

FINANCIAL REVIEW

Labor fails
on aspiration

The latest Nielsen poll has shown that the federal government's primary and two-party preferred votes have collapsed, to 27 per cent and 43 per cent, respectively, since the passage of the carbon and mining taxes through Parliament. They also show that Treasurer Wayne Swan is trailing his opposition counterpart, Joe Hockey, as the preferred Treasurer by 16 points in Mr Swan's home state of Queensland.

Following the massacre of Labor governments in the NSW and Queensland state elections, this proves that the unpopular minority government is pursuing a failing political strategy.

The mining and carbon taxes are deeply unpopular but they have also been politically mishandled.

Prime Minister Julia Gillard's fatal error was to recant on her "no carbon tax" promise during the last election in order to win Greens support. Ms Gillard and Mr Swan then fumbled the redesign of the mining tax.

But the Labor Party's more deep-seated problem is that its policies are inspired by a narrower base, and is built around the demands of the union movement upon which it depends.

Former prime minister Paul Keating hit the nail on the head last week when he said Labor had failed to manage the political aspirations of the middle class that it created through the economic reforms that the Hawke and Keating governments implemented in the 1980s and '90s.

"What the Labor Party have done is create a new middle class in Australia. The trouble is, it hasn't been that good at identifying with its own creation and managing it," Mr Keating said last week.

The broader Australian public has no use for Labor's outdated ideological mindset, especially of the kind promoted by Mr Swan in his attack on the mining billionaires. Most Australians want effective government that promotes opportunity. They want a tax system that promotes enterprise, quality educational opportunities, a high-quality health system, high performance workplaces not control by union monopolies and cities that work. They don't want wasteful government spending or too much red tape.

Opposition Leader Tony Abbott has yet to spell out a compelling policy platform to appeal to the middle class either, but he is making some headway. His suggestion last week that in government he would ask the Productivity Commission to inquire into the benefits of extending the childcare rebate to people who employed nannies to look after their children at home as well as in institutionalised care is an example of the kind of aspirational reform that can appeal to middle-class families.

AFR doing its job
on NDS exposé

The reaction of News Ltd to *The Australian Financial Review's* revelations that a News Corp subsidiary, NDS, fostered piracy in the fledgling pay television industry has attempted to cast the stories as a conspiracy against the company by Fairfax Media, the owners of the *AFR*.

But the *AFR's* exposé of NDS has nothing to do with corporate rivalry or any supposed desire to cast Rupert Murdoch's corporate empire as some sort of immoral entity, as *The Australian* suggested yesterday.

Our exposé goes to corporate governance, particularly for companies operating across the globe in jurisdictions with differing ethical and legal cultures, and follows inquiries into institutions as unimpeachable as the Reserve Bank of Australia.

We've sent a reporter to Iraq to investigate revelations that the Australian Federal Police is investigating allegations of bribery in Iraq by a subsidiary of construction company Leighton Holdings.

An investigation by *The Age* led to a series of bribery charges being laid by the AFP against executives of RBA subsidiary Note Plying Australia and Security International.

The issues of differing cultural and ethical norms extends from business to journalism. *The Australian* yesterday criticised the BBC *Panorama* show to be aired on SBS tonight for having secretly filmed two NDS employees.

But only last week, the News Corp quality broadsheet, the *Sunday Times*, revealed it had secretly filmed Conservative Party co-treasurer Peter Cruddas offering access to UK Prime Minister David Cameron in return for donations.

Few in the UK would deny that this journalist practice did end up being in the public interest. But in Australia it would not be acceptable for the media to tap phones or pay police for information or to air secretly recorded interviews, as has occurred in the UK.

And it would be understandable if local News executives knew little of the questionable activities of NDS clearly shown by leaked emails, such as the pressure to obtain private phone records of individuals even when this is acknowledged to be possibly illegal.

GALLERY DAVID ROWE



Exclusion best conclusion

Chinese cyber attacks on political, military and economic infrastructure are now a major preoccupation of Western intelligence agencies. The issue is usually handled more discreetly than efforts to deter Islamist terrorists because it involves challenging China's covert activities and its truthfulness in global strategic and economic affairs.

But the Australian government has put Chinese cyber espionage into the public spotlight by deciding Huawei, China's giant information technology corporation, will not be considered as a possible supplier of equipment to the national broadband network.

