

# Australia-China monthly wrap-up

January 2024



## Key points:

- **In a wide-ranging new year press conference, PRC Ambassador to Australia Xiao Qian proposes restarting joint military exercises and calls for more science and technology cooperation**
- **The PRC Ambassador provides a less than optimistic assessment on the outcome of detained Australian citizen Yang Hengjun's case**, saying it is 'different in nature' to that of Cheng Lei's. (Note: on the day of the wrap-up's release (February 5 2024) news broke that Dr Yang had been given a suspended death sentence by a PRC court)
- **Ambassador Xiao claims Japan was responsible for a sonar pulse which injured one or more Australian divers in November.** The Australian government rejects the suggestion
- **The DPP's Lai Ching-te is elected as Taiwan's president. A congratulatory message issued by Australia's Department of Foreign Affairs and Trade is the subject of a diplomatic protest by Beijing**
- **The PRC bans the export of rare earths processing technology**, Australia continues plans to expand financing for its critical minerals sector
- **The Hong Kong High Court issues a liquidation order to Evergrande**, one of the PRC's biggest property developers. The immediate impact on Australia is assessed to likely be minimal, but questions around long-term impact remain
- **Remaining tariffs on Australian beef, cheese, butter and yoghurt are eliminated under the terms of ChAFTA**
- **Reports emerge that Papua New Guinea is in the 'early stages of negotiation' with Beijing on a security and policing agreement.** Papua New Guinea's Foreign Minister seeks to downplay talks saying, 'We stick with our traditional partners', including Australia

Elena Collinson and Corey Lee Bell

## PRC Ambassador to Australia's new year press conference

On January 17, PRC Ambassador to Australia Xiao Qian held a wide-ranging two-hour [press conference](#) at the PRC embassy in Canberra. He used his initial [speech](#) to highlight improvements in the bilateral relationship over 2023 and nominate areas for bilateral, regional and global cooperation. The occasion was also used to allow a number of senior diplomats from the embassy – those heading up the trade, politics, consular affairs, education, cultural relations and tourism, and science and technology cooperation portfolios – to deliver set piece remarks.

On Beijing's outlook for Australia-PRC ties he said, 'We will move on from stabilisation through improvement, onward to further consolidation and even development.'

During the Q&A which followed, the Ambassador underlined Beijing's uncompromising stance on Taiwan (for further discussion see 'Taiwan'). He also denied PRC responsibility for a sonar pulse that injured an Australian

diver last November, implying that Australia had fabricated the claim (for further discussion see ‘Sonar incident’).

Ambassador Xiao nominated the bilateral defence relationship, science and technology, and assistance provided to Pacific Island nations as particular areas in which Australia and the PRC could increase cooperation.

The defence relationship was ‘an area where we really need to promote inputs and work harder on’, the Ambassador said, indicating that without such a foundation, ‘real trust’ was impossible. He stated:

[If] you have trust between two militaries you do have real trust. If you have trust and friendship in many areas but not including defence this is not real trust.

He called for ‘more interactions [and] engagements’ between the two nations’ defence forces, saying that mutual visits, joint military exercises and the exchange of students in defence colleges needed to be ‘picked up again and resumed’.

On science and technology cooperation, the Ambassador said this ‘used to be a very active area of our cooperation bilaterally’ but that in recent years it had been ‘lagging behind’ as ‘there’s more and more cautiousness on the part of the Australian side’ with ‘measures and policies discouraging engagement [and] cooperation in this area’. He called for ‘the door to be opened wider’ and for both countries to ‘continue to cooperate’.

The Ambassador acknowledged the numerous differences between the PRC and Australia, including ‘different views on many issues’, saying that the PRC ‘approach[es] these differences pragmatically, realistically’. He added, ‘If we cannot solve the differences... either we leave it aside for future generations... or we can manage the differences in a way that these differences will not hijack our overall relationship’.

Trilateral cooperation with Pacific Island nations was also a prominent theme throughout the Ambassador’s press conference, with Mr Xiao repeatedly saying that the PRC was ‘open’ to such cooperation ‘to help those countries in their social stability, economic development and regional integrity.’

He sought to provide an assurance that Australia’s relationships with both the PRC and the US could ‘coexist at the same time’, adding:

The world is big enough for countries like China, United States and many other countries to coexist. You don’t have to worry about a future China trying to challenge American superpower status, trying to squeeze the Americans out of East Asia. That’s not going to happen.

The Ambassador also touched on the detention of Yang Hengjun, providing a less than optimistic assessment of the outcome of his case (for further discussion see ‘Detention of Yang Hengjun’).

