

What China wants from Australia's stabilised relationship

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At the November 2023 meeting between Prime Minister Anthony Albanese and Xi Jinping, the Chinese president spoke of 'embracing a new 50 years in China–Australia relations'. China's ambassador to Australia, Xiao Qian, further outlined this strategy to the media in January, saying, 'We will move on from stabilisation through improvement, onward to further consolidation and even development.'

On March 20, Foreign Affairs Minister Penny Wong, in her welcoming speech to Wang Yi, the most senior Chinese official to visit Australia in seven years, articulated the government's cautious pursuit of 'stabilisation', a now familiar watchword in Australia's China policy, saying 'there is more to be done' in this regard. '[D]ialogue enables us to manage our differences; we both know it does not eliminate them. Australia will always be Australia and China will always be China,' she said.

Beijing has since at least last year enunciated its aim to move the relationship beyond stabilisation. It was in this spirit that during his visit Wang called for 'no hesitation, no yawing and no backward steps' in the relationship. '[T]he course forward has been charted,' he said.

Former Australian ambassador and senior Department of Foreign Affairs and Trade official Kevin Magee says, 'China expects more than stabilisation. Stabilisation is, as far as China is concerned, a step, and then the next step is closer relations and what the Chinese see as a less hostile approach to China.' For the Australian government, on the other hand, 'stabilisation is basically an end point', he says. However, he adds, 'Nothing is ever firm in politics, as in diplomacy. I can't see it at the moment, but maybe in the future, maybe a returned Albanese government' would opt to move beyond stabilisation.

For now, cordial civility continues to thread through the Australia–China bilateral relationship as both countries display their commitment to high-level talks. China's top diplomat concluded his two-day visit to Australia on March 21. During his trip, Wang met with Wong for the seventh Australia–China Foreign and Strategic Dialogue, followed by meetings with Albanese, Opposition Leader Peter Dutton and the shadow foreign affairs minister, Simon Birmingham.

The visit was 'quite a coup for the federal government' given Wang's seniority, says Warwick Smith, the chairman of the Business Council of Australia's global engagement committee and a former Liberal minister.

Given China's position as Australia's largest two-way trading partner, he says 'it is important for us to have dialogue. This was a step in the right direction.'

Beijing and Canberra mutually worked towards cultivating some goodwill in the lead-up to Wang's visit. Immediately before it was publicly announced, China's Ministry of Commerce released an 'interim draft

determination' outlining the 'proposed removal' of Beijing's crippling tariffs on Australian wine. Days later, Australian Minister for Industry and Science Ed Husic accepted a recommendation from Australia's Anti-Dumping Commission to discontinue anti-dumping measures against wind turbines from China.

Australian ministers rejected the suggestion these actions amounted to a trade quid pro quo.

Official and unofficial exchanges during Wang's visit were amicable, a shift from the sharp rhetoric that flowed from Wang's previous incarnation as the original 'wolf warrior' diplomat. His more cooperative tone gave form to the vision set out last year by China's closed-door party meeting on diplomacy, the Central Conference on Work Relating to Foreign Affairs, to 'foster new dynamics in the relations between China and the world'.

For Australia's part, 'there's now no doubt that the Albanese government has shifted to a diplomatic position that provides a sound basis for the bilateral relationship,' says former foreign affairs minister Bob Carr. 'The Albanese government has landed in a place that accommodates an improved bilateral relationship with China,' he says. 'It's not a bad place to be. It enables us to manage differences.'

Magee agrees the Labor government is to be credited for pulling the bilateral relationship out of a downward spiral but says they've now 'reached a plateau'. He says Australia's leadership doesn't seem to be willing to go any further, partly due to domestic politics.

Smith also attributes Australian caution to the government's desire not to get ahead of public opinion.

'Public opinion has been conditioned into a view that China is difficult for Australia in terms of the security position. The enormity of the trade and the reliance on the trade is not deeply understood in Australia, apart from by market participants,' he says.

Smith also expressed the view that 'whilst there might not be an alignment [at present], the intention is to be more in alignment, so that's the positive'.

The centrality of dialogue and exchange to the Albanese government's stabilisation agenda has been critical to the thaw in Australia-China relations. It has also afforded the government flexibility in navigating the relationship. But if stabilisation is indeed the end point – for the time being, at least – can it be a policy with longevity?

In October last year, Albanese proffered the most detailed explanation to date on what, exactly, a stabilised bilateral relationship meant for the Australian government. He described it as one in which there were 'no impediments to trade', that had 'more regular' ministerial exchange and more 'honest and open' dialogue but remained dynamic. He said it would be 'a place where there are no surprises'.

