evidence. On 13 April, just hours before the strike, Corbyn issued a statement firmly opposing a military strike. "Further UK military intervention in Syria's appalling multi-sided war risks escalating an already devastating conflict", he said. "Ministers should take their proposals, such as they are, to parliament. ... Rather than further military action, what is urgently needed is a coordinated international drive to achieve a ceasefire and a negotiated settlement under UN auspices."

After the strike, instead of following the usual convention and falling in behind the government to "support the troops", Corbyn was unequivocal in his condemnation. "Saturday's attack on sites thought to be linked to Syria's chemical weapons capability was both wrong and misconceived", he said on 15 April. "It was either purely symbolic—a demolition of what appear to be empty buildings, already shown to be entirely ineffective as a deterrent—or it was the precursor to wider military action. That would risk



Former Admiral Lord West to BBC: An Assad chemical attack "doesn't make sense". Photo: Screenshot

a reckless escalation of the war and death toll, and the danger of direct confrontation between the US and Russia. Neither possibility offers an end to the war and suffering, or any prospect of saving lives—rather the opposite."

Other voices

With Corbyn speaking up from his position at the centre of British politics, it has forced a debate in the media and public that doesn't exist in countries like the USA and Australia outside of the occasional lone media voice and social media. Britain's state-compliant media is almost universal in its condemnation of Corbyn, but it has no choice but to cover him, and other significant voices that have also questioned the claims.

Admiral Lord West, the former First Sea Lord, i.e. head of the Royal Navy, said on BBC on 16 April that the claim that Syrian President Bashar al-Assad conducted a chemical weapons attack just as he was winning "doesn't make sense". West questioned Britain's politicised intelligence processes, from his firsthand experience. "We've had some bad experiences on intelligence", he reminded. "When I was chief of defence intelligence I had huge pressure put on me, politically ... so I know the kinds of things that can happen with intelligence."

West wasn't alone. Another retired British military chief, Major-General Jonathan Shaw, also questioned the claims in an appearance on Sky News on 13 April, before the air strikes. "What possible motive might have triggered Syria to launch a chemical attack at this time and in this place?", the former commander of British forces in Iraq asked. "The Syrians are winning. Don't take my word for it, take the American military's word for it..." The Sky host ended the interview mid-sentence, before Shaw could elaborate on his doubts as an experienced military commander.

In the political fallout from the airstrikes, the most damaging development to the UK, US and French governments would be proof that the chemical weapons attack didn't happen. The first indication of that, aside from that provided by the Russian government, was published in the UK's mainstream newspaper *The Independent* on 17 April. Veteran Middle East correspondent Robert Fisk reported on his own inspection of the location of the claimed attack in Douma, where he found no evidence of a chemical attack, but one doctor explained the White Helmets video that has been shown around the world as proof of an attack. "Yes, the video was filmed here", the doctor told Fisk, "it is genuine, but what you see are people suffering from hypoxia [oxygen loss from a conventional bombing]—not gas poisoning."



British Intelligence is preparing a cyber attack on the UK, to be blamed on Russia

By Richard Bardon

"Various types of belief can be implanted in many people, after brain function has been sufficiently disturbed by accidentally or deliberately induced fear, anger or excitement. Of the results caused by such disturbances, the most common one is temporarily impaired judgment and heightened suggestibility. Its various group manifestations are sometimes classed under the heading of 'herd instinct', and appear most spectacularly in wartime, during severe epidemics, and in all similar periods of common danger, which increase anxiety and so individual suggestibility."

—*The Battle for the Mind: A Physiology of Conversion and Brainwashing*, Dr William Sargant (consultant to MI5), 1957.

24 April—When in the near future there is a crippling cyber attack on one or more of the UK's business sectors or essential services, the place to look for the culprit will not be Russia, but rather the Government Communications Headquarters (GCHQ), Britain's signals intelligence agency. Just as MI5, the British Security Service, has repeatedly enabled and even orchestrated terrorist attacks on British soil¹ to advance the Establishment's political agenda, GCHQ—headed since March 2017 by Jeremy Fleming, immediate past deputy director-general of MI5 since 2013—is preparing to plant "Kremlin" fingerprints on a false-flag cyber attack that will both stampede the UK's allies into confrontation with Russia under the principle of collective self-defence enshrined in Article 5 of the North Atlantic Treaty Organisation (NATO) charter, and provide a pretext for a police-state power-grab at home.

