

Australia-China monthly wrap-up

November 2021



This edition features:

- Summary and analysis of major developments in November 2021

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It is clear now that a major pillar of the upcoming election will be national security, a strategy that, as has already been [pointed out](#) by others, the Coalition has adopted on a number of occasions in recent history – asylum seekers arriving by boat and terrorism in 2001, terrorism in 2004 and the matter of boat arrivals again in 2013. This time around, the People’s Republic of China (PRC) will be the major threat to be addressed, with Australia-PRC relations already being co-opted for domestic political point scoring. The Coalition have set the scene, painting the Opposition Australian Labor Party as ‘not up to the task of the national security requirements of this country’; ‘crab-walking away from AUKUS [the Australia-UK-US trilateral partnership]’; and assuming ‘a very different position when it comes to the alliance’. Defence Minister Peter Dutton has also telegraphed a commitment to a US-led war over Taiwan that Washington has not shown much of an appetite for.

The Australian government has continued its work towards trade diversification and strengthening regional relationships, with the latter point also a focus for Beijing. PRC President Xi Jinping told an Association of Southeast Asian Nations (ASEAN) summit this month that ‘China will never seek hegemony, still less bully smaller countries’, an undertaking which rings hollow in light of Beijing’s record of trade punishment against countries, including Australia, its [recent treatment of Lithuania](#) and its [use of water cannons](#) against Philippine supply vessels making their way to a disputed shoal in the South China Sea.

US-PRC relations appear to have stabilised somewhat following a [meeting](#) between US President Joe Biden and President Xi on November 15 and an [agreement](#) between the two countries during the COP26 summit on November 11 to cooperate on climate. While this stabilisation may be short-lived given tensions in other aspects of the relationship, it is clear that Washington is allowing for some flexibility in its own approach to the PRC, leaving space for meaningful cooperation, while Australia remains boxed in. For the moment the only [example](#) of engagement between the two countries being highlighted by the Australian government are grants through the National Foundation for Australia-China Relations.

There is some thinking that developments in the trade pacts space might assist with easing some tensions between Australia and the PRC, but there is also scope for tensions to be further inflamed pending the outcome of the review of PRC company Landbridge’s lease of the Port of Darwin.

Beijing this month also appointed a new Ambassador to Australia, Xiao Qian.

Australia-PRC relations: A question of loyalty

Speaking on morning television on November 11, Prime Minister Scott Morrison without context [described](#) the Opposition Leader, Anthony Albanese, of having ‘backed in the Chinese government’. This came a day after the Defence Minister critiqued [remarks](#) on Australia’s strategic framework by Paul Keating to the National Press Club, [dubbing](#) the former prime minister, ‘former dear leader and Grand Appeaser Comrade Keating’, who was ‘talk[ing] down Australia (yet again)’. Later in the month, the Prime Minister [characterised](#) would-be critics of the government’s PRC policy as people ‘who want to join the chorus of those who might want to attack Australia.’

The adoption of this rhetorical style, previously confined to the backbench, by senior ministers provide a clear indication of tactics to be deployed throughout the election campaign period, tapping into anxieties about the PRC in order to undermine political opponents and depict government policy as the only viable option. (See Elena Collinson, ‘[The new/old benchmarks in Australia’s PRC debate](#)’ for a more detailed discussion).

The PRC as an existential threat

The Defence Minister used a [speech](#) at the National Press Club on November 26 to communicate the existential threat to Australia posed by Beijing, stating that ‘the times in which we live have echoes of the 1930s’, pointing to the PRC’s large-scale military build-up. He asserted that Beijing ‘see[s] us as tributary states’ and asked:

How can the region be assured China seeks reunification by peaceful means, or that there is a limit to its territorial ambitions?

What kind of relationship does China truly seek with its neighbours, Australia included, when it backs aspirations of regional leadership with grey-zone cyber effects and economic intimidation?

Can there be truly mutually beneficial cooperation when the terms are dictated by one side?

He noted that on Taiwan, ‘Yes there would be a terrible price of action, but the analysis must also extend to the price of inaction. If Taiwan is taken, surely the Senkakus are next.’

The Defence Minister concluded his speech with the election pitch, ‘In a time of great uncertainty, Australians can be certain that the government – the Morrison government – will act to keep them safe.’

The speech was ‘strongly’ [supported](#) by the Prime Minister, who described it as ‘spot on when it comes to the uncertain environment in which we live. This is not a time where Australia can afford weakness.’

Conflict over Taiwan

The Defence Minister in an [interview](#) with *The Australian* published November 13 said it would be ‘inconceivable’ that Australia would not join the US in any conflict with the PRC over Taiwan:

It would be inconceivable that we wouldn’t support the US in an action if the US chose to take that action... maybe there are circumstances where we wouldn’t take up that option, [but] I can’t conceive of those circumstances.

