

Australia-China monthly wrap-up

July 2023



Key points:

- **Foreign Minister Penny Wong meets with Director of the Chinese Communist Party Central Commission for Foreign Affairs Wang Yi;** the PRC side offers a more optimistic assessment of the relationship than the Australian side, stating that relations have ‘stabilised, improved and developed’
- **A visit to the PRC by Prime Minister Anthony Albanese later in the year is still on the cards**
- **Treasurer Jim Chalmers meets with PRC Finance Minister Liu Kun,** the first such meeting in four years
- **The Treasurer blocks a bid from a company headed by a PRC national to take over an Australian lithium miner**
- **US Republicans leverage AUKUS to expand submarine industry spending**
- **Hong Kong issues arrest warrants for eight overseas democracy activists, including two Australian residents,** accusing them of breaching national security laws
- **The 33rd AUSMIN meeting takes place in Sydney,** with evident differences in Australian and American rhetoric on the PRC

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The political relationship overall

On July 13, Foreign Minister Penny Wong [met](#) with Director of the Chinese Communist Party Central Commission for Foreign Affairs Wang Yi on the sidelines of ASEAN-related meetings in Jakarta. This was the fourth in-person meeting between the foreign ministers, and the first since a meeting in Beijing in December last year.

(From June 25, the People’s Republic of China’s (PRC) Foreign Minister Qin Gang had not been seen in any scheduled public engagements, inviting speculation about his status. On July 25, the PRC’s National People’s Congress Standing Committee [reappointed](#) Wang Yi as Foreign Minister, providing no reason for Qin’s removal).

Senator Wong [said](#) they had ‘a constructive discussion about the bilateral relationship and the value of ongoing dialogue under our Comprehensive Strategic Partnership’. Talks touched on issues including trade impediments, the PRC-Solomon Islands policing agreement, arrest warrants [issued](#) by Hong Kong authorities for eight overseas democracy activists, as well as the continuing [detention](#) of Australian nationals in the PRC (discussed further below).

During her [opening remarks](#), Foreign Minister Wong emphasised that the bilateral relationship ‘matters to both Australia and China’, as reflected in a recent spurt of ministerial, parliamentary and official exchanges. She stated that while the two nations ‘Comprehensive Strategic Partnership’ helped ‘realise even greater potential

for our peoples,' Australia will continue to 'speak in defence of human rights..., the rights and freedoms of those who live in Australia, and our strategic, security and trade interests.' She also 'welcome[d] recent China-US engagements.'

According to a PRC Foreign Ministry [account](#) of the meeting, Mr Wang said that 'China-Australia relations have stabilised, improved and developed.' He added that both sides 'should safeguard and consolidate the current sound momentum to continuously stabilise, substantiate and advance China-Australia relations.'

He also 'expressed his hope that Australia will provide a fair, just and non-discriminatory business environment for Chinese enterprises to invest and do business in Australia', an issue that had also been [raised](#) by PRC Commerce Minister Wang Wentao in meetings with Trade Minister Don Farrell earlier in the year.

Asked in a post-meeting [press conference](#) about the prospects of a prime ministerial visit to Beijing later this year, Foreign Minister Wong replied, 'We would hope for the most positive circumstances for such a visit.'

Prime Minister Anthony Albanese [said](#) a visit to Beijing this year remains 'likely to be the case', with officials currently discussing arrangements. Later in the month he [said](#) more emphatically, 'I expect to visit China this year. I haven't said anything different. I've read various articles, no-one has spoken to me or my office and gotten a different answer other than that. So I expect that to happen.'

Asked on July 11 whether the Prime Minister ought to delay the trip on account of Hong Kong arrest warrants issued against democracy activists living in Australia, Deputy Prime Minister and Defence Minister Richard Marles [responded](#), '[I]n stabilising our relationship with China, visits of that kind have been very normal in the past, we imagine they will be normal in the future.'

On July 18, Treasurer Jim Chalmers met with PRC Finance Minister Liu Kun on the sidelines of the G20 meeting of finance ministers in India, the first meeting between the Australian and PRC counterparts in four years. Trade impediments and consular cases were the Treasurer's main [focus](#) during the discussion. He [described](#) the discussion as, overall, 'a friendly, constructive conversation between two countries who are very important to each other.' The Treasurer said, 'Pragmatism was part of the conversation. And what I mean by that is recognising that we have differences, understanding that there's a good way and a bad way to advance our interests when it comes to those differences.'