Already in 2014, the NATO heads of state, under British pressure, agreed to include cyber attacks and other forms of "hybrid warfare" as triggers for a military response "on a case-by-case basis". The British are angling to formally rewrite Article 5 at the NATO Heads of State summit in Brussels, Belgium this July,² while the 53 nations of the British Commonwealth were pressured into signing a digital security pact, the "Commonwealth Cyber Declaration", at the 19-20 April Commonwealth Heads of Government Meeting in London—in effect signing over control of their signals intelligence to the "Five Eyes" apparatus dominated by GCHQ and the US National Security Agency (NSA), whose other members are Australia, Canada and New Zealand. At a bilateral meeting on the sidelines, Prime Ministers Malcolm Turnbull and Theresa May issued an "Australia-UK Cyber Statement", pledging "a new era of practical co-operation" between the Australian Signals Directorate and the UK National Cyber Security Centre (NCSC), a division of GCHQ.

Many countries' governments have already proven themselves easily led, having been induced into rash actions against Russia by British Intelligence's previous frauds such as the 4 March poisoning of Sergei and Yulia Skripal in England,³

1. *Stop MI5/MI6-run Terrorism!*, Citizens Electoral Council, 18 June 2017.

2. "London pushes for Article 5 changes at July NATO conference", AAS 28 Mar. 2018.

3. "Desperation drives British escalation against Russia" and "Zero evidence for May's 'Novichok' accusation vs Russia", AAS 21 Mar. 2018.

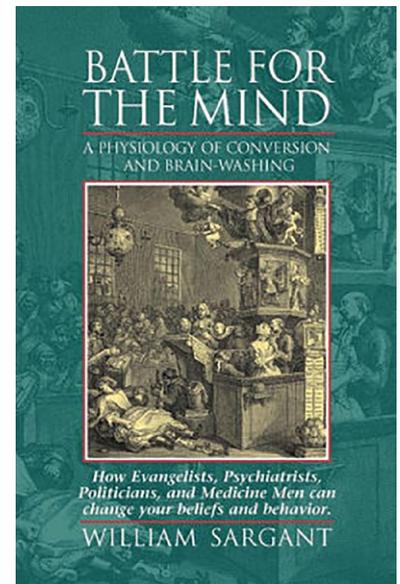
which led to the expulsion of almost 150 Russian diplomats from 27 countries; and the hoax of a chemical weapons attack in Douma, Syria on 7 April,⁴ which a week later saw Britain, the United States and France risk a direct military clash with Russia by launching missiles at Syrian government targets. An invocation of Article 5 could be expected to sweep aside all remaining opposition to war with Russia—"cold" at best, thermonuclear-hot at worst.

Propaganda drumbeat

The Establishment press has been working for the past month to whip up public fears with tales of impending Russian cyber attacks against the UK's essential infrastructure and services. The 18 March *Sunday Times*, for example, reported that the operators of the national electricity grid, along with "gas and water firms, the Sellafield nuclear power plant, Whitehall [government] departments and NHS [National Health Service] hospitals have all been warned to prepare for a state-sponsored assault ordered by the Kremlin". More recent reports have stated that Russian cyber attacks are already under way. The *Daily Mail* on 13 April cited remarks by Ciaran Martin, chief executive of the NCSC, that Moscow was attempting to hack into "critical infrastructure" such as water supplies, electricity and gas systems, hospitals, banks and transport, as "part of a wider campaign to destabilise" the country. Most hysterical has been the ultra-Establishment *Telegraph*, which asserted 16 April that Russia had "launched a 'dirty tricks' campaign against Britain and the US ... [which] could be a precursor to a campaign of cyber attacks by the Kremlin" in retaliation for the illegal US-UK-French 14 April missile strike on Syria. Another *Telegraph* article the same day blared that "Russia is targeting the home internet of tens of thousands of British households", while yet another quoted a security expert's opinion that Britain's electricity network and manufacturing industries were already "definitely under massive cyber attack".

As is usual in such cases, these allegations along with others sourced either to unnamed government officials or to former police, military and intelligence officers now in the private sector, are being repeated as fact throughout the mainstream-media echo chamber—a never-ending drumbeat designed

4. AAS, 18 Apr. 2018, pp 1, 5-12.



Sargant (1907-1988) and his collaborator, WWII British psychological warfare expert Brig. Gen. J.R. Rees, advocated the use of psychological "mass shocks" to control restive populations, both throughout the Empire and at home. In particular the use of terror, they emphasised, could change an entire population's beliefs overnight.

