

Bring on the Year of the Rabbit: Why there's new hope and prosperity tipped for Australia-China relations

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For the first time in a long time, a year can begin with a realistic assessment that Australia-China relations are on an upward trajectory again.

After winning last May's federal election, the new Albanese government set 'stabilisation' as the objective for Canberra's relations with Beijing.

Rather than reaching for something loftier, 'stabilisation' made sense given the new Labor government was inheriting a relationship in its [worst state](#) since 1972, the year the Whitlam government moved to [recognise](#) Beijing (instead of Taipei) as China's sole legal government.

Under the previous Morrison government, there had been no senior-level political dialogue for more than two years. Disputes between the two governments had spilled over to hurt other parts of the bilateral relationship, like [trade](#) and [investment](#).

The Albanese government should feel satisfied the 'stabilisation' objective has now been achieved in just nine short months.

This was punctuated by a [meeting](#) between Prime Minister Anthony Albanese and Chinese President Xi Jinping last November, followed by a formal [visit](#) to Beijing by Foreign Minister Penny Wong just before Christmas. Wong's trip resulted in a commitment by both sides to pursue a wide-ranging dialogue agenda, even extending to defence issues.

Trade blockages are being removed, too. Earlier this month, the first [order](#) of Australian coal to China since 2020 was booked by a Chinese company, to be shipped soon.

The Australian lobster trade looks like the next to be [revived](#).

And in another sign of deescalating tensions, both [Canberra](#) and [Beijing](#) are talking up the prospect that tariffs on Australia's barley and wine exports to China might be addressed through bilateral discussions rather a drawn-out legal process at the World Trade Organization.

Last weekend, Albanese raised his sights even more, insisting 'it is in both countries' interests to continue to develop more positive relations'. This upbeat aspiration was [widely reported and welcomed](#) in Chinese state media – a sharp departure from the caustic tone the media had taken toward Australia in recent years.

Why differences will not ‘hijack’ the thawing relationship

To be sure, Canberra-Beijing relations will not be completely smooth-sailing going forward.

Two of my colleagues at the Australia-China Relations Institute have laid out five major issues that could [derail](#) an improvement in official ties this year.

One problem could be the way Beijing interprets expected announcements by Australia related to its military posture and new defence acquisitions (such as [nuclear-powered submarines](#)) in the wake of the 2021 AUKUS pact with the US and UK. Beijing may see this as evidence Canberra is lining up with Washington to confront China militarily.

And trade blockages are just one problem needing resolution. As long as Australian citizens like journalist Cheng Lei and writer Yang Hengjun remain detained in China on unclear grounds, any improvement in relations [will only be able to run so far](#).

But neither will Canberra and Beijing be keen to quickly return to the lose-lose state of relations in recent years. Both sides are also embarking on re-engagement with grounded expectations.

Last week, the Chinese ambassador to Australia, Xiao Qian, [acknowledged](#), ‘we do have differences, in certain respects. We even have disputes’. But he then emphasised a further important point:

we can address the differences in a way that will not allow the differences to hijack the overall relationship.

Importantly, Australia-China relations are about more than just diplomatic relations between the capitals. Extensive business links and people-to-people ties have long given the broader relationship ballast, even as the diplomatic relationship has [historically waxed and waned](#).

In fact, last year, the total [value](#) of Australia’s goods exports to China hit the second-highest level ever, despite all of the trade disruptions, and Australian companies becoming more sensitive to risks stemming from exposure to the Chinese market. This followed a new record high set in 2021.

Reasons for hope: clean energy, education and tourism

And even amid the political challenges of recent years, new areas of win-win cooperation are opening up.

China has rapidly emerged as the global production hub for manufactured goods essential to the world’s net-zero emissions transition, such as electric vehicles. This has been a bonanza for resources companies around the world.

Australia’s exports of raw lithium (used to make batteries for electric vehicles) have [gone](#) from just A\$1 billion in 2020 to A\$16 billion now – with China [buying](#) more than 90 percent of it.

Chinese companies have also transferred their world-leading lithium processing [technology](#) to Australia via joint ventures, allowing Australia to move up the value chain beyond mining.

Beijing’s [abandonment](#) of its ‘dynamic COVID zero’ policy last December and the re-opening of China’s borders this month will give another shot in the arm to the broader relationship.

In the year ending September 2019, Australia [hosted](#) 1.3 million Chinese visitors, collectively injecting \$10.2 billion into the local economy. By last year, these numbers had plummeted to just 62,120 and \$1.3 billion.

The uncertain state of China’s economy, coupled with the Australian government requirement that arrivals from China must submit evidence of a negative COVID test, will likely [dampen](#) the appetite for long-haul travel to Australia in the near-term.

But airlines are already ramping up their China-Australia offerings in anticipation of a positive shift in their fortunes. China Southern Airlines, for example, has [announced](#) it will begin flying daily services between Sydney and Guangzhou by the end of this month, up from just once a week.

Adding to their confidence ledger is the fact the number of Chinese students enrolled at Australian education providers has remained remarkably [resilient](#). As of last October, there were still 119,107 Chinese citizens holding student visas, nearly double the 67,975 from India in second place.

In the second half of 2022, new visa applications by prospective Chinese students [reached](#) 38,701, [not far off](#) the previous peak of 42,526 in 2019.

Investment bank JPMorgan [estimates](#) there's potential for a boost in tourism and education links with China to add one percentage point to Australian economic growth over this year and next.

Bring on the Year of the Rabbit.

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