

Australia-China monthly wrap-up

January 2023



This edition features:

- Summary and analysis of major developments in January 2023

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January saw a continuation of guarded goodwill between Australia and the People's Republic of China (PRC). Prime Minister Anthony Albanese [noted](#) that 'There is increased engagement at different levels between our respective agencies, and that's a positive thing', and President Xi Jinping in a [message](#) sent to Governor-General David Hurley marking Australia Day said that relations were moving in the 'right direction'.

This month also tentatively heralded the beginning of an end to the PRC's campaign of economic punishment. There was a scheduling of talks between trade ministers, the first such dialogue in over three years, and an unofficial ban on Australian coal by Beijing, in place since late 2020, was quietly eased. Agriculture Minister Murray Watt further [observed](#) that 'different parts' of industry were 'getting interest and approaches they haven't had in a while'.

The importance of Australia-PRC trade was particularly [emphasised](#) by Trade Minister Don Farrell. While acknowledging that 'they're an autocracy, we're a democracy', he pointed to the importance of identifying 'where we can work together' given 'China continues to be our largest trading partner' and Australia had 'made pretty well near record sales to China worth \$300 billion in the last 12 months.' He went on to say, '[T]hat's more than Japan, Korea, the United States, the United Kingdom and France put together.' The Prime Minister made the same [point](#), underlining the symbiotic nature of the economic relationship.

January also saw the announcement of several notable defence procurements – most notably sea mines, ship-to-ship missiles (Naval Strike Missiles) and artillery rocket systems (HIMARS). Announcements by Australian ministers and defence officials did not single out threats from the PRC as a reason for these acquisitions, and PRC criticism of these acquisitions were generally not directed towards Canberra, but rather focused on Washington.

The political relationship overall

President Xi in his message to Governor-General David Hurley on January 26 [said](#), 'The two countries have reviewed the past and looked to the future, making active efforts towards the right direction of improving and growing China-Australia ties'.

These warmer sentiments were reflected by the PRC's Ambassador to Australia, Xiao Qian, in a [speech](#) at a press conference hosted by the embassy on January 11. He termed 2022 an 'extraordinary' and 'very positive,

constructive and effective' year for the bilateral relationship, declaring that relations were 'at a critical stage of turnaround.'

Ambassador Xiao called for the resumption of 'existing cooperations in wherever possible areas we have been working on' and said further that the nations 'should also explore the new frontiers' of cooperation, nominating climate change and green energy/infrastructure as key examples.

Prime Minister Albanese [described](#) the Ambassador's remarks about Australia-PRC relations as 'positive and constructive'. He added:

The dialogue has been constructive. No one can argue that the mood in the relationship has not been enhanced substantially since I've been Prime Minister. I've been busy making sure that that occurs.

Asked in a January 25 interview whether he expected to visit the PRC this year, the Prime Minister [replied](#), 'We'll wait and see.'

The economic relationship overall

Senior Australian ministers continued to push for the normalisation of the economic relationship, highlighting the mutually beneficial nature of Australia-PRC trade. The Prime Minister [noted](#) that while 'It is in Australia's interest to be able to export without any impediments to China', it is 'also in China's interests to receive those exports from Australia', adding that it is 'good for their [living standards](#)'. Foreign Minister Penny Wong [conveyed](#) the same message throughout the month.

While the PRC Ambassador continued to deny that Beijing had placed official trade sanctions on Australia, [saying](#) there was 'no such thing', he told the January 11 press gathering, 'I would hope that as we are improving relations, that you have more encouragement to the Chinese economy, to the Chinese customers to come back for a stronger appetite for Australian products'.

The Prime Minister [said](#) these comments were 'positive soundings', asserting that on the economic relationship, 'a win-win is what we're looking for'.

On January 20, Assistant Minister for Trade Tim Ayres participated in a 45-minute [meeting](#) with PRC Vice Minister for Commerce Wang Shouwen on the sidelines of the World Economic Forum, with one agenda item being the 'removal of current trade impediments affecting Australian exports to China'.