Turnbull backs May's imperial drive for global security and trade dominance

By Elisa Barwick

In London for the Commonwealth Heads of Government Meeting (CHOGM) on 19-20 April, Australian Prime Minister Malcolm Turnbull sang the praises of the UK, USA and France for military strikes against Syrian targets. The hypocrisy is unsurpassed: the strikes transgressed international law given that they pre-empted an on-the-ground investigation of the alleged chemical weapons attack in Douma; that no evidence has emerged that the Syrian government perpetrated the chemical attack; and that the strike took place without a United Nations Security Council Resolution.

Yet the PM went on to talk up the role of the Five Eyes intelligence alliance—comprising the USA, UK, Australia, Canada and New Zealand—as the preeminent network protecting the “rule of law” and the “rules-based order”. Four of the Five Eyes members, he stressed, are members of the Commonwealth. Turnbull hastened to add that Australia’s rescue of the collapsing Trans-Pacific Partnership (TPP, now the Comprehensive and Progressive TPP) revives yet another vehicle to defend the rules-based order. Securing the dominance of British free-trade liberalism and expanding its reach in the Asia-Pacific was a big topic of discussion between the UK and Australia while the PM was in London.

Cyber pact

Following a 16 April joint UK-USA alert, warning of “malicious cyber activity” sponsored by the Russian state, the Commonwealth heads of state signed a cyber security pact called the Commonwealth Cyber Declaration in what is essentially an extension of the Five Eyes alliance. The pact will facilitate the sharing of information regarding cyber threats across the Commonwealth; deepen cooperation on cyber security incidents and responses; coordinate common positions in international fora; and commit to promote frameworks for cyberspace based on international law and “agreed voluntary norms of responsible state behaviour and how it applies in cyberspace”. All Commonwealth countries will undertake a “voluntary” national cyber security capacity review by the 2020 CHOGM summit.

In addition, on the sidelines of the CHOGM meeting Australia and the UK signed up to a new joint strategy to target cyber crime, which will identify a hit-list of cyber offenders. “The rules-based international order must be upheld online, just as it is offline”, the joint statement declared. “Australia and the United Kingdom are concerned by the increased willingness of states and their proxies to pursue their objectives by undertaking malicious cyber activities contrary to international law and identified norms of responsible state behaviour.”

Australian and UK intelligence agencies will work together at the operational level, through both countries’ Cyber Security Centres, the Australian Signals Directorate and the UK’s Government Communications Headquarters (GCHQ), piloting “new tactics, techniques and capabilities” and coordinating “global responses” to attacks.

Maintaining economic order

Turnbull welcomed a greater British presence and expanded influence in the Asia-Pacific, both through expected UK membership in the TPP and an expansion of UK embassies throughout the region. Nine new embassies were announced by the May government, including in Vanuatu, Samoa and Tonga (plus four in the Caribbean and two in Africa).



Turnbull and May at Chequers, the PM's country home, after discussing cyber security and trade. Photo: AFP/Aaron Chown/Pool

Within hours of landing in London, Turnbull had three meetings with the leaders of Pacific Island nations—Vanuatu, Fiji and the Solomon Islands—trying to calm the flap raised by Canberra’s lies about Vanuatu preparing to host a Chinese naval base (“‘White elephant’ or ‘Chinese naval base’?”, AAS 18 April 2018). Turnbull and Foreign Minister Julie Bishop promised increased aid and trade expansion for Pacific nations under plans to expand the role of the Commonwealth in the region, which would include greater aid from Britain. Similar overtures were also made to African nations at CHOGM.

Announcing the new embassies, UK Foreign Secretary Boris Johnson made clear the plans are aimed at countering China’s influence: “An increased global footprint will also ensure that Britain and its allies are able to counter the malign influences of countries who seek to undermine the UK. The UK will also use its world-class soft power to continue to win hearts and minds for the global good. After we leave the EU, Global Britain will remain outward facing, open for business and a champion of the rules-based international order.”

Julie Bishop welcomed Britain’s role: “They have always been present in the Pacific but at this CHOGM it was apparent Great Britain intends to take a much greater global role and focus again on the Pacific.” With the UK leaving the European Union, she said, “we see it as a great opportunity for the UK and its aid budget to be focused elsewhere ... I think you will find Britain is resetting its engagement in the Pacific and we certainly welcome it.”

The Queen herself pointed to a “rejuvenated” Commonwealth as a trading bloc in her opening address to CHOGM. Lord Marland, chairman of the Commonwealth Enterprise and Investment Council, has called for the entire Commonwealth to eradicate trade barriers. To ignore the Commonwealth’s potential as a trade bloc would be “a dereliction of duty”, he said.

