

# Australia-China monthly wrap-up

May 2023



## Key points:

- **Trade Minister Don Farrell visits Beijing to discuss the PRC's trade disruptions. PRC Commerce Minister Wang Wentao raises a range of issues in relation to investment into Australia and impediments to electric vehicle exports**
- **Beijing lifts its ban on Australian timber**
- **Moves to reduce the PRC's dominance in critical minerals processing are accelerating.** This includes plans to seek US congressional approval to designate Australia a 'domestic source' under the *Defense Production Act*
- **Five Eyes nations issue a joint cybersecurity advisory on cyber attacks by a PRC state-sponsored actor, a rare public, and coordinated, attribution**
- **Cheng Lei marks 1000 days in prison, while the verdict in Yang Hengjun's case has now been delayed for two years**

Elena Collinson and Corey Lee Bell

## The political relationship overall

*Deputy Prime Minister Marles on the complexity of the Australia-PRC relationship*

In a May 22 [speech](#), Deputy Prime Minister Richard Marles laid out the Australian government's thinking on managing relations with the People's Republic of China (PRC). He said that a year ago, just prior to the Labor Party assuming office:

Australia was in the midst of a shrill and fundamentalist debate about China. A debate which seemed to be about a short-term electoral interest at the expense of the national interest.

From the highest office in the land we saw the most gratuitous and inflammatory comments aimed at obtaining the best run in the newspapers without any regard to what mattered for the Australian people.

These actions made our already deeply complex relationship with China much harder. Indeed it is hard to imagine a relationship less suited to simplistic platitudes.

He stated there was 'an inconvenient truth' for those 'wanting a simple argument' with respect to the PRC, namely that 'China's growth story has played a crucial role in the single biggest alleviation of poverty in human history' and that trade with the PRC 'has been at the heart of our economic growth over a number of decades.' He said, 'All of us have been a beneficiary of it.' He recognised that this sat together with significant human

rights concerns. He also underlined that the PRC is ‘a significant source of anxiety’ in respect of Australia’s national security.<sup>1</sup>

The Defence Minister went on to say:

So when the entirety of the story around China is examined, it is complex. Managing the relationship is difficult. It cannot be done on fundamentalist terms. And it must be possible to say that we value a productive relationship with China. Because quite obviously China matters.

### *Prime Minister Albanese’s potential visit to the PRC*

The timing of a potential visit by Prime Minister Anthony Albanese to the PRC, for which he had received an in-principle invitation earlier in the year, has been the subject of much discussion this month.

The Prime Minister demurred when asked about when a visit could be expected, [pointing](#) to the ‘need to deal with the impediments to trade which are still in place’.

There has been some mixed messaging from senior ministers on the subject.

Foreign Minister Penny Wong [told](#) a Senate Estimates hearing on May 22 that ‘we would want to see continued progress and the most positive circumstances for any visit by the Prime Minister’, [repeating](#) this formulation on May 24. She did, however, [indicate](#) that ‘continued progress’ did not necessarily mean the cessation of all trade impediments prior to a visit.

Deputy Prime Minister Marles on May 23 [said](#), ‘We’re not about to put conditionality on a visit of that kind.’ He had also [stated](#) a few days prior, on May 19, that ‘Australian prime ministers visiting China has been a very normal thing in the past.’

The opposition has sought to exert pressure on the government’s compromising stance. On May 21, Shadow Foreign Minister Simon Birmingham [asserted](#) that there needed to be ‘absolute clarity’ that all remaining trade sanctions would be lifted ‘before the prime minister entertains a formal state visit to Beijing.’

## **The economic relationship overall**

In seeking to manage expectations and set the scene for incremental change, Trade Minister Don Farrell this month [adopted](#) the [mantra](#) that ‘[perseverance and persistence](#)’ is what is necessary to address the trade impediments that Beijing still has in place against Australia.

On May 11, the Trade Minister [travelled](#) to Beijing to meet PRC Commerce Minister Wang Wentao ‘to progress the resolution of outstanding trade impediments’ and co-chair the [16th Joint Ministerial Economic Commission](#), a trade and investment dialogue last held in 2017. This was the first in-person meeting between trade ministers since 2019.

