

# Australia-China monthly wrap-up

December 2021 and January 2022



This edition features:

- Summary and analysis of major developments in December 2021 and January 2022

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2022 marks the 50th anniversary of the establishment of diplomatic relations between Australia and the People's Republic of China (PRC). While there is potential for this anniversary to be used as a launch pad of sorts for a thawing of the relationship, the domestic political significance of the year for each country – a federal election in Australia and the 20th National Party Congress in the PRC – means it is unlikely there will be any major immediate outcome in this regard, although there is the prospect – not guaranteed – of the relationship getting back onto a slightly more even keel.

There had been some signs of this over December 2021 and January 2022. On December 13 [talks](#) focusing on climate change between Australian and PRC business leaders from mining, energy and resources companies were held through the Australia China Business Council and the China Council for the Promotion of International Trade, reportedly the first official exchange of its kind in over two years.<sup>1</sup> Trade Minister Dan Tehan [expressed](#) the hope that this could pave the way for further engagement.

A somewhat conciliatory tone was struck by the new PRC Ambassador to Australia, Xiao Qian, who upon his arrival in Canberra on January 26, [noted](#) that the Australia-PRC relationship was 'at a critical juncture, facing many difficulties and challenges as well as enormous opportunities and potentials' and pledged to '[work] with the Australian government and friends in all sectors to... jointly push the China-Australia relations[hip] back to the right track.' This statement is notable in that it deviates from the now well-worn script from Beijing attributing the breakdown of the relationship wholly to Canberra, insisting that Australia must shoulder full responsibility for its repair. To this end, the reciprocal nature of the admission in [remarks](#) by then-Chargé d'Affaires Wang Xining earlier in the month that '[t]here are wide-rang[ing] and sometimes deep-set misunderstandings between [Canberra and Beijing]' may also be worth noting. The then-Chargé d'Affaires, usually known for going on the colourful offensive, also used a January 4 speech at an event co-hosted by the PRC consulate in Sydney and the Australian Olympic Committee to express hope for better relations come the 50th anniversary of diplomatic relations between Australia and the PRC this year and to [wish](#) Australian athletes well for the Beijing Winter Olympics.

<sup>1</sup> Attendees included senior executives representing ANZ Banking Group, BHP, Fortescue, Woodside Petroleum, Rio Tinto, Dimer Technologies and LAVO on the Australian side and Sinosteel, China National Petroleum Corporation, Chalco Iron Ore, China Minmetals Non-Ferrous Metals, Trina Solar and Shandong Energy on the PRC side. See Michael Smith, 'Business beats the China deep freeze with climate talks', *The Australian Financial Review*, December 13 2021 <<https://www.afr.com/world/asia/business-beats-the-china-deep-freeze-with-climate-talks-20211213-p59h5i>>.

It is important to note that this tonal shift does not signal any kind of substantive policy change in the PRC. It may, however, offer up the potential for more constructive exchange.

What, then, can we expect from Australia-PRC relations in 2022? The outcome of the federal election may have some impact on the state of the relationship although there is bipartisan support for the overwhelming majority of government positions on the PRC.

The government's framing of Australia's perception of the world through the prism of liberal democracies versus authoritarianism has held over these last two months, as Prime Minister Scott Morrison's speeches addressing the Biden administration's [Summit for Democracy](#) in December and [Davos](#) in January attest.

Developments to monitor include how the expansion of Australian autonomous sanctions legislation will be applied, what Australian government action will ultimately be on the lease of the Port of Darwin to PRC company Landbridge, how Australian universities will traverse tensions in light of, among other developments, government interventions to [cancel](#) Australian Research Council (ARC) grants for PRC-related projects, disputes over tariffs brought by both Australia and the PRC in the World Trade Organization (WTO), as well as what Beijing's promised '[retaliation](#)' in response to Australian and American diplomatic boycotts of the Beijing Winter Olympics will look like, whether there will be any further coercive economic moves from the PRC against Australia, the plight of Australian citizens Yang Hengjun and Cheng Lei currently imprisoned in the PRC on charges of espionage, and how tensions over Taiwan play out, to name a few.

