

# Australia-China monthly wrap-up

November 2022



This edition features:

- Summary and analysis of major developments in November 2022

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The relationship between Australia and the People's Republic of China (PRC) saw some reinvigoration in November, the month having brought with it the first meeting between the Australian Prime Minister and President of the PRC in six years, bookended by a phone call between Foreign Minister Penny Wong and her PRC counterpart Wang Yi and a meeting between Defence Minister Richard Marles and his PRC counterpart Wei Fenghe.

The Prime Minister [described](#) these developments and those over the last few months since assuming office as 'significant steps'. The Defence Minister [said](#) there had been an 'important' 'change in tone and mood', noting, '[W]e've come a fair way over the last few months in trying to stabilise the relationship and put it in a better place.' Both acknowledged, however, that there is a long way still to go.

While the Australian government has welcomed the thaw in the relationship, it remains realistic about the limits of improvement in the short to medium term. This caution was evident, for example, in the Foreign Minister's [Whitlam Oration](#) and [speech](#) commemorating the 50th anniversary of the establishment of Australia-PRC diplomatic relations. The [Prime Minister](#), who also mentioned 'normalisation', the [Foreign Minister](#) and [Defence Minister](#) have placed an emphasis on '[stabilisation](#)' of the relationship, differing from the use of '[reset](#)' by PRC officials. Asked what 'Australia [would] like China to do' for the relationship to 'return to normal', the Prime Minister [responded](#), '[F]irstly to lift its economic sanctions'.

The Defence Minister had [re-stated](#) this month that 'Australia is no longer blessed with a benign strategic environment' and Defence Industry Minister Pat Conroy [asserted](#) that '[w]e are no longer on a peacetime setting'. The Australian government is, and has been, focusing on strengthening Australia's defence capacities and its alliance with the US and security partnership with Japan, among other relationships.

Australia's balancing act was addressed during a wide-ranging [speech](#) by the Defence Minister on November 14. He [stated](#) that 'a commitment to stabilising our relationship with China does not mean we won't also maintain a clear-eyed focus on our security, and '[t]he idea that Australia has to choose between diplomacy and defence – or, as some critics would have it, between cooperation and confrontation – is a furphy.' He also said the idea of a 'contest in the priority of our relationships between the United States on the one hand and the countries of our region on the other' was founded on a 'false dichotomy.'

## The political relationship overall

On November 8, Foreign Minister Wong and her PRC counterpart engaged in discussion over a phone call, which according to a PRC [readout](#) occurred ‘at [the Australian Foreign Minister’s] request’. The same readout attributed the following comments to Senator Wong, although this has not been corroborated by an official document from the Australian side: ‘Penny Wong said that... A sound Australia–China relationship is not in contradiction with safeguarding national interests. Australia has no intention to amplify the differences between the two countries’. PRC Foreign Minister Wang stated that ‘easing and improvement of China–Australia relations serves the fundamental interests of both sides’ and ‘the two sides need to gradually address respective legitimate concerns’. He nominated ‘tackling current global challenges’ as an area of cooperation.

The next day, Opposition Leader Peter Dutton met with the PRC Ambassador to Australia, Xiao Qian, [calling](#) the meeting ‘constructive’ and undertaking to ‘continue to engage in an open and honest dialogue’.

As speculation about these interactions possibly leading to a leaders’ meeting increased, Prime Minister Albanese indicated he would welcome a meeting, [saying](#) it would be a ‘positive thing’. On November 11 he [said](#) that ‘we would welcome any dialogue [with China] because out of dialogue comes understanding and mutual respect’, then on November 12 [told](#) press, ‘There are no preconditions for meeting’, [repeating](#) this on November 14 and stating that ‘we enter this discussion with goodwill’.