Since Brexit, May has committed the UK, under the moniker “Global Britain”, to the task of shaping “a new era of globalisation”. The head of the British Royal Navy, Admiral Sir Philip Jones, has described the vision as “nothing less than a new era of British maritime power”. In a London *Telegraph* article headlined “Forget NATO. We need a new world alliance to take on totalitarian capitalists in Russia and China” on 14 March, Sunday *Telegraph* editor and City of London insider Allister Heath called for Britain to take the lead in creating a new global military and economic alliance to enforce “democracy” and “capitalism” across the globe, because unfortunately “One cannot simply privatise a couple of companies or remove a tariff barrier or two and hope to replicate the City of London or New York.” (“Britain’s new mission: global enforcer of ‘democracy’”, AAS 21 March 2018.)



The City of London's China pivot

By Elisa Barwick

While most major players were licking their wounds or dodging blame in the wake of the 2008 global financial crash, the seat of financial power in the United Kingdom was launching a major policy shift. With a carefully choreographed economic rebalancing act, the City of London's position within global finance was reinforced rather than diminished, following the GFC. The financial nexus of the City of London Corporation, the Bank of England and the UK Treasury pivoted to China, the only source of growth on the horizon.

The backdrop

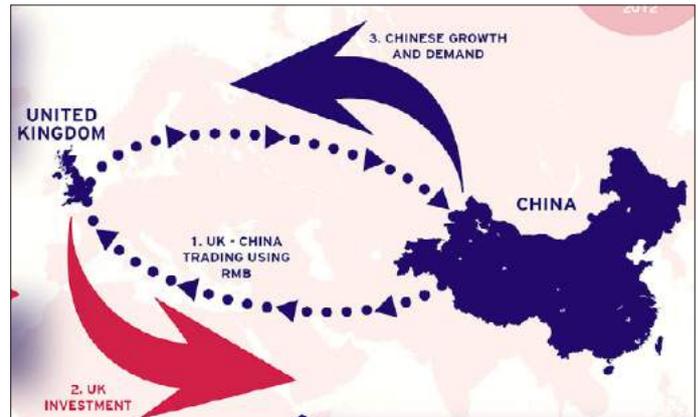
Following the crash, the world's biggest central banks coluded to prop up asset values, creating new financial bubbles on a mammoth scale, author and former banker Nomi Prins told an audience at the London School of Economics on 14 May. Then governor of the People's Bank of China, Zhou Xiaochuan, publicly criticised the US-led policy, Prins went on, and the PBC unleashed its own version of Quantitative Easing, diametrically opposed to the Western strategy: credit directed into infrastructure projects and development.

The volume of China's credit expansion was around \$20 trillion dollars, greater than the \$14 trillion in Western QE, but China has some \$10 trillion worth of infrastructure to show for it, increasing at a rate of 40-50 per cent per year. What do the US Federal Reserve, Bank of England, European Central Bank and Bank of Japan have to show? Their own balance sheets are bloated; extremely low, zero per cent or negative interest rates mean they have no capacity to forestall a new crash; the banks they doled out money to are even more Too Big To Fail (TBTF); and the newly created asset bubbles are all ready to blow.

Clearly this was not a winning strategy over the longer term. Nor was the alternative to such bailouts—"bail-in", which confiscates the investments and savings of creditors to save TBTF banks, a policy pushed by the Bank of England and its creature, the Financial Stability Board, stationed at the Bank for International Settlements. That policy instituted extraordinary crisis management powers for regulatory authorities, but as for its ability to save a collapsing financial system if more than one bank crashes simultaneously—it has none.

The collective of bankers and financiers known as the City of London, therefore, had another strategy in play. As in times past, the imperial families which direct London's banking establishment were quite willing to jump ship in order to be part of the winning team. In addition to financing real economic development, China had recognised the necessity to reduce global reliance on the US dollar and began moves to internationalise its currency, the renminbi; London wanted in on that action.

A new scholarly paper by Cambridge University lecturer Dr Jeremy Green, "The offshore city, Chinese finance, and British capitalism: Geo-economic rebalancing under the Coalition government", published on 27 October 2017, reports on the UK's "geo-economic rebalancing towards China" initiated by the 2010-15 Conservative/Liberal Democrat Coalition government led by Prime Minister David Cameron. The true author and driver of this campaign, Green reveals, is the City of London Corporation.



