

Australia and the People's Republic of China: Stabilisation and contradiction

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This UTS:ACRI Analysis examines the ramifications of Australia's policy of stabilisation with respect to the People's Republic of China (PRC) and the fundamental contradiction in the relationship that in the long-term could result in the deterioration of bilateral relations. The Analysis focuses on developments in Australia and the PRC's response to these.¹

Key takeaways

- The Albanese government has consistently categorised its policy with respect to the People's Republic of China (PRC) as that of 'stabilising' the bilateral relationship. The focus on stabilisation is premised on the belief that such a policy is sufficient to maintain Australia's essential economic links with the PRC.
- Stabilisation of the Australia-PRC relationship has brought about repair to the bilateral trading relationship but has placed limits on the improvement of relations. While Beijing has welcomed the betterment of bilateral relations, it also seeks to move beyond stabilisation.
- The PRC has adopted more of a softly-softly approach towards Australia in order in an attempt to blunt the more confrontational position the previous Coalition government had assumed against Beijing and to moderate Canberra's increasing alignment with Washington.
- Australia has sought to maximise its trade complementarity with the PRC while simultaneously restricting PRC investment in some sectors, refraining from engaging in tech partnerships with the PRC, forging ahead with the AUKUS trilateral security partnership and supporting US military capabilities in Australia. This stance highlights a fundamental contradiction in Canberra's relationship with its largest trading partner – one that will potentially result in long-term problems.
- The Australia-PRC relationship could continue on in the same vein for the foreseeable future, with growing tension in the relationship but no clear rupture. However, over time, relations could deteriorate with trade and economic, people-to-people, cultural, and science and technology links all existing but in a reduced and less effective state.

¹ In preparing this Analysis for the Australia-China Relations Institute at the University of Technology Sydney, the author consulted with Australian officials and journalists, PRC Embassy officials and PRC academics in 2023-2024. These sources provided a wide range of analyses and comments on the prospects for the future of the bilateral relationship.

- It is also possible that Beijing could respond with renewed and, perhaps, more extensive trade sanctions and political warfare against Canberra. The worst-case scenario would be a posture adopted by Beijing that would create a direct military threat thereby bringing into reality a conflict that previously only existed in rhetoric.
- Canberra needs to consider what this contradiction might mean in terms of consequences for the economy and national security, and prepare to deal with the ramifications. This may well require abandoning stabilisation as the end goal of the Australia-PRC relationship.

Introduction

Following its election in May 2022, the Australian Labor government under Prime Minister Anthony Albanese took a range of steps to establish a stable working relationship with the People's Republic of China (PRC). This included a change in rhetoric and a new willingness to engage. Beijing was receptive to these positive signals, with PRC Premier Li Qiang stating in November 2022 that 'China is ready to meet Australia halfway'.²

This shift in approach by both sides led to the gradual removal of trade sanctions placed by Beijing from about May 2020 on a number of Australian exports, including wine, barley, coal, cotton, beef and timber. On October 10 2024, on the sidelines of the ASEAN summit in Laos, the PRC Premier advised Prime Minister Albanese that the last significant remaining ban on Australian produce – lobsters – would be lifted by the end of the year.³

Despite the improvement in bilateral relations, the Albanese government has put a ceiling on moving relations with the PRC forward, remaining committed to no more than a 'stable working relationship' and avoiding the use of terms such as 'reset'. It has consistently narrowly defined its PRC policy in terms of 'cooperate where we can, disagree where we must, but engage in our national interest',⁴ ensuring clear signalling that significant differences remain with Beijing. Since assuming office, Prime Minister Albanese has made clear that while it was important not to allow differences to 'define what our relationship is',⁵ points of disagreement 'won't simply disappear if we leave them in silence'.⁶

The stabilisation of the Australia-PRC relationship has been broadly positive, facilitating the easing of coercive trade sanctions, which Canberra had expected Beijing to roll back as a starting point.⁷ These trade restrictions were generally regarded as one of the main reasons restricting any movement forward vis-à-vis the bilateral relationship, in addition to Beijing's detention of two Australian citizens.⁸ However, according to PRC embassy officials and academics, the continuing limits on the improvement of relations, the focus on differences and the national security emphasis of key Australian priorities, particularly the AUKUS trilateral security partnership and the US alliance, indicates to Beijing a pervasive suspicion, if not hostile intent, which has the potential to cause long-term problems in relations.