Upon arriving in Beijing Senator Farrell [said](#), ‘Last financial year, almost \$300 billion worth of two-way trade between our two countries. But we can do more, and we can do better.’ He tamped down expectations that the visit would yield any major breakthroughs, however, noting that the aim was to engage in dialogue with a view to returning to Australia with ‘a pathway to resolving all of those outstanding [trade] issues’.

While there were no major announcements during the visit, the Trade Minister characterised the trip a success, [saying](#), ‘I achieved what I came here for – to find a pathway to resolve the remaining trade impediments.’ He [noted](#) that the World Trade Organisation (WTO) disputes over PRC tariffs on Australian barley and wine had been discussed, and that he ‘was very pleased to get reassurance that our agreement reached recently on barley is on track’. He [described](#) the two formal meetings he had with Minister Wang

<sup>1</sup> Here, Defence Minister Marles highlighted the PRC’s expansive maritime claims and artificial island building in the South China Sea, as well as ‘the biggest conventional military build-up we have seen by any country since the end of World War Two.’ The Defence Minister pointed to the facts that ‘In the year 2000 China had six nuclear-powered submarines, by the end of this decade they will have more than 20. In the year 2000 China had 57 capital surface ships, by the end of this decade they are expected to have around 200.’

as ‘very warm and constructive and... candid’, [adding](#) that ‘we hit it off pretty well’, and ‘establishing that rapport... is important in resolving these issues’. He [said](#) the two sides had ‘agreed to step up dialogue under our Free Trade Agreement and other platforms to resolve our outstanding issues’.

He [told](#) a press conference that his counterpart had raised ‘a range of issues in relation to investment’ into Australia, and Beijing’s application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Asked, ‘What is China getting out of improving relations with Australia?’ the Trade Minister [provided](#) the following example: ‘There were a number of issues that they raised in respect to, for instance, importing electric cars into Australia. There’s been some impediments in respect of access to their electric cars because of some biosecurity issues. We have indicated that we will send some Australian agricultural officials to have some discussions with the Chinese about that.’

He said he had [extended](#) an invitation to PRC Minister Wang to visit Australia, which had been accepted.

The Trade Minister refused to be drawn on the argument that PRC aggression was the root cause of the current trade disputes, [saying](#), ‘Let’s put what happened behind us. I’m looking to the future. I believe the Chinese Trade Minister is also looking to the future.’ Asked whether Australia’s military upscaling was raised during his visit, he [stated](#) that ‘those issues were not raised at any of the meetings that I attended.’

Opposition Leader Peter Dutton [said](#) that while he ‘welcomed’ the Trade Minister’s trip, ‘there needs to be an honest conversation about other issues, specifically security issues’. The opposition has also started to place more [pressure](#) on the Australian government to secure positive outcomes on barley and wine.

### *Timber*

PRC Ambassador to Australia Xiao Qian, during a [press conference](#) in Canberra, announced that the PRC had lifted a quarantine ban on Australian timber on May 17, with timber exports allowed back from May 18. He added, ‘As we improve our relationship the Chinese people will have a more favourable attitude to Australia and Australian products.’

### *Barley*

During meetings with Trade Minister Farrell, PRC Commerce Minister Wang [confirmed](#) that Beijing’s expedited review into its tariffs on Australian barley ‘was well underway’. The Trade Minister [expressed](#) confidence in a resolution being reached within the allotted timeframe of three to four months from the start of the review.

With the WTO’s decision on the barley dispute due to be [handed](#) to the parties by the end of April, the Trade Minister rejected the notion that Australia had let China off the hook by sparing them a negative ruling, noting that ‘[e]ven if that decision was handed down and handed down in our favour, it’s potentially another couple of years before you get a final determination of the issue’, given the potential for appeals and challenges. He confirmed that if the PRC’s expedited review returned a decreased tariff as opposed to a complete negation, Australia would renew its application to the WTO.

## **Critical minerals**

On May 20, Prime Minister Albanese and US President Joe Biden signed a statement of intent – the [Climate, Critical Minerals, and Clean Energy Transformation Compact](#) – to advance climate cooperation. The statement ‘[affirms](#) the position of climate and clean energy as the third pillar of the Alliance, alongside our defence and economic cooperation.’ Notably, the Compact includes the aim to accelerate ‘the development of markets for emerging technologies and critical minerals’. This dovetails in with a plan to designate Australia a ‘domestic source’ under the US’ *Defense Production Act*, allowing for Pentagon investment into the Australian critical minerals sector (see the ‘AUKUS’ section for further discussion). It signals a serious intent on Australia’s part, [flagged](#) late last year, to work with like-minded partners to reduce the PRC’s dominance in the processing of critical minerals.