As Obama's expansion of military capacity in the Asia-Pacific, the Asia Pivot, was being prepared in 2009, later accompanied by an economic pivot in the Trans-Pacific Partnership (TPP), London was quietly building a pivot of its own. Photo: Her Majesty's Treasury

The City of London Corporation

The coordinating body for London's financial district and its megabanks, the City of London Corporation, is a private municipal body with its own laws and police force, distinct from the municipality of the Greater London Council. More than 1,000 years old, the institution predates "modern" England that started with William the Conqueror in 1066, and has been closely allied to the Crown throughout its history. The Corporation has a permanent, unelected representative in the British parliament, called the Remembrancer, who monitors parliamentary activity and lobbies MPs to protect the City's interests.

The City of London Corporation, Green says, with enormous "fiscal power and networked political influence", plays a key role "bridging public and private power". It maintains the closest connections with government, performing an advisory role, while liaising intimately with private sector players. It also directs financial regulation agencies.

In 1945, during a push to nationalise the Bank of England, Prime Minister Clement Attlee identified the City's capacity to control elected governments: "Over and over again we have seen that there is in this country another power than that which has its seat at Westminster. The City of London, a convenient term for a collection of financial interests, is able to assert itself against the Government of the country. Those who control money can pursue a policy at home and abroad contrary to that which has been decided by the people."

Attlee succeeded in nationalising the Bank in 1946, but by 1951 the pro-City Conservatives were back in power. Even as the dominance of the pound Sterling declined, London emerged as the world's biggest international financial hub by the late 1950s. It set itself up as a haven for US bankers to dodge regulations introduced by President Franklin Roosevelt, and with its creation of offshore Eurodollar markets (capturing US dollar flows outside the USA) it began the construction of a web-like network of tax havens to channel money-flows its way. This was how the British Empire reinvented itself as an "informal financial empire", while officially giving up most of its colonies.

The global financial crisis eventually intervened—a result of the fully globalised, liberalised and deregulated financial Frankenstein's Monster London had created. As

Nicholas Shaxson documented in his 2011 book *Treasure Islands: Tax havens and the men who stole the world*, London was committed to preserving its financialised economy: “London has more foreign banks than any other financial centre: by 2008 it accounted for half of all international trade in equities, nearly 45 per cent of over-the-counter derivatives turnover, 70 per cent of Eurobond turnover, 35 per cent of global currency trading and 55 per cent of all international public offerings.” The City could not afford to abandon its position; it had no choice but to evolve once again.

Pivot to Asia

Citing numerous studies, City of London Corporation documents and interviews with City and government officials, Dr Green’s paper traces the shift towards East Asia driven by the City of London Corporation in lock-step with the Bank of England and the British Treasury.

Green writes of the “City’s attempt to reposition itself within the post-crisis political economy”. The City has an entrepôt role—acting as a collection and distribution point for world financial flows—so its business strategy depended upon it being able to mediate flows of foreign currencies through international borrowing and lending, foreign exchange dealing and the derivatives trade. If more of that turnover was to take place in renminbi (RMB), the City would have to dominate its rise.

While the door to closer relations with China was opened by PM David Cameron and Chancellor George Osborne, it was the Corporation that launched the “Renminbi initiative” in April 2012, working with its public relations arm TheCityUK to establish an offshore market for renminbi. Osborne and Chinese Vice-Premier Ma Kai announced the decision to make London a renminbi hub in October 2013.

“The dominant City-Bank-Treasury nexus has actively and strategically engaged with the opportunities presented by the post-crisis era, with the explicit agenda of cementing London’s standing within a changing global monetary order”, says Green. Expecting a “precipitous increase in global RMB transactions” given China’s rapidly growing international investment, and capital flows likely to “expand exponentially”, the UK government seized the opportunity. In 2014, Osborne indicated that “the emergence of China’s currency as one of the world’s leading currencies will be the next huge change” in global finance.

Working with the City-Bank-Treasury nexus to set up the RMB market, Green says, were the London Stock Exchange, British banks with ties to China such as HSBC and Standard Chartered Bank, and Chinese banks in London including the Bank of China. To reduce dependency on the US dollar, from 2009 China had begun to gradually open up the renminbi to international use, beginning with bilateral currency swap agreements, trade settlement in renminbi, and renminbi-denominated bond markets. In 2012 the first London-issued, RMB-denominated bond was put out by HSBC. In 2013 China allowed investment directly into Chinese stocks and shares denominated in renminbi from London banks—the only Westerners allowed to do so. The UK’s Prudential Regulation Authority (PRA) allowed Chinese banks to open branches in the UK. In 2014 the Bank of England, in an arrangement with the People’s Bank of China, appointed the China Construction Bank (one of China’s Big Four commercial banks) as a hub for Chinese currency-clearing in London. In a demonstration that the renminbi was viewed as a future reserve currency, in October 2014 Her Majesty’s Treasury undertook the first foreign-issued sovereign government bond denominated in RMB; according to Treasury, all part of the “long term economic plan to establish Britain as the centre of global finance”. Chancellor Osborne spoke of

cementing London’s role as “a major global centre for trading and investing the Chinese currency”.