He did not indicate when remaining trade sanctions would be lifted on Australian exports.

## Taiwan’s elections

On January 13, Taiwan conducted its presidential and legislative elections. Taiwanese voters [elected](#) the independence-leaning Democratic Progressive Party’s (DPP) Lai Ching-te to replace Tsai Ing-wen as president, resulting in a third term for the DPP as Taiwan’s presidential party.

In his victory speech Mr Lai [said](#), ‘We are telling the international community that between democracy and authoritarianism we are standing side by side with democracy.’

The DPP lost its majority in Taiwan’s 113-seat parliament<sup>1</sup> – a point Beijing sought to highlight. A spokesperson for the Taiwan Affairs Office of the State Council of the PRC [said](#) the election results showed that the DPP

<sup>1</sup> The DPP won 51 seats while the Kuomintang won 52 seats and the Taiwan People’s Party won eight seats. See Elizabeth Hsu, ‘ELECTION 2024/ DPP wins presidency but loses majority in Legislature’, *Focus Taiwan*, January 14 2024 <<https://focustaiwan.tw/politics/202401140002>>.

'does not represent the mainstream public opinion on the island. Taiwan is China's Taiwan. This election cannot change the basic pattern and development direction of cross-Strait relations'.

Beijing had previously [described](#) Mr Lai as a 'separatist' and a 'troublemaker through and through'. Reacting to the election results, Wang Yi, Director of the Chinese Communist Party Central Commission for Foreign Affairs, [said](#):

If anyone on the island of Taiwan thinks of going for independence, they... will certainly be harshly punished by both history and the law. This is a dead end.

The Department of Foreign Affairs and Trade (DFAT) issued a [statement](#) congratulating Taiwan's new government, in [keeping](#) with [similar](#) messages in the past.

PRC Ambassador Xiao told reporters at his January 17 press conference that the PRC had lodged a [diplomatic protest](#) over the DFAT congratulatory note, asserting that Beijing was 'strongly opposed to such a statement'. He said that '[o]n the question of Taiwan, there is no room at all for us to show flexibility or to make compromise.'

The day before the election, the Ambassador penned an [opinion piece](#) in *The Australian* outlining Beijing's position on Taiwan. He wrote: 'If Australia is tied to the chariot of Taiwan separatist forces, the Australian people would be pushed over the edge of an abyss.' He went on: 'Any move that violates the one-China principle will undoubtedly undermine China-Australia relations. There should not be any miscalculation on this.'

Writing in [response](#), Douglas Hsu, representative at the Taipei Economic and Cultural Office in Australia, stated that Taiwan's 'democratic elections... have almost always taken place... in the face of military coercion and interference by China.' He urged Australians 'to open their eyes to the many values and ways of life [Australia and Taiwan] share, which can bring us closer together'.

Prime Minister Anthony Albanese [communicated](#) his congratulations to Taiwan's president-elect in a radio interview: 'We congratulate Mr Lai on his election, as we would have congratulated whoever came out of that democratic process.' In discussing the outcome of the election, the Prime Minister [made](#) consistent [reference](#) to Australia's one China policy.

Similar references to Australia's one China policy were mostly, if not entirely, [absent](#) from opposition [comments](#), although support was expressed for the maintenance of the status quo 'in relation to the relationship between Taiwan and China'. Opposition Leader Peter Dutton [said](#), 'We don't want to see it go beyond that'. He also described Ambassador Xiao's comments on Taiwan as 'inflammatory', stating that his remarks 'should really make people understand and comprehend what's going on.'

## Detention of Yang Hengjun

During his January 17 press conference, PRC Ambassador Xiao [said](#) the cases of Australian citizens Yang Hengjun, who remains incarcerated in the PRC, and Cheng Lei, who was released in October last year, were 'very much... different in nature'. He stated, 'To be honest, I cannot expect that the case would come to such a conclusion likewise.' While he stated that he personally sympathised with the 'anxieties' of Dr Yang's family, he played down the health concerns they expressed, saying that his health problems are 'not as serious as [have] been publicly described'.

On January 19, Foreign Minister Wong issued a [statement](#) marking five years since Dr Yang's detention, and re-affirming the Australian government's commitment to 'continue to advocate for Dr Yang's interests and wellbeing at the highest levels, including for the appropriate medical treatment, and provide consular assistance to him and his family.'

