

Australia-China monthly wrap-up

December 2022



This edition features:

- Summary and analysis of major developments in December 2022

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Building on the steady momentum in high-level exchange between Australia and the People's Republic of China (PRC) in the latter half of 2022, Foreign Minister Penny Wong travelled to Beijing to participate in the sixth Australia-China Foreign and Strategic Dialogue with her PRC counterpart on December 21. The event, which occurred just as the country ended its COVID-zero policy, coincided with the 50th anniversary of the establishment of diplomatic relations between the two countries.

There has been some cause for renewed optimism with respect to Australia-PRC relations heading into 2023. This is, however, tempered by the expectation that improvements in the relationship will take time – in the Foreign Minister's [words](#), 'the ice thaws, but slowly'.

Prime Minister Anthony Albanese this month said, 'I think that this year has seen a better relationship, clearly, with China'. He also [indicated](#) that he expected further progress on the relationship in the immediate future: 'I think in coming weeks, you will see further measures and activities which indicate a much improved relationship'. President Xi Jinping [stated](#) the PRC was ready to 'advance relations' with Australia.

In a sign of the beginnings of an economic thaw, the PRC Customs Department on December 20 posted a statement on their Weibo service account promoting Australian lobster, UGG boots and pearls, among other items. There is now growing anticipation of a meeting between Australian and PRC trade ministers.

But significant difficulties and concerns remain. On December 19, the *Sydney Morning Herald* [reported](#) that the Prime Minister had 'made it clear' to the outlet that defence spending could rise above two percent of GDP 'because the need for new capabilities was so great.' There are a number of issues that may place further strain on the Australia-China relationship in 2023: defence acquisitions and closer strategic alignment with Washington; the Port of Darwin and the potential end of country-agnostic reviews; the securitisation of critical mineral supply chains, particularly lithium; security competition in Solomon Islands; and the impact of the decision on Bougainville's independence. Tensions in the Taiwan Straits also continue to simmer. Meanwhile, should Beijing continue its economic punishment of Australia and its detention of Australian citizens Yang Hengjun and Cheng Lei it will continue to ensure that the space for meaningful improvement in the bilateral relationship is heavily constrained.¹

¹ For further discussion, see Corey Lee Bell and Elena Collinson, 'Australia-China relations: The outlook for 2023', *The Diplomat*, December 22 2022 <<https://thediplomat.com/2022/12/australia-china-relations-the-outlook-for-2023/>>.

The political relationship overall

The Australian government this month continued stressing its [motto](#) of ‘cooperate where we can’ and ‘disagree where we must’, emphasising the importance of dialogue with the PRC as a means to ‘stabilise’ the relationship.

On December 15, Prime Minister Albanese [described](#) the period of lack of contact between Australia and the PRC as ‘not a healthy situation’. On December 21, Foreign Minister Wong [said](#) the ‘mark of success’ of her trip to Beijing was ‘the dialogue itself’. The Prime Minister [said](#) of her visit, ‘Out of dialogue comes understanding. And we need to have respectful relations.’ On December 28, in a [speech](#) to the Woodford Folk Festival, the Prime Minister told the audience, ‘We have repaired our international relations and got Australia out of the naughty corner’, touting restarting dialogue with China as one major achievement in the area. He said, ‘We are undoing so much of the damage done by the LNP government. We are a mature nation. We’re not afraid to act like one.’

The government has sought to tone down rhetoric across all portfolios. Home Affairs Minister Clare O’Neil in a December 8 [speech](#) to the National Press Club, in highlighting foreign interference as an area in which the Home Affairs Department would conduct ‘old work in new ways’, said:

We’ve got to strip the politics out of the conversation. This problem is not limited to the actions of one or two countries. Under the former government, the way politicians talked about foreign interference was over-politicised and frankly a bit xenophobic.

And with respect to discussions about national security, she stated:²

We should never conflate chest beating with strength.

In marking the ‘significant milestone’ of the 50th anniversary of diplomatic relations, the Prime Minister [said](#) that ‘The decision to establish diplomatic relations took ambition and courage, but it was the right decision’. He [noted](#) the ‘very warm letter’ he received from President Xi ‘in response to correspondence’ he sent to the President, and emphasised that ‘It is important that we deliver better relations with our major trading partner into the future. It’s also about jobs and our economy and Australia’s national interests being looked after.’