2 David Crowe, 'China 'will meet Australia half way' Premier Li Keqiang tells Albanese', *Sydney Morning Herald*, November 14 2022 <<https://www.smh.com.au/politics/federal/chalmers-calls-for-more-stable-relationship-between-australia-and-china-20221114-p5by1c.html>>.

3 Lisa Visentin and Mike Foley, 'China's \$20b Australian trade war over as lobster trade resumes', *Sydney Morning Herald*, October 10 2024 <https://www.smh.com.au/world/asia/australian-lobster-back-on-the-menu-for-2025-as-china-agrees-to-lift-sanctions-20241010-p5khe8.html>>; Anthony Albanese, Penny Wong and Don Farrell, 'Resumption of live rock lobster trade with China', media release, October 10 2024 <<https://www.pm.gov.au/media/resumption-live-rock-lobster-trade-china>>.

4 See, e.g., House of Representatives, 'Cost of living', Questions without notice, Parliament of Australia, November 21 2022 <https://www.aph.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=chamber/hansardr/25519/&sid=0114>; Anthony Albanese, press conference, Shanghai, People's Republic of China, November 5 2023 <<https://www.pm.gov.au/media/press-conference-3>>; Anthony Albanese, press conference, Canberra, June 17 2024 <<https://www.pm.gov.au/media/press-conference-canberra-10>>.

5 Anthony Albanese and Li Qiang, 'Opening remarks – Annual leaders' meeting', June 17 2024 <<https://www.pm.gov.au/media/opening-remarks-annual-leaders-meeting>>.

6 Anthony Albanese, 'Official luncheon for His Excellency Premier Li Qiang', speech, Parliament House, Canberra, June 17 2024 <<https://www.pm.gov.au/media/official-luncheon-his-excellency-premier-li-qiang>>.

7 Phillip Coorey and Andrew Tillett, 'Albanese urges China to drop trade bans', *The Australian Financial Review*, November 11 2022 <<https://www.afr.com/politics/federal/albanese-urges-china-to-drop-trade-bans-20221111-p5bxfx>>.

8 See, e.g., James Laurenceson and Shiro Armstrong, 'Learning the right policy lessons from Beijing's campaign of trade disruption against Australia', *Australian Journal of International Affairs*, 77 (3) (May 15 2023), 258-275 <<https://www.tandfonline.com/doi/full/10.1080/10357718.2023.2212612>>; Kevin Magee, 'New government, new rhetoric, old contradictions', *The China Story*, Centre on China in the World, Australian National University, December 16 2022 <<https://www.thechinastory.org/new-government-new-rhetoric-old-contradictions>>.

Beijing's response to Australia's policy of stabilisation

Beijing has welcomed the improvement in bilateral relations but has evinced a desire to move beyond 'stabilisation'.

Speaking at a reception in Canberra on September 26 2024 for the 75th anniversary of the establishment of the PRC, PRC Ambassador to Australia Xiao Qian spoke warmly of the betterment of relations with Australia and the resumption of high-level dialogue but called for the strengthening of, and further progress in, the relationship.⁹ At the same event, a deputy secretary from the Australian Department of Foreign Affairs and Trade delivered remarks highlighting improved relations and the resumption of senior ministerial and leader-level interaction, but also made it a point to state that differences remained and that Australia would stand up for its national interests.¹⁰ This was an unusual approach for a national day event and clearly marked that Australia was going to maintain its differences with the PRC while advancing its commercial interests.