Indian President Narendra Modi, who [visited](#) Australia from May 22 to May 24, [said](#) closer cooperation between Australia and India on critical minerals was among the subjects discussed with Prime Minister Albanese during his visit.

Australian critical minerals producers have [flagged](#) that more government intervention will be needed to make processing in Australia more feasible. The head of Pilbara Minerals cautioned that change was likely to be slow: ‘The world has to work with China for many years to come, particularly given that the whole battery materials industry is centred [on] China.’

## Regional relationships

In the middle of the month, Foreign Minister Wong visited [Laos and the Philippines](#).

Asked about a potential trilateral agreement between Australia, the Philippines and the US while in Manila, the Foreign Minister [said](#) Australia wanted to explore with the Philippines ‘more opportunities for partnerships and whether they are via formal agreements or via exercises or via informal cooperation or dialogue.’

During a [press conference](#) with Philippine Secretary of Foreign Affairs Enrique Manalo on May 18, the Foreign Minister said that Australian and Philippine departments were ‘discussing the best pathway’ to take forward ‘increased cooperation including increased combined maritime activities such as joint patrols’ in the South China Sea.

Later in the month, Deputy Prime Minister Marles visited South Korea. On May 30, during a meeting in Seoul with Korean Defense Minister Lee Jong-sup, it was [agreed](#) that both nations would ‘work on an enhanced bilateral framework, building on the 2011 Memorandum of Understanding on Defence Cooperation’ which would ‘enable deeper cooperation, including towards interoperability between [Australian and Korean] defence forces.’ The Deputy Prime Minister [said](#) the aim was to take the bilateral defence relationship ‘to a new level in terms of the tempo of exercises, access to each other’s facilities... more exchanges between our two defence forces’ and an increase in defence science exchange and defence industry. He also said, ‘[T]here is a huge strategic alignment between ourselves and South Korea’, noting that Korea’s recently announced Indo-Pacific Strategy was ‘remarkably similar in terms of the way in which South Korea sees the world to the kind of observations that we’ve made in the Defence Strategic Review.’

## Cyber attacks (Volt Typhoon cybersecurity advisory)

On May 24, Australia and Five Eyes nations issued a [joint cybersecurity advisory](#) in relation to PRC state-sponsored cyber attacks on US critical infrastructure providers

Home Affairs and Cyber Security Minister Clare O’Neil [said](#), ‘It’s really important for our national security to call out when these things are occurring, and it’s incredibly important that we have transparency and are upfront with Australians about that.’

Shadow Home Affairs and Cyber Security Minister James Patterson [called on](#) the government to use ‘Magnitsky cyber sanctions... to directly penalise’ those involved.

A PRC Foreign Ministry spokesperson [called](#) the advisory an ‘extremely unprofessional report – a patchwork with a broken chain of evidence’ and designated it ‘a collective disinformation campaign launched by the US through the Five Eyes to serve its geopolitical agenda’.

## The Quad

The third in-person [Quad leaders’ meeting](#), originally slated to occur on May 24 in Sydney, took place instead on the sidelines of the G7 in Hiroshima on May 20. The original meeting had been cancelled due to President Biden’s [withdrawal](#), the President citing a need to return to Washington to address an impasse on the debt ceiling and prevent the US from defaulting on its loans.

In the wake of the cancellation of the Sydney meeting, Australian ministers sought to emphasise the Quad member countries' [commitment](#) to the grouping and the [strength](#) of Australia's partnership with Quad nations, and sought to [downplay](#) any notion that President Biden's withdrawal reflected a deprioritisation of the Quad. Deputy Prime Minister Marles, for instance, [said](#) that the cancellation was 'obviously disappointing' but 'completely understandable' – sentiments [mirrored](#) by Opposition Leader Dutton – and stated that 'the Quad remains a really important piece of regional architecture.'