Senator Wong [described](#) the meeting in Beijing ‘another step forward as we stabilise the relationship’, while PRC Foreign Minister Wang Yi [expressed](#) the view that ‘In the past few years, China-Australia relations have encountered difficulties and setbacks, which we do not want to see, and we must fully learn from them.’ He said further, ‘China appreciates the positive gestures the new Australian government has demonstrated on multiple occasions to improve and develop bilateral relations.’

Diplomats’ voices

Diplomats from both countries took the opportunity to publicly express some goodwill in the lead up to the 50 year anniversary of relations this month.

On December 2, PRC Ambassador to Australia Xiao Qian [told](#) a University of Melbourne event, ‘Since its establishment in 1972, China-Australia relations had led the way of China’s relations with developed countries.’

On December 7, during an event [hosted](#) by the Australia-China Relations Institute at the University of Technology Sydney, Australia’s Ambassador to the PRC Graham Fletcher noted that ‘both capitals are now better aware of where the firm lines lie in terms of our respective interests’. He said that while difficulties between the nations were ‘important matters’ and had not gone away, ‘we don’t need to focus solely on them so that our relationship becomes defined only by its difficulties to the exclusion of all else, and at the cost of other objectives.’

² It is also noteworthy, however, that the PRC was the only foreign nation named in the speech, mentioned within the context of the changing global environment and domestic security: ‘China is a hugely powerful influence over our friends and neighbours. And we have learned a lot in the last five years about how this big and powerful country will exert its will in the years to come.’

The next day, *The Australian* published an [opinion piece](#) by the PRC consul general in Brisbane, Ruan Zongze, which discussed the ‘complementary and mutual-benefit features of China-Australia co-operation’.

Opposition views

Foreign Minister Wong’s visit to Beijing was welcomed by the opposition, with Shadow Foreign Minister Simon Birmingham issuing a [media release](#) on December 19 stating that government engagement is ‘essential’ and highlighting the ‘economic dividends to both nations’ underpinned by the nations’ comprehensive strategic partnership and bilateral free trade agreement. He further noted:

It is welcome that the Albanese government has continued the former Coalition government’s recognition of the strategic challenges Australia faces.

In an interview the next day he [said](#) that ‘to date they have been very clear and solid in the maintenance of the types of policy settings the Coalition put in place.’

However, Senator Birmingham also laid groundwork for future criticism of the Labor Party’s management of PRC relations should dialogue not translate into material gains soon. He [told](#) talkback radio station 2GB that ‘this is now the time for the initial niceties to give way to outcomes and to see real progress’. Elaborating in a *Sky News* interview, he [said](#) that the real ‘test’ will be whether progress is made in the removal of the PRC’s trade sanctions, the release of detained Australians, ‘and indeed progress on sensitive regional issues such as ensuring peace and security within our region, and of course issues of human rights concern within China too.’

The economic relationship overall

On November 31, Trade Minister Don Farrell met with the PRC Ambassador to Australia at the Department of Foreign Affairs and Trade (DFAT). He [remarked](#) in an interview the next day that it was ‘a positive vibe with the ambassador’ and that they had engaged in ‘a very warm and friendly discussion’, saying he had ‘made it clear’ that he was ‘prepared to meet at anytime, anywhere to resolve these outstanding issues.’

The Trade Minister also noted that despite the [Treasurer](#) and the [Resources Minister](#) last month voicing concerns about the PRC’s dominance of rare earth supply chains,³ the issue of critical minerals ‘wasn’t discussed at all.’ He also said, ‘I don’t think we were just talking about a single country with that discussion. The Americans have introduced a piece of legislation – the Inflation Reduction Act. It’s going to significantly change the way in which we deal with the issue of critical minerals and rare earths.’

On December 2, the ABC [reported](#) that a federal government source told the outlet that ‘both Australian and Chinese officials had informally floated different proposals to try to resolve trade disputes, but had not yet reached any agreements’ and that ‘both countries had identified climate change and renewable energy as an obvious potential source of future cooperation which could help rebuild contact and trust within the two systems.’

On December 19, the PRC Customs Department published a [post](#) on their Weibo service which stated that ‘China has been Australia’s number one trading partner for 13 consecutive years’ and encouraged PRC consumers to purchase Australian lobsters, sea cucumbers, health products, UGG boots and pearls, declaring these were ‘all widely popular among Chinese consumers’.⁴

World Trade Organization disputes

Trade Minister Farrell on December 28 said Australia would [consider](#) withdrawing its wine and barley cases in the WTO ‘on the basis that there’s some goodwill shown on both sides’. He said:

³ For further discussion see Elena Collinson and Corey Lee Bell, *Australia-China monthly wrap-up: November 2022*, December 13 2022, Australia-China Relations Institute, University of Technology Sydney <<https://www.uts.edu.au/acri/research-and-opinion/briefs-and-working-papers/australia-china-monthly-wrap-november-2022>>.