In a [statement](#) on the same day, Shadow Foreign Minister Birmingham outlined the opposition's offer of 'bipartisan support for the Albanese government to use all available diplomatic means to ensure Dr Yang's wellbeing and secure his immediate and unconditional release'. Asked whether a Coalition government 'would be doing anything else to secure his release', Senator Birmingham [replied](#), 'we'd certainly be applying the maximum type of diplomatic pressure that we can', without going into specifics.

## Sonar incident

During his January 17 press conference, Ambassador Xiao denied PRC culpability in a November [incident](#) which had resulted in the injury of one or more Australian navy divers by a sonar pulse that the Australian government said emanated from a PRC warship. He claimed that had the sonar pulse been initiated by the PRC vessel, it would have caused 'immediate fatality, at least major casualty to the divers.'

The Ambassador suggested that responsibility for the incident lay with Japan: '[T]here was a third country boat nearby, whether or not there was sonar from the other side, the other party, we're not sure, perhaps our Australian colleagues can find out what is really the truth'.

On January 18, Prime Minister Albanese rejected the version of events proposed by the PRC Ambassador, [saying](#), 'I stand by the comments that we made. I'm not swayed by the comments. The navy made reports, I think it's very clear what occurred.'

Foreign Minister Penny Wong [stated](#), 'The Chinese Ambassador advocates for his country. That's his job. What I would say about that incident is we stand by the assessments of the ADF [Australian Defence Force] and the representations we made.'

In more robust comments, opposition home affairs spokesperson James Paterson [said](#) it was 'utterly absurd' and 'ridiculous in the extreme to suggest this was Japan', asserting that the remarks had 'completely undermine[d]' the Ambassador's 'credibility as a diplomat'.

Later in the month, [documents](#) were [released](#) under a freedom of information request which showed that the Prime Minister's office had been made aware of the sonar incident prior to Mr Albanese's [meeting](#) with President Xi Jinping in San Francisco in November. Shadow Foreign Minister Simon Birmingham, who had previously [criticised](#) the Prime Minister for refusing to confirm whether the matter had been raised with President Xi at that time, [said](#) that 'it appears as if [Mr Albanese] did not raise it directly', describing it as 'a betrayal of Australia's hard working defence personnel and all Australians'.

The documents also outlined the nature of the injuries sustained by the Australian divers, stating they had 'reported mild headaches and eardrum irritation.' They also said that 'current medical advice indicates no long-term health impacts are expected.'

## Critical minerals

On December 21 last year, the PRC [banned](#)<sup>2</sup> the export of technology for making rare earth magnets – an important component in renewable energy technologies and electric vehicles, among other products.

The ban comes on top of other newly introduced restrictions, including the requirement for [export permits for gallium and germanium](#) – chipmaking materials – from August 1, and [permits for two types of graphite](#) from December 1.

2 See Ministry of Commerce of the People's Republic of China, 'Shangwubu Kejibu gongao 2023 nian di 57hao guanyu gongbu 'Zhongguo' 商务部 科技部公告2023年第57号 关于公布《中国禁止出口限制出口技术目录》的公告 (Public announcement on the publication of the "Catalogue of Technologies Prohibited or Restricted from Export": Public announcement No. 57 (2023) of the Ministry of Commerce and the Ministry of Science and Technology), policy release, December 21 2023 <<http://www.mofcom.gov.cn/article/zwgk/gkzcfb/202312/20231203462079.shtml>>.

On January 8, Resources Minister Madeleine King [announced](#) \$22 million in funding for three research initiatives<sup>3</sup> focused on developing the technologies subject to export controls by Beijing.

Ms King [told](#) *The Australian Financial Review* that the objective was ‘to compete’ with the PRC in the critical minerals sector.

She noted that ‘We should have done this a long time ago, but we didn’t. The West outsourced a lot of this work to China, so good on them, they invested in the technology, refiners and processing, and made themselves indispensable for the future of green technologies.’ She added, ‘Having an over-reliance on one supplier of any one good or technology puts you in a vulnerable position, and that’s what we want to change.’

Towards the end of the month, the Australian government [released](#) the [Australian Critical Minerals Prospectus](#), a document outlining 52 critical minerals projects designed to attract foreign investment. In an accompanying media release, Trade Minister Don Farrell said Australia was ‘actively engaging with international trade and investment partners to diversify our critical minerals supply chains and create new opportunities.’ A major [objective](#) of the Australian government’s [Critical Minerals Strategy 2023 – 2030](#) is to reduce the PRC’s dominance of global supply chains.

