

# Australia-China monthly wrap-up

June 2023



## Key points:

- **Prime Minister Anthony Albanese delivers his first major foreign policy speech of the year**, seeking to lower the regional temperature as tensions simmer between Washington and Beijing. He rejects assumptions about the inevitability of conflict, calls for the implementation of guardrails and highlights the agency of smaller nations
- **More Australian stonefruit, cherries, mangoes and citrus are allowed into the PRC**, after a list of approved Australian producers to sell to the country is updated by PRC authorities after several years of stasis
- **While not mentioned by name, the PRC is a clear focus of a joint declaration against economic coercion endorsed by Australia** with Canada, Japan, New Zealand, the UK and the US
- **The Australian government releases its critical minerals strategy, seeking to address concerns over the PRC's dominance of global supply chains** through the generation of increased investment and collaboration with likeminded partners

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## The political relationship overall

In a [keynote speech](#) to the Shangri-La Dialogue, a security summit in Singapore, to an audience that [included](#) 37 defence ministers, Prime Minister Anthony Albanese sought to lower the regional temperature as tensions simmer between Washington and Beijing. He rejected assumptions about the inevitability of conflict, saying, '[T]he fate of our region is not pre-ordained'. 'When Australia looks north,' he said, 'we don't see a void for others to impose their will'. The Prime Minister accentuated the agency of smaller nations, 'the engine room of the global economy'.

Prime Minister Albanese also spoke of the People's Republic of China's (PRC) 'extraordinary economic transformation', stating that it had 'benefited our entire region' while noting at the same time that it had been 'made possible by a regional architecture that facilitates fair trade'. He underlined that 'if one nation imagines it is too big for the rules then regional stability is undermined and the sovereignty of individual nations is at risk'.

He emphasised the importance of 'guardrails' as 'practical structures to prevent a worst-case scenario', which he differentiated from 'a policy of containment'. Elaborating on Australia's role in the establishment of such guardrails during a subsequent interview, the Prime Minister [said](#) that 'primarily, the guardrails need to be nation-to-nation' and 'bilateral and direct' between the US and the PRC. 'But', he noted, 'Australia does have a role to play, and we are playing that role', pointing to Australia's engagement with the Pacific Island Forum, with its ASEAN neighbours and with NATO, as well as its ministerial dialogue with the PRC.

However, while the language of ‘guardrails’ has been embraced by Washington, with US Defense Secretary Lloyd J. Austin III in a [speech](#) at the same summit saying the nation was ‘working to strengthen the guardrails against conflict’, it has been unfavourably received by Beijing. Senior People’s Liberation Army Colonel Zhao Xiaozhuo [told](#) the *New York Times* that ‘[t]he guardrails that the United States prefers, to my understanding, is to legitimise what the United States has done in its provocative behaviour toward China.’

New PRC Defence Minister General Li Shangfu did [acknowledge](#), however, that ‘a severe conflict or confrontation between China and the US will be an unbearable disaster for the world’ and that the nations should ‘resolve differences through exchanges and cooperation’.

Deputy Prime Minister and Defence Minister Richard Marles continued to highlight the importance of diplomacy as a tool of statecraft even as the government works towards strengthening defence, [telling](#) a plenary session of the summit that ‘while we will make difficult decisions to enhance our hard power, this will be underlined by diplomacy.’ He went on to say:

For Australia, diplomacy will always be the front line of our engagement with the world.

Diplomacy is not measured by the volume with which friends agree. Rather its measure is in how tensions are navigated. Substantive discussion always matters.

The PRC state-owned tabloid the *Global Times* [said](#) of Prime Minister Albanese’s speech that ‘even though Australia is to no small measure reliant on the US in terms of its security policy, the two are clearly divided on the United States’ desire for Australia to join its encirclement of the PRC and push the PRC’s ‘red line’ on the Taiwan issue’.

While in Singapore, Deputy Prime Minister Marles also met with PRC Defence Minister Li, with Defence Department Secretary Greg Moriarty and Chief of the Defence Force General Angus Campbell also in attendance. The Prime Minister [said](#) that the fact that the meeting was taking place was in itself ‘positive’.