In 2015 the red carpet was rolled out in London for the visit of Chinese President Xi Jinping, and ongoing plans included a formal connection between the London and Shanghai stock exchanges and cooperation on finance for China’s Belt and Road Initiative (BRI). Earlier that year the UK had joined the Asian Infrastructure Investment Bank. In 2017 the Shanghai Clearing House opened its first overseas branch in London, in partnership with a London clearing platform. Lord Mayor of the City of London, Charles Bowman, announced on 18 January 2018 that London is the largest renminbi payments centre outside China, and the largest renminbi foreign exchange centre in the world.

On 13 June 2018 the City issued a policy document calling for London to become a “natural western hub” for financing the BRI. HSBC and Standard Chartered Bank were already heavily involved. Standard Chartered, a lynchpin of the British Empire in Africa, the Middle East and Asia since the mid-19th century, has long had a strategy of monopolising finance for China as a key driver of global growth. With a presence in 45 countries that intersect the BRI it has won many financing deals for BRI projects. HSBC—originally the Hongkong and Shanghai Banking Corporation—was notorious as the leading institution in Britain’s criminal opium trade with China; it was founded in 1865 by a consortium of British trading companies that ran the trade under oversight of the British East India Company. Credit Suisse and JPMorgan Chase are also major players.

In January the Corporation launched its “Asia Next Decade” campaign and the UK’s China Chamber of Commerce hosted a forum on China-UK economic and trade cooperation, with Lord Mayor Bowman a speaker. Bowman was in China in March to promote the involvement of Square Mile firms in the BRI. The annual Belt and Road summit for 2018 will be held in the UK, by decision of the inter-government China-UK Economic and Financial Dialogue, as will a UK-China RMB Internationalisation Dialogue. The City is also pushing a Belt and Road Investor Alliance, a platform for increasing green investment in the BRI.

Despite all of this, a paradox looms: when PM Theresa May visited Beijing in January no formal memorandum on BRI cooperation was signed. China has questioned this, indicating it would have no issue getting other hesitant Western nations to sign up if the UK did; but likely the UK wants to discourage any competition while it positions itself as China’s indispensable partner. The British government is simultaneously stepping up its military confrontation with China in the South China Sea.

Green’s analysis also provides insight into the UK’s post-Brexit economic model: “The Corporation plans to use its gateway status for emerging Asian markets as a bargaining chip to secure the City of London’s continuing centrality to Europe.” Given that “the City provides three-quarters of EU hedging and foreign exchange, and half its lending and securities transactions”, according to a July 2017 *Financial Times* article, its China strategy must not fail.

In conclusion, Green acknowledges that London’s financial pre-eminence relies upon the “concerted political agency” of the City and that “it is quite possible that if the political will for this diminishes, particularly from within the Treasury, then the City’s interests may well be harmed and its influence reduced”. The UK Labour Party’s manifesto has long had a pledge to abolish the City of London Corporation, and although Tony Blair quietly dropped it in 1996, current Labour leader Jeremy Corbyn has promised to curb the City of London’s power if elected.



Tony Blair rallies to defend globalisation

By *Elisa Barwick*

In a 27 June speech “In Defence of Globalisation” delivered at Chatham House in London, former British Prime Minister Tony Blair rallied traditional political forces to defeat the growing wave of anti-establishment political formations, whether left, right or somewhere in between. Across the globe, voter-driven shifts starting in Greece in 2015, followed by Jeremy Corbyn winning the leadership of the UK Labour Party, Brexit, and Trump’s upset win, have continued with the recent Italian and Mexican elections, and the victory of outsider candidates against senior party incumbents in the US Democratic primaries.

There are certainly dangers associated with the rise of populism, but nearly all of them could be significantly mitigated by educating the masses on the role Tony Blair has personally played in wrecking the economy of the United Kingdom, increasing the terrorist threat, unleashing the current wave of refugees by orchestrating foreign wars, and sabotaging the UK Labour Party’s ability to respond to these threats. Tony Blair is not solely to blame, but he is a key protagonist in the creation of the threat of which he now warns.