At the end of the month, PRC Ambassador to Australia Xiao Qian in a [speech](#) at a reception marking the 96th anniversary of the founding of the People's Liberation Army called for closer defence and military ties between Australia and the PRC, saying they were an 'important part' of the relationship. He said: 'China is ready to work with Australia to step up dialogue and communication at all levels and in all areas, maintain institutional exchanges such as the defence consultation...'

The reception, hosted at the PRC Embassy in Canberra, featured a performance by the Royal Military College. This generated some [criticism](#) from Australian veterans. In response, the Department of Defence [said](#), 'The Australian Army Band plays at a number of official events, including foreign embassy events, throughout the year. Defence values dialogue with the People's Liberation Army.' This prompted Shadow Defence Minister Andrew Hastie to [say](#), 'There is dialogue, and there is dignity... Our troops shouldn't be used as political props at celebrations for the Chinese Communist Party – especially with the coercive dynamic still at play in the relationship.'

The economic relationship overall

A Productivity Commission [report](#) released on July 20 found that the PRC's trade bans had minimal overall impact on the Australian economy. It noted that 'While costly to some sectors, alternative markets were readily found for many exports, reducing the impacts on Australian businesses.' The Commission's modelling showed that despite the disruptions 'Australia's real GDP remains stable (decrease of 0.009 percent).'

Commenting on the report, Foreign Minister Wong [said](#) that the findings demonstrated that 'the diversification in the Australian economy is underway and that's a good thing'.

Foreign investment

A bid by Austroid Corporation, a US-registered company which has a PRC national as its director, to acquire an additional 90.1 percent of collapsed lithium miner Alita Resources, bringing its stake to 100 percent, was [blocked](#) by Treasurer Jim Chalmers on advice from the Foreign Investment Review Board (FIRB). The Treasurer's office declined to comment on whether the deal was rejected on national security grounds.

Alita Resources owns Bald Hill, a lithium mine in Western Australia. Austroid's director was also the sole director at China Hydrogen Energy Limited, which in 2019 had entered into a loan agreement with Alita and made an application to the FIRB to take control of the company, which it [withdrew](#) in 2020 when, according to *The Australian*, there were indications that then-Treasurer Josh Frydenberg would block the deal. In 2022 Alita Resources was the subject of a state government inquiry when it was [alleged](#) to have sold lithium to Chinese buyers at well below market prices while under administration.

Regional relationships – Southeast Asia

Indonesian President Joko Widodo travelled to Sydney for the fourth Australia-Indonesia Annual Leaders' meeting on July 4. Improving bilateral economic and security ties was a major focus, with the leaders [discussing](#) economic partnerships including cooperation on the production of electric vehicle batteries using Australian nickel and lithium and investment in the green economy, and progress towards negotiations for a treaty-level Defence Cooperation Agreement.

During President Widodo's visit, Prime Minister Albanese [announced](#) a \$50 million investment under the Australia-Indonesia Climate and Infrastructure Partnership to attract private climate finance to Indonesia.

While the President had told *The Australian Financial Review* in the lead-up to his meetings with the Prime Minister that he was [hoping](#) to formalise an industry development partnership on EV batteries, this did not eventuate at the country-to-country level. Western Australia and Indonesia's Chamber of Commerce and Industry [signed](#) a new agreement on critical minerals and battery production.

On July 7, Foreign Minister Wong [visited](#) Timor-Leste, meeting with Prime Minister Xanana Gusmão, President José Ramos-Horta and Minister of Foreign Affairs and Cooperation Bendito Freitas.

In an [address](#) to the Timor-Leste Ministry of Foreign Affairs and Cooperation, Senator Wong announced a \$2 million increase to Australia's package of support for Timor-Leste's accession to ASEAN and the WTO, bringing the total to \$8.6 million. She stated that Australia would keep striving to be '[a] partner who wants you to have your own, powerful voice. Who won't ask you to toe a line', as well as one that supported 'avoiding the risks of unsustainable lending that have hobbled other countries.'

She also expressed Australia's 'deep commitment' to working with Timor-Leste to 'realise the development' of the Greater Sunrise gas fields. President Ramos-Horta had last year [noted](#) the PRC's 'interest' in the project if an agreement on the joint venture were not to be reached by Timor Gap, Osaka Gas and Woodside. Foreign Minister Wong rejected the suggestion that this was a motivating factor behind the commitment, [telling](#) a press conference, 'It's not about other people, it's about our relationship and our region.'

