

Issue Paper



Australia-China Relations under the Government of Albanese

The Developing Trend of Australia's "China Policy" under the Albanese
Government: An Overview
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Issue Paper

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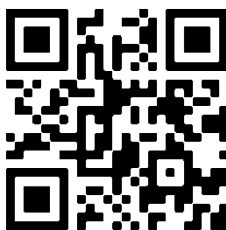
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1. Introduction

In 2022, Anthony Albanese, who represented the Australian Labor Party (ALP) candidate in the federal election, became Australia's 31st Prime Minister. Since ALP has repeatedly shown a "pro-China" stance on cooperation and policies with China, the attitude of Anthony Albanese towards the influence of China, the relationship between Australia and China, Australia's political and economic interests in Asia-Pacific, and regional security has attracted attention from international community.

To discuss the "China Policy" of Australia under the Albanese government, the author shares his observation of the relationship between Australia and China shrouded in the shadows of controversy, such as the origin of the COVID-19, the detention of Cheng Lei, the forming of AUKUS, and China's ban on Australian products.



Australian Prime Minister Anthony Albanese attended the AUKUS meeting on 2023/3/13.
Source: Chad J. McNeeley



2. The Developing Trend of Australia’s “China Policy” under the Albanese Government: An Overview

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In May 2022, Anthony Albanese became Australia’s 31st Prime Minister when the Australian Labor Party (ALP) won office, replacing the Liberal-National Party Coalition government led by Scott Morrison, who has shown a tough attitude towards China. The ALP has a history of controversies regarding its stance towards China, with figures like former Prime Minister Paul Keating, Bob Carr, and former Senator Sam Dastyari being known for their “pro-China” views and attitudes. Additionally, the Victoria state government during the ALP’s governance signed a Memorandum of Understanding (MOU) and agreements with China under the “One Belt, One Road” initiative, encouraging extensive involvement of Chinese enterprises in the state’s infrastructure projects. However, these agreements were eventually revoked by the federal government due to national security concerns. Whether the future Albanese government’s “China policy” will be different from the previous Morrison government will therefore become the focus of international and domestic public opinion.

Continuation of Australia’s China Policy

To dispel concerns from the international community about potential shifts in the ALP’s stance towards China, Albanese, upon assuming office, first stated that the “China policy will be ‘entirely consistent’ with the previous government.” Strictly speaking, Albanese’s commitment may not only



reflect his personal views, but also align with the broader international and domestic trend. Since 2017, Australia has experienced a negative shift in perceptions of China across various aspects, including diplomacy, defense, legislation, mass media, and public sentiment. Moreover, in recent years, China has frequently adopted “Wolf Warrior Diplomacy” and economic sanctions against other countries internationally, which has made Australia more aware of China’s strategic intentions and engagement risks. Against this backdrop, if the new government seeks to foster closer ties with China, it will face pressures and constraints across multiple fronts. Additionally, given the current context of strategic competition between the U.S. and China, improving comprehensive relations with China is no easy task for Australia, especially as it seeks to safeguard its national interests.

The current ALP government is largely continuing the “China policy” and related actions of the previous Liberal-National Coalition Party governments led by Scott Morrison and Malcolm Turnbull. This includes decisions made by the Coalition government from 2015 onwards, such as strict scrutiny of foreign investments, facing up to China’s military expansion, preventing foreign political interference, and dealing with issues like Chinese cyberattacks. The reason why the current ALP government will not overturn the China policy of the previous Coalition government is mainly because the ALP has not only become aware of the security threat and challenge that China poses to the Indo-Pacific region in recent years, but also understands that the era of Deng Xiaoping’s reform and opening up is over, China has become more aggressive and threatening under Xi Jinping’s era, and now Australia is facing a China that is re-moving towards a more authoritarian path.

The ALP Government Intends to Resume Engagement with China

There have been several reasons for the deterioration in Australia-China relations in recent years. The recent escalation can be traced back to Australia’s call in April 2020 for an independent investigation into the origins of the Covid-19 pandemic, which irked the Beijing authorities who were unwilling to be associated with the outbreak. In response, China immediately imposed a 200% tariff on Australian wine imports as a retaliatory measure, leading to a sharp downturn in bilateral relations, bringing them to their lowest point since the establishment of diplomatic ties in 1972. However, since the return of the ALP government to power, there appears to be a recent trend towards easing tensions between Australia and China. For instance, in November 2022, Albanese held talks with Xi at the G20 Summit, and the Australian Foreign Minister Penny Wong visited Beijing in December. Additionally,



on April 12, 2023, China's Deputy Minister of Foreign Affairs Ma Zhaoxu met with Jan Adams, Secretary of Australia's Department of Foreign Affairs and Trade (DFAT), where both parties reached a new agreement on the tariff dispute.¹ The recent high-level interactions between Australia and China have given the impression that bilateral relations are showing signs of improvement. This paved the way for Albanese's successful visit to China from November 4th to 6th, making him the first Australian Prime Minister to visit China in nearly seven years.