On October 14 2024, the Chairman of the Standing Committee of the National People's Congress Zhao Leji met the President of the Australian Senate Sue Lines and her delegation in Beijing. Zhao outlined Beijing's expectations for improving the bilateral relationship to go beyond 'stabilisation'. Zhao called on Australia to 'consolidate cooperation in traditional areas such as energy, mining, agriculture, expand cooperation in emerging areas such as green technology, new energy and artificial intelligence, and promote a fair, open trade and investment environment'.¹¹

Furthermore, on November 18 2024, President Xi Jinping told Prime Minister Albanese during a meeting on the sidelines of the G20 in Rio de Janeiro that the turnaround in Australia-PRC relations was 'the result of our collective hard work... and should be maintained with great care.' President Xi also urged the Australian Prime Minister to provide non-discriminatory access for PRC businesses.¹² Xi also added that 'as long as the two countries insist on mutual respect, equality, and seeking common ground while *reserving differences*, China-Australia relations will surely develop well' (emphasis added).¹³

According to PRC academics, the view from Beijing is that Canberra has demonstrated it has no appetite to engage in an extensive new agenda with the PRC and the Albanese government's goals appear to be modest and cautious.¹⁴

PRC officials and academics have also continuously asserted that Australia benefits significantly from the bilateral economic relationship and that the high standard of living in the nation is tied to access to the PRC market.¹⁵

Indeed, there is also widespread recognition in business and government in Australia that the PRC remains Australia's most important economic partner.¹⁶ As such, Australia seeks to derive as much economic and trade benefit from the PRC as possible. This was most recently made clear by Prime Minister Albanese who told a press conference in November 2024 that 'one in four Australian jobs [are] export dependent, and one in four of our export dollars comes from China'. Two months earlier, Treasurer Jim Chalmers visited the PRC, the first visit by an Australian treasurer in seven years, to attend the Australia-China Economic Dialogue.¹⁷ In an opinion piece published to coincide with the trip, the Treasurer wrote, 'Our resilience and prosperity are

9 Xiao Qian, 'Reception celebrating the 75th anniversary of the founding of the People's Republic of China', Embassy of the People's Republic of China in the Commonwealth of Australia, September 27 2024 <https://au.china-embassy.gov.cn/eng/dshd/202409/t20240927_11498401.htm>.

10 The author attended the PRC Embassy reception on September 26 2024 and noted the speech by the DFAT official.

11 'China's top legislator holds talks with Australian Senate president', *Xinhua*, October 14 2024 <<https://english.news.cn/20241014/a3a07d9062e84e43a13b2210533975c7/c.html>>.

12 Brett Worthington, 'China-Australia relations in focus during G20 meeting between Anthony Albanese and Xi Jinping', *ABC News*, November 19 2024 <<https://www.abc.net.au/news/2024-11-19/g20-anthony-albanese-meets-xi-jinping/104616994>>.

13 'No fundamental conflict of interests exists between China, Australia, says Xi', *Xinhua*, November 18 2024 <<https://english.news.cn/20241118/45ff87a1bbe14ca4bd0b7aeb07f46083/c.html>>.

14 Author's discussions with an academic delegation from the PRC at the China in the World Centre, Australian National University, April 30 2024.

15 Author's discussions with PRC Embassy officials and PRC academics, April, June and September 2024.

16 Don Farrell, interview, *Sky News*, June 16 2024 <<https://www.trademinister.gov.au/minister/don-farrell/transcript/interview-sunday-agenda-sky-news-0>>; Australia China Business Council, 'Report finds significant impact of China trade relationship on Australian households', June 17 2024 <<https://www.acbc.com.au/media-release/media-release-report-finds-significant-impact-of-china-trade-relationship-on-australian-households/>>.

17 Jim Chalmers, 'Meeting with Chinese counterparts in Beijing', media release, September 26 2024 <<https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/meeting-chinese-counterparts-beijing>>.

closely connected to China's economy and the global economy'. He noted that 'a one percentage point drop in China's GDP growth roughly costs Australia a quarter of a percentage point of our growth, or about \$6 billion in lost output'.¹⁸

Obstacles and differences in the relationship

PRC officials and academics told the author that Australia's continual public statements highlighting differences with, and criticisms of, the PRC were undermining the relationship and prospects for agreement and cooperation.¹⁹ They stated that the ongoing use of the formulation, 'cooperate where we can, disagree where we must, but engage in our national interest' was in itself an irritant and an indication that Australia did not wish to improve relations or remedy differences.