Populists of both the left and right “meet at a certain point in denunciation of free trade arrangements, migration and international alliances”, Blair said. They blame globalisation for the state of the world. Immigration has been a game changer, he went on, and stagnant incomes “reinforce the sense of political alienation”. He defined globalisation by listing the benefits of dismantling barriers between nations, but neglected to identify the failures of economic globalisation, particularly global (City of London-centred) finance, which has allowed a small handful of banks and corporations to profit obscenely on the backs of the working masses.

“There is an absurd parody—both far left and right—that globalisation is a project of the political elite”, he scoffs. Rather, globalisation is a natural process driven by the desires of people to travel or buy cheap goods, for “a world coming together, mixing more”; “the idea that Government created it or can stop it, is fantasy”. The global financial crisis was a “failure of understanding about the modern global economy and its new financial instruments” exacerbated by a few bad players, Blair continued.

The former PM spoke about the emergence of China and Russia as leading global players, saying that, “All around the world, there is a new model of Government competing with our notion of Western Democracy. This ‘Strongman’ model claims to be more effective, more productive, less decadent, less paralysed than ours. And it has its admirers and imitators in the West.” It seems for Blair, globalisation—opening up to other cultures—has its limits.

Blair raised the comparison between today’s political situation and Europe of the 1930s, driven by populism which offers only anger without solutions, and insisted in response that the USA-UK Trans-Atlantic alliance “has never been more needed”. It is an alliance “different from any other because it is explicitly an alliance of values”, as if to say China or Russia would be incapable of such an alliance. In a multi-polar world (with more than one dominant player) those values, from the Rule of Law to an independent media, are “contested positions”. Blair thus

condemned the “kneejerk left wing” reaction from the left side of politics to all things American.

“[W]e need to know from the current American Administration and its President that our Alliance matters”; it needs to be strengthened from both sides, he stressed. Europe must understand this: “America needs Europe united and standing with it, not isolated as individual nations, able to be picked off one by one by the emergent new powers. The only people who gain from a fracturing of the Trans-Atlantic Alliance are America’s rivals or adversaries.”

Blair added Brexit into the populist mix, saying the “intellectual driving force behind Brexit is a mix of nationalism and ultra-liberalism”, adding that “Brexit has become a metaphor for the debate around globalisation”.

The former Prime Minister ended with a call for the “centre ground of politics” to become the change-makers, rather than representing the status quo. As neither the government nor the opposition is asserting leadership on vital issues, the parliament must, he said.

The challenge is urgent, he concluded: “We are losing sight of the values which brought the West together, saw it through the menace of fascism and communism and, for all the justifiable grievances, has wrought immense progress. We are in danger of spoiling the gains of a world ‘opening up’ through globalisation and putting at risk our Democratic mission.”

Only dealing with the “underlying grievances” of the populace will dissipate populism, said Blair, but his record reveals this is hypocrisy. Blair continued the policies Margaret Thatcher ushered in, which destroyed the productive economy of the UK. Liberalisation of markets, deregulation of industries and banking, and privatisation of national infrastructure have eroded the quality of life of the average Briton. With a lack of adequate health care, social services, functioning utilities, or a decent job, people strike out at immigrants moving in on their scarce services. Western nations created the recent flood of refugees by bombing their home countries in the name of regime change—not to free the people from terrorism, who would then prefer to stay in their place of birth, but for geopolitical reasons. Successive British governments since Thatcher have sponsored international terrorism through the al-Yamamah arms-for-oil barter deal with Saudi Arabia which set up a slush fund for terrorism; and through a covenant allowing terrorists to operate in the UK so long as they didn’t organise domestic attacks. Only the reversal of these policies, with a program such as the Labour party is proposing under Blair-adversary Jeremy Corbyn can alleviate the people’s fears. Economic prosperity and security, created by investment in the nation’s infrastructure and industry, reregulation of industry and nationalisation of public utilities, would both foster a happy population and rein in the globalist economic parasites unleashed by Blair and his ilk.



Tony Blair defends globalisation against the rising tide of populism. Photo: Flickr/Chatham House



Is imperial strategy driving HSBC's move to Paris?

By Elisa Barwick

"Yes, so far as we are concerned, the headquarters of the money power is Britain. But the money power is not a British institution.... It is of no nationality, but of all nationalities. It dominates the world."

-*The Brisbane Worker*, 5 January 1907

The seat of world financial power in the City of London, with its adjunct on Wall Street, is facing dramatic economic and political changes which could shake it from its throne. The quote above, which expresses the early 1900s fight waged by the Australian Labor Party against what politicians such as King O'Malley and Jack Lang dubbed the "Money Power" (back page), illustrates that the elite and wealthy families which comprise this nexus are willing to metamorphose in any way necessary to maintain control.