## The economic relationship overall

At the beginning of this month, the PRC’s General Administration of Customs [updated](#) their list of orchards, packhouses and treatment facilities approved to export to the PRC, allowing in more Australian stonefruit, mangoes, cherries and citrus.

On June 8, Australia, Canada, Japan, New Zealand, the UK and the US endorsed a [Joint Declaration Against Trade-Related Economic Coercion and Non-Market Policies and Practices](#) ‘to express our shared concern and affirm our commitment to enhance international cooperation in order to effectively deter and address trade-related economic coercion and non-market policies and practices.’

While the Declaration did not name any particular nation, it appeared to be clearly aimed at the PRC.<sup>1</sup>

Responding to the release of the Declaration, a PRC Foreign Ministry spokesperson [said](#), ‘The statement is made by the US together with its Five Eyes allies and Japan, but every sentence in it reads like a description of the US itself.’ The spokesperson described it as an attempt by the US ‘to project its deplorable image onto others’.

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1 Among the seven points articulated in the Declaration, the nations expressed their concern and opposition against ‘trade-related economic coercion that uses, or uses the threat of, measures affecting trade and investment in an abusive, arbitrary, or pretextual manner to pressure, induce or influence a foreign government into taking, or not taking, a decision or action in order to achieve a strategic political or policy objective, or prevent or interfere with the foreign government’s exercise of its legitimate sovereign rights or choices.’ They noted that ‘[t]his trade-related economic coercion is frequently disguised as a legitimate government regulatory or public policy measure unrelated to the strategic objective that it is intended to advance. It may also occur indirectly through government entrustment or direction given to state-owned, state-controlled, or private enterprises.’ They also expressed serious concern about ‘use of forced labour, including state-sponsored forced labour, in global supply chains.’

## *Wine*

The interim report by the World Trade Organization panel investigating Australia's case against the PRC on its wine tariffs is expected within the next two months. This will be followed by the final report towards the end of this year. Australian officials have [indicated](#) that it is likely that the PRC will make a decision as to whether or not to engage in a similar review of its duties on Australian wine after the parties have received the indicative findings of the WTO panel.

## *Tourism*

A Tourism Australia campaign encouraging travel to Australia was [relaunched](#) in Chengdu on June 29. While Australia is not on the PRC's 'approved destination status' (ADS) list,<sup>2</sup> Tourism Australia's managing director [told](#) Senate Estimates on June 2 that 'pre-pandemic, ADS was only a portion of the visa holders who came to Australia and in fact more and more were the independent travellers, and so we are seeing those people starting to come back.' Trade Minister Don Farrell [told](#) the same hearing that he had raised the issue of the ADS list with his PRC counterpart, asking them to review the decision and was 'under the impression that a review was imminent.'

On June 28, the Trade Minister [stated](#), 'I don't think we can wait until we resolve all of those issues [Beijing's trade disruptions] to try and get Chinese tourists back into Australia. ... We actually want to get those tourists back.'

## *Trade diversification*

Trade Minister Farrell in a [speech](#) to the National Press Club on June 1 continued to 'encourage all Australian businesses to continue with their diversification plans... Smart businesses are those who will continue spread their wings and diversify.'

The Australian government's [Southeast Asia Economic Strategy to 2040](#) is set to be completed this year. Prime Minister Albanese [said](#) that Vietnam would play 'a central role' in the strategy. He observed, 'Our trade grew by 40 percent just last year', noting that '[s]ome 99 percent of the barley used in beer in Vietnam is from Australia, pointing to it as 'an example that we are see[k]ing to diversify our trading relationships'.

Negotiations are continuing on an FTA with the European Union, described by the Trade Minister as having been 'tough' thus far, with Australian agriculture industry access to the European market a sticking point.

## *Foreign investment*

Asked during Senate Estimates on June 2 about Beijing's concerns about Australia's foreign investment regime, raised by PRC Commerce Minister Wang Wentao in the trade ministers' [virtual meeting](#) in February and [face-to-face meeting](#) in May, Mr Farrell [told](#) the hearing that he had told his PRC counterpart that while 'there are some high-profile decisions where we have rejected Chinese investment, but overwhelmingly we have approved Chinese investment in Australia.'