On November 12, during the East Asia Summit gala dinner in Phnom Penh, Prime Minister Albanese and PRC Premier Li Keqiang had a four-minute informal discussion which touched on the upcoming 50th anniversary of diplomatic relations (see [readout](#) published by the PRC Foreign Ministry) – the first face-to-face exchange between Australian and PRC leaders since 2019. The Prime Minister [described](#) it as ‘very positive and constructive’, saying, ‘[I]t’s a good thing that it happened’.

Two days later, a meeting between the Prime Minister and President Xi Jinping on the sidelines of the G20 summit in Bali was confirmed for November 15. Following the public announcement of upcoming meeting, a PRC Foreign Ministry spokesperson [said](#) that ‘improving China–Australia relations is in the fundamental interest of both sides. It is also the expectation of the people of China and Australia and the international community.’

During [opening remarks](#) at the meeting, President Xi said that Australia–PRC relations had been ‘at the forefront of China’s relations with developed countries for a long time’ and was ‘worth cherishing’. He stated, ‘We should improve, maintain and develop the relations between the two countries’. He noted that Prime Minister Albanese had ‘express[ed] many times that China–Australia relations will be handled in a mature way’ and spoke of attaching ‘great importance’ to the Prime Minister’s opinion.

In his [remarks](#), Prime Minister Albanese called the bilateral relationship an ‘important one’, but also emphasised that ‘Australia won’t resile from our interests or our values’. In a [press conference](#) following the meeting he said, ‘One of the things that struck me was that both of us spoke about how we have highly complementary economies.’ He went on to say:

China is Australia’s largest trading partner. They are worth more than Japan, US and Republic of Korea together combined. So, it’s an important relationship for Australia. And Australia seeks a stable relationship with China. We have big differences to manage. But we’re always going to be better off when we have dialogue and are able to talk constructively and respectfully, but also honestly, about what those differences are.

In a [media statement](#) noting the broad issues discussed he said, ‘We are always going to be better off when we talk each other, calmly and directly’, noting that while ‘both countries took an important step to moving forward’, ‘There are many steps yet to take.’

The meeting was followed by a second informal [conversation](#) between the leaders the next day.

Foreign Minister Wong [called](#) the Albanese-Xi meeting ‘a positive step’, saying we ‘welcome it’ and [characterising](#) it as ‘a constructive and a major step towards a more stable relationship’, although [stated](#) that ‘there’s a long way to go’. Defence Minister Marles made similar remarks, [describing](#) the meeting as ‘a really important step’ but acknowledging that ‘there’s a lot of water still to go under the bridge in our relationship with China.’

On November 22, the Defence Minister had a 45-minute meeting with PRC Defense Minister Wei Fenghe on the sidelines of the ASEAN defence ministers’ meeting. Mr Marles [said](#) that the possibility of reinstating Australia-PRC defence dialogues had been raised during their first discussion in Singapore in June, and was raised again, remarking, ‘there is a sense of optimism between both of us about the progress of that without wanting to be specific about when.’

In delivering the [Whitlam Oration](#) on November 14, Foreign Minister Wong reiterated the Australian government’s approach to PRC policy:

Stabilising our relationship is in the interests of both Australia and China. It will take time, because our differences are not trivial.

But we will not be trying to make media headlines out of the China relationship.

We won’t weaponise national security for political purposes. We will seek to navigate our differences wisely – something, in fact, we believe both our countries should do.

...

...Australia’s approach will be calm and consistent.

We seek to cooperate where we can and will disagree where we must. And we will engage in our national interests.

She also told the ABC’s *7.30 Report* in an [interview](#) focused on the PRC that ‘tone does matter. I don’t believe Australia was made any safer, nor do I believe human rights were any more promoted because the previous Coalition government decided that playing domestic politics with the China relationship was sensible’. She said she was ‘pleased to see that Senator Birmingham and Mr Dutton appear to be resiling from that approach.’