The Future Development of Australia-China Relations Still Faces Limitations

On April 17, 2023, Wong delivered a speech at the National Press Club of Australia in Canberra. She mentioned that the best time for Australian-China relations was when former Australian Prime Minister John Howard was in power from 1996 to 2007. During that period, the economic and political strategic objectives in the development of Australia-China relations were "completely separate." However, she emphasized that such a situation is now entirely unlikely to occur again. Regarding the economic aspect, Wong acknowledged that while it may not be possible to "return to the state of 15 years ago" in Australia-China relations,² but from the perspective of the Albanese government's attempt to restore and repair relations with China, it is clear that the deterioration of Australia-China relations is not in Australia's interests. Given that the economic and political relationships between Australia and China are inseparable, Australia is making efforts to diversify its markets internationally in order to reduce reliance on the Chinese market. At the same time, Australia is proactively intensifying its engagement in international multilateral security mechanisms, such as the AUKUS, the Quadrilateral Security Dialogue (QUAD), the Five Eyes and the Five Power Defence Arrangements (FPDA), to safeguard its security interests.

1. Erin Handley, "Talks between China's vice minister of foreign affairs and DFAT focus on trade, human rights and 'strategic competition'," *ABC News*, April 12, 2023, <https://www.abc.net.au/news/2023-04-12/china-vice-minister-foreign-affairs-talks-australian-officials/102214424>.

2. Stephen Dziedzic, "Australia wants to ensure 'strategic equilibrium' in Asia, says Foreign Minister Penny Wong," *ABC News*, April 17, 2023, <https://www.abc.net.au/news/2023-04-17/penny-wong-to-speak-at-national-press-club/102229710>.



As far as security is concerned, based on the security alliance between Australia and the U.S., both parties share a unified stance in addressing the threat posed by China. While the Australian government is actively working to restore economic and trade relations with China, it has not abandoned its joint efforts with the U.S., the U.K., Japan, Canada, the Philippines and other like-minded countries to counter China's military and economic coercion. Besides, the U.S. and the U.K. will not only aid Australia in constructing eight nuclear-powered submarines, but also endeavor to enhance cooperation in military technology, intelligence sharing, artificial intelligence (AI), and quantum teleportation research, all based on the trilateral security pact between Australia, the U.K., and the U.S., known as "AUKUS". Regarding regional order, Wong at the National Press Club stressed that China claims to be a "world power", so it is inevitable that the two countries will have conflicts of interests in the region. For example, with regards to China's recent military exercises in the South China Sea and around Taiwan, Australia's position is "very clear" that there should be "no unilateral changes to the status quo."³ Similarly, on September 22, 2023, during the UN General Assembly, the QUAD member countries convened a meeting. Wong, along with the foreign ministers of other QUAD member nations, jointly issued a statement "strongly opposing unilateral changes to the Indo-Pacific status quo through military force."⁴

China Remains a Primary Consideration for Australia's Defense and Security

In terms of defense, Australia is concerned that China's current substantial military capabilities may effectively sever Australia's connections with its trade partners and the global supply chain. Therefore, the Australian military is actively developing the capability to strike from the air, land, and sea, bolstering northern bases, and recruiting additional forces to counter China's military expansion. On September 28, 2023, in Townsville, Australian Defense Minister Richard Marles announced "a major restructuring of its military" that will feature new long-range strike capabilities in response to

3. Ibid.

4. Isabella Keith, "The Week in Australian Foreign Affairs," Australian Outlook, Australian Institute of International Affairs, September 29, 2023, <https://www.internationalaffairs.org.au/australianoutlook/29-september-2023-the-week-in-australian-foreign-affairs/>.



China's growing military influence in the Indo-Pacific region.⁵ The policy is seen as a response to the April 24 announcement of the National Defence: Defence Strategic Review 2023. The review described China's military build-up as the largest and most ambitious of any country since World War II and warned that "the risk of military escalation or miscalculation is rising."⁶ It is noteworthy that Australia has already unveiled a pivotal element in its new strategy: the advancement of covert, extended-range nuclear-powered submarines capable of swift retaliation with a salvo of cruise missiles and minimal forewarning. In August, Australia also locked in a deal to buy potent long-range weapons (the cache of more than 200 Tomahawk cruise missiles) from the U.S.⁷

Similar to the U.S., countering China's expanding influence and addressing its threat has become a cross-party consensus in Australia. Even with changes in political leadership, this objective is unlikely to shift in the near future. This article suggests that Morrison's defeat in the 2022 federal election may not be due to a disagreement with his "anti-China" stance among voters. Instead, domestic issues, such as the economy, livelihoods, and climate change, may have been the reasons for Albanese's victory. However, if the ALP government aims to tackle long-term inflation and improve economic development bottlenecks, it can be expected to actively work on improving relations with China, which has been Australia's largest trading partner since 2007. Australia has a long-standing and stable supply of mineral and energy resources to China, while China offers Australia competitive products in return. This economic and trade cooperation has led to a closely intertwined relationship between the two countries. Since the ALP government took office in 2022, there has been an increase in high-level interactions between China and Australia. While there are still some differences between the two sides, exchanges and cooperation in various fields have gradually resumed. What can be expected is that although Australia-China relations may not fully return to their former glory, there are still significant prospects for cooperation between the two sides in areas, such as traditional industries, climate change, and renewable energy.