He said he had pointed to 'some 270 projects, worth I think \$4.8 billion, that have been approved in Australia in the last 12 months, and that is in addition to something in excess of 2,000 real estate investments that Chinese companies and citizens have made into Australia worth well over a billion dollars.'

## **Critical minerals**

On June 20, the Australian government released [Australia's Critical Minerals Strategy 2023 – 2030](#). While the PRC is not mentioned by name, the strategy seeks to address concerns over the nation's dominance of

2 'Approved Destination Status (ADS) 'an arrangement between the Chinese government and another country, that lets Chinese holiday travellers visit a country in a tour group.' See Tourism New Zealand, 'Approved Destination Status', accessed July 7 2023 <<https://www.tourismnewzealand.com/work-with-us/approved-destination-status/>>. Australia had previously been on the PRC's ADS list, but this arrangement remains paused. See Australian Trade and Investment Commission, 'China Approved Destination Status (ADS) scheme', accessed July 7 2023 <<https://www.austrade.gov.au/australian/tourism/grants-and-support-for-tourism-businesses/ads>>.

global supply chains. A major focus of the strategy is to increase ‘investment from, and collaboration with, likeminded partners to grow Australia’s downstream processing capability and build diverse, resilient and sustainable global supply chains’ that ‘reduce market concentration’.

## Taiwan

On June 21, a former senior Australian defence and intelligence official, Ross Babbage, [said](#) that there was ‘a very serious risk’ (‘close to 50-50’) of a major conflict between the US and the PRC over Taiwan before the end of the decade, noting, ‘It’s fairly clear that Xi Jinping thinks his window of opportunity may be closing’. He added that should war break out across the Taiwan Strait it would be ‘almost inconceivable’ that Australia would not acquiesce to requests from the US to contribute to the island’s defence.

Former defence minister Kim Beazley expressed similar views, stating that ‘[i]f Xi wants to do it by 2027, that’s probably the outer point of the availability to him’, that Beijing has ‘actually reached the point where they might be able to do it, and certainly, they may be reaching a point of some desperation to do it.’ He added that Australia is now ‘totally dependent on the United States’ in defence.

These assessments follow on from the *Sydney Morning Herald* and *The Age*’s ‘Red Alert’ [series](#) in March this year, in which a panel of five defence and security specialists expressed the view that ‘Australia faces the prospect of armed conflict in the Indo-Pacific within three years’, citing an attack on Taiwan as posing the most serious risk of war.

This timeframe for military conflict has been contradicted by figures in the American and Taiwanese administrations. US Defense Secretary Austin in his Shangri-La Dialogue [speech](#) stated that ‘conflict is neither imminent or inevitable’, while Taiwan’s Foreign Minister Joseph Wu [said](#) that Taiwan shared the ‘same assessment’. Mr Wu said that Taiwan did not see conflict as ‘imminent’ and that it believed it ‘it can be avoided.’

### *Military attaché exchange*

In an [interview](#) with *The Australian* on June 27 Taiwanese Foreign Minister Wu expressed Taiwan’s interest in exchanging military attachés with Australia – with Australia stationing a representative in its Taipei office and Taiwan stationing a military attaché in the Taipei Economic and Cultural Office in Canberra. An anonymous source in Canberra told the news outlet that this issue was ‘a long, long point of contention’ within the Australian government, that ‘[the Department of] Defence won’t do anything – they subcontract the whole thing to DFAT [Department of Foreign Affairs and Trade].’

## AUKUS

On June 6, Australian Ambassador to the US Kevin Rudd [told](#) an American audience that ‘our critical task in the course of 2023 is to work with our friends in the administration and the United States Congress to support the passage of the key elements of the enabling legislation [for AUKUS].’ He went on to say, ‘This is not just a piece of admin detail. ... if you’re looking at four or five pieces of legislation, and each with attendant congressional committee oversight, this is a complex process.’

### *Regional responses*

Singapore Acting Prime Minister Lawrence Wong Shyun Tsai [told](#) a press conference following his leaders’ meeting with Prime Minister Albanese (see the ‘Regional relationships – Southeast Asian nations’ section for further discussion) that Singapore ‘welcomes[s] new security arrangements like the Quad and AUKUS, so long as they continue to uphold ASEAN centrality’. He noted that Singapore’s approach was ‘not so much about passive non-alignment’ but about ‘multi-engagement with all the players in the region, so that the region will not be dominated by any single power’.