Throughout the month, PRC Ambassador Xiao continued to make upbeat public remarks about the Australia-PRC relationship. On November 5, during a banquet marking the 50th anniversary of Australia-PRC diplomatic relations he [spoke](#) of the ‘special significance’ of the anniversary, saying:

Since the new Australian Government came to power this May, a possible opportunity to reset the China-Australia relations has emerged. Leaders of our two countries made effected communication and contacting, resulting in important consensus.

And on November 20 in an [opinion piece](#) in the *Australian Financial Review* he wrote, ‘After all the ups and downs of the past half-century, our relationship has become more mature, stable and resilient’, stating that ‘China is ready to work with Australia to build on past achievements and look ahead to the future’ as well as ‘further advance the... comprehensive strategic partnership.’

## **The Australia-PRC economic relationship**

The Prime Minister on November 20 [acknowledged](#) that the lifting of the PRC’s economic sanctions against Australia would be a gradual process:

The way that the system works is that the bureaucracy in China will have seen the different change in relations, the fact that there is now contact between Australia and China, those messages will go down through the system. So it’s not like a discussion between Australia and New Zealand where you walk out of the room with

an agreement between leaders and it changes instantly. This developed over a period of time, and it will take a while to see improvement in concrete terms going forward.

While working towards normalising its economic relationship with the PRC, the Australian government has been continuing its work towards trade diversification. Parliament this month passed free trade agreements with the UK and India and concluded negotiations to upgrade the ASEAN-Australia-New Zealand Free Trade Agreement, having last month signed the Australia-Singapore Green Economy Agreement. A Special Envoy for Southeast Asia was also [appointed](#) to lead Australia's Southeast Asia Economic Strategy to 2040, 'a pathway to strengthen Australia's economic engagement with Southeast Asia'.

### *World Trade Organization disputes*

In a [speech](#) on November 14 outlining the Australian government's 'vision for trade', Trade Minister Don Farrell said Australia was 'open to discussing possible off-ramps' in World Trade Organization (WTO) disputes with the PRC.

He [made](#) similar remarks during a November 23 interview, saying 'sensible discussions between ourselves and China can resolve these issues without having to go to litigation.'

### *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*

During a press conference at the APEC summit in Bangkok on November 18, Prime Minister Albanese [said](#), 'Our position hasn't been altered' with respect to Australian support for Taiwan's entry into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) following his meeting with President Xi. However, he seemed to imply that Australia would not back accession. He stated, 'The CPTPP is a relationship between nation-states which are recognised. Taiwan is represented [at APEC]... as an economy' and cited Australia's 'bipartisan support for the one China policy' and support of 'the status quo on Taiwan'.

The CPTPP's [preamble](#) notes that it welcomes 'the accession of other States or separate customs territories to this Agreement'.

Following the press conference, Taiwan's Ministry of Foreign Affairs issued a [statement](#) noting that 'The government of Australia has since clarified with Taiwan that its stance on Taiwan's accession to the CPTPP has not changed and that it continues to welcome the entry of all economies that meet the high standards of the CPTPP, including Taiwan.'

On November 19, the Prime Minister [said](#), 'Our position has not changed. We will deal with applications that are dealt with by consensus for economies applying to join the CPTPP.'

## **Taiwan**

As cross-Strait tensions continue to simmer, outgoing Australian Secret Intelligence Service (ASIS) head Paul Symon, asked in an ABC interview on November 4 what the likelihood was of Australia automatically joining the US in the event they engaged in military conflict with the PRC over Taiwan, [replied](#), 'I don't think anything is automatic.'

According to a PRC Foreign Ministry [readout](#) of the President Xi's meeting with US President Joe Biden in Bali, Xi stated that 'the Taiwan question is at the very core of China's core interests... and the first red line that must not be crossed in China-US relations.'

President Biden has suggested on several occasions that the US would defend Taiwan in the event of an attack by the PRC, indicating a move away from the long-held US position of strategic ambiguity. While a White House readout noted that he had 'raised U.S. objections to the PRC's coercive and increasingly aggressive actions toward Taiwan', he also [said](#) in a press conference following his meeting with President Xi, that US policy 'has not changed' and 'I do not think there's any imminent attempt on the part of China to invade Taiwan.'

