

Australia - China relations: The outlook for 2023

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Australia-China relations improved substantially on the back of the election victory of the Australian Labor government in May. After years in a diplomatic freeze, the second half of 2022 saw bilateral meetings between Australian and Chinese defence ministers, foreign ministers, and most importantly, the leaders of both countries.

Foreign Minister Penny Wong travelled to Beijing this week to participate in the sixth Australia-China Foreign and Strategic Dialogue with her Chinese counterpart, Wang Yi, on December 21, which coincides with the 50th anniversary of the establishment of diplomatic relations between the two countries.

Afterward, Wong [called the meeting](#) 'another step forward as we stabilise the relationship between our two countries.'

'Australia believes we can grow our bilateral relationship and uphold our national interests if both countries navigate our differences wisely,' she wrote on Twitter.

The resumption of high-level dialogue has renewed optimism for friendlier relations moving forward. The descriptor 'comprehensive strategic partnership' has been dusted off and used once again by both sides. That said, the Australian government remains circumspect, with ministers [emphasising](#) an intent to 'stabilise' as opposed to 'reset' the relationship.

In dealing with China, 2022 could be understood as a year in which Australia rediscovered the power of diplomacy. Yet 2023 could well be the year that Canberra tests the limits of this power.

While the Albanese government has been more diplomatically adroit than its predecessor, the reality is that the rhetoric and reality of the Australia-China relationship are not, at present, trending the same way. Given that Canberra continues to take concrete measures to balance against China's growing military, economic, and systemic power – including measures Beijing has argued are aimed at 'constraining China' – 2023 could see new developments that further inflame the relationship.

This prompts the question: What are the prospects for the relationship moving into 2023? And what, in particular, are the challenges, existing and emergent, that will need to be navigated?

There are five major issues that may place further strain on the Australia-China relationship next year: defence acquisitions and closer strategic alignment with Washington; the Port of Darwin and the potential end of country-agnostic reviews; the securitisation of critical mineral supply chains, particularly lithium; security competition in Solomon Islands; and the impact of the decision on Bougainville's independence.

Defence acquisitions and closer strategic alignment with Washington

A remarkable achievement of the new government is that its diplomatic thaw with Beijing was achieved even as it pursued military acquisitions in response to China's military rise, and deepened Australia's alliance with the United States and security partnership with Japan.

Australia and Japan [signed](#) an updated Joint Declaration on Security Cooperation in October and during the 10th Japan-Australia 2+2 Foreign and Defence Ministerial Consultation on December 9 [committed](#) to 'accelerating the consideration of... future rotational deployment of Japan's fighters including F-35s in Australia.'

On December 6, the 32nd Australia-US Ministerial Consultations (AUSMIN) resulted in [undertakings](#) to increase 'rotations of air, land, and sea forces to Australia,' deepen 'interoperability,' and further integrate defence industrial bases. The two countries also agreed to 'invite Japan to integrate into our force posture initiatives in Australia.'

Beijing has been highly critical of the Quad and AUKUS, a security pact linking Australia, the United Kingdom, and the United States. The Chinese Foreign Ministry has [described](#) the Quad as 'a tool for containing and besieging China' and [described](#) AUKUS as an 'Anglo-Saxon clique' aimed at building 'a NATO replica in the Asia-Pacific.' The original centerpiece of AUKUS, the Australian acquisition of a fleet of nuclear-powered submarines, has come in for particularly strong criticism, with China [claiming](#) that it is 'a violation of the object and purpose' of the Nuclear Non-Proliferation Treaty.

The coming year will likely see the inchoate fruition of these programs. Moreover, a number of key announcements are scheduled in relation to defence acquisitions. The Nuclear Powered Submarine Taskforce and the Defence Strategic Review will report to the government in March; both are 'on track,' [according](#) to Defence Minister Richard Marles. The latter report could make recommendations in relation to the procurement or joint development of hypersonic missiles – another platform that has sparked the ire of Beijing.