5.David Sadler, "Australia announces a major restructuring of its military in a shift towards long-range deterrence," *Globe Echo*, September 28, 2023, <https://globeecho.com/news/australia-announces-a-major-restructuring-of-its-military-in-a-shift-towards-long-range-deterrence/>.

6.Australian Government, National Defence: Defence Strategic Review 2023 (Canberra: Department of Defence, April 24, 2023), <https://www.defence.gov.au/about/reviews-inquiries/defence-strategic-review>.

7.Renju Jose, "Australia to buy U.S. Tomahawk missiles to boost long-range strike capability," *Reuters*, August 21, 2023, <https://www.reuters.com/business/aerospace-defense/australia-buy-us-tomahawk-missiles-boost-long-range-strike-capability-2023-08-21/>.



Australia's Economy Will Place a Greater Emphasis on the Southeast Asian Market

In 2019, before China imposed economic sanctions on Australia, Australian exports to China accounted for 38.35% of the total, while imports from China made up 24.01%. This illustrates that China exerts significant influence on Australia's economic development. In this regard, Australia's special envoy for Southeast Asia Nicholas Moore mentioned in an interview with Australian Financial Review that "over-reliance on a few markets presents long-term structural risks for any economy and business, and the COVID-19 pandemic and geopolitical and geo-economic headwinds of recent years have underlined the need for trade and investment diversification."⁸ Therefore, to mitigate the risks associated with heavy reliance on the China's economy, Australia must actively diversify its international markets, includes exploring potential markets in Southeast Asia, South Asia, the Americas and Europe, among which the Southeast Asian market is even more important to Australia. Because China's economic slowdown is causing uncertainty to the global economic development and is also having an impact on the Australian economy, Moore believes that Australia needs to strengthen trade cooperation with Southeast Asian countries, especially to increase investment in the region. Although some of Australia's major products have re-entered the Chinese market today, Australia is still further diversifying its international market to reduce the possible risks of over-reliance on China. In addition, Australia's pursuit of diversifying markets will also involve whether the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) led by Indo-Pacific nations and the recently launched Indo-Pacific Economic Framework for Prosperity (IPEF) by the U.S. can bring substantial economic benefits to Australia. Of course, this is not just an issue for Australia, but for all countries in the region.

8. Phillip Coorey, "Why Nicholas Moore says taxpayers should back Asian business ventures," Australian Financial Review, September 5, 2023, <https://www.afr.com/politics/federal/taxpayers-should-back-ventures-in-se-asia-former-macquarie-ceo-20230905-p5e213>.



Balancing and Multilateralism Are the Core Concepts of Australia's China Policy

Within the international context of strategic competition between the U.S. and China, Australia's primary concerns in the Indo-Pacific region stem from two factors: first, China's steadily growing political, military, and economic power; and second, the unpredictability of U.S. security commitments. Bandwagoning/Aligning with the U.S. on security matters has been Australia's long-standing national security policy, and participating in the U.S. Indo-Pacific strategy to counterbalance China's threat is therefore an inevitable course of action. Against the setting of tense U.S.-China relations, Australia's "China policy" within the framework of the U.S. Indo-Pacific strategy is shaped by a combination of "balance of power" and "multilateralism" concepts. In the Indo-Pacific region, operating with the two concepts is the most viable "hedging" strategy for Australia to ensure its national security and economic development. Essentially, this means ensuring U.S. security commitments in the region and garnering more support from like-minded allies and partners, thereby reducing or dispersing the potential economic risks and security challenge of Australia's interactions and engagements with China.

It can be anticipated that, within the U.S. Indo-Pacific strategic framework, positive developments in Australia-China economic and trade relations do not imply a general easing of Australia-China relations. Australia's strategic objective remains to decrease economic and trade dependence on China while gradually strengthening its stance against China. In other words, the recent recovery of Australia-China economic and trade relations will not lead to an overall improvement in political relations and mutual trust between the two sides. The essence of "balancing" will still hold a dominant position in the Albanese government's "China policy".



3. Conclusion

The Albanese government acknowledges the economic importance of China but seeks to reduce dependence and enhance regional security ties. While economic and trade relations show signs of recovery, the overarching policy remains a careful balancing act between economic engagement and maintaining security alliances. Hence, the Albanese government's stance aligns with previous Morrison government due to increased awareness of China's strategic challenges.

As Australia and China are dynamic economies in the Asia-Pacific region, it is vital for international actors to understand the concerns making Australia remain cautious and aligned with the U.S. in countering China's influence, bolstering defense capabilities, and diversifying international markets away from China. To sum up, Australia's strategy contributes to mitigate risks associated with China's growing power while seeking diversified international markets.



Anthony Albanese in G20 meeting.
Source: Anthony Albanese's X (twitter)