



## China Policy Under the Abbott Government

The Abbott Government was elected on September 7 2013. This ACRI Fact Sheet provides an overview of Australia's relations with China under the Abbott Government.

### Missteps and a Hard Line

The new government ventured into China diplomacy a month after winning power.

On October 4 at a Trilateral Strategic Dialogue in Bali, Australia joined the US and Japan in a joint statement opposing **"any coercive or unilateral actions** that could change the status quo in the East China Sea".<sup>1</sup>

On October 6 the Chinese Foreign Ministry responded stating: "The United States, Japan and Australia are allies but **this should not become an excuse to interfere in territorial disputes**".<sup>2</sup>

On October 10 the Prime Minister said, **"Japan is Australia's best friend in Asia**, and that doesn't mean that we don't have other good friends. Obviously, China is a good friend of Australia and I hope in the years to come China becomes an even better friend of Australia".<sup>3</sup>

Previously Japan had been referred to as "Australia's oldest friend in Asia" or, simply, as a friend. The designation of Japan as "best friend" was new.

On November 26 the Government publicly announced it had **called in Chinese Ambassador Ma Zhaoxu** to "convey the Australian Government's concerns" and "seek an

explanation" over China's declaration of an Air Defence Identification Zone (ADIZ) in the East China Sea<sup>4</sup>. According to former Australian Foreign Minister Bob Carr this was a stronger response than that of likeminded nations Canada, Singapore and New Zealand.<sup>5</sup>

On November 28 Prime Minister Abbott affirmed, "We are a strong ally of the United States, **we are a strong ally of Japan**".<sup>6</sup> This contrasted with the routine description of Japan as a 'friend' or 'strategic partner'. Australia and Japan do not have an alliance relationship.

On December 7 the Chinese Foreign Minister Wang Yi commented on Australia's response to the ADIZ by telling Australian Foreign Minister Julie Bishop in front of media that it had **"jeopardised bilateral mutual trust** and affected the sound growth of bilateral relations".<sup>7</sup>

### Remodulating

On February 20 Australia and China held the 15th round of their annual Human Rights Dialogue in Beijing. A delegation led by the Deputy Secretary of DFAT Gillian Bird met with Vice Minister of Foreign Affairs Li Baodong and the Chinese delegation "to

<sup>1</sup> Minister for Foreign Affairs, Trilateral Strategic Dialogue Joint Statement, October 4 2013

<[http://www.foreignminister.gov.au/releases/Pages/2013/jb\\_mr\\_131004.aspx?ministerid=4](http://www.foreignminister.gov.au/releases/Pages/2013/jb_mr_131004.aspx?ministerid=4)>

<sup>2</sup> Hua Chunying quoted in Reuters, 'China warns US, Japan, Australia not to gang up in sea disputes', October 6 2013 <<http://www.reuters.com/article/2013/10/07/us-asia-southchinasea-china-idUSBRE99602220131007>>

<sup>3</sup> Tony Abbott, Press Conference, Brunei, October 10 2013, <<http://www.pm.gov.au/media/2013-10-10/press-conference-brunei>>

<sup>4</sup> Minister for Foreign Affairs, China's announcement of an air-defence identification zone over the East China Sea, Media Release, November 26 2013

<[http://foreignminister.gov.au/releases/Pages/2013/jb\\_mr\\_131126a.aspx?ministerid=4](http://foreignminister.gov.au/releases/Pages/2013/jb_mr_131126a.aspx?ministerid=4)>

<sup>5</sup> Bob Carr, 'Australia and the China-US Relationships', October 15 2014, S. Rajaratnam School of International Studies (RSIS) Distinguished Public Lecture, Singapore

<sup>6</sup> Tony Abbott quoted in Mark Kenny and Philip Wen, 'Tony Abbott refuses to back down over China comments', *The Sydney Morning Herald* (online), November 28 2013 <<http://www.smh.com.au/federal-politics/political-news/tony-abbott-refuses-to-back-down-over-china-comments-20131128-zydw1.html>>

<sup>7</sup> Wang Yi quoted in Stephen McDonnell, 'East China Sea row escalates, as Wang Yi tells Julia Bishop that Australia has 'jeopardised trust'', *ABC News* (online), December 7 2013, <<http://www.abc.net.au/news/2013-12-07/east-sea-dispute-between-china-and-australia-escalates/5142080>>

engage in a frank and constructive exchange of views” regarding human rights issues.<sup>8</sup>

In April 2014 the annual value of Australia’s good exports to China topped \$100 billion for the first time.<sup>9</sup>