The Defence Minister has been consistent in this regard – he had [indicated](#) in an interview in September that should conflict between the PRC and the US arise with respect to Taiwan, Australia would likely join, supporting the US.

Minister Dutton has thus far been a lone voice in this definitiveness, with the Prime Minister [sidestepping](#) questions about the Defence Minister’s assessment. Foreign Minister Marise Payne has also [refused](#) ‘to engage in a hypothetical discussion on the circumstances in which the ANZUS Treaty might apply.’ Assistant Minister for Defence Andrew Hastie has similarly [declined](#) to be drawn on the matter.

Washington has not indicated any real appetite for such a war. As a November 5 Politico report [observes](#), ‘the Biden administration has shown little interest in stepping back from strategic ambiguity, even as the president himself has hinted at a policy change in his off-the-cuff remarks.’¹ National security adviser Jake Sullivan has [stated](#) ‘there’s no reason’ that competition between the US and the PRC ‘has to turn into conflict or confrontation’, White House Indo-Pacific Coordinator Kurt Campbell has [said](#), ‘I think the President, our team, recognises that it will be important to try to establish some guardrails that will keep the relationship from veering into dangerous arenas of confrontation.’ The need to establish ‘common-sense guardrails’ was [conveyed](#) by President Biden to President Xi during their virtual meeting on November 15. It is, of course, important to note that the situation remains fluid.

Talk of conflict over Taiwan is, for the most part, confined to a limited sphere in Australia at present. During a Senate Estimates hearing, in [response](#) to a query from independent Senator Rex Patrick whether ‘Australia had warned China in any way about the possible consequences of a confrontation in the Taiwan Straits, including, for example, the consequences for China’s access to vital commodities required for its economy’, a senior Department of Foreign Affairs and Trade official responded, ‘We haven’t had conversations of that character and nor have we entertained speculation about specific aspects of a hypothetical conflict.’

The ALP’s view

While emphasising that the PRC has changed and that Australian Labor Party (ALP) policy has shifted in response – a statement repeated by both the [Opposition Leader](#) and [Shadow Foreign Minister](#) – and [recognising](#) that the country has ‘not behaved towards Australia, in the imposition of economic coercion, as a responsible global power’, the ALP has been strongly [critical](#) of the Defence Minister for ‘amping up of talk of war’ and of the [government](#) for not having ‘an approach to foreign policy that is commensurate with the challenges we face’. In a major foreign policy [speech](#) on November 23 Shadow Foreign Minister Penny Wong asserted, ‘The consequences of a kinetic conflict over Taiwan, with the potential for escalation, would be catastrophic for humanity’ and pledged to maintain a position of strategic ambiguity.

AUKUS

Next steps

Australia-UK-US (AUKUS) trilateral partners signed the [Exchange of Naval Nuclear Propulsion Information Agreement](#) on November 22, which permits ‘the United Kingdom and the United States to exchange sensitive and classified naval nuclear propulsion information with a third country for the first time’, as part of Australia’s 18-month consultation period to ascertain how its proposed nuclear submarine program can be delivered.

The PRC’s response

Some hours following the signing of the above agreement, President Xi in an [address](#) to an ASEAN-China special summit indicated Beijing’s willingness to sign the [Protocol to the Treaty on the Southeast Asia Nuclear Weapon-Free Zone](#) ‘as early as possible’.

President Xi had earlier in the month criticised initiatives such as AUKUS and the Quad, [telling](#) a business conference on the sidelines of the Asia-Pacific Economic Cooperation (APEC) summit, ‘Attempts to draw ideological lines or form small circles on geopolitical grounds are bound to fail.’

Regional relationships

Soothing regional concerns about AUKUS and Australia’s commitment to acquire a fleet of nuclear submarines under its auspices was a clear priority for Foreign Minister Payne, who visited [Malaysia, Cambodia, Vietnam and Indonesia](#) to meet with her counterparts. Some progress on this front appears to have been made with Malaysia, with Malaysian Foreign Minister Dato’ Saifuddin Abdullah in the [joint ministerial statement](#) for the 4th Australia-Malaysia Annual Foreign Ministers’ Meeting ‘welcom[ing] Australia’s steadfast

¹ US President Joe Biden last month said the US has a ‘commitment’ to coming to the defence of Taiwan should it come under military attack by the PRC. His comment was subsequently walked back by the White House.

commitment to meet all its obligations as a non-nuclear weapons state under the NPT [Non-Proliferation Treaty].’ Malaysia, along with Indonesia, has been [vocal](#) about its concerns about the ramifications of the AUKUS submarine initiative. The Australia–Malaysia joint statement also made reference to addressing ‘unfair and coercive economic practices’, a point which was absent in similar joint statements with Indonesia and South Korea in [September](#).