They also contrasted Australia's public criticisms of the PRC with its silence about differences with India, including the operation of an Indian spy ring in Australia,²⁰ human rights issues in Kashmir,²¹ India's support for Russia's war in Ukraine and allegations of India's involvement in an assassination on Canadian soil.²² In Beijing's view, they said, these discrepancies, along with Australia's lack of enthusiasm for science and technology cooperation and Australia's travel advice on the PRC which advises Australians to 'exercise a high degree of caution in China overall',²³ cast a pall over the relationship. Australia's involvement in Pacific Policing Initiative and its aid to Pacific Island nations²⁴ was also seen as another anti-PRC move. Consistently expressed criticism related to longer-standing issues such as the PRC's destabilising activities in the South China Sea and the Taiwan Strait, its detention of Australian citizen Yang Hengjun and its human rights abuses in Xinjiang and Tibet have all also raised Beijing's ire.²⁵

These differences themselves raise questions about the longer-term stability of the relationship, yet layered over these are further irritants at play, including AUKUS, the status of Taiwan, military-to-military incidents, electric vehicles (EVs) and critical minerals.

AUKUS and closer cooperation with the US military

At the same time as seeking significant benefit from the PRC market, the Albanese government has continued to build a closer security relationship with the US through AUKUS, the Quad and by permitting the increased US use of military facilities in western and northern Australia. The Albanese government's stance, agreed by cabinet in November 2022,²⁶ is that trade and investment with the PRC will not take priority over Australia's strategic interests. Indeed, during a pre-election foreign affairs debate, then-Shadow Foreign Minister Penny Wong stated that Australia had 'already chosen' a side in tensions between Washington and Beijing.²⁷ As such, despite stabilisation, there will remain a fundamental major contradiction in the Australia-PRC relationship.

Australia's acceptance of a militarised approach towards the PRC was reflected in a recent remark by US Congressman (R-Texas) Michael McCaul who asserted that the US was preparing Australia as a base to

18 Jim Chalmers, 'Opportunity comes from engagement, not estrangement', September 27 2024 <<https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/articles/opinion-piece-opportunity-comes-engagement-not-estrangement>>.

19 Author's discussions with PRC Embassy officials and PRC academics, April, June and September 2024.

20 Andrew Greene, 'India's Modi government operated 'nest of spies' in Australia before being disrupted by ASIO', *ABC News*, April 30 2024 <<https://www.abc.net.au/news/2024-04-30/modi-government-operated-nest-of-spies-in-australia-/103786892>>.

21 Human Rights Watch, 'India: Repression persists in Jammu and Kashmir', July 31 2024 <<https://www.hrw.org/news/2024/07/31/india-repression-persists-jammu-and-kashmir>>.

22 Meryl Sebastian, 'India and Canada expel top diplomats over murder accusations', *BBC*, October 15 2024 <<https://www.bbc.com/news/articles/clyle3py4nko>>.

23 Australian Government Department of Foreign Affairs and Trade, 'China', *Smartraveller.gov.au*, accessed November 26 2024 <<https://www.smartraveller.gov.au/destinations/asia/china>>.

24 Andrew Tillett, 'Pacific policing deal to keep China in check', June 26 2024, *The Australian Financial Review* <<https://www.afr.com/politics/federal/new-policing-deal-to-keep-china-out-of-the-pacific-20240626-p5jou2>>; Andrew Tillett, 'PM'S hot-mic joke exposes US-Pacific goal', *The Australian Financial Review*, August 30 2024 <<https://www.afr.com/politics/federal/chill-out-people-pm-s-hot-mic-moment-in-the-pacific-20240828-p5k5w6>>.

25 'China says Australia is plagued by racism and hypocritical after Tibet, Xinjiang raised at UN', *SBS News*, October 24 2024 <<https://www.sbs.com.au/news/article/china-says-australia-is-plagued-by-racism-and-hypocritical-after-tibet-xinjiang-raised-at-un/qy62nq6ta>>.