The [joint statement](#) out of the leaders' meeting made no specific reference to AUKUS but did 'reaffirmed their commitment to achieve a world free of nuclear weapons and to strengthening the global nuclear non-proliferation and disarmament regime'.

On June 5, Cambodian Prime Minister Hun Sen [stated](#) that that AUKUS is 'becoming a concern for ASEAN and countries in the region because ASEAN is a nuclear weapon-free zone, and we oppose nuclear weapon proliferation.' He said that the acquisition of nuclear submarines was the 'starting point of a very dangerous arms race'.

His remarks received [support](#) from the PRC Foreign Ministry. A Foreign Ministry spokesperson also [accused](#) AUKUS nations of 'political manipulation', saying they were 'thwart[ing] the intergovernmental process' at the International Atomic Energy Agency (IAEA) and 'attempt[ing] to coerce the IAEA Secretariat into accepting their proposal'.

### *Internal dissent within the Labor Party*

On June 4, delegates at Queensland Labor's state conference [voted down](#) 229-140 a motion 'congratulating' the Albanese government for 'investing in the AUKUS agreement'.<sup>3</sup>

A motion criticising all aspects of the AUKUS deal by the Australian Manufacturing Workers Union had been [planned](#) for Victorian Labor's state conference later in the month, but, according to *The Australian Financial Review*, was [pulled](#) last-minute in favour of deferring debate until the Labor Party's national conference in August.

Prime Minister Albanese on June 15 [said](#) that while people within the Labor Party with different views were 'entitled to put them forward', 'the view of my government is very, very clear, and is unwavering in its support for AUKUS'.

### **Regional relationships – Southeast Asia**

While in Singapore, the Prime Minister met Singaporean Acting Prime Minister Wong for the [8th Australia-Singapore Annual Leaders' Meeting](#). In [opening remarks](#), the Prime Minister said 'There is no closer friend that we have in the region than Singapore', pointing particularly to 'shared values' between the nations. In the [press conference](#) that followed, Acting Prime Minister Wong focused more on shared interests, [saying](#) that the two countries 'share similar perspectives on regional and international strategic issues.' He said further that 'No country in ASEAN wants to be forced to choose sides. No one wants to be in a position where we have to either contain China's rise or limit America's presence. Any move in either direction will have few takers in the region'. He noted that one way for Singapore and Australia to work together was 'to continue to uphold and strengthen multilateralism' and in so doing avoid 'a situation where the law of the jungle prevails.' Mr Wong also reiterated Singapore's support for AUKUS (see the 'AUKUS' section for further discussion).

On June 4, Prime Minister Albanese visited Vietnam as the two nations work towards upgrading their relationship to a comprehensive strategic partnership, an initiative first [proposed](#) in 2021 by then-Prime Minister Scott Morrison. In [opening remarks](#) at his meeting with Vietnamese Prime Minister Pham Minh Chinh, Prime Minister Albanese said, 'Our friendship is absolutely vital to addressing the complex challenges that face us today in the region and indeed the world', emphasising 'common views' shared by the two nations.

The visit [focused](#) on increasing bilateral economic engagement, with the announcement of an inaugural Australia-Vietnam Trade Ministers' Dialogue and the Australian commitment of \$105 million to enable Vietnam to 'increase its uptake of clean energy and clean energy infrastructure and to update its mining law to attract foreign investment to develop Vietnam's critical minerals resources.' While defence and security cooperation was touched upon during the leaders' meeting, this [centred](#) on 'striving to soon sign an agreement on peacekeeping partnership and work closely in combating transnational crime and other types of crime.'

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<sup>3</sup> The motion read: 'This conference congratulates the Albanese Government on investing in the AUKUS Agreement. An agreement that will create jobs for the country, establish and retain a new industry being nuclear science and secure our nation in the future.'