## The PRC and the Pacific

On November 2, the Australian Federal Police (AFP) [presented](#) the Royal Solomon Islands' Police Force (RSIPF) with 60 semi-automatic rifles and 13 vehicles. Solomon Islands Opposition Leader Matthew Wale questioned the need for the weapons and [called](#) the move 'very disturbing' and aimed at 'trying to outcompete China'. He [said](#), 'It is clear Australia is anxious that, if they do not supply guns, then China will.' Two days later, the PRC [donated](#) two water cannon trucks, 30 motorcycles and 20 SUVs to the RSIPF.

Defence Minister Marles on November 4 [rejected](#) the suggestion that Australia is trying to outcompete the PRC. On the same day, Shadow Foreign Minister Simon Birmingham [said](#), 'We certainly shouldn't be [in an arms race] and I trust that's not the case'.

### *Acquisition of Digicel Pacific*

At the G20 summit, Prime Minister Albanese issued a joint statement with the US President and Japanese Prime Minister [announcing](#) that the US and Japan would – subject to final approvals – provide US\$50 million (about AU\$75 million) each in credit guarantees to support Telstra's [acquisition](#) of Digicel Pacific, the leading telecommunications operator in the South Pacific.

### *Development cooperation*

Asked during the Australasian Aid Conference on November 29 whether the Australian government was 'open to cooperation in the development space with China', Pacific Minister Conroy [replied](#):

[There are] five principles that drive our development cooperation with third-party countries, for lack of a better word. I'm not going to speculate about future cooperation but I think those five principles are pretty high barriers for particular countries to hurdle.

He had previously [indicated](#) in July that Australia was notionally 'open to partnering' with the PRC and other countries 'in supporting the development aspirations of the Pacific' (see the [Australia-China monthly wrap-up: July 2022](#)).

## AUKUS

At the beginning of the month, Defence Minister Marles [affirmed](#) that the Nuclear Powered Submarine Taskforce, slated to report to the government in March, is 'on track' to do so.

AUKUS continues to generate a mixed response amongst Australian partners and friends.

Japanese Ambassador to Australia Yamagami Shingo in a National Press Club address [flagged](#) the possibility that 'Japan may also be playing host to Australian nuclear submarines. So measures are already in place to receive them should they come'.

Indonesian Ambassador to Australia Siswo Pramono in a November 3 interview [expressed](#) concerns about a hypersonic arms race brought to bear by plans under AUKUS to cooperate on such weaponry, although emphasised that the countries were 'not in quarrel' and that while Australia and Indonesia had engaged in 'tough dialogues' and had stances that were 'a bit far away at time', 'now it's getting much closer'. It was also [reported](#) that Indonesia had spoken of their concerns about AUKUS to delegates at the East Asia Summit in Phnomh Penh on November 14.

On November 18, French President Emmanuel Macron [suggested](#) that AUKUS risks confrontation with the PRC. He stated that the original deal for French-made submarines was 'not confrontational to China because they are not nuclear-powered submarines.' However, 'the choice made by [former] prime minister Morrison was the opposite, re-entering into nuclear confrontation, making himself completely dependent by deciding to equip themselves with a submarine fleet that the Australians are incapable of producing and maintaining in-house.'

In response, Prime Minister Albanese [stated](#) simply that the French President was ‘entitled to put forward’ those views and that Macron had also noted that ‘Australia has not decided to change their strategy on the subject.’

### **B-52 strategic bombers at Tindal air base**

Defence Minister Marles continued to play down Australia’s decision to house B-52 bombers in the Northern Territory (see [Australia-China monthly wrap-up: October 2022](#)), [telling](#) press on November 2 that ‘everyone needs to take a deep breath here’. He stated:

What we’re talking about is a US investment in the infrastructure at Tindal, which will help make that infrastructure more capable for Australia as well. In terms of US bombers, they’ve been coming to Australia since the 1980s. They’ve been training in Australia since 2005. All of this is part of an initiative which was established in 2017.