At the same time, China's fears of mechanisms such as AUKUS becoming the basis of budding 'blocs' – or part of a containment policy aimed at China – could be further fuelled by the expansion of the scope of the Quad. Next year the Quad leaders' summit will be held in Sydney, and may lead to further developments in what have thus far been the Quad's tentative ventures into areas including technology cooperation, supply chain resilience, infrastructure, and cybersecurity.

In keeping with the new Australian government's approach toward China policy to date, neither Wong nor Marles named China as a threat to regional security during the press conference following AUSMIN, even as US Defense Secretary Lloyd Austin called out 'China's dangerous and coercive actions.' But Canberra's actions may speak louder than its words.

In a November 14 [speech](#), Marles stated that 'deterrence isn't an alternative to cooperation' and that Australia does not need to 'choose between diplomacy and defence' or 'cooperation and confrontation.' However, there is certainly no guarantee that Beijing will see things the same way.

Country-agnostic reviews and the Port of Darwin

In recent years Australia has implemented a number of review mechanisms by which foreign investments and international partnerships, including research collaborations, are assessed in terms of their potential impact on Australia's national security and interests. These are country-agnostic in the sense that they do not explicitly single out countries for exclusion, and in principle evaluate the threats of foreign influence and interference by the same criteria regardless of the source nation.

However, these mechanisms are often designed so that country-targeted exclusion is their ultimate effect.

For example, for university collaboration, elevated risk management protocols are activated for countries that do not reach a certain score on Transparency International's transparency index, which includes

China. [Australia's Foreign Relations \(State and Territory Arrangements\) Act 2020](#) applies to engagements with a 'foreign university that does not have institutional autonomy' – in part defined as a requirement that institutions and academic staff must, as is the case in China, 'adhere to, or be in service of, political principles or political doctrines.'

While Beijing has criticised these security review mechanisms as biased, their country-agnostic presentation has arguably helped Australia reduce the diplomatic fallout of Chinese companies or institutions being singled out for exclusion. Should these measures be abandoned, the diplomatic fallout could be significant.

One area in which this could apply is in the proposed expansion of advanced technology cooperation with Australia's allies.

In his November 14 [address](#), Marles emphasised that the US alliance 'enhances' Australia's sovereignty as it 'affords Australia capability, technology, and intelligence advantages we could not acquire or develop on our own.' However, Australia's country-agnostic approach could impede such collaboration, given its reputation for producing excess red tape and causing substantial review backlogs.

A potentially bigger problem is that US reforms paving the way for advanced technology transfer might be conditional upon Australia agreeing to risk amelioration measures. This could include stipulating that Australian institutions, academics, and firms engaged in technological transfer with US partners do not cooperate with Chinese partners.

Yet even without ending the country-agnostic review system, 2023 will likely see several investment reviews that could potentially draw the ire of Beijing. Perhaps the most significant is the upcoming decision on Chinese company Landbridge's 99-year lease of the Port of Darwin.

The former coalition government last year ordered a Defence Department review, which [found](#) insufficient grounds to recommend terminating the lease. However, as one of his first acts in office, Albanese [ordered](#) a new review of the 'circumstances of the port.'

Albanese, moreover, has consistently expressed opposition to the lease, having [called](#) the decision 'a grave error of judgement' in 2015. As opposition leader in February of this year, he [said](#), 'I think that there's a case for strategic assets... to remain in Australian hands.' And as prime minister he [told](#) a press conference in August that Landbridge was 'connected, very directly, with the government of the People's Republic of China.'

If the review results in a cancellation of the lease, Beijing may be disinclined to accept claims that the outcome of the process was not politically preempted.

Critical Minerals: Lithium

In 2014, Australia's then-Prime Minister Tony Abbott rejected US President Barack Obama's request to end Australia's lucrative iron ore trade to China – a proposal [labelled](#) 'ridiculous' by Treasurer Joe Hockey. Yet against the backdrop of intensifying geopolitical competition, there is a genuine prospect that [Australia could be gearing up to restrict or stymie](#) what is shaping to be a lucrative future export: lithium.