⁴ Authors’ translation.

We've made it very clear to the Chinese government that we would much prefer to sort out our differences on trade issues by discussion rather than arbitrations through the World Trade Organisation process. We believe we've got very strong cases. Obviously, if China was to drop the bans on barley and wine, well then, the circumstances change.

The next day Opposition Leader, commenting on the Trade Minister's remarks, [stated](#) 'We shouldn't be surrendering on our values and ideals – which is what Labor's proposing at the moment'. He said:

So, it's a good thing that they can resolve matters... but we shouldn't be doing it in a way that just throws everything across to the other side of the table.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership

On the PRC's bid to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Trade Minister [said](#) at the end of the month that 'The difficulty that China has right at the moment, of course, is that us and other countries see that they're not complying with the expected norms in terms of free trade.' However, he noted that if the PRC ceased its trade sanctions against Australia 'it would reduce one of the significant barriers to their admission'.

Australian business sentiment

A [survey](#) of Australian businesses released on December 13 by the China-Australia Chamber of Commerce found that 58 percent of respondents had the PRC as 'either the top or one of the three top priorities for global investment plans over the next three years'.

On December 22, the Head of the Australian Meat Industry Council [told](#) *The Australian* that while the meat industry continued to look for other markets, 'We want to get back to where we were in 2019'.

Taiwan

On December 2, *The Australian* [reported](#) that a bipartisan delegation of six Australian parliamentarians⁵ would be travelling to Taiwan on December 4 for a five-day visit, including meetings with President Tsai Ing-wen and Foreign Minister Joseph Wu.

The following day, the Prime Minister played down the visit, [telling](#) reporters:

There have been backbench visits to Taiwan for a long time. ... This isn't a government visit. There remains a bipartisan position when it comes to China and when it comes to support for the status quo on Taiwan.

Asked about the 'intentions' of the trip, he responded, 'I have no idea. I'm not going. You should ask them.'

Shadow Foreign Minister Birmingham made similar remarks, [telling](#) the ABC that 'the only thing [the visit] should seem to anybody is that Australia is getting back on with business as usual in the post COVID lockdown and shutdown era. That's all that this delegation signifies and no more nor less should be read into it.'

The visit elicited a relatively muted response overall from Beijing, although it still placed its views on the record. On December 6, the PRC Foreign Ministry spokesperson during a press conference [said](#) that Australia 'should earnestly adhere to the one-China principle, stop all forms of official interaction with the Taiwan region and stop sending wrong signals to 'Taiwan-independence' separatist forces.' (Here it is pertinent to note that Australia adheres to the [one-China policy](#), not the one-China principle as held by the PRC).

⁵ The group included former deputy prime minister and Nationals leader Barnaby Joyce, Liberal National Party MPs Scott Buchholz and Terry Young, Liberal MP Gavin Pearce and Labor MPs Meryl Swanson and Libby Coker.

Asked after the visit, on December 15, whether it had ‘caused any speed bumps in the relationship [with the PRC]’ the Prime Minister [replied](#) ‘No... This wasn’t a government to government visit by those MPs.’

Detention of Australian citizens

The plight of Yang Hengjun and Cheng Lei, who remain in detention in the PRC, continues to be raised by the Australian government, including by the Foreign Minister during her Beijing visit.

On December 18, the *Sydney Morning Herald* [reported](#) that ‘Some officials inside the Australian government believe there is now an increased chance of securing their release at some point in the future’, although an ‘imminent breakthrough’ was not anticipated.

Foreign Minister Wong [indicated](#) to press on December 20 that further progression in the Australia-PRC relationship necessitated the release of the Australian citizens.

Pacific Island nations

A sidestepped [question](#) on December 13 by the Foreign Minister on whether there was ‘a way that Australia and its allies could cooperate with China over development aid in the region’ again underlined that competition is the name of the game in the region.

Foreign Minister Wong and Shadow Foreign Minister Birmingham led a [bipartisan delegation](#) to three Pacific Island nations – Vanuatu, the Federated States of Micronesia (marking 35 years of diplomatic relations) and Palau – to ‘[make] clear’, [according](#) to Senator Birmingham, ‘to all of them that Australia’s support and partnership with them... is something that crosses across party lines’ and is ‘not subject to domestic politics’.

