



# Australia-China relations summary

## March 2018 edition

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*The latest developments in Australia-China relations in March 2018.*

### Diplomatic 'freeze'

On March 1 *The Australian* [reported](#) that 'China is putting Australia into a diplomatic deep freeze', pointing to the lack of follow up for a March trip to China by Prime Minister Malcolm Turnbull that had purportedly been under consideration, and the similar lack of a set date for a China visit by Foreign Minister Julie Bishop. The newspaper also reported that China had delayed a trip to be undertaken by Department of Foreign Affairs and Trade (DFAT) Secretary Frances Adamson and that lower-level government exchanges and education visits had also been stalled.

During a Senate Estimates hearing on the same day, the article was the subject of a [line of questioning](#) put to the DFAT Secretary.

On the Prime Minister's March trip Ms Adamson stated:

[I]t is absolutely not true—I've been given to understand; certainly not from DFAT's involvement, and we would always be involved—where it says here, 'Earlier consideration of a March trip for Mr Turnbull to Beijing has not been followed up.' I am not aware that there was ever consideration given to a March trip to Beijing.

On a visit by the Foreign Minister to China Ms Adamson said, '[T]he foreign minister engages on a number of occasions throughout the year with her Chinese counterpart', including during the Foreign and Strategic Dialogue slated to be held in Beijing this year. A date for the Dialogue has not yet been set.

On her own visit to China she said, 'It is true that I have not visited China over the last few months, as I had intended to'.

On other government exchanges Ms Adamson said, 'Defence, at the first assistant secretary level, recently had a very productive visit to China and an exchange of views on the importance of our defence relationship.'

Ms Adamson added that the Australian Ambassador to China 'has the sort of access that she needs' and that *The Australian* article's headline ('Cold War: freeze on China ties') 'is just wrong.'

The Secretary did, concede, however, 'We're going through a period where there are some complex and difficult issues, but we're working through those.'

A spokesperson for Foreign Minister Bishop also [rejected](#) the claim of a ‘diplomatic deep freeze’ stating:

We are not experiencing a ‘freeze’ in diplomatic relations with China.

## Foreign interference

Former Defence Secretary Dennis Richardson on March 7 during a panel discussion at the *Australian Financial Review*’s annual Business Summit lent qualified support to some of the Australian Government’s recent harder-line rhetoric with respect to the People’s Republic of China (PRC). While he [stated](#) that ‘we should not have the overblown rhetoric’, he noted that such rhetoric had been precipitated by PRC interference in Australia:

[D]on’t forget that some of that overblown rhetoric has come about because of the overblown actions of Chinese authorities here in Australia. It is not reasonable to suggest that they can overstep the mark on our sovereign territory but we can’t overstep the mark with rhetoric.

On March 19 a grouping of Australia-based China scholars submitted a statement to the Parliamentary Joint Committee on Intelligence and Security expressing concern regarding the ‘alarmist’ and ‘racialised’ tone and character they believe the domestic debate on China is currently assuming. The statement said that the scholars ‘see no evidence...that China is intent on exporting its political system to Australia, or that its actions aim at compromising our sovereignty.’ The statement recommended that the National Security Legislation (Espionage and Foreign Interference) Bill 2017 currently under review by the Committee ‘be withdrawn until such time as that [much wider public] consultation can occur’. The statement was subsequently published as an open letter on March 26.

A second grouping of Australia-based scholars on March 27 published an open letter rejecting the contention of the first letter regarding the tone and character of Australia’s China debate, asserting, ‘We firmly believe the current debate is not characterised by racism...Alarmist and racist sentiments will exist at the fringes of any debate that touches on ethnic minority communities, but they do not define the valuable discussion underway.’ The scholars said they were ‘deeply concerned by a number of well-documented reports about the Chinese Communist Party’s interference in Australia.’ The letter stated that the signatories did not hold a unified view with respect to whether the foreign interference bills under review ‘are acceptable or whether they will need some significant amendment’ and, as such, made no recommendation on the treatment of the bills. The letter was submitted as a statement to the Committee on Intelligence and Security on March 28.

Despite diverging on key themes, there are a number of broad areas in which the two letters seem to agree: the importance of continued debate, the need to act decisively in instances where PRC interference is proved, and the need to uphold freedom of expression for Chinese Australians and Chinese visitors to Australia, for example.

Both letters continue to gain signatories.

Read the letters here:

- Letter 1: [‘An open letter from concerned scholars of China and the Chinese diaspora’](#) (66 signatories as at March 26)
- Letter 2: [‘China’s influence in Australia: Maintaining the debate’](#) (42 signatories after March 28)

## South China Sea

On March 18, at the ASEAN-Australia Special Summit press conference with ASEAN Chair Singaporean Prime Minister Lee Hsien Loong, Prime Minister Turnbull [affirmed](#) Australia's continuing commitment to supporting negotiations between ASEAN and China on a binding code of conduct in respect of the South China Sea. Negotiations, according to the Singaporean Prime Minister, are slated to commence this year. Progress on negotiations, however, is expected to be glacial, with Singapore Defense Minister Ng Eng Hen [telling](#) reporters in February:

It's a century's old dispute. Expecting [the code of conduct] in one year is just unrealistic.