## Evergrande liquidation

On January 29, a Hong Kong court [issued](#) a liquidation order to Evergrande, one of the PRC’s largest property developers.

The Reserve Bank of Australia had in October [identified](#) escalating property sector stress in the PRC as one of the major risks to the Australian financial system. Treasurer Jim Chalmers [said](#) that the Australian government was ‘monitoring’ the situation.

There seems to be a [general](#) consensus among economists and analysts that the short-term impact on Australia will be minimal, but [questions](#) remain about the longer-term effect. *The Australian Financial Review*’s Chanticleer columnist [observed](#):

China’s property bubble has burst, and is likely to take decades to clean up, particularly given the nation’s population is declining, putting an extra handbrake on demand. The outlook for iron ore demand over the next 20 or 30 years should be in the minds of governments and investors who have come to rely on the tax dollars and dividends from Australian miners.

## China-Australia Free Trade Agreement

On January 1, remaining tariffs on Australian beef (ranging from 12-25 percent), cheese, butter and yoghurt (10-15 percent) were [eliminated](#) under the [terms](#) of the China-Australia Free Trade Agreement (ChAFTA).

## AUKUS

### *US 2024 elections*

As Donald Trump looks increasingly [likely](#) to be the Republican nominee in the US presidential elections this year, questions continue apace on whether the AUKUS security partnership will survive a Trump presidency.

<sup>3</sup> ‘The Australian Nuclear Science and Technology Organisation (ANSTO) has been awarded \$13.9 million for a research project to accelerate the discovery, extraction and processing of rare earth elements from lower grade deposits. CSIRO has been awarded \$5.2 million to develop intellectual property and knowhow to support downstream industries to produce high purity metals and materials, extending value chains for lithium, rare earths and supporting value adding to tungsten ores and refractory metals. Geoscience Australia has been awarded \$2.7 million for research into development opportunities of a domestic industry for critical minerals such as gallium, germanium and indium, which are often by-products from processing primary commodities such as bauxite and zinc.’ See Madeleine King, ‘Boost for critical minerals and rare earths research’, media release, January 8 2024 <<https://www.minister.industry.gov.au/ministers/king/media-releases/boost-critical-minerals-and-rare-earths-research>>.



Following US Congress' [authorisation](#) of the sale of Virginia-class submarines to Australia, Mr Trump's former defence advisor Elbridge Colby [opined](#) that 'it would be crazy for the US to give away the single most important asset for conflict with China over Taiwan when it doesn't have enough already.'

However, former Australian prime minister Scott Morrison [expressed](#) the belief that 'President Trump himself won't be the reason that [AUKUS] would come into question', saying it was incumbent on Mr Albanese to 'strike the right rapport and make sure the relationship continues to succeed'.

### *UK 2024 elections*

UK Prime Minister Rishi Sunak has [indicated](#) he expects to hold a general election in the second half of this year. [Opinion polling](#) in recent months have shown the Labour Party's steady [lead](#) over the ruling Conservative Party.

The UK's Shadow Minister for Asia and the Pacific, Catherine West, wrote in a 2022 [opinion piece](#) that Labour was 'committed to the AUKUS partnership'. Her predecessor, Stephen Kinnock, had in 2021 [stated](#) that Labour 'would have signed up to AUKUS. We think that it is the right thing to do for our national interest.'

On January 28, former Australian high commissioner to the UK George Brandis [wrote](#) in the *Sydney Morning Herald* that 'a UK Labour government would pose no threat to AUKUS', although noting that '[i]ts attraction to Labour probably lies more in the employment it will create in the economically disadvantaged north of England than in any grand strategic vision.'

### **Cooperation with Japan**

On January 14, *The Japan Times* [reported](#) that unnamed government sources had advised that 'Tokyo has... asked for Canberra's cooperation in using Australia's vast continent as a testing ground for Japanese missiles'. Australia's Department of Defence [confirmed](#) cooperation on the matter. The same sources told the news outlet that 'both governments have explored collaborative strategies, including scenarios where emergencies arise simultaneously in both the East and South China Seas'.

Asked to comment on *The Japan Times* report, the PRC People's Liberation Army's spokesperson focused on Japan without reference to Australia in his response. He [said](#) that 'in recent years' Japan had 'constantly used the so-called 'China threat' to bring in partners and form a 'small clique''.

Later in the month, Australia and Japan [signed](#) a research agreement 'to enhance strategic capabilities in robotic and autonomous systems for undersea warfare.' The research project is the first initiative under a bilateral Research, Development, Test and Evaluation Arrangement [signed](#) in June last year.