In mid-July, the Foreign Minister [travelled](#) to Jakarta to attend the annual ASEAN-Australia Foreign Ministers' Meeting, East Asia Summit Foreign Ministers' Meeting and ASEAN Regional Forum. She [told](#) press that her core message to ASEAN nations was Australia's 'continued and unwavering support' for ASEAN centrality, noting, 'We all want a region where we can have the capacity to both agree and disagree; we want a region where our agency is preserved, where we can decide our own destiny free from pressure or coercion.'

While in Jakarta, Foreign Minister Wong also [announced](#) an investment of \$13 million in new partnerships between the Therapeutic Goods Administration and governments in the region, including over a million dollars to Indonesia for the Indonesia-Australia Contaminated Medicines and Vaccines Program.

During the ASEAN-Australia post ministerial conference on July 13, Indonesian Foreign Minister Retno Marsudi [said](#) that ASEAN had ‘big expectations for Australia to become a positive force in the region and support ASEAN’s centrality in shaping regional dynamics.’ She pointed to two areas that should be the ‘focus of our partnership’: one, ‘serving as an anchor for peace and stability in the region’ and two, ‘becoming development partners for the Pacific’. On the first point the Indonesian Foreign Minister stated, ‘We know that this is not an easy task amidst current geopolitical dynamics. Therefore we have to work hard to build an inclusive regional architecture’.

Regional relationships – Pacific Island nations

On July 10, Solomon Islands Prime Minister Manasseh Sogavare [signed](#) an ‘implementation plan’ for police cooperation with the PRC during a trip to Beijing.

Deputy Prime Minister Marles [said](#) the next day that the announcement ‘is nothing more than a function of the [security] agreement that was signed between Solomon Islands and China more than a year ago.’ He noted that Australia’s relationship with Solomon Islands ‘has improved significantly’ over the last year and that Australia would continue to focus on ‘present[ing] as the natural partner of choice.’

In a meeting in Honiara later in the month, Prime Minister Sogavare gave Pacific Minister Pat Conroy the ‘[assurance](#)’ that the Solomon Islands government ‘knows the boundaries and it will not do anything that will in any way undermine the security of the Pacific region nor of the countries within the region, including and especially Australia.’ He also [stated](#) that while the nation sees Australia as ‘first choice partner’, they have ‘standing arrangements with China too and if there’s a reason that delay sets in... it only takes 9 hours to fly from China and to land forces here... If there are hiccups along the way, we can invoke our security arrangements’.

Senior Australian ministers have [continued](#) to [urge](#) both nations to make the text of the security deals public. Prime Minister Albanese and New Zealand Prime Minister Chris Hipkins, in a [joint statement](#) following the annual [Australia-New Zealand Leaders’ Meeting](#) on July 26, added to calls for the release of the details of the policing agreement, expressing concern that the agreement could ‘undermine the Pacific’s agreed regional security norms’.

In response to these calls for transparency, Mr Sogavare [branded](#) Australia ‘un-neighbourly’:

The narrow and coercive diplomatic approach of targeting China-Solomon Islands relations, and I want to use this word, is un-neighbourly. This is nothing but interference of foreign states in the internal affairs of Solomon Islands. China has not invaded or colonised any other nation state. Australia and the United States should not fear China’s police support.

Mr Sogavare this month also [announced](#) an intention to create a Solomon Islands defence force. Mr Marles indicated that Australia ‘would be very much there to work with Solomon Islands... in helping to establish a Solomon Islands Defence Force.’ He [said](#) further, ‘[W]e would provide all the assistance that we possibly could’.

AUKUS

Progress in US Congress

On July 1, the Australian government [launched](#) the Australian Submarine Agency, headquartered in Canberra, with personnel located across the country as well as in the US and the UK, to work ‘with communities, unions, industry and governments to deliver the nuclear-powered submarine program.’ Deputy Prime Minister Marles [said](#) it marked the ‘next step’ towards the acquisition of nuclear-powered submarines.

On July 26, 22 US Senate Republicans and three House members¹ sent President Joe Biden a [letter](#) signalling they would block the transfer of submarines to Australia if investment in the US' submarine production line was not increased.

While they articulated their support for 'the vision' of AUKUS, noting the agreement was 'vitally important', they also stated that 'we must simultaneously protect US national security'. They said:

The administration's current plan requires the transfer of three US Virginia-class submarines to Australia from the existing US submarine fleet without a clear plan for replacing these submarines. This plan, if implemented without change, would unacceptably weaken the US fleet even as China seeks to expand its military power and influence.