Smith says 'stabilisation' might not be the right word to use. 'Stabilisation' is something that applies for a short period of time as you reorient a relationship. It should not be a long-term policy aim.

'Our long-term policy aim should be principled realism ... We have our core principles and we deal with our realism of our trading environment and our other requirements such as security. And that should be the touchstone going forward,' he says.

In actions, if not words, the Australian government seems to have factored a type of principled realism into its strategic calculus. The Defence Strategic Review 2023, for instance, heralded a fundamental shift in Australian defence policy in response to China's military rise and growing competition with the United States.

The Australian government has also pursued closer maritime cooperation with the Philippines, conducting inaugural joint naval and air patrols in the Philippines' exclusive economic zone in November, as Beijing has upped the tempo of its assertive and, in an increasing number of cases, aggressive actions in the South China Sea.

Non-kinetic threats are likewise front of mind. Last year the Australian Signals Directorate released its annual Cyber Threat Report, which identified China as a major state sponsor of malicious cyber activity against Australian companies and critical infrastructure. This week, the Australian government joined the United

Kingdom and other international partners to express ‘serious concerns’ about China state-backed actors engaging in malicious cyber activity against the UK Electoral Commission and parliamentarians critical of Beijing. In February, the Australian Security Intelligence Organisation highlighted that espionage and foreign interference had ‘surpassed terrorism as Australia’s principal security concern’, with China a major culprit. On March 27, the Parliamentary Joint Committee on Intelligence and Security tabled a report recommending ‘substantial reform’ to Australia’s Foreign Influence Transparency Scheme to address ‘significant flaws’ in the scheme.

The Australian government is also bolstering defence trade controls, with China in mind.

The rhetoric, however, neglects to grapple with the priorities the government is pursuing in parallel to the pursuit of a stable relationship with China, opening it up to criticism. ‘Stabilisation can’t become code for tolerating Beijing’s destabilising activity,’ Justin Bassi, Australian Strategic Policy Institute director and former chief of staff to then foreign affairs minister Marise Payne, wrote recently.

The bilateral economic relationship has remained resilient, generally going from strength to strength, Beijing’s trade restrictions and political tensions notwithstanding. Two-way trade in goods totalled \$316.9 billion in 2022-23, up 12 percent from the previous year. There are hopes the economic complementarity between the two nations will continue to provide the requisite ballast for the relationship, largely protecting it from external stressors. China has exhibited an appetite for closer ties on this front. While in Australia, Wang Yi demonstrated a foreign policy approach that had a distinct economic and business focus. Trade Minister Don Farrell recently pushed for more trade with China, saying the bilateral economic relationship could withstand external ructions ‘because trade and security issues were typically largely siloed’.

Smith disagrees. ‘I think he’s just wrong, it’s not siloed,’ he says. ‘Those of us in the trade area over a long period know that the enhancement and greater focus on security issues continues. And it does flow across to trade.’

Indeed, Senator Wong said in an interview last year, ‘The separation of economic policy and national security policy, which was how people might have thought about the relationship with China in the past, is no longer the right frame.’

There may yet be a reckoning with this cognitive dissonance in the Labor Party with respect to China. Given its recent and ongoing experience with Beijing’s use of trade as a lever to punish in the pursuit of its strategic aims, the focus on de-risking from China has intensified in Canberra. The Australian government has reportedly concluded that wholesale decoupling was not feasible, but trade diversification and bolstering supply chain resilience were ongoing priorities.

Moves to reduce China’s dominance in critical minerals processing – a major objective of the Australian government’s Critical Minerals Strategy 2023-2030 – are under way. Resources Minister Madeleine King said the aim was ‘to compete’ with China in this sector. Last year Treasurer Jim Chalmers, on recommendation from the Foreign Investment Review Board, blocked two applications from companies controlled by Chinese nationals to increase ownership in and take over Australian critical minerals producers.

Beijing has already made noises of discontent about what it perceives to be an unfavourable business environment in Australia for Chinese companies. And as the US moves towards a partial decoupling from China, Australia faces further pressure on its China trade ties, particularly under what could well be a Trump presidency in 2025.

‘The last thing we’d want as a trading nation is the full burst of Trump’s aggressive protectionism,’ says Bob Carr.

Where to next, or how to successfully maintain a holding pattern, in Australia–China relations is now the key question for Canberra. In the face of domestic pressures, external pressures and the unpredictability of Beijing, cordial civility may represent the peak of the relationship for some time.

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