The Prime Minister visited Japan and China April 5-12 2014, accompanied by two ministers, five premiers, a chief minister and representatives of companies worth 50 per cent of the value of the stock exchange. **Prime Minister Abbott did not repeat the reference to Japan as a ‘best friend’ or ‘ally’.**

Strong co-operation between Australia and China had been evident during the search for the **missing Malaysian Airlines Flight MH370**. During his visit to China Prime Minister Abbott said, “I thank the government and the people of China for the help that they have given to Australia as we lead this search and recovery effort”.<sup>10</sup>

In May 2014 **tension arose between China and Vietnam** over China’s positioning of a deep-water drilling rig off Triton/Zhongjian Island, part of the Parcel Islands chain in the South China Sea. Australia’s response to this **was softer than that to the ADIZ** announcement with no ministerial comment and only a Department of Foreign Affairs and Trade (DFAT) release stating, “Australia does not take a position on competing claims in the South China Sea... **Australia urges parties to exercise restraint**, refrain from provocative actions that could escalate the situation and take steps to ease tensions”.<sup>11</sup>



## Australia, the United States and Japan

On June 12 Defence Minister David Johnston was asked on ABC’s *Lateline* **if the ANZUS alliance would commit Australia** to a conflict between Japan and China. His response was, “I don’t believe it does”.<sup>12</sup> In contrast with the reaction to Alexander Downer’s statement in 2004 concerning the Taiwan Straits there was little attention to the Defence Minister’s comments.<sup>13</sup>



ACRI explored this question in the paper *‘Conflict in the East China Sea: Would ANZUS Apply?’*<sup>14</sup>

On June 28 Hillary Clinton commented on Australia-China relations saying, “It’s a mistake, whether you’re a country or a company or an individual, to put - as we say in the vernacular - **all your eggs in one basket**”.<sup>15</sup>

On July 2 Communications Minister Malcolm Turnbull responded to Hillary Clinton’s comments, “I’m sure that we’d love to export vast quantities of iron ore to the United States but they’ve never shown any enthusiasm in buying them”.<sup>16</sup>

On July 3 Chinese academic Wu Xinbo said, “It’s a matter for Australia to decide whether it wants to pursue its alliance ties in the region to the extent that it harms its relationship with China”.<sup>17</sup>

<sup>8</sup> DFAT, 15th Australia-China Human Rights Dialogue, Media Release, February 20 2014

<<http://www.dfat.gov.au/media/releases/department/2014/dfat-release-20140220.html>>

<sup>9</sup> Australian Bureau of Statistics

<sup>10</sup> Tony Abbott, Address to Australia Week in China Lunch, Shanghai, China, April 11 2014

<<http://www.pm.gov.au/media/2014-04-11/address-australia-week-china-lunch-shanghai-china>>

<sup>11</sup> DFAT, ‘Statement on developments in the South China Sea’, Media Release, May 14 2014

<<https://www.dfat.gov.au/media/releases/department/2014/dfat-release-20140514.html>>

<sup>12</sup> David Johnston, Interview with Tony Jones, Lateline, ABC TV, June 12 2014

<<http://www.abc.net.au/lateline/content/2014/s4024426.htm>>

<sup>13</sup> Alexander Downer, Media Conference, Minister for Foreign Affairs, Transcript, August 17 2004,

<[http://pandora.nla.gov.au/ipan/25167/20070502-0000/www.foreignminister.gov.au/transcripts/2004/040817\\_ds\\_beijing.html](http://pandora.nla.gov.au/ipan/25167/20070502-0000/www.foreignminister.gov.au/transcripts/2004/040817_ds_beijing.html)>

<sup>14</sup> <http://www.uts.edu.au/sites/default/files/18924-acri-anzus-booklet-web.pdf>

<sup>15</sup> Hillary Clinton quoted in Paul McGeough, ‘Hillary’s Choice’, *Sydney Morning Herald*, June 28 2014

<<http://www.smh.com.au/world/hillarys-choice-20140627-3an2z.html>>

<sup>16</sup> Malcolm Turnbull quoted in Michael Stutchbury, Crawford School Forum Transcript: ‘Global Realities and Domestic Choices’, July 2 2014 <<http://www.malcolmturnbull.com.au/media/crawford-school-forum-transcript-global-realities-and-domestic-choices>>

<sup>17</sup> Wu Xinbo quoted in John Kerin, ‘Abbott faces balancing act as he forges closer ties with Japan’, *Australian Financial Review*, July 3 2014,

<[http://www.afr.com/p/national/abbott\\_faces\\_balancing\\_act\\_japan\\_SsbxV0IMG8RqbQuqJU2yRK](http://www.afr.com/p/national/abbott_faces_balancing_act_japan_SsbxV0IMG8RqbQuqJU2yRK)>