The government fears Huawei might, if asked by the Chinese government, move to penetrate and to steal confidential NBN data.

"We have a responsibility to do our utmost to protect the NBN's integrity," a government spokeswoman said.

Not surprisingly Beijing says it is outraged; former foreign affairs minister Alexander Downer, a director of Huawei's Australian operation, has described the decision as "absurd". Huawei says it is an independent global industry leader and is installing NBNs in eight other countries without interference from Beijing.

But the government is right to exclude Huawei from the NBN, even at the risk of possible economic retaliation from Beijing. Huawei might be as pure as driven snow in its business activities, but no Chinese global business is outside the reach and command of the Chinese government, especially if it is a master of cyber space and dedicated, as Huawei is, to the greater glory of the Middle Kingdom.

In fact, cyber attacks on Western

Huawei's exclusion from NBN tenders is probing the limits of Chinese-Australian relations, writes **Geoffrey Barker**.

military and commercial websites have become relentless as China has sought an edge in global commerce and strategic affairs. Many of the attacks have been traced to China and form part of a broader pattern of Chinese espionage in the United States, Britain, France, Germany, Canada, Australia and the Netherlands.

The US, alarmed by the leakage of military and commercial secrets, is talking publicly and in detail about the problem. Identified US officials and congressmen have named China as the most active and persistent economic spy. *Foreign Policy* magazine has identified examples of significant cyber theft.

The Australian government has refused to deny reports Chinese hackers broke into the computers of federal ministers, including Prime Minister Julia Gillard's. There have been reports of attacks on BHP Billiton, Rio Tinto and Fortescue Metals.

It is, of course, true that all countries engage in cyber espionage and other forms of espionage and China should be expected to be a major player as its formidable economic and military influence continues to increase. But Western countries do not have to remain passive and silent in the face of the threat.

The Huawei case has brought the Australian government nose-to-nose with the reality of having a major economic relationship with a rising

great power that does not entirely share Australia's political values and strategic interests.

So the government's decision has been bold and tough, especially as it was taken in the knowledge that Beijing will, at a time of its choosing, retaliate to harm Australia. China is not reluctant to throw its weight around and its cyber espionage activities are difficult to prove and locate.

The Huawei case should be a wake-up call to Australians who view China only as a power that is underpinning the country's prosperity by buying its coal, iron ore and gas to fuel its spectacular growth.

China is also a centrally directed and brutal communist regime and a potential strategic competitor to Australia and its US ally. There will be times, as in the Huawei case, when Australian governments will have to decide the limits of engagement with China and Chinese firms.

It is interesting to consider Downer's claim that the Huawei decision was "absurd". He was a long-serving foreign affairs minister; he was close to US administrations; he received briefings from intelligence agencies based at least partly on information from trusted US sources. Would Downer, as foreign minister, have dismissed as absurd an intelligence agency recommendation, backed by the US, that he exclude a technologically advanced Chinese firm from a highly sensitive infrastructure project? Or would he have decided he had a duty in the national interest to exclude the firm on prudence grounds?

Good conservative that he is, Downer is most likely to have chosen prudence. And he would have been right to have done so.

NOTEBOOK

Friction over Falklands

The Telegraph, April 2.

Today marks the 30th anniversary of the invasion of the Falkland Islands by Argentina, an act of unprovoked aggression to which the United Kingdom responded with its greatest feat of arms since World War II.

It will be a poignant moment for the families of the 255 military personnel and three islanders who lost their lives, and for the many who were wounded during the campaign.

Regrettably, we can expect the Argentine President, Cristina Fernandez de Kirchner, to use the occasion to step up her already strident campaign of intimidation and bluster against the islanders.

Her government's latest ruse is to threaten legal action against the British and American banks acting for companies searching for oil and gas in Falklands waters – all part of a broader strategy to make life as uncomfortable as possible for the Falkland Islanders.

It is, of course, the potential hydrocarbon wealth of the South Atlantic that has prompted Argentina to push its claim of sovereignty.

Britain will maintain an "absolute commitment" to preserving the islanders' ability to determine their own destiny. Yet there are many issues of mutual interest that should be discussed by the Falklands, the UK and Argentina.

Oil and gas, fisheries, communications and trade have all been subject to agreements in the recent past.