Lithium is a key ingredient in electric vehicle batteries, which Tesla CEO Elon Musk has called the 'new oil.' China dominates the manufacturing of this commodity, which is an important part of its post-energy transition economic strategy. In addition to purchasing roughly 95 percent of Australia's lithium exports, China is a major investor in Australia's lithium industry, with stakes in its three largest mines, and Australia's first fully-automated lithium hydroxide processing plant.

In early November, the Canadian government [ordered](#) three Chinese companies to divest from lithium mines operating in Canada on security grounds. The move came after Canada, the EU, and the United States listed lithium as a strategic mineral on the back of concerns of China's dominance of critical mineral supply chains.

There are signs that Australia could follow this more securitised approach to trade.

Resources Minister Madeleine King recently [stated](#) that the supply of rare earths ‘is as much a national security issue as one of energy and economic security,’ and highlighted the need to be ‘cognizant of the role Australia’s critical minerals will play in the security of our trusted regional friends and allies.’ This prompted a strong [response](#) from China’s Ministry of Foreign Affairs, which said, ‘No one should use the economy as a political tool or weapon.’

Treasurer Jim Chalmers in a November 25 [speech](#) said the supply of critical minerals ‘touches every tenet of our national interest.’ Noting China’s dominance of rare earth supply chains, he stated that ‘concentration creates supply chains that are especially vulnerable to disruption.’ He added that Australia will ‘need to be more assertive about encouraging investment that clearly aligns with our national interest in the longer term.’

The Pacific Games and strategic competition in Solomon Islands

The past year saw both Australia and China adopt more proactive approaches to security cooperation with Pacific nations, with strong efforts focused on Solomon Islands. This intensified after the March 2022 security pact between Beijing and Honiara raised fears in Canberra that China could be laying the groundwork for establishing naval facilities less than 2,000 kilometres from the shores of Queensland.

In early November, the Australian Federal Police (AFP) [presented](#) the Royal Solomon Islands’ Police Force with 60 semi-automatic rifles and 13 vehicles. Solomon Islands Opposition Leader Matthew Wale [described](#) the move as aimed at ‘trying to outcompete China,’ a suggestion Marles [rejected](#). Two days later, China [donated](#) two water cannon trucks, 30 motorcycles, and 20 SUVs.

The 2023 Pacific Games, which are set to be hosted in Solomon Islands late next year, could heighten tensions around security cooperation. The games have been surrounded by controversy since China replaced Taiwan’s role in building facilities after Honiara ended relations with Taipei in 2019. Concerns grew when the Solomon Islands’ parliament delayed the general election from 2023 to 2024 due to the financial burden of funding the games and an election in the same year – prompting opposition voices to [accuse](#) Prime Minister Manasseh Sogavare of a ‘power grab.’ With games facilities reportedly having been targeted during the unrest that plagued the nation in late 2021, there are concerns that the games could be the site of further protests.

There is a chance China may be called upon to provide security assistance in the event of instability. The security agreement between Honiara and Beijing outlines conditions for dispatching Chinese security personnel to the islands to protect Chinese personnel and investments – reasoning China could invoke if the facilities it has helped fund and build are threatened. This could be bolstered by the fact that Sogavare had [claimed](#) that Australian forces failed to protect the Chinese embassy and Chinese-built infrastructure when AFP and other Australian personnel were dispatched as part of the multinational Solomon Islands Assistance Force during riots in the nation in late 2021 – an accusation Canberra has denied.

If China becomes Solomon Islands’ security partner of choice during the games, it could reignite Australian fears of a permanent Chinese security presence in the nearby island nation.

Bougainville independence

Another potential security flashpoint is next year’s parliamentary vote in Papua New Guinea (PNG) on whether the strategically important and resource-rich island of Bougainville will be allowed independence – an option its residents overwhelmingly supported in a 2019 referendum.