## Mr. Abe Comes Calling

On July 8 Japanese Prime Minister Shinzo Abe visited Australia and addressed the House of Representatives. The visit marked **an elevation in Australia-Japan relations** and highlighted tri-strategic partnership with the US. Abe observed, "There are many things Japan and Australia can do together by each of us joining hands with the United States, an ally for both our nations".<sup>18</sup> Prime Minister Abbott's welcoming address to Abe praised Japan's military skills in WWII. Xinhua News called this "appalling".<sup>19</sup>

On July 9 the *Sydney Morning Herald* published a front page story entitled 'Australia will stand up to China to defend peace, liberal values and the rule of law: Julie Bishop'. Foreign Minister Bishop said, "**China doesn't respect weakness**".<sup>20</sup> Regarding the Government's response to the ADIZ the Foreign Minister stated, "We had to make it clear where we stood on unilateral action that could be seen as coercive".

The article said that Prime Minister Abbott and Prime Minister Abe had concluded a "strategic defence relationship" between Australia and Japan. In fact, only an agreement to share military technology had been reached. During the Abe visit Prime Minister Abbott did not repeat his "best friend in Asia" or "ally" reference in respect to Japan.

## Protests in Hong Kong

On September 28 students in Hong Kong began a campaign of demonstrations over the electoral system.

On October 2 Foreign Minister Bishop responded, "**We recognize the right of the people of Hong Kong to protest**, but it must be peaceful...We certainly urge the Chinese authorities to ensure that the people of Hong Kong can have a genuine say in their elections".<sup>21</sup> The Minister altered travel arrangements to avoid being in Hong Kong during the protests, accommodating Chinese concerns that a visit by a foreign minister might be seen to encourage the protest movement.

<sup>18</sup> Shinzo Abe, Address by the Prime Minister of Japan, Parliament of Australia, House of Representatives, Official Hansard Transcript, July 8 2014  
<sup>19</sup> Xu Haijing, Commentary: Abbott's admiration of Japanese war skills insensible to victim countries, *Xinhua News*, July 8 2014  
< [http://news.xinhuanet.com/english/world/2014-07/08/c\\_133469389.htm](http://news.xinhuanet.com/english/world/2014-07/08/c_133469389.htm)>

<sup>20</sup> John Garnaut, 'Australia will stand up to China to defend peace, liberal values and the rule of law: Julie Bishop', *The Sydney Morning Herald* (online), July 9 2014 <<http://www.smh.com.au/federal-politics/political-news/australia-will-stand-up-to-china-to-defend-peace-liberal-values-and-the-rule-of-law-julie-bishop-20140709-zt1rf.html>>

<sup>21</sup> Julie Bishop quoted in *China Spectator*, 'Australia urges restraint over Hong Kong rallies', October 2 2014 <<http://www.businessspectator.com.au/news/2014/10/2/china/australia-urges-restraint-over-hk-rallies>>

<sup>22</sup> Xi Jinping, House of Representatives, Hansard Transcript, November 17 2014  
<sup>23</sup> Tony Abbott, House of Representatives, Hansard Transcript, November 17 2014

## Back on Track: The Xi Jinping Triumph

Chinese President Xi Jinping visited Australia November 14-19 2014. It was his fifth visit. Speaking to parliament President Xi said: "China is a large country of over 1.3 billion people. **It is like the big guy in the crowd.** Others naturally wonder how the big guy will move and act, and they may be concerned that the big guy may push them around, stand in their way or even take up their place...We Chinese cherish peace, and the Chinese nation has always been a peace-loving one".<sup>22</sup>



Prime Minister Abbott said, "**I have never heard a Chinese leader commit so explicitly to a rule-based international order** founded on the principle that we should treat all others as we would be treated ourselves...When I listened to the President today, some of the shadows over our region and over our world lifted and the sun did indeed shine brightly".<sup>23</sup>

Visiting Tasmania on November 18, President Xi was able to state he had now visited every Australian state and territory. To welcome the Chinese President, the Mercury issued a **front page headline in Chinese.**

At the conclusion of his visit, President Xi Jinping said, "My personal experience has given me the impression that earth-shaking changes have taken place in this relationship and what we have achieved is unimaginable two decades ago".<sup>24</sup>

On November 28-29 in Beijing the Communist Party held a seminal two-day foreign affairs conference. It was the first of its kind since 2006 and President Xi's address was considered by the media as a landmark foreign policy speech. President Xi remarked, "We have advocated the building of a new type of international relations underpinned by win-win cooperation... we should also recognize that the growing trend toward a multi-polar world will not change."<sup>25</sup>

## The FTA: the Biggest and the Best

Ten years of negotiations climaxed on November 17 when Prime Minister Abbott and President Xi announced the conclusion of the **China-Australia Free Trade Agreement (ChAFTA)**.