The Quad leaders continued to emphasise that it was a grouping for far-ranging cooperation, as opposed to a military grouping. Prime Minister Albanese in [opening remarks](#) at the meeting accentuated the Quad's 'positive practical agenda'. A [vision statement](#) from the leaders said the grouping focused on 'acting together as a force for good to find common solutions for region-wide benefit'. While the [joint statement](#) addressed regional security concerns, the PRC was not directly mentioned.

The PRC has maintained its opposition to the grouping. On May 18, PRC Ambassador Xiao [urged](#) Canberra, in shaping its participation in the Quad, to calculate 'Australia's interest to keep taking into consideration the relationship with China.'

On May 29, the Deputy Prime Minister was asked whether Canberra was open to South Korea's admission into the Quad. He [replied](#) that 'the Quad has its own focus at the moment'.

## G7 Hiroshima summit

Issues concerning the PRC was a prominent motif in the G7 summit in Hiroshima. With 'China' mentioned 20 times in the [joint communiqué](#), there appeared to be more detail about the nation this year than in previous communiqués.<sup>2</sup>

The focus on Beijing in the communiqué prompted a strong response from the PRC's Foreign Ministry. A spokesperson on May 20 [accused](#) the group of attempting to 'smear and attack China and brazenly interfere in China's internal affairs.' They said, 'China strongly deplores and firmly opposes this and has made serious démarches to the summit's host Japan and other parties concerned.'

Prime Minister Anthony Albanese supported the G7's position on the PRC in a press conference on May 21, [stating](#), 'We've expressed concern in the past, we'll continue to do so.'

## AUKUS

In a [joint leaders' statement](#) issued on May 20, Prime Minister Albanese and President Joe Biden announced that the US President planned to ask US Congress to add Australia as a 'domestic source' for US military production – within Title III of the US *Defense Production Act 1950* – in order to 'streamline technological and industrial base collaboration, accelerate and strengthen AUKUS implementation, and build new opportunities for United States investment in the production and purchase of Australian critical minerals, critical technologies, and other strategic sectors'. This will allow for the Pentagon to invest in Australian suppliers of, and Australian activity in, critical minerals and critical technologies. (See also the 'Critical minerals' section). Canada also has 'domestic source' status.

On May 22, US Congressional Research Services released a [report](#) on issues related to the procurement of Virginia Class nuclear-powered submarines – the model Australia will acquire under the AUKUS agreement – in relation to strategic benefits and risks, industrial capacity and financial costs.

Criticisms of the nuclear-powered submarines program continued on the domestic front, notably through two open letters. [One](#), signed by 17 current and former politicians, former military leaders and academic experts, called for a parliamentary inquiry into the deal in a full-page ad in *The Australian Financial Review* on May

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<sup>2</sup> Among statements relating to the PRC was a call for 'de-risking' and 'protecting certain advanced technologies,' the announcement of a push to 'address the challenges posed by China's non-market policies and practices,' concerns about the East and South China Seas and the human rights situation in Tibet, Xinjiang and Hong Kong, as well as a call for the PRC 'not to conduct interference activities aimed at undermining the security and safety of our communities, the integrity of our democratic institutions and our economic prosperity.'

18.<sup>3</sup> The **other**, comprising academics, was published online with over 110 signatories as at May 23. It called on the Australian government to ‘justify how the agreement will make Australia safer and at an acceptable cost’.

The Australian government continued to provide reassurances to the region regarding AUKUS, particularly on pillar one of the deal. Notes on a **briefing** provided to foreign diplomats in Australia obtained by *The Guardian* show that Australian officials have sought to downplay concerns about nuclear proliferation, telling foreign diplomats that the plan to acquire nuclear-powered submarines is ‘expensive’ and not ‘easy to replicate’.<sup>4</sup>

The initiative received support this month from Singapore’s Minister for Foreign Affairs Vivian Balakrishnan who **said** on May 1 that ‘from a strategic perspective, insofar as it [AUKUS] contributes constructively to regional security, we’re in support of it’, that ‘it’s a good thing’. Indonesian President Joko Widodo appeared to soften Indonesia’s critical stance, **saying** in a May 8 interview, ‘We should view the Quad and AUKUS as partners, and not competitors’.

### Detention of Australian citizens

The Australian government continues to **advocate** for the release of Cheng Lei and Yang Hengjun.