A new global financial crisis; the economic rise of China; moves by a growing number of nations to trade in national currencies, potentially sidelining the US dollar as the world's main reserve currency; the return of protectionism; and the UK's exit from the European Union, are just some of the perils that lie ahead of London's financial elite. Not to mention the series of dramatic political changes sweeping the globe, bringing the voice of the people back into politics, which could soon culminate in the election of UK Labour leader, Jeremy Corbyn as Prime Minister.

Brexit

On 6 August British banking giant HSBC announced it would be moving seven offices, which coordinate the bank's business in Europe, from London to Paris. The offices coordinate bank activity in Italy, Spain, the Netherlands, Belgium, Luxembourg, Czechia and Ireland.

The UK is due to exit the EU on 29 March 2019, and the HSBC move, shifting 1,000 British jobs to France, will occur exactly then—at the end of the first quarter of 2019. While HSBC's statement does not refer to Brexit, saying only that it is "adjusting its activities" in light of "political and regulatory developments in Europe", many British banks are concerned about the consequences of a "hard" Brexit. That means an exit where the UK has been unable to negotiate arrangements to ensure continued privileged economic access to EU markets, in particular for its financial services sector, worth 11 per cent of its economy. Without a new arrangement, British firms will lose "passporting rights" which allow them to operate freely in the EU.

The City of London is an unregulated banking haven, and the centre of a global web of lawless "offshore" jurisdictions based in Britain's overseas territories. This structure dominates global tax evasion and money laundering, and draws in corrupt flight capital. London also dominates the global and European trade in fraudulent, toxic financial derivatives, which caused the 2008 financial crisis. The priority for the Theresa May government's Brexit negotiators has been to preserve the City's financial dominance in Europe, even to the point that Chancellor of the Exchequer Philip Hammond threatened in January 2017 that if negotiations broke down, London would establish itself as the "tax haven of Europe".

According to a report in the *Financial Times*, it has just emerged that in a Downing Street meeting on 16 June, Hammond warned UK financial services leaders that the EU would

try to bind up the UK in red tape after Brexit, saying that France was pushing "politically motivated rule changes", which would tighten the regulations by which outsiders could operate in the EU, thus putting the UK at a disadvantage.



Photo: Flickr

The French Finance Ministry denied it would use Brexit to crack down on City banking operations, stating that "the rules are the same for everyone in Europe and are not going to specifically target the UK", and that they only wish to have sufficient rules in place to ensure "financial stability across the continent".

According to the *FT*, the Chancellor urged the gathered financial chiefs to collaborate with the Treasury and the Bank of England to develop "alternative pathways for growth", such as expanding operations in emerging markets, to make up for losses in Europe. Such a parallel strategy is important, so that a "threat to pull out of EU arrangements is seen to be real", Hammond told the meeting, a participant told the *FT*. Participants included leaders of the European Financial Services Chairmen's Advisory, Association for Financial Markets in Europe, Association of British Insurers, Investment Association, UK Finance, and TheCityUK, the PR organ of the City of London Corporation, the powerful and ancient body that runs the financial district.

The City of London Corporation worked closely with the UK Treasury and the Bank of England following the 2008 global financial crisis to reposition itself to dominate the growing financial flows emanating from China, in order to corner the trade in the currency which could come to rival the US dollar and to secure an indispensable role as Europe's gateway to China. HSBC played a major role in this strategy. ("The City of London's China pivot", *AAS* 11 July.)

Who's muscling out whom?

Is the greater danger France edging London out of its domination of European finance, or London using Paris as its new outpost in Europe? Paris also happens to be a major financial centre and hub for offshore financial activity.

According to Reuters, HSBC has said all along it would be the last to move out of London, as it is already able to operate seamlessly from its French subsidiary, which is fully licensed under French law. And compared with most of the other hundred or so banks making a similar shift, HSBC is in a class of its own. It is the largest British and European bank, and has an inordinate and long-term interface with the British government. It is the dirtiest bank in a dirty system (p. 10).

It is possible that HSBC will play the role of conduit for London business in Europe, using Paris as an outpost not unlike Hong Kong, to keep control of the European money flows it has long monopolised. The City "provides three-quarters of EU hedging and foreign exchange, and half its lending and securities transactions", reported a July 2017 *FT* article. Although Hammond accused French President Emmanuel Macron (who has openly wooed top executives and financiers to make the move) of manoeuvring to take over London's position of dominance in European finance, it could end up working the other way.