26 Kevin Magee, 'New government, new rhetoric, old contradictions,' *The China Story*, Centre on China in the World, Australian National University, December 16 2022 <<https://www.thechinastory.org/new-government-new-rhetoric-old-contradictions>>.

27 Elena Collinson, *Australia-China monthly wrap-up: April and May 2022*, Australia-China Relations Institute, University of Technology Sydney, June 14 2022 <<https://www.uts.edu.au/acri/research-and-opinion/briefs-and-working-papers/australia-china-monthly-wrap-april-and-may-2022>>.

'counter the [PRC] threat'.²⁸ Indeed, it has been long known how critical Australia's strategic geography is for American deterrence of PRC.²⁹ Former Trump administration deputy national security adviser Matt Pottinger and former Republican Congressman Mike Gallagher put forward the view in an April 2024 *Foreign Affairs* article that the primary goal for the US vis-à-vis Australia was to strengthen US assets against the PRC, ensure US hegemony and the PRC's defeat.³⁰ Chief of US Naval Operations Admiral Lisa Franchetti, the highest-ranking officer in the US Navy, released a new Navigation Plan on September 18 2024, which focused predominantly on readiness for war over Taiwan by 2027.³¹ This is just one of many statements by senior US military figures about preparations for military conflict with the PRC.³² In April 2024, a linkage had been made between the proposed Australian nuclear-powered submarines and the defence of Taiwan by US Deputy Secretary of State Kurt Campbell, indicating an expectation the submarines would play a role in the US' defence strategy for Taiwan, despite the Albanese government's noncommittal statements on the matter.³³

For its part, the PRC has been seeking to counter Australia's growing defence and alignment and engagement with the US by switching gears from wolf warrior rhetoric to a more positive approach. Beijing is aware that its most effective leverage over Australia is trade and investment. It has sought to blunt the confrontational approach to the PRC that Australia had adopted under the prime ministership of Scott Morrison (2018-2022) and to moderate Canberra's deepening engagement with Washington. Most recently, a *China Daily* editorial on November 14 2024 lauded Prime Minister Albanese for improving Australia's strategic autonomy from the US.³⁴

PRC analysts have said that Australia needs to be aware that AUKUS and the rhetoric around it will continue to have a negative influence on the Australia-PRC relationship.³⁵ However, PRC officials have in recent years committed to more of a softly-softly approach to attempt to influence Australia to take a more cautious approach to AUKUS by reminding Australia of the economic benefits of its relationship with the PRC. For example, during his visit to Australia in June this year, Premier Li did not make the PRC's well-known criticism of AUKUS a central point of discussions with Prime Minister Albanese, avoiding pushing Australia into a difficult position requiring the Prime Minister to defend AUKUS and the US alliance. The PRC Premier repeated Beijing's oft-made assertion that the nation does not constitute a direct military threat to Australia.³⁶

PRC officials and academics have continuously made clear that they believe that the US is pushing Australia into containment of the PRC via AUKUS.³⁷ It is likely that Australia has little to no room to move on the project, despite increasing opposition in the country, due to its commitment to the US.³⁸ However, it is questionable whether Beijing will be able to significantly influence Australia's national security priorities given its intensifying commitment to the US alliance and to AUKUS, in addition to the pervasiveness of the belief that the PRC constitutes a threat.

28 Cameron Stewart, 'US military build-up in Australia hailed as major win for security', *The Australian*, September 14 2024 <<https://www.theaustralian.com.au/inquirer/us-military-buildup-in-australia-hailed-as-major-win-for-security/news-story/0f29ed3f5bb3cd566f9e6eacb01bcfc5>>.

29 James Curran, 'Three key zones: how the US sees Australia', *The Australian Financial Review*, October 28 2024 <<https://www.afr.com/policy/foreign-affairs/three-key-zones-how-the-pentagon-sees-australia-20241022-p5kk5w>>.

30 Matt Pottinger and Mike Gallagher, 'No substitute for victory, America's competition with China must be won, not managed', *Foreign Affairs*, April 10 2024 <<https://www.foreignaffairs.com/united-states/no-substitute-victory-pottinger-gallagher>>.