The US Navy's military requirement is 66 nuclear attack submarines. Today, there are only 49 in the fleet. Further, as older nuclear submarines retire faster than they are replaced, the Navy projects the inventory will decline to 46 by 2030. Under the current AUKUS plan to transfer US Virginia-class submarines to a partner nation before meeting the Navy's own requirements, the number of available nuclear submarines in the US submarine fleet would be lowered further. This is a risk we should not take.

Commenting on the letter, Prime Minister Albanese [said](#) he remained 'very confident' about the submarine acquisition, saying, 'Just like in Australia, there are not unanimous things through Parliament.' Mr Marles [said](#) he was of the view that 'this is pretty well business as usual in terms of the way in which legislation proceeds through the congress.'

New Zealand and AUKUS

On July 26, New Zealand Prime Minister Hipkins, touching on the likelihood of New Zealand joining AUKUS, [stated](#), 'I think there's no question that we have a different position around nuclear'. 'But', he said, 'in terms of military, we were open to conversations with the AUKUS partners around what New Zealand's involvement in some of those things might look like.'

Talisman Sabre exercises

Talisman Sabre, Australia's largest bilateral military exercise with the US, commenced on July 21, running over two weeks to August 4. It was the 10th iteration of the exercise and largest in terms of geographical area and number of participating partners (13 participants and four observer nations).²

During the opening ceremony, the Deputy Prime Minister [said](#) that the exercise was 'an opportunity to familiarise each other with the way in which we work, and to become much more coordinated in the way in which we engage in what we do.' US Secretary of the Navy Carlos del Toro [described](#) it as 'an important exercise' that 'ties our two nations together and all our partner nations working together as one so that we can become more interoperable, so that we can become more interexchangeable'.

When asked what messages he would like the PRC to take from the exercise, Mr Del Toro [told](#) reporters on July 21 that 'the most important message that China can take from this exercise... is that we are extremely tied by the core values that exist amongst our many nations together. And we are prepared to actually operate together in defence of our national security interests and in defence of the core values that we all share'. The next day, in response to a reporter's question on whether the exercises were about 'simulating a war against China', Mr Marles answered, 'No. It's not'.

1 The signatories were Roger F. Wicker, Mitch McConnell, Susan M. Collins, Tom Cotton, John Cornyn, M. Michael Rounds, Mitt Romney, Bill Hagerty, Ted Budd, Eric S. Schmitt, Rick Scott, Ted Cruz, Pete Ricketts, Joni K. Ernst, Tommy Tuberville, Steve Daines, John Kennedy, Kevin Cramer, John Thune, Katie Boyd Britt, Markwayne Mullin, Deb Fischer, Rob Roy Wittman, Doug Lamborn and Jen Kiggans.

2 In addition to the US, forces from Canada, Fiji, France, Germany, Indonesia, Japan, New Zealand, Papua New Guinea, the Republic of Korea, Tonga and the UK participated in the exercise. Personnel from India, the Philippines, Singapore and Thailand attended as observers.

AUSMIN

The 33rd AUSMIN conference was held on July 29. The [joint statement](#) released in the wake of the meeting reiterated both nations 'commitment to deliver the ambitious trajectory of Enhanced Force Posture Cooperation across land, maritime, and air domains' through increasing the rotation in Australia/visits to Australia of US defence assets including aircraft, watercraft, and nuclear powered submarines. The statement also 'declared Enhanced Space Cooperation as a new Force Posture Initiative', and announced the establishment of a 'Combined Intelligence Centre Australia within Australia's Defence Intelligence Organisation by 2024'. The latter will involve the regular stationing of US personnel in Australia.

In relation to Beijing, the [joint statement](#) affirmed 'renewed US efforts to... open channels of communication with the PRC to manage strategic competition and guard against conflict', as well as 'the importance of cooperating with the PRC to address issues of global and shared interest'. Along with reiterating concerns over the South China Sea, East China Sea, Xinjiang, Tibet, and Hong Kong, the 2023 statement also expressed opposition to 'economic coercion' (previous statements had referred to 'coercion' only). The statement 'emphasised Taiwan's important role as a leading Indo-Pacific economy and democracy', noting Australia and the US' 'commitment to work together to support Taiwan's meaningful participation in international organisations', also in line with previous statements.

US State Secretary Antony Blinken and Defense Secretary Lloyd J. Austin III US both made direct reference to the PRC during their set piece remarks and opening statements to the press.