PRC state media outlet *Xinhua* subsequently [reported](#) that the officials had 'agreed' that Trade Minister Farrell and PRC Commerce Minister Wang Wentao 'will hold talks in the near future via video conference'.

On January 31, the Trade Minister [confirmed](#) a virtual meeting had been scheduled for the second week of February. He had previously [said](#) the 'first item on the agenda' would be 'seeking the removal of those \$20 billion worth of trade bans'. Senator Farrell had [observed](#) the week before that '[t]he value of those four products which they've banned [barley, wine, crayfish and meat]... is \$20 billion', noting 'that's more than our total trade between France and the United Kingdom.'

Coal

On January 3, the PRC's National Development and Reform Commission held [discussions](#) with PRC state-owned companies China Darang Corp, China Huaneng Group, China Energy Investment Corp (CEIC) and steelmaker China Baowu Steel Group Corp on [resuming](#) Australian coal imports.

Three days later, *Reuters* reported that an [order](#) for thermal coal had been placed by CEIC.

At the end of the month, the *South China Morning Post* [reported](#) that a shipment of coking coal had been ordered by PRC buyers just before the start of the Lunar New Year holiday.

While the developments have been welcomed, companies are wary of a repeat of trade disruptions. An executive at a mining company headquartered in Australia [told](#) the *Wall Street Journal* that while ‘We are all happy that trade flows have readjusted’, ‘People don’t want to expose themselves too much anymore. We have seen what happened, and it could happen again.’ The article noted that ‘[o]ther executives have privately expressed a similar view.’

Lobster

On January 10, the PRC’s Consul-General in Western Australia Long Dingbin [visited](#) Geraldton Fishermen’s Cooperative, the world’s largest processor and exporter of Australian rock lobsters. Following the visit he [said](#):

I believe that there will be further development between the two countries with efforts being made by both sides, and the Geraldton Fishermen’s Cooperative will play a bigger role for the fishery industry of both nations.

In a report published the following week, PRC seafood traders [told](#) *The Australian Financial Review* that they hoped to resume Australian lobster exports by the second half of 2023, or as early as May.

Tourism

The PRC’s Ministry of Culture and Tourism [announced](#) on January 20 that group tours from the PRC under the ‘China Approved Destination Status’ scheme would resume on February 6. However, Australia was not [among](#) the 20 countries on the ‘approved’ list.

Wine

In the wake of renewed dialogue between Australia and the PRC, wine importers have expressed ‘cautious optimism’ about the removal of PRC duties on Australian wine. The head of Australian Grape and Wine, Australia’s national association of winegrape and wine producers, [told](#) *The Sydney Morning Herald*, ‘A lot of wine is sitting in tanks and barrels around the country. It’s really important to get the relationship with China going again.’

Defence acquisitions

The Australian government this month confirmed a number of significant weapons procurement packages, which had been in the works since at least last year under the direction of the Morrison government.

On January 5, the government [announced](#) it would be investing more than \$1 billion in the acquisition of Norwegian-designed Naval Strike Missiles (NSM) and 20 [Lockheed Martin](#) high mobility artillery rocket systems (HIMARS). Industry Defence Minister Pat Conroy [described](#) the HIMARS purchase as representing ‘the biggest increase in Army’s land strike capability in living memory, if not ever’. Australia’s bids for HIMARS systems had been approved by the US Department of State in May last year. The State Department had issued a [statement](#) at the time noting that the proposed sale would ‘support the foreign policy and national security objectives of the United States’ and would ‘enhance interoperability with US forces and other allied forces.’

On January 23, *The Sydney Morning Herald* [reported](#) that Australia would be ‘mak[ing] its first major investment in sea mines since the Vietnam War’, spending up to \$1 billion in their procurement. The purchase was confirmed by the Department of Defence.

While the acquisitions were subject to extensive coverage by mainstream PRC news agencies and military magazines, state press tended away from direct criticism of Canberra. Where criticisms were apparent, they were generally [levelled](#) at the US ‘incessantly playing up China’s military capabilities’.¹

¹ Authors’ translation.