### **Beijing Winter Olympics diplomatic boycott**

The Beijing Winter Olympics officially commenced on February 4. On December 8 2021, Prime Minister Morrison [announced](#) that Australia would not be sending any official representatives to the Games, citing Beijing's unwillingness to meet with Australia to discuss a range of concerns, including human rights abuses in the Xinjiang Uygur Autonomous Region.<sup>2</sup> This came after Australia [refused to sign](#) the Olympic Truce earlier in the month, along with 19 other countries. The Prime Minister noted, however, that Australian athletes would still compete as the government 'very much separate[s] the issues of sport and these other political issues'.

In [response](#), a PRC Foreign Ministry spokesperson stated the country had 'lodged stern representations' with Canberra. They attributed the Australian decision to one of 'blindly following' the US, which had [announced](#) its own boycott days earlier. The spokesperson then alluded to retribution for the decision: 'The US and Australia will pay a price...You may wait and see.'

Defence Minister Peter Dutton on December 10 articulated his [support](#) for the boycott saying, 'I think the Prime Minister's made exactly the right decision', having only two weeks prior unequivocally [stated](#) that he did not believe Australia should join a diplomatic boycott of the Beijing Winter Olympics.

The Australian Labor Party [supported](#) the decision amid 'deep concerns about ongoing human rights abuses in China, including towards Uygurs and other ethnic and religious minorities' and in the context of 'the treatment of tennis player Peng Shuai.' The Leader of the Opposition, Anthony Albanese, [said](#) that in light of such circumstances, it was 'appropriate that a commensurate action be taken to send a message'

In terms of possible protests at the Olympics by competing Australian athletes, it is likely that they – and other international sporting representatives – will be wary of doing so. While the International Olympic Committee (IOC) had amended the Olympic charter to allow for athletes to express their views during the games so long as it was not on the podiums or during competition, the Beijing Olympic Committee had [warned](#) that '[a]ny behaviour or speech that is against the Olympic spirit, especially against the Chinese laws and regulations, are also subject to certain punishment.'

<sup>2</sup> The US, the UK, Canada, India, Lithuania, Kosovo, Belgium, Denmark and Estonia also declared diplomatic boycotts. New Zealand, Austria, Slovenia, Sweden, the Netherlands also opted not to send government representatives but cited logistical challenges related to the global pandemic as the reason. Japan sent Olympic officials instead of government ministers. See 'Beijing Winter Olympics boycott: Why are the Games so controversial?', *BBC News*, February 5 2022 <<https://www.bbc.com/news/explainers-59644043>>.

## Port of Darwin

A review by the Australian Department of Defence into the lease of the Port of Darwin to PRC company Landbridge, [handed to](#) the government around October last year, was [leaked](#) to the press on December 28. It reportedly found that there 'were no national security grounds sufficient to recommend government intervention'. The findings await a final government review. While the Prime Minister has previously [undertaken](#) only to act on departmental advice with respect to the lease, it remains a possibility for the government to overturn the contract.

The Opposition have [avoided](#) directly responding to questions regarding what a Labor government would do with the 99-year lease should they be elected, choosing to place emphasis instead on their opposition to the initial deal. Shadow Foreign Minister Penny Wong, in [response](#) to the question, 'If [the Defence Minister] decides to step in and overturn the lease, despite this defence review, would you support him?', said only that 'there's a lot of hypotheticals in that question'.

## Expansion of autonomous sanctions legislation

On December 2 Australia [expanded](#) its sanctions legislation 'to enable the establishment of Magnitsky-style and other thematic sanctions'<sup>3</sup> which will allow Australia 'to sanction individuals and entities responsible for, or complicit in, egregious conduct, including malicious cyber activity, serious human rights abuses and violations, and serious corruption' both independently and 'with like-minded partners'. It is likely that Australia will have recourse to these new powers to level sanctions against PRC officials and entities, given its increasingly vocal concerns around human rights, cybersecurity attacks, among other issues, and its support for other countries who have adopted travel and financial sanctions as a means to address these same concerns. Coordinated sanctions last year by the European Union (EU), the UK, Canada and the US over human rights violations in the Xinjiang Uygur Autonomous Region, for example, had been welcomed at the time by Australia and New Zealand in a [joint statement](#).