The prospect that Port Moresby may not honour the referendum result is raising fears of a repeat of the ‘crises’ – the bloody civil war for independence in the 1990s. Yet such a development would not be independent of other geopolitical factors. Analysts have [pointed out](#) that ‘Bougainville has become a key piece in the game between Beijing, on one side, and the US and its allies on the other,’ and [that](#) ‘intensifying US-China competition... creates wider implications for Bougainville’s potential independence.’

PNG is of vital strategic significance to Australia. At their closest points, PNG lies just 150 kilometres north of Australia; it occupies the centre of Australia’s security ‘inner arc,’ a line stretching from the Indonesian archipelago to Solomon Islands and Vanuatu. PNG is Australia’s closest defence partner in the region, and the defence relationship is strengthening, with the recent [Joint Initiative](#) at Lombrum Naval Base. However,

the closeness of this strategic and defence partnership complicates Australia's attempts to stay aloof from decisions in Bougainville and Port Moresby.

Marles has already pledged Australia's support for PNG regardless of the decision it makes on Bougainville. This prompted a furious response from Bougainville's leader, Ishmeal Tomoara, who said, 'My government and my people do not take kindly to threats and we will never kowtow to neocolonists that seek to usurp the sovereignty of Pacific island nations.' He also claimed Australia was throwing its 'support behind the government of Papua New Guinea to destabilise yet again Bougainville's right to self-determination.'

Marles later dialled back his comment, saying, 'Australia's role is to support the peace process and decisions around future arrangements.'

If PNG's Parliament refuses to ratify the referendum on independence, and violence ensues, Australia's cooperation with the PNG military could leave it open to claims of 'neocolonialist' meddling. But Canberra has authentic causes to fear the geopolitical ramifications of independence. Bougainville is resource rich, with copper and gold reserves valued at approximately \$100 billion. The island, which is closer to Solomon Islands than PNG, also hosts one of the best deep-water ports in the region.

China aggressively courted Bougainville on the eve of the 2019 independence referendum, when Chinese officials provided the 'first holistic offer' for financing the transition to independence, including a detailed plan for infrastructure development worth roughly \$1.5 billion. [Analysts](#) and [experts](#) on Bougainville politics are now warning that China could be looking to renew its efforts in the lead-up to the PNG vote.

With an independent Bougainville possibly looking to balance against the Australian-backed PNG, China could achieve the sort of comprehensive security agreement Canberra fears is underway with its near neighbour Solomon Islands.

A fragile détente

In terms of the challenges that lay ahead, this list is by no means exhaustive. For instance, 2022 saw a number of dangerous encounters between Chinese and Western military aircraft and naval vessels that Marles has [characterised](#) as 'not safe... and not acceptable.' While Wong has proposed developing guidelines to regulate these engagements, the absence of such guardrails means that there remains a possibility that an accident or miscalculation could morph into conflict.

Meanwhile, should Beijing continue its economic punishment of Australia and its detention of Australian citizens Yang Hengjun and Cheng Lei it will continue to ensure that the space for meaningful improvement in the bilateral relationship is heavily constrained. Tensions in the Taiwan Straits also continue to simmer.

Australia's relationship with China is technically defined as a 'comprehensive strategic partnership.' China has tolerated a disjuncture between the designation and actuality of its bilateral ties with US allies – an example being its 'strategic cooperative partnership' with South Korea. But Australia and China's diverging national interests and strategic postures are widening this gulf. The difficult decisions Canberra may make in 2023 could well push this contradiction beyond a sustainable threshold.

As it approaches these hazardous junctures, a key challenge for Canberra is thus balancing the need to maintain diplomatic niceties, and communicating a diplomatic posture that appropriately manages expectations. What remains to be seen is whether a tightening Australia-US alliance will bring Canberra's understanding of its ties with Beijing in line with Washington's own approach – perhaps best described as a managed adversarial relationship. A shift in this direction could well be a signal of how Canberra will approach the aforementioned challenges in the coming year.

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