A media release issued by the Prime Minister and the Minister for Trade and Investment said that this historical agreement "will add billions to the economy, create jobs and drive higher living standards for Australians. Australian businesses will have unprecedented access to the world's second largest economy".<sup>26</sup>

More than 85 per cent of Australian goods exports will be **tariff free immediately**, rising to 93 per cent in four years and 95 per cent after full implementation.

Tariffs will be abolished for Australia's \$13 billion dairy industry and Australian horticulture. Tariffs on Australian wine of 14 to 30 per cent will go within four years, while restrictive tariffs on a wide range of seafood, including abalone, rock lobster, and southern bluefin tuna will also cease. Australia's beef and sheep farmers appear to gain from the abolition of tariffs that range from 12 to 25 per cent.<sup>27</sup> All of these tariff cuts will be implemented within four to nine years.

Under the ChAFTA Australian hospital, hotel and aged care facilities set up in China can now be **wholly Australian owned**.

Australia will also benefit from any future Chinese concessions made to other countries because of a 'most favoured nation' status.

As part of the ChAFTA Sydney will be authorized to host an **official Renminbi (RMB) clearing bank**, a necessary step for the city to become an offshore RMB trading hub.<sup>28</sup>



Other changes resulting from the ChAFTA include an increase in temporary work visas for a limited number of skilled service providers, investors and business visitors.

Trade Minister Andrew Robb stated that the ChAFTA is "by far the most comprehensive and ambitious agreement that China has struck with any country in the developed world".<sup>29</sup>

On November 17 2014 President Xi and Prime Minister Abbott announced in a joint press statement, "We have decided to upgrade our strategic partnership to a comprehensive strategic partnership".<sup>30</sup>

## The Bank

In October 2014 the Government had announced it would not join the **Asian Infrastructure Investment Bank (AIIB)**. This had followed a call from US Secretary of State John Kerry to Prime Minister Abbott.<sup>31</sup>

Following the conclusion of the ChAFTA in November, however, Trade Minister Andrew Robb said Australia will sign up to the Chinese-led AIIB provided it meets certain governance provisions and noted "We will be encouraging Japan and the US to follow suit".<sup>32</sup>

<sup>24</sup> James Laurenceon, 'China's Great Wall of Finance Comes Down', *Australian Financial Review*, November 20 2014

<sup>25</sup> Andrew Robb quoted in Laura Tingle, 'Winning over the Xi Dynasty', *Australian Financial Review*, (print edition) November 21 2014

<sup>26</sup> Prime Minister of Australia, Joint Press Statement with President Xi, Canberra, November 17 2014 <<http://www.pm.gov.au/media/2014-11-17/joint-press-statement-president-xi-canberra>>

<sup>27</sup> Philip Coorey and Lisa Murray John Kerry to Tony Abbott: steer clear of China bank, *Australian Financial Review*, October 23 2014 <[http://www.afr.com/p/special\\_reports/opportunityasia/john\\_kerry\\_to\\_tony\\_abbott\\_steer\\_clear\\_of\\_china\\_bank](http://www.afr.com/p/special_reports/opportunityasia/john_kerry_to_tony_abbott_steer_clear_of_china_bank)>

<sup>28</sup> Stefanie Balogh 'Business Backs Andrew Robb on Bank Proposal', *The Australian*, November 25 2014 <<http://www.theaustralian.com.au/business/business-backs-andrew-robb-on-bank-proposal/story-efrgBzx-1227133546906>>

<sup>24</sup> Xi Jinping quoted in Daisy Dumas, 'Chinese President Xi Jinping in Sydney: Team China is Here to Meet Team Australia' *Sydney Morning Herald*, November 19 2014 <<http://www.smh.com.au/nsw/chinese-president-xi-jinping-in-sydney-team-china-is-here-to-meet-team-australia-20141119-11px0x.html>>

<sup>25</sup> Xinhuanet, 'Xi eyes more enabling int'l environment for China's peaceful development', *Xinhua News*, November 30 2014, < [http://news.xinhuanet.com/english/china/2014-11/30/c\\_133822694\\_2.htm](http://news.xinhuanet.com/english/china/2014-11/30/c_133822694_2.htm)>

<sup>26</sup> Tony Abbott, 'Landmark China-Australia Free Trade Agreement', November 17 2014 <<https://www.pm.gov.au/media/2014-11-17/landmark-china-australia-free-trade-agreement>>

<sup>27</sup> Minister for Trade and Investment, Landmark China Australia Free Trade Agreement November 17