The ratification of RCEP

On November 2 Australia [ratified](#) the Regional Comprehensive Economic Partnership Agreement (RCEP) which will come into effect on January 1 2022. The world’s largest free trade agreement, RCEP comprises 15 countries in the Asia-Pacific, including the PRC.

In parallel with lauding the overall economic opportunities, Finance Minister Simon Birmingham [expressed](#) some hope that ‘the fact that both China and Australia share a mutual ambition in relation to the success of RCEP and the cooperation with ASEAN’ might ‘provide at least a small step towards us seeing some of these tensions of the past ease’.

The PRC’s bid to join the CPTPP

Both [Finance Minister](#) Simon Birmingham and [Trade Minister](#) Dan Tehan have indicated that the PRC’s request to accede to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will necessitate the resumption of ministerial dialogue, after a lengthy period of silence. DFAT this month had [confirmed](#) ‘there’s been no direct contact by phone or in person between Australian and Chinese ministers this year’.

It is unlikely that Australia will support the PRC’s bid while it remains the subject of trade punishment by Beijing, with the Trade Minister and the Prime Minister effectively saying so during press conferences throughout the month. On November 19 the Trade Minister [stated](#):

[I]f any country is to accede to CPTPP they have to demonstrate that they are adhering in spirit...so, any country that was practicing economic coercion wouldn’t be adhering in spirit and in law to their current agreements, and, therefore, it would be hard to see how they could accede to CPTPP.

This was [repeated](#) by the Prime Minister on November 22:

The CPTPP sets a very high benchmark on what people have to be able to achieve, and so it’s important that those who are seeking to become part of an arrangement like that wouldn’t want to have a track record of coercing other trade partners.

Australian trade diversification

Australian government efforts towards reducing Australian reliance on the PRC market continued, with a [visit](#) by the Trade Minister to Singapore this month ‘to strengthen Australia’s trading and tourism relationships and promote investment in Australia’; the resumption of the [export of canola seeds](#) to Pakistan; and the finalisation of [the Australia-Vietnam Enhanced Economic Engagement Strategy](#) ‘which will support [the two countries’] joint ambition of becoming top ten trade partners and doubling investment’. The federal government had [no physical presence](#) at the China International Import Expo, although its officials assisted Australian businesses which had paid to attend.

The Trade Minister told Australian businesses during a [briefing](#) on November 5, ‘Team Australia – Australian government [and] Australian business working together – has never ever been more important.’ But there is still a disconnect between Australian businesses’ own aims and risk assessments, and those of the government’s. For example, a recently released UTS:ACRI research report, [Behind the headlines: Why Australian companies are still doing business with China](#), found that ‘market diversification is a priority but not the only risk mitigation strategy’ with most business executives interviewed assessing that ‘the amount of exposure they had to China was ‘about right’.

The results of [Australia's International Business Survey 2021](#), released November 23, showed that while 21 percent of Australian exporters increased their market diversification between 2018-19 and 2020-21, 23 percent reduced their market diversification. Respondents were alive to the challenges presented by the PRC market – Vietnam was ranked first with respect to ‘average regulatory challenges faced by foreign market’ at 36 percent with the PRC a close second at 35 percent – yet still nominated it as a desirable market to engage with – the PRC remains in the top five markets Australian exporters are seeking to enter.

Beijing Winter Olympics

As the US [considers](#) a diplomatic boycott of the Beijing Winter Olympics in February 2022, there have been [mixed views](#) within both major parties in Australia about whether to engage in the same course of action. While there has been push for a boycott from some quarters of the backbench, others have been less convinced, including the Defence Minister who, when asked during an [interview](#), ‘Do you believe Australia should join a diplomatic boycott of the Chinese Winter Olympics?’, responded, ‘the short answer is no, but that’s an issue for others to consider’.

The case of Peng Shuai

Australia joined the wave of international concern for the safety of PRC professional tennis player Peng Shuai, who disappeared for weeks from public view after publishing a Weibo post on November 2 accusing former PRC vice-premier, Zhang Gaoli of sexual assault. Prime Minister Scott Morrison [said](#) on November 19 the reports on Peng Shuai’s situation were ‘cause for concern’ and an Australian government spokesperson [said](#) on November 22, ‘This is a matter that needs to be responded to with transparency and accountability.’ This will likely feed into Canberra’s contemplation of a diplomatic Winter Olympics boycott.

Port of Darwin review

A Senate Estimates hearing at the end of last month was [advised](#) that Department of Defence review into the Port of Darwin’s 99-year lease by PRC company Landbridge had been completed. It has [reportedly](#) been submitted to the Defence Minister and, as at November 8, was awaiting consideration by the national security committee of cabinet. Landbridge’s managing director stepped down from their role with the company at the beginning of the month, possibly an indication of the direction the outcome of the review might be headed in.

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