Vanuatu

On December 13, Australia and Vanuatu [signed](#) a broad-ranging [Bilateral Security Agreement](#) in Port Vila, negotiations on which had [commenced](#) in 2018. The agreement, set out in a 23-page document, formalises a security dialogue, and, in Foreign Minister Wong’s [words](#), ‘seeks to pick up the broader definition of security that really originates in the Boe Declaration’ recognising that ‘security is multidimensional’.

The Foreign Minister [said](#) that the agreement would be made public due to both nation’s commitment to ‘democracy, accountability and transparency’, a veiled swipe at the PRC-Solomon Islands security deal, signed in 2022, that was not made publicly available, and that was exposed via a leaked [draft](#).

The day prior, Vanuatu’s Foreign Minister Jotham Napat [told](#) reporters that his country had ‘not established any security agreement, we have not even discussed any matter in relation to security’ with the PRC.

On the same day Canberra donated the police boat [RVS Mataweli](#), and conducted a [handover ceremony](#) for the Mali Base Wharf, which Australia reconstructed to house the RSV Takuare, a Guardian class patrol boat which Canberra [gifted](#) to Vanuatu last year. Both vessels were delivered under the Australian Government’s [Pacific Maritime Security Program](#).

Fiji

On December 24, Sitiveni Rabuka was confirmed as Fiji’s new prime minister, ending Frank Bainimarama’s 16 years in power. He [told](#) the ABC that ‘Australia and New Zealand and the United Kingdom and America have sort of seen us as output of their colonial regimes of the past and have not reorientated their thinking to the international landscape where we are all equal’ while ‘China has come in with a blank sheet of paper. They have seen us as just development partners.’

The US alliance

On December 6, the [32nd Australia-US Ministerial Consultations](#) (AUSMIN) in Washington DC resulted in [undertakings](#) to increase ‘rotations of air, land, and sea forces to Australia’, deepen ‘interoperability’ and

further integrate defence industrial bases. The two countries also agreed to ‘invite Japan to integrate into our force posture initiatives in Australia.’ On December 7, a PRC Foreign Ministry spokesperson [said](#) this proposed overture to Japan was ‘neither welcomed nor supported’.

Secretary of State Antony Blinken in a [joint press conference](#) following AUSMIN said, ‘Australia is no stranger to [the PRC’s attempts to intimidate other countries through economic coercion], and we reaffirmed that we would stand with them against these pressure tactics.’ He also said the countries agreed on ‘the need to responsibly manage the relationship with China to ensure that competition does not veer into conflict’ and ‘to find areas of cooperation, such as on climate, on global health’.

In the same press conference, Defence Minister Marles repeated the position, articulated in months previous, that ‘Australia’s most important relationship is its alliance with the United States. It is essential to our worldview, it is completely central to our national security.’ However, neither the Defence Minister nor the Foreign Minister refrained from directly naming the PRC as a threat to regional security, even as US Defense Secretary Lloyd Austin called out ‘China’s dangerous and coercive actions throughout the Indo-Pacific’.

Foreign Minister Wong used a December 8 [speech](#) to the Carnegie Endowment think tank to urge both the US and the PRC to further establish guardrails to prevent a descent into major conflict:

[T]he kind of international leadership we need to prevent catastrophe must be supported and encouraged across the political systems of both China and America.

Heads of government need assurance that nationalistic domestic posturing won’t sink their efforts to build safeguards.

Security cooperation with Japan

On December 9, Foreign Minister Wong and Defence Minister Marles participated in the 10th Australia-Japan Foreign Minister and Defence Ministerial Consultations (2+2) in Tokyo. The joint statement [committed](#) to ‘accelerating the consideration of... future rotational deployment of Japan’s fighters including F-35s in Australia’.

The 2+2 statement did not explicitly mention the PRC. However, Richard Marles directly raised the strategic challenges posed by the PRC in a [speech](#) to the Sasakawa Peace Foundation on December 8. The PRC was also [described](#) as ‘an unprecedented strategic challenge’ in Japan’s [National Security Strategy update](#), which received bipartisan support in the National Diet soon after the 2+2.

The Defence Minister asserted in his December 8 speech that ‘Australia’s relationship with Japan is foundational’. He said:

We describe Japan as an indispensable partner. And this is exactly the way we would describe our alliance partner: the United States.

He also noted that ‘the partnership between our two countries is now being elevated to an unprecedented level.’