During the *Australian Financial Review's* Business Summit on March 7 former Defence Secretary Dennis Richardson advocated that Australia should conduct its own freedom of navigation operations (FONOPs) through the 12 nautical mile zone of artificial features, pointing out that such features do not generate a territorial sea under international law. He [said](#):

I believe we should be conducting freedom of navigation exercises through territorial sea claimed by China, generated by man-made features.

They have a right to be in the South China Sea, but they don't have a right to create man-made features and seek to assert territorial waters from those.

Mr Richardson made similar public [comments](#) regarding Australian FONOPs in the South China Sea just after stepping down as Defence head in May last year.

In response to Mr Richardson's Summit remarks Foreign Minister Julie Bishop [said](#):

The Australian Government has made our position clear...We will continue to exercise our rights to freedom of navigation, pursuant to international law, as we have always done and we will continue to do so. What we won't do is unilaterally provoke an increase in tensions in the South China Sea.

...

We don't have a global FONOPS program as the United States does. We support the United States carrying out its global freedom of navigation exercises all around the world. Australia doesn't have that capability — that's not our focus.

Following the announcement of an Australian exemption from the United States' new steel tariffs, various theories were posited on what the US might want in return. [One theory](#) was that of Australian participation in US FONOPs in the South China Sea. Trade Minister Steve Ciobo [rejected](#) this:

I've seen some, frankly, incredibly wild theories emanating from all quarters, including some journalists who should know better. It is effectively just about the paperwork, for lack of a better term, that's got to be undertaken.

## Visa delays

Some Chinese postgraduate students accepted into Australian universities have been experiencing delays in the processing of their student visas. Chinese state media have accused Australia of deliberately delaying the processing of these visas, [alleging](#) that the delays are 'politically motivated'.

In the face of the processing delays, the Chinese Ministry of Education's China Scholarship Council in early March [advised](#) Chinese PhD students to consider looking to other countries than Australia for study.

The Australian Embassy in China issued a [statement](#) on March 16 saying:

The Australian Embassy acknowledges that a small number of postgraduate research students and research scholars have experienced visa delays, which is causing stress to some individuals.

The statement also noted:

The student visa grant rate to Chinese postgraduate applications continues to be very high at 99 per cent.

The majority of postgraduate student applications lodged outside of Australia by Chinese postgraduate applicants are finalised within six months.

The Department of Home Affairs [said](#):

Claims the department is deliberately delaying Chinese student visas are incorrect.

Group of Eight (Go8) chief executive Vicki Thomson [commented](#) that Go8 universities 'have seen no increase in visa delays from our major markets and certainly no evidence of any political interference.'

*The Sydney Morning Herald* [observed](#) that students from India have also taken to online forums to express disappointment with visa delays which 'appears to confirm the delays were not confined to Chinese students.'

## Huawei

The Australian Government's Telecommunications Sector Security Reforms (TSSR) are set to come into effect in September this year. The TSSR will impose [new obligations](#) on the Australian telecommunications sector, and afford the Attorney-General a new directions power "to direct a carrier, carriage service provider or carriage service intermediary to do, or not do, a specified thing that is reasonably necessary to protect networks and facilities from national security risks." It remains to be seen whether the government will use the new power to limit Huawei's involvement in Australia's 5G network.

Former Defence Secretary Dennis Richardson [opined](#) on March 7 that Australia should not act too hastily in banning the firm's involvement outright:

If Huawei has 5G technology [and] if they're the only telecommunications company with it, I think it would be a shame if we did not seek to take advantage of that, but in a way that safeguarded our own national interest by perhaps looking more closely at what the UK has done.

One safeguard the UK has in place is the 'Huawei Cyber Security Evaluation Centre', a testing centre opened in 2010 which certifies Huawei products for use in UK's critical national infrastructure. There are, however, [continuing concerns](#) about its effectiveness and independence.

In an interview with the *Australian Financial Review* published on March 4, US Republican representative Michael Conaway, who serves on the US House Armed Services Committee and the House Permanent

Select Committee on Intelligence, [warned](#) that Huawei involvement in Australia's 5G network could jeopardise the Australia-US intelligence sharing relationship:

Because of the high level of intelligence sharing between Five Eyes countries, I have concerns that the presence of Huawei or ZTE in any of these countries could present a significant risk to our co-ordination, and ultimately, US national security as a result.

On potential risks to the intelligence relationship Mr Richardson made the [observation](#) that:

Despite the fact Huawei is so involved in the UK, it has not negatively affected the UK's intelligence relationship with the US.

## WeChat ban

On March 11 the *Australian Financial Review* [reported](#) that Australia's Department of Defence had made the decision to ban the Chinese messaging and social media application WeChat from staff and serving personnel's work mobile phones. The Department is also [winding down](#) its use of Huawei and ZTE phones.

Other departments such as Home Affairs or the Department of Foreign Affairs and Trade, have not, as yet, followed suit on prohibiting the use of WeChat.