### **Regional relationships – Pacific Island nations and Timor-Leste**

#### *Nauru*

On January 15, the government of Nauru [announced](#) it had decided to switch diplomatic recognition from Taiwan to the PRC, just days after Taiwan's elections. Taiwan's Foreign Ministry [said](#) the 'timing' of the move was 'not only China's retaliation against our democratic elections but also a direct challenge to the international order.'

The number of states and jurisdictions that recognise Taiwan is now down to 12, with three in the Pacific: Tuvalu, Palau and Marshall Islands. Ten nations have switched recognition from Taiwan to the PRC since the DPP assumed power in 2016.

Nauru's President, David Adeang, [said](#), without elaboration, that the decision was 'in the best interests' of the country, while authorities in Taipei attributed the decision to financial incentives offered by the PRC.

An anonymous Taiwanese official [told](#) Taiwan's semi-official *Central News Agency*, that Nauru had asked Taipei for around \$125 million in funding to fill a shortfall caused by the temporary closure of an Australian-funded

immigration detention facility. Taiwan's government reportedly could not shoulder the financial assistance 'all by itself' and while in talks with other partners to share the costs, Beijing offered to make up the shortfall.

The following day *The Australian Financial Review* [reported](#) that, according to Australian sources, 'the centre was never closed and Australian taxpayers continues to fund it'.

On January 20, Taiwan's Foreign Minister, Joseph Wu, told *The Australian* that Beijing's promise of financial assistance was more expansive than initially reported, indeed that the PRC had promised 'unlimited assistance'. He said, 'China has promised the difference of that financial income out of the refugee processing centre, and also told the Nauru elite, or Nauru leader, that they would give everything that the Nauruan government would request.'

Asked whether Nauru had requested Australian financial support to avoid making its diplomatic switch, Pacific Minister Pat Conroy [replied](#), 'They had no conversations with us about that particular matter switching diplomatic recognition, other than giving a heads-up that a decision had been made.'

Prime Minister Albanese [said](#) of the switch, 'That's a decision for Nauru as a sovereign government. We respect decisions that they make.'

On January 30, Mr Conroy travelled to Nauru to [discuss](#) closer defence cooperation and to help navigate the closure of its only bank, operated by Bendigo Bank.

### *Papua New Guinea*

Riots in Papua New Guinea, started by a public service pay 'technical glitch', according to the official government [explanation](#), prompted the [declaration](#) of a 14-day state of emergency by Prime Minister James Marape on January 11.

Deputy Prime Minister and Defence Minister Richard Marles [stated](#) that there had been 'some small requests for assistance' from Papua New Guinea's government such as 'a contracted helicopter to the PNG defence force, accommodation for some PNG police'.

Later in the month, reports emerged that that Papua New Guinea was considering security and policing agreement with the PRC. Papua New Guinea's Foreign Minister Justin Tkatchenko [told Reuters](#) that Papua New Guinea and the PRC were in the 'early stages of negotiation', with Beijing having first approached the South Pacific nation in September with an offer to provide police assistance.

On January 30, Mr Tkatchenko sought to downplay the talks with the PRC, [saying](#), 'The offer is there and we will assess it. But we are not going to duplicate at all any arrangements we have with other countries. We stick with our traditional partners.' He added, 'Our relationship with China we see completely differently. They are our economic partner; they are our trading partner.'

Papua New Guinea had signed a [bilateral security agreement](#) with Australia in December and a [defence and maritime cooperation agreement](#) with the US in May.

### *Timor-Leste*

On January 29, the Australian government [announced](#) a \$35 million commitment to continue a policing partnership between Australia's and Timor-Leste's police forces.

The next day, an [editorial](#) in PRC state media outlet *China Daily* said of the announcement that:

It is unnecessary for Washington and Canberra to feel nervous about China's cooperation with Pacific island countries. ... Yet China being in early talks with Papua New Guinea on a potential security and policing deal, following an earlier one with the Solomon Islands, seems to have set the proverbial cat among pigeons'.

## Significant investor visa paused

Towards the end of the month, *The Australian* [reported](#) that the Business Innovation and Investment Program (BIIP), an Australian visa scheme introduced in 2012 which included a ‘Significant Investor’ strand targeting high net-worth individuals, was [halted](#). The Significant Investor visa offered permanent residency in exchange for a minimum \$5 million investment in Australia. Applicants from the PRC had [made up](#) 85 percent of successful applications.

The overhaul had been flagged in the Australian government’s new [Migration Strategy](#), released on December 11 last year.

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