## The detention of Yang Hengjun

January marked three years since Australian citizen and author Yang Hengjun was detained in Guangzhou Airport by PRC authorities. Tried on charges of espionage in May 2021, the verdict has been subject to continuous delays, now postponed until at least April this year. With limited access to lawyers and no access to family, Dr Yang in a recent dictated [statement](#) spoke of his mistreatment in prison: '[T]hey treat me like dirt here and they tortured me'.

PRC authorities continue to obfuscate the details of the charges and the investigation. This has, [according](#) to Foreign Minister Marise Payne, reinforced Australia's view that Dr Yang's imprisonment 'constitutes...arbitrary detention.' Indeed, the manner in which the cases of Canadian citizens Michael Spavor and Michael Kovrig were [dealt with](#) clearly illustrates the fact that politics and the application of the law in the PRC go hand in hand.

A second Australian citizen, Cheng Lei, also charged with espionage, has remained in detention in the PRC since August 2020.

## Regional relationships

Australia over this two-month period inked several significant agreements with South Korea and Japan in its efforts to strengthen relationships with regional partners in the face of tensions with the PRC. At the same time, South Korea and Japan continue to maintain a hedging strategy, simultaneously balancing their relationships with Australia and the PRC.

The Australian-Indian aim to reach an interim free trade agreement by the end of 2021 was not [fulfilled](#) but a free trade agreement with the UK was [concluded](#); and the world's largest FTA, to which both Australia and

<sup>3</sup> See the Autonomous Sanctions (Magnitsky-style and Other Thematic Sanctions) Amendment Bill 2021, and the Autonomous Sanctions (Magnitsky-style and Other Thematic Sanctions) Amendment Regulations 2021.

the PRC are party to, the Regional Comprehensive Economic Partnership Agreement (RCEP), [entered into force](#) on January 1. [Inaugural meetings](#) of the Australia-UK-US (AUKUS) Trilateral Joint Steering Groups were held on December 9 and 14 in the US to discuss the pathway for Australia to acquire nuclear submarines in a timely fashion. The Foreign Minister made December visits to [Greece, Belgium, Austria](#) as well as to the UK to attend the [G7 Foreign and Development Ministers' Meeting](#), and Home Affairs Minister Karen Andrews visited [Indonesia, the US and Sri Lanka](#).

### *South Korea*

During a visit by President Moon Jae-In to Australia December 12–15 2021, the two countries signed a \$1 billion weapons deal, with artillery weapons, ammunition supply vehicles and radars to be provided to Australia by South Korean defence company Hanwha. Prime Minister Morrison and President Moon also [announced](#) the elevation of the relationship to a comprehensive strategic partnership.

The South Korean President was cautious with respect to any references to the PRC, [telling](#) a press conference that his visit 'has nothing to do with [the South Korean] position over China'. Asked 'how should countries respond to Chinese economic coercion', the President declined to directly respond, stating, 'We need the constructive efforts of China to enable denuclearisation of DPRK. Therefore Korea is focused on the steadfast alliance with the US and also with China. We want a harmonised relationship and we want to maintain such a relationship'.

### *Japan*

On January 6 this year Prime Minister Morrison and Japanese Prime Minister Kishida Fumio [signed](#) a Reciprocal Access Agreement, allowing for greater interoperability and cooperation between the Australian Defence Force and the Japanese Self-Defence Forces, a significant step in the Australia-Japan quasi-alliance.

Japan, while navigating its own tensions with the PRC, continues to maintain some cooperation in the relationship having, for example, on December 28 [agreed](#) with the PRC to set up a military hotline between the two countries by the end of 2022.

## **The Australian Labor Party's PRC policy**

During a National Press Club Q&A on January 25, the Opposition Leader was [asked](#) about how the Labor Party might approach relations with the PRC should they win office. He responded that they would 'have an Australian policy that would be exactly the same on the Uyghurs, on Hong Kong, on Taiwan, on the South China Sea, on human rights, but still have an economic relationship that the Howard Government had and that is important in the region.'

The Opposition Leader undertook not to 'abandon diplomacy' despite political challenges and 'not engage in catastrophe'. He went on to say:

[W]e have to deal with it in a mature way, not by being provocative for the sake of it to make a domestic political point. We need to understand that there are domestic consequences as well.