Australia's defence establishment is not the first to have banned the use of WeChat. India's Ministry of Defence late last year issued an order to Indian armed forces to uninstall a list of 42 Chinese applications, including WeChat. The order [read](#):

As per reliable inputs, a number of Android/iOS apps developed by Chinese developers or having Chinese links are reportedly either spyware or other malicious ware. Use of these apps by our force personnel can be detrimental to data security having implications on the force and national security.

## Belt and Road Initiative (BRI)

On March 17 during ASEAN-Australia Special Summit, the Australian Government [announced](#) the ASEAN-Australia Infrastructure Cooperation initiative, an endeavour by ASEAN countries and Australia to 'develop a pipeline of high-quality infrastructure projects, to attract private and public investment and improve regional connectivity.'

In their coverage of this development, the *Australian Financial Review's* opening paragraph [read](#):

Australia has taken the first step in joining Japan, India and the US in creating an infrastructure body to counter the rising influence of China's multibillion-dollar Belt and Road Initiative.

The Asia Society Australia's Greg Earl [wrote](#) that some academics from ASEAN countries proffered the view that the initiative ought to be complementary instead of rival to Chinese infrastructure investment in the region:

Some Asian academics at last week's ASEAN-Australia Dialogue said the Australian government should be working to help ASEAN countries design better infrastructure projects rather than trying to encourage them to be wary of Chinese money. They were particularly concerned about achieving greater connectivity within Southeast Asia from Chinese funded ports, road and rail projects.

In an [interview](#) ahead of the ASEAN-Australia Special Summit, Singaporean Prime Minister Lee carefully suggested Australia should continue to consider participation in the BRI. He observed that China aimed to 'become a powerful country by 2050' and that the BRI was 'a way to help this happen peacefully'. The Prime Minister said:

Australia will have to decide what is best in the same way as you carefully considered and ultimately decided to join the Asian Infrastructure Investment Bank.

## Australian critic of PRC refused entry into China

On March 20 John Hugh, a Chinese-Australian attempting to visit Shanghai to return his father's ashes to his place of birth, was [denied entry](#) into the country and directed onto a flight back to Sydney within an hour of landing. Mr Hugh, a former Parramatta City councillor and current spokesperson for the Chinese-Australian community group the Australian Values Alliance, has been a vocal critic of interference by the PRC in Australia.

Of the PRC's decision to refuse Mr Hu entry, Foreign Minister Bishop [said](#):

While we are disappointed the councillor's visit did not proceed as planned, China has authority over its own policies and procedures for the entry and exit of foreign nationals into and out of China.

## Recycling 'crisis'

In July 2017 the PRC announced a ban on imports of foreign waste that did not meet a particular standard. The ban came into force on January 1 this year, with implications for Australia. '[Crisis talks](#)' have been held between the waste industry and federal and state governments on the risks to Australia's household recycling scheme. 'Within months, stockpiling limits will be reached. Landfill will then be the only option. If we do not plan appropriately, we will have environmental issues and companies will collapse,' said a National Waste Recycling Industry Council representative.

During Senate Question Time on March 21, Liberal Senator Simon Birmingham [stated](#) that senior Australian government officials had made representations to the Chinese government requesting reconsideration of the ban. He said they had 'engaged with China to request that the amendments be reviewed or delayed'. He said, 'Both [Trade Minister] Ciobo and [Minister for Resources and Energy] Frydenberg wrote to China's Minister of Environmental Protection in 2017 noting Australia's concern in relation to this matter...'

## Trade

*By James Laurenceson*

A quick glance at the headline numbers and the Australia-China trade relationship appears to have started 2018 in solid shape. Mining exports dragged the annual value of total goods exports down slightly (from \$99.6 billion to \$99.2) but this was largely due to price effects. The volume of iron ore shipped to China hit a record high in the 12 months through to January 2018 and non-mining goods topped \$30 billion for the first time.

But dig a bit deeper and there are question marks over whether tensions in the political relationship might be starting to spill over into the economic one. First, annual tourist arrivals from China fell 0.5 percent compared with the previous month. In annualised terms that translates to a 35.6 percent fall. The caveat is that Chinese New Year began at the very end of January in 2017, while it was in February

this year, so the January numbers this year will be skewed downwards because they are being compared to an elevated base. Next month's data will bring confirmation whether there has been any real shift, one way or another. Second, in the seven months of the 2017-18 financial year, visas granted to Chinese citizens for study in Australia's higher education institutions are up 5.4 percent compared with the same period in 2016-17. At the end of the 2016-17 financial year the growth rate compared with 2015-16 was 11.8 percent, so the pace of growth has halved in a short space of time. Further, the 5.4 percent growth was driven almost exclusively by Chinese students already in Australia. Those granted a visa after applying from China were only up by 1.3 percent. The comparable growth rate at the end of the 2016-17 financial year was 15.4 percent. And visas granted to Chinese students in the postgraduate research sector actually fell by 4.0 percent in the first seven months of this financial year. The academic year begins at most Australian universities at the end of February and so data on commencing students and visa grants needs to be watched keenly in the coming months.

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