On June 5, Deputy Prime Minister Marles visited Indonesia, meeting with Indonesian Vice President Ma'ruf Amin and Defence Minister Prabowo Subianto to continue work towards a bilateral defence cooperation agreement, which had first been canvassed during a meeting in February. The agreement would, Mr Marles [said](#), provide for 'greater opportunities for our defence forces to work together, to exercise together, to use each other's facilities.' He declined to provide a timeline for the achievement of the agreement, [noting](#) 'agreements of this kind with this ambition can take a decade', but said the countries were 'confident' that they could get it done 'soon'.

## Regional relationships – Pacific Island nations

On May 30, Papua New Guinea's Prime Minister James Marape issued a [statement](#) which noted that a proposed bilateral security agreement between Papua New Guinea and Australia had been delayed over 'certain wordings and provisions' in the agreement. The nations had initially [committed](#) to concluding negotiations by the end of April, with the expectation the treaty would be [signed](#) in June. Prime Minister Marape elaborated on the reasons for the delay in a subsequent press conference, [saying](#), '[W]e do not agree on certain words that are used. We felt that they encroach into our sovereign rights'.

Papua New Guinea had [signed](#) a broad scoping security agreement with the US in May. The agreement, tabled in PNG's parliament on June 14, [allows](#) 'unimpeded access' to [six](#) key PNG ports and airports for 'mutually agreed activities'.

On June 6-7, Deputy Prime Minister Marles visited Vanuatu, where he [opened](#) the Australian-sponsored [Pacific Fusion Centre](#) in Port Vila, an entity which offers 'practical training to Pacific security officials and produces strategic assessments that assist Pacific decision-makers respond to regional security challenges.' In a [joint press conference](#), Prime Minister Ishmael Kalsakau, said that a [bilateral security agreement](#), signed in December 2022, was currently being reviewed by the National Security Council, and that it will be 'presented for ratification before the end of this year in Parliament'. Some reports [note](#), however, that 'Some Vanuatu politicians who favour ties with China have expressed concern over the deal.'

Mr Marles expressed optimism about completion of the two security deals with Papua New Guinea and Vanuatu. He [said](#) 'we're very happy with the progress that is being made here in Vanuatu in relation to it', [and](#) 'we're pretty confident about being able to complete that agreement that we've worked through the details of that with PNG'.

On June 7, Fiji's Prime Minister Sitiveni Rabuka [stated](#) that his government was reviewing a police exchange agreement with the PRC: 'When we came in, the thing I said was if our values and our systems differ, what co-operation can we get from them [the PRC]?' He said further, 'We need to look at that again before we decide on whether we go backward or continue the way we have had in the past, cooperating with those that have similar democratic values and systems of legislation, law enforcement and so on.' He had [stated](#) in January that there was 'no need' for the agreement although no final decision had been reached since then (see also [Australia-China monthly wrap-up: January 2023](#)).

Tuvalu's Foreign Minister Simon Kofe [visited](#) Australia on June 7, meeting with Foreign Penny Minister Wong. On June 14, the Prime Minister [met](#) with the Secretary General of the Pacific Islands Forum, Henry Puna, in Canberra.

At the end of the month, Deputy Prime Minister Marles [visited](#) the Solomon Islands, meeting with Prime Minister Manasseh *Sogavare*. Included in his [announcements](#) was a \$25 million commitment to the nation's elections in 2024. The Deputy Prime Minister also indicated the two nations were discussing updating their bilateral security pact, and stated that he had conveyed Australia's willingness for its troops and police within the Australian-led Solomons International Assistance Force, established in 2021, to maintain their presence in the nation beyond the [end date](#) of December this year.

## South China Sea

On June 3, a PRC warship **cut across** the bow of American destroyer USS Chung-Hoon, coming within 140 metres of collision as the US vessel conducted a freedom of navigation transit through the Taiwan Strait. The US Navy **described** it as an ‘unsafe interaction’, while a PRC Foreign Ministry spokesperson **blamed** the US for ‘[making] provocations first’.

Asked to comment on the matter on June 4, the Prime Minister kept his response high-level, **emphasising** ‘the need for proper rules to operate’ and the need for the application of the UN Convention on the Law of the Sea. The Deputy Prime Minister **adopted** the same approach in responding to the incident.

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