AUKUS

Foreign Minister Wong [described](#) Australia's planned nuclear submarine capability under the Australia-US-US trilateral security partnership (AUKUS) as 'the biggest procurement in the nation's history'. While the Australian government has consistently [reiterated](#) the importance of the program in Australia's defence planning, concerns about nuclear non-proliferation – most strongly voiced by Beijing, but also by other [nations](#) in the [region](#) – as well as questions around sovereignty remain.

In a bid to assuage anxieties, Senator Wong penned an [opinion piece](#) in *The Guardian* on January 23 titled 'AUKUS won't undermine Australia's stance against nuclear weapons', writing that it is 'not a new capability in the region' and that AUKUS partners 'understand that acquiring this critical capability comes with a responsibility to strengthen even further the non-proliferation regime.'

At the beginning of the month former prime minister Malcolm Turnbull had [tweeted](#) that while AUKUS is 'a worthwhile and natural enhancement of already intimate security and intelligence relationships', 'the submarine element of the agreement delays vital capabilities and diminishes Australian sovereignty'.² In response, Prime Minister Albanese [stated](#): 'We are being very clear that Australia's sovereign interest will be protected in any arrangements that we enter into'.

On January 10, a bipartisan group of nine members of US congress penned a [letter](#) to President Joe Biden 'to reiterate our strong support not just for [AUKUS] but also, in particular, the commitment to develop an Australian nuclear-powered submarine capability'.³ The letter also proposed the expansion of the US industrial base to allow 'the early provisioning of existing Virginia class submarines to be made available concurrent with the retirement of the Collins class attack submarines' (note: on January 31, Defence Minister Marles [indicated](#) that Australia would not purchase conventional submarines as a stop gap after the retirement of its Collins Class submarines).⁴ The following day, one of the signatories to the letter, Rep. Joe Courtney, in an [op-ed](#) for *Breaking Defense* outlined 'the need to remove legal impediments to advanced nuclear technology-sharing between the three countries', focusing particularly on the US' 'strict regime of existing export controls'.

On January 15, commander of the Canadian Joint Operations Command, Vice-Admiral Bob Auchterlonie, told Canadian press that while nuclear submarines are an older technology, cooperation in other emerging technologies through AUKUS, such as artificial intelligence and machine learning, are 'conversations we [i.e., Canada] need to be in on.'

On January 27, the chair of Britain's defence select committee, Tobias Ellwood, [said](#) in an interview 'I would eventually like to see AUKUS and the Quad merge. This would lead to a NATO-lite structure in the Indo-China Pacific'.

A number of statements from PRC official and semi-official sources [continue](#) to note [opposition](#) to the AUKUS nuclear-powered submarine proposal – in contrast with Beijing's relatively benign reaction to Australia's recent acquisition of a number of other military assets. PRC Ambassador Xiao had earlier in the month [said](#) of AUKUS, 'I don't think it's helpful, especially when you're targeting China as a potential threat or adversary.'

2 Full text of Twitter thread: 'This story continues, rightly, to resonate in Australia. Almost completely overlooked in Australia is the fact that nuclear powered submarines to be acquired from the US will not be able to be operated or maintained without the supervision of the US Navy.'; 'It is surely remarkable that this abdication of Australian sovereignty was effected by the Morrison government and now, apparently, endorsed and adopted by the Albanese government.'; 'AUKUS is a worthwhile and natural enhancement of already intimate security and intelligence relationships but the submarine element of the agreement delays vital capabilities and diminishes Australian sovereignty.' See @TurnbullMalcolm, Twitter, January 9 2023 <<https://twitter.com/turnbullmalcolm/status/1612191202027409408>>.

3 The signatories of the letter were: Chairman of the House Armed Services Committee Mike Rogers (R-AL); Chairman of the House Armed Services Subcommittee on Seapower and Projection Forces Joe Courtney (D-CT); Reps. Mike Gallagher (R-WI), Adam Smith (D-WA), Trent Kelly (R-MS), Donald Norcross (D-NJ), Rob Wittman (R-VA), Derek Kilmer (D-WA), and Blake Moore (R-UT).