### **Critical minerals**

On November 1, Minister for Resources Madeline King [told](#) attendees at a rare earths conference that the supply of rare earths ‘is as much a national security issue as one of energy and economic security.’ She raised concerns about the PRC’s dominance of rare earth supply chains, noting that ‘this level of supply chain concentration, regardless of where the concentration points lie, leads to significant vulnerabilities.’ She stated that Australia needs to be ‘cognisant of the role Australia’s critical minerals will play in the security of our trusted regional friends and allies.’ This prompted an immediate rebuke from the PRC’s foreign affairs spokesperson, who [said](#), ‘No one should use the economy as a political tool or weapon.’

Treasurer Jim Chalmers in a November 25 [speech](#) said the supply of critical minerals ‘touches every tenet of our national interest.’ Noting the PRC’s dominance of rare earth supply chains, he stated that ‘[t]his kind of concentration creates supply chains that are especially vulnerable to disruption – with economic consequences that are farreaching and deeplyfelt.’ He added that Australia will ‘need to be more assertive about encouraging investment that clearly aligns with our national interest in the longer term.’ The Treasurer also said he had ‘asked the Treasury to begin working with the Foreign Investment Review Board, with the Critical Minerals Office in the Department of Industry, with Geoscience Australia, DFAT and States and Territories’ to ‘develop more sophisticated methods of tracking investment patterns in critical minerals in the future.’

On the same day, Australian Ambassador to the US Arthur Sinodinos, discussing the Biden administration’s Inflation Reduction Act (IRA), which includes investments to address ‘energy security’, in an [interview](#) said, ‘I think there is an opportunity for Australia to play a role in the supply chain... We shouldn’t see the IRA as just something that seeks to concentrate critical minerals activity in the US.’

Against the backdrop of growing attention towards the securitisation of critical minerals, Western Australian Premier Mark McGowan emphasised the importance of PRC investment. On November 8, he [noted](#) that the PRC ‘accounts for more than half of WA’s total goods exports’ and that ‘China will continue to be a part of’ the state’s ‘place as a world leader in the critical minerals that will underpin global decarbonisation.’ He further emphasised that there were ‘hundreds of thousands of WA jobs dependent on the relationship.’ The next day he met with representatives of PRC state-owned entities and PRC private investors, including Tianqi and CITIC, in a closed door meeting that was [expected](#) to broach the sensitive subject of Australia and other Western nations accelerating efforts to develop non-Chinese supply chains for critical and battery minerals vital to electrification of the economy and in military applications.’

### **Detention of Australian citizens**

Against the backdrop of Australian economist Sean Turnell’s [release](#) from a Myanmar prison following 21 months in detention, Foreign Minister Wong [told](#) the ABC’s *7.30 Report* that Australian citizens Yang Hengjun and Cheng Lei, still detained in the PRC, were the ‘highest priorities’ of the Australian government. She [said](#) in a November 18 interview that ‘we will continue to do all we can to highlight Dr Yang and Ms Cheng Lei’s cases

... We raise those cases at all levels in our engagements with China from ...diplomatic level, to, of course, the Prime Minister.'

The Prime Minister **raised** their cases in his meeting with President Xi, while the Defence Minister **discussed** Ms Cheng's detention in his meeting with his PRC counterpart.

### **PRC efforts to recruit former Australian Defence Force personnel**

Having last month **directed** the Department of Defence 'to come back to me as quickly as possible with a report about whether this is an issue which presents a material danger to Australia', the Defence Minister issued a **statement** on November 9 which read:

The information provided to me so far presents enough evidence to warrant the need for a detailed examination into the adequacy of current Defence policies and procedures addressing this matter.

I have therefore instructed the Department to commence that process.

He **informed** press that 'the task force I've described is investigating a number of cases.'

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