## **Weixin/WeChat and the Prime Minister**

In January news [broke](#) that from November 2021 the Prime Minister's office had no longer been able to access a Weixin account that had been set up for him, and that it had been rebranded with the name 'Australian Chinese New Life'. The account had been registered under the name of a PRC citizen, not necessarily uncommon practice (although not in line with the platform's terms of service) but unusual for a political leader, especially in circumstances of heightened sensitivity to the risk of foreign interference. It had then been [reportedly](#) sold to a new owner. The new owner denied they knew the account was connected to the Australian Prime Minister.

While the Prime Minister and his office refrained from commenting beyond [noting](#) they were in discussions with parent company Tencent, other members of government were more forthcoming.

The Defence Minister [asserted](#) that the account had been subject to foreign interference by Beijing:

I'm not going to ignore the attributes of the Communist regime, which is involved in dissemination of disinformation and ultimately, in this case, interfering with the Prime Minister's WeChat account. It's unacceptable and we should call it out.

Liberal backbencher Gladys Liu [stated](#) she would boycott the service, as, effectively, did Immigration Minister Alex Hawke. Senator James Paterson called on all Australian parliamentarians to do the same, especially targeting the Opposition, [saying](#), 'If Anthony Albanese and other politicians keep posting to WeChat, they're effectively allowing the Chinese government to choose which Australian politicians can reach Chinese-Australians.' Finance Minister Simon Birmingham [asked](#) the Australian public 'to have a second think about using WeChat as a platform.'

Following these assessments, it was subsequently [reported](#) on February 7 that a Department of Home Affairs briefing requested by Labor Shadow Home Affairs Minister Kristina Kenneally advised that there was no evidence to that the Prime Minister's account 'was hacked or the target of foreign interference.' (This will be discussed in greater detail in the February monthly wrap-up).

### **The Prime Minister opens a TikTok account**

On December 24, in a likely bid to extend his communications reach beyond traditional modes, the Prime Minister [opened](#) a TikTok account. This comes after his previous [warning](#) during a security forum to users in 2020 that 'the line connects right back in to China', although conceded at the same time that 'there's no evidence to suggest to us today that that [restrictions on the application] is a step that is necessary.'

### **Trade and investment**

On January 13 2022, the PRC [submitted](#) its first request for the establishment of a World Trade Organization (WTO) Dispute Settlement Panel (DSB) to [examine](#) Australia's decision to 'impose anti-dumping duties on imports of wind towers, stainless steel sinks and certain railway wheels from China as well as countervailing measures on imports of stainless steel sinks from China' after consultations between parties on August 11 2021 failed to resolve the dispute. The PRC's challenge to the duties included the [contention](#) that Australia had not properly taken into account 'the costs of production associated with...the products'. The request was blocked by Australia, with the PRC now set to make a second request for consideration by the DSB that the DSB will likely agree to, as it did when Australia made its second request for duties on Australian wine exports to be [examined](#).

The PRC's Ministry of Finance and Commerce (MOFCOM) had first [announced](#) its decision to lodge a complaint against these anti-dumping and anti-subsidy measures on June 24 2021, just days after the Australian government announced its decision to challenge the PRC's imposition of anti-dumping duties on Australian wine. At the time, the Finance Minister [termed](#) the action 'more petty than provocative'.

[According](#) to *The South China Morning Post*, out of 85 sets of anti-dumping and anti-subsidy tariffs established by Australia against the PRC between 1995 and 2020, Beijing had not contested any of them up until now.

On January 28, the PRC's General Administration of Customs [announced](#) that from January 29 it would be suspending imports from South Australian meat processing facility, Teys Naracoorte. No specific reason for the suspension was [provided](#). The facility is the tenth abattoir to have its exports to the PRC disrupted since May 2020.

On January 29, the Australian government [announced](#) its intention to request to join consultations initiated by the EU against the PRC regarding discriminatory trade practices against Lithuania, with the Trade Minister [stating](#) that 'Australia feels that it has a very strong interest in this dispute' in light of its own experiences with PRC economic coercion. Since Taiwan [opened](#) a de facto embassy in Vilnius on November 18 2021, Lithuania has been on the receiving end of retaliatory trade measures by the PRC. These [measures](#), including the refusal to clear Lithuanian goods through customs and rejecting import applications reflect similar measures against Australian products such as coal and beef.

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