4 The letter came less than a month after Democratic Senator Jack Reed, former chair of the US Senate Armed Services Committee, and Republican Senator James Inhofe wrote to President Biden to voice their concern about the capacity of the US submarine industrial base 'to support the desired AUKUS SSN [i.e., nuclear submarine] end state.' See Elena Collinson and Corey Lee Bell, *Australia-China monthly wrap-up: December 2022*, <<https://www.australiachinarelations.org/content/australia-china-monthly-wrap-december-2022>>.

Australia–Japan–PRC relations

On January 11, the US–Japan Security Consultative Committee released a [joint statement](#) noting that the two countries had ‘renewed their commitment to further advance their partnership with Australia’ and ‘expressed their determination to increase trilateral training and exercises to enhance interoperability.’ In a similar vein, the White House National Security Council’s spokesperson [said](#) that President Biden planned to discuss ‘the option for trilateral exercises with Australia, US and Japan’ with Japanese Prime Minister Kishida Fumio during their January 14 meeting.

In an unusual public display of bilateral tensions among foreign ambassadors, ambassadors from Japan and the PRC to Australia advised Canberra to treat the other nation cautiously. In an [interview](#) published just ahead of a scheduled January 11 press conference by the PRC Ambassador, Japanese Ambassador to Australia Yamagami Shingo spoke of the need for Australia and Japan ‘to be vigilant because when it comes to policy and strategy’ because ‘nothing fundamental seems to have changed on [the PRC’s] part’. He added that Australia and Japan were allies ‘in all but name’. Ambassador Yamagami also reiterated his view that the PRC should not be allowed to accede to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in view of its history of ‘infringing rules and undermining the integrity of the (WTO) framework’.

Asked about Ambassador Yamagami’s comments, Ambassador Xiao [said](#) that a ‘handful of political forces’ in Japan have ‘a twisted way of looking at the relations between China and Australia.’ He added that it was ‘not very long, when you look at history, that Australia was under threat and being attacked and invaded’ by Japan. He went on to say:

And the Japanese government has not apologised for that up to today. If they don’t apologise, it means they don’t accept it’s wrong and they might repeat the history.

Once somebody threatens you, he might threaten you again. China has been your friend; we will continue to be your friend.

On January 20, in an [opinion piece](#) intended to ‘eradicate any misunderstandings about the diplomatic activities of ambassadors’ in *The Australian*, the Japanese Ambassador made further criticism – this time veiled – of the PRC, writing:

Living in democracies such as Australia and Japan, whose diplomacy must be conducted with strong public support, the importance of engaging in public diplomacy cannot be emphasised more strongly.

...

This is entirely different from exerting undue influence on politicians through shady back channels

Australia–Papua New Guinea relationship building

Prime Minister Albanese travelled to Papua New Guinea (PNG) for the [Papua New Guinea–Australia Fourth Annual Leaders’ Dialogue](#) in Port Moresby, during which a [joint statement of commitment](#) for a Bilateral Security Agreement was made.

He [addressed](#) the PNG parliament on January 12, the first foreign leader to do so, emphasising the nature of the Australia–PNG relationship as ‘a bond between equals’. At a subsequent address to a state dinner he spoke of ‘common values – and also shared interests.’

On the morning immediately prior to the Prime Minister’s arrival, PNG’s foreign minister Justin Tkatchenko [emphasised](#) during a radio interview that while Australia and PNG enjoyed a close relationship, the PRC is an ‘important strategic partner to the development as well of PNG’ and is ‘one of our biggest economic partners’, saying, ‘we work with them in many different ways’.

And during a [press conference](#) after the Leaders’ Dialogue, when asked whether ‘the security agreement with Australia to be signed next year necessarily prevent[s] a similar deal between Papua New Guinea and China’

and whether ‘any assurances’ were given to Prime Minister Albanese about the PRC ‘developing or having other projects in PNG’, President James Marape responded:

Those were not issues before us in as far as our discussions were concerned. PNG-China relationship remains PNG-China relationships. Our relationship to Australia remains PNG-Australia relationship. ... at no instance was China or any other nations brought into the picture.