The [speech](#) discussed a number of planned developments in the relationship which the government expects to come into effect over the next few years. Among them were ‘increasing interoperability of our defence forces’, ‘cooperation on advanced capabilities’ and ‘expanded regional cooperation.’ The Defence Minister praised Japan’s investments in strengthening its defence forces, saying that while ‘guardrails and dialogue’ are vital for stabilising great power competition, investments in military capacity are ‘necessary to give their words strategic weight.’ He depicted the PRC’s military power as ‘one of the most consequential features of our region today’, stating that it lacked ‘transparency or reassurance’ in relation to ‘China’s strategic intent.’ While emphasising Canberra’s intention to ‘stabilise relations with China’, he said ‘we must also deal frankly with the risks we face’ and that ‘the way forward is not obvious.’

AUKUS

The first AUKUS Defence Ministers' Meeting was held in Washington DC on December 7. In a [joint statement](#) Defence Minister Marles, US Defense Secretary Austin and UK Secretary of State for Defence Ben Wallace noted the 'significant progress to date on the trilateral effort to support Australia's acquisition of conventionally-armed, nuclear powered submarines and the trilateral development of advanced capabilities.'

These upbeat assessments on the progress of the AUKUS submarine program came days after doubts on the viability of plans for the US to build and sell nuclear submarines to Australia⁶ were [articulated](#) by a prominent voice on defence matters in the US congress. On December 3, US representative Rob Wittman, who serves on the House Armed Services Committee, where he oversees navy acquisition as the ranking member of the Seapower Subcommittee, [told](#) a defence publication that he couldn't see how the US could 'build a submarine and sell it to Australia during that time' (i.e., before the retirement of Australia's Collins class submarines in the early 2030s). He proposed instead that American owned Virginia class nuclear powered submarines could be 'dual-crew' and 'dual-command', or manned and commanded by both American and Australian personnel, and that 'It may be that the US needs to have 51 percent control and command.' On December 21, Democratic Senator Jack Reed, chair of the US Senate Armed Services Committee, and Republican Senator James Inhofe penned a letter to President Joe Biden [voicing](#) their concern about the capacity of the US submarine industrial base 'to support the desired AUKUS SSN [i.e., nuclear submarine] end state.'

In contrast, Democratic congressman Joe Courtney, who chairs the US House Seapower Subcommittee, and co-chairs the Friends of Australia caucus, [said](#) that he didn't feel 'the notion of purchasing a Virginia [class submarine] is off the table' and is 'very bullish' that shipbuilders will be able to work with 'a plan that contains a demand signal and the resources.'

Human rights violations and targeted sanctions

On December 10, the Australian government [announced](#) it would be imposing sanctions against 13 individuals and two entities from Iran and Russia in response to human rights abuses. [Writing](#) in the *Sydney Morning Herald* on the same day, the Foreign Minister made an effort to head off questions as to why sanctions had not been levelled at individuals and entities involved in human rights abuses in the PRC:

Australia has consistently condemned human rights violations against Uyghurs and other ethnic minorities in Xinjiang and across China. We will continue to advocate in multilateral institutions... And we will continue to advocate directly with China, at the highest levels. Restarting high-level dialogue with China does not mean our differences will disappear. It does mean we have the opportunity to speak directly and candidly about the issues that are important to our values and interests.

Senator Wong [expounded](#) on the matter during a December 20 press conference:

[Y]ou have to have a broad set of strategies in how you deal with advocacy for human rights. Obviously not all countries in the world share our views on these issues, and we have to think through how do we press for the observation of human rights. Dialogue is part of it...

The opposition has [called for](#) sanctions 'on those responsible for abuses against Uyghurs and other Muslim minorities in Xinjiang'.

Liberal Party federal election review

An internal [review](#) into the Liberal Party's loss at the federal election in May last year found that a decrease in support from the Australian-Chinese community was one of the key factors underpinning its defeat at the polls. The review noted that rebuilding the relationship with the community 'must therefore be a priority during this term of Parliament', emphasising that 'There is a particular need for the Party's representatives

⁶ Note: The purchase of nuclear submarines from the US is not the end goal of the AUKUS submarine venture, but a proposed measure to bridge the capability gap between the retirement of Australia's currently operational Collins class conventional submarines and the predicted early 2040s timetable for the commissioning of locally built nuclear powered submarines.

to be sensitive to the genuine concerns of the Chinese community and to ensure language used cannot be misinterpreted as insensitive.'

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