During the AUSMIN Defence Ministers' Meeting opening remarks, the US Defense Secretary [stated](#):

I know that both of our countries are concerned about attempts by the People's Republic of China to depart from these principles [of international law and international norms]. We've seen troubling PRC coercion from the East China Sea, to the South China Sea, to right here in the Southwest Pacific. And we will continue to support our allies and partners as they defend themselves from bullying behaviour.

The US Secretary of State in a press conference following AUSMIN [said](#):

[O]ur two countries are defending the international rules-based order... We're doing that in part by engaging China, but also, as necessary, opposing its efforts to disrupt freedom of navigation and overflight in the South and East China Seas, to upend the status quo that's preserved peace and stability across the Taiwan Straits, to pressure countries through economic coercion or threats to their citizens.

Neither Defence Minister Marles nor Foreign Minister Wong mentioned Beijing in their remarks.

NATO summit

Prime Minister Albanese attended the NATO summit in Lithuania on July 11.

The NATO summit [communiqué](#) stated that the PRC's 'stated ambitions and coercive policies challenge our interests, security and values'. It also noted that members 'remain open to constructive engagement with the PRC, including to build reciprocal transparency'.

Detained Australian citizens

The verdict in Australian journalist Cheng Lei's case was [delayed](#) for the eighth time this month, having been due on July 19. Ms Cheng is now approaching three years in prison, having been first detained in August 2020.

The [Foreign Minister](#) and [Treasurer](#) both raised the cases of Australian citizens detained in the PRC, including Ms Cheng and Yang Hengjun, in meetings with their PRC counterparts.

Arrest warrants issued for Australian residents

On July 3, Hong Kong police [issued](#) arrest warrants for eight overseas democracy activists, [including](#) an Australian citizen and an Australian resident, accusing them of breaching national security laws. A \$192,000 bounty (HK\$1 million) was issued for their return.

Prime Minister Albanese [said](#) he was ‘disappointed’ at the move, [describing](#) it as ‘unacceptable’. Opposition Leader Peter Dutton [endorsed](#) these comments, saying ‘this is one of those issues where the government and the opposition should stand together’, noting ‘it’s been taken very seriously by the government and we endorse it on that basis.’

The Foreign Minister [stated](#) that ‘Australia has a view about freedom of expression... and people in Australia who do so in accordance with our laws will be supported.’ She also [raised](#) the matter in talks with PRC Foreign Minister Wang.

A PRC Foreign Ministry spokesperson [accused](#) the eight individuals of ‘acting as pawns for external anti-China forces in their effort to interfere in Hong Kong affairs’, saying that ‘Hong Kong affairs are purely China’s internal affairs and brook no meddling by any external forces.’

Foreign interference through social media

At the end of the month, the Australian Senate Select Committee on Foreign Interference through Social Media released its final [report](#). The Committee’s report stated that ‘[e]ffectively countering foreign interference through social media is... one of Australia’s most pressing security challenges.’ It noted that ‘the unique national security risks posed by social media companies like TikTok and WeChat’ were of particular concern as ‘the Chinese government can require these social media companies to secretly cooperate with Chinese intelligence agencies.’

The report made 17 recommendations including a requirement that all large social media platforms operating in Australia meet minimum transparency standards, enforceable with fines and, as a last resort, bans. It also recommended the Australian extend its directive banning TikTok on government-issued devices to WeChat.

While Meta, Twitter, TikTok, Google and YouTube had appeared before the inquiry, WeChat declined to participate, instead submitting a late [written response](#) to questions posed by committee members.

Security concerns over solar

On July 7, in an [address](#) to the Institute of Public Affairs, Opposition Leader Peter Dutton asserted that ‘in the Albanese government’s massive rollout of renewables, it is inevitable we will become heavily reliant on the Chinese market. Not just in the near term, but in perpetuity – given solar panels and wind turbines have relative short life cycles.’

Shadow Home Affairs and Cyber Security Minister James Paterson [raised](#) concerns about foreign interference and potential disruptions to Australia’s solar energy grid through ‘smart inverters’ for solar energy conversion, having commissioned research which found that 58 percent of the smart inverter market was owned by companies in the PRC. He [stated](#), ‘If companies like Huawei are not safe to be the backbone of our telecommunications network then they can hardly be safe as the backbone of our new electricity grid. Yet that’s exactly what’s happening under the Albanese government’s rush to renewables with no cyber security mitigations.’

Home Affairs Minister Clare O’Neil [stated](#) that the government was ‘examining ways to massively expand domestic manufacturing and end our reliance on importation of this vital technology’.

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