May 9 marked 1000 days in prison for Ms Cheng, a date **observed** by Foreign Minister Wong. Opposition Leader Dutton issued a **media statement** saying, ‘It is time the Chinese government brought closure’ to Ms Chen’s case and ‘released her from detention.’ He noted that ‘the sensitivity and complexity’ of the case was appreciated by the Coalition and acknowledged that ‘considerable effort has been applied under this government and the former government.’

On May 27, the Foreign Minister issued a **statement** marking two years since Yang Hengjun’s closed trial in Beijing.

### PRC fishing vessel rescue efforts

The Australian Defence Force **joined** international rescue efforts to try to locate 39 people aboard a PRC fishing vessel, ‘Lupeng Yuanyu 028’, which capsized in the Indian Ocean in the early hours of May 16. A PRC Foreign Ministry spokesperson **thanked** Australia for ‘sending an aircraft and coordinating foreign vessels passing by to help with the search and rescue efforts’.

*Elena Collinson is head of analysis at the Australia-China Relations Institute, University of Technology Sydney.*

*Dr Corey Lee Bell is a Project and Research Officer at the Australia-China Relations Institute, University of Technology Sydney.*

- 3 Signatories included: the Hon Carmen Lawrence, former Premier of Western Australia and MP for Fremantle; the Hon Peter Garrett, former MP for Kingsford-Smith; the Hon Melissa Parke, former MP for Fremantle; Senator David Shoebridge, Greens Senator for New South Wales; Senator Jordan Steele-John, Greens Senator for Western Australia; Senator Penny Allman-Payne, Greens Senator for Queensland; Doug Cameron, former Senator for New South Wales; Dr Rob Oakeshott, former MP for Lyne; Tony Windsor, former MP for New England; Janet Holmes à Court, Chairperson of Heytesbury Pty Ltd; Air Marshall Ray Funnell AC (Ret’d); Major General Michael Smith (Ret’d), former Deputy Commander of the UN Peacekeeping Operation in East Timor; Professor James Laurenceson, Director, Australia-China Relations Institute, University of Technology Sydney; Arthur Rorris, Secretary, South Coast Labour Council; Dr Emma Shortis, RMIT University; Dr Richard Denniss, Executive Director, The Australia Institute; Allan Behm, Director, International & Security Affairs Program, The Australia Institute. The open letter noted that the late Allan Gyngell, former Director-General of the Office of National Assessments, also intended to sign.
- 4 See also the joint communiqué out of the 13th Singapore-Australia Joint Ministerial Committee meeting, held on May 13 with Australian and Singaporean ministers for defence, foreign affairs and trade in Canberra, which ‘acknowledged Australia’s commitment to responsible nuclear stewardship and setting the highest non-proliferation standard in relation to its acquisition of conventionally-armed, nuclear-powered submarines under AUKUS.’ Richard Marles, Penny Wong, Don Farrell, Ng Eng Hen, Vivian Balakrishnan and Gan Kim Yong, Joint communiqué of the 13th Meeting of the Singapore-Australia Joint Ministerial Committee, May 1 2023 <<https://www.minister.defence.gov.au/statements/2023-05-01/joint-communique-13th-meeting-singapore-australia-joint-ministerial-committee>>; the joint statement from the fifth Australia-Malaysia Annual Foreign Ministers’ Meeting in Adelaide in May 6 visited Adelaide on May 5, which stated that Canberra had ‘provided Malaysia with updates on recent developments concerning AUKUS and the Australian Government’ response to the Defence Strategic Review’. Penny Wong and Dato’ Seri Diraja Dr Zambry Abdul Kadir, Joint statement: 5th Australia-Malaysia Annual Foreign Ministers’ Meeting, May 5 2023 <<https://www.foreignminister.gov.au/minister/penny-wong/media-release/joint-statement-5th-australia-malaysia-annual-foreign-ministers-meeting>>; and the joint statement signed by the foreign ministers of Australia and the Philippines on May 18 during a visit by Foreign Minister Wong to Manila said, ‘The two Ministers look forward to continued transparent discussion on AUKUS particularly on its objective to promote peace and stability in the Indo-Pacific region.’ Penny Wong and Enrique Manalo, Joint statement on the official visit to the Philippines of Australian Foreign Minister Penny Wong, May 18 2023 <<https://www.foreignminister.gov.au/minister/penny-wong/media-release/joint-statement-official-visit-philippines-australian-foreign-minister-penny-wong>>.