Australia-Papua New Guinea bilateral security treaty

Work began on a bilateral security treaty (BST) between Australia and Papua New Guinea in 2020 under the Morrison government through the signing of the Comprehensive Strategic and Economic Partnership agreement. On January 12, Prime Minister Albanese and PNG Prime Minister Marape signed a ‘joint statement of commitment’ for the BST, which [stated](#) that the treaty will ‘enable both countries to protect and enhance their independence, sovereignty and resilience’, ‘facilitate joint security operations and activities and greater interoperability,’ and ‘reflect the evolving nature of our shared security interests,’ including the areas of climate change, cyber security and ‘economic elements of statecraft.’ The statement included a commitment that the foreign ministers of the two nations ‘commit to concluding substantive negotiations for the BST by 30 April 2023’, with Prime Minister Albanese [indicating](#) that both parties ‘hope to have a signing in June’.

Shortly after the signing of the joint statement of commitment, Papua New Guinea’s Foreign Minister [said](#) that the nation was also discussing the signing of a defence cooperation agreement with the US, and that he expected it would be concluded ‘halfway through this year’.⁵

Australia-Fiji-PRC relations

Fiji’s newly elected Prime Minister Sitiveni Rabuka signalled a shift away from the nation’s previously close relationship with Beijing in an [interview](#) with The Australian on January 25. He said:

The perception is that there is an increasing effort by China to consolidate its influence and increase it and I believe that it is always safer to go along with people you know better.

You know all of them, but who do you know better? In my case, I know the Australians and the Americans and the New Zealanders better than I know China.

On January 26, the *Fiji Times* [reported](#) that Prime Minister Rabuka would end a police training and exchange agreement with the PRC. A 2011 memorandum of understanding between the Fiji Police Force and the PRC’s Ministry of Public Security created an arrangement whereby Fijian officers participated in training in the PRC and PRC officers were deployed to Fiji for three to six months. In 2021, a PRC police liaison officer post had been established in Fiji.

Elaborating on the decision, Prime Minister Rabuka [said](#), ‘Our system of democracy and justice systems are different so we will go back to those that have similar systems with us’.

Detention of Australian citizens

Australian citizens Yang Hengjun and Cheng Lei remain in detention in Beijing, with their sentencing dates this month [delayed](#) yet again by another three months.

On January 19, Foreign Minister Wong issued a [statement](#) marking four years since Yang Hengjun was detained, saying that ‘The Australian government is deeply troubled by the ongoing delays in his case’.

⁵ The development, which would see a delegation from Papua New Guinea travel to Hawaii in February to talk with US officials, came on the back of a visit from a high-level delegation from Washington last April. Mr Tkachenko said that, ‘The United States of America have taken a fairly serious role now in the Pacific since China and Solomon Islands have had their agreement, which has created a tsunami throughout the Pacific region.’ He added that the agreement ‘will have both defence forces working together now and into the future for the security of the Pacific region.’ See Natalie Whiting, ‘PNG prepares to sign Defence Cooperation Agreement with US as it finalises security treaty with Australia’, *ABC News*, January 20 2023 <<https://www.abc.net.au/news/2023-01-20/png-prepares-to-sign-a-defence-cooperation-agreement-with-us/101871422>>.

Shadow Foreign Minister Simon Birmingham [called](#) the delays ‘unacceptable and unjust’.

COVID-19 travel restrictions

As a major COVID-19 wave swept through the PRC following the country’s move away from its COVID-zero policy, Australia implemented [temporary restrictions](#) on travellers originating from the PRC, requiring a negative COVID test result prior to arrival in Australia. The US, Britain, India, Japan, Malaysia, France, Italy, Canada and South Korea, among other nations, had also introduced similar requirements.

On January 1, Health Minister Mark Butler [said](#), ‘This is a temporary measure reflecting the lack of comprehensive information right now about the situation in China’ and was ‘a decision taken out of abundance of caution’. A week later, the Prime Minister [asserted](#) that the restrictions had ‘not at all’ set back any of the gains in the Australia-PRC relationship. Indeed, while Beijing implemented retaliatory restrictions on [Japan and Korea](#), none have been placed on Australia.

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