31 Justin Katz, 'In new 'Navigation Plan,' CNO puts Navy's targets on China's 2027 deadline', *Breaking Defense*, September 18 2024 <<https://breakingdefense.com/2024/09/in-new-navigation-plan-cno-puts-navys-targets-on-chinas-2027-deadline/>>.

32 Courtney Kube and Mosheh Gains, 'Air Force General predicts war with China in 2025, tells officers to prep by firing 'a clip' at a target and aim for the head', *NBC News*, January 27 2023 <<https://www.nbcnews.com/news/amp/rcna67967>>; Roxanna Tiron, 'China on track to be ready to invade Taiwan by 2027, US says', *Bloomberg*, March 21 2024 <<https://www.bloomberg.com/news/articles/2024-03-20/china-on-track-to-be-ready-for-taiwan-invasion-by-2027-us-says>>.

33 Richard Fontaine and Kurt Campbell, 'AUKUS: Securing the Indo-Pacific, a conversation with Kurt Campbell', Center for a New American Security, April 3 2024 <<https://www.cnas.org/publications/transcript/aukus-securing-the-indo-pacific-a-conversation-with-kurt-campbell>>.

34 'Autonomy serves Australia's interests best', *China Daily*, November 14 2024, <<https://www.chinadaily.com.cn/a/202411/14/WS6735eb55a310f1265a1cd6b5.html>>.

35 Author's discussions with an academic delegation from the PRC at the China in the World Centre, Australian National University, April 30 2024.

36 Stephen Dziedzic, 'Chinese Premier Li Qiang's visit to Australia went well but new details reveal core issues need more work', *ABC News*, June 21 2024 <<https://www.abc.net.au/news/2024-06-21/chinese-premier-li-qi-ang-visits-australia/104006604>>.

37 Author's discussions with PRC Embassy officials and PRC academics, April, June and September 2024.

38 Amy Remeikis, 'Turnbull says Australia 'mugged by reality' on Aukus deal as US set to halve submarine build' *The Guardian*, March 13 2024 <<https://www.theguardian.com/world/2024/mar/13/turnbull-says-australia-mugged-by-reality-on-aukus-deal-as-us-set-to-halve-submarine-build>>; Daniel Hurst, 'Former Labor foreign minister Gareth Evans says Australia won't have sovereignty over Aukus submarines', *The Guardian*, September 17 2024 <<https://www.theguardian.com/australia-news/2024/sep/17/gareth-evans-australia-sovereignty-aukus-nuclear-submarines>>; David Shoebridge, 'AUKUS 2.0 agreement all risk no reward', press release, August 13 2024 <<https://greens.org.au/news/media-release/aukus-20-agreement-all-risk-no-reward>>.

The status of Taiwan

The Australian Senate on August 21 2024 unanimously passed an urgency motion stating that the United Nations General Assembly (UNGA) Resolution 2758, which was passed in 1971 and said that the UNGA 'recognis[ed] that the representatives of the Government of the People's Republic of China are the only lawful representatives of China to the United Nations', does not establish the PRC's sovereignty over Taiwan.³⁹ Australia's parliament is reportedly the first to back such a motion on Taiwan.⁴⁰ The Albanese government has, however, refrained from endorsing the Senate resolution.

Beijing rejected the resolution and criticised the Australian Senate but also acknowledged that it is not Australian government policy. Beijing would have likely preferred, however, for the government to have blocked the resolution.

Military-to-military incidents

Incidents between the armed forces of both countries in the South China Sea and the Yellow Sea in recent months have been another negative factor in the Australia-PRC relationship.⁴¹ Royal Australian Air Force (RAAF) and Royal Australian Navy (RAN) operations conducted in international waters in close proximity to sensitive PRC waters have led to incidents with the People's Liberation Army Air Force (PLAAF) and People's Liberation Army Navy (PLAN) that have further stressed the relationship.

Australia asserts its right to sail through and overfly all the international waters in the South China Sea. Over the past decade, Australian aircraft and ships transiting international waters near PRC-claimed features have been issued radio challenges by PLAN ships.⁴² The RAN since 2015 has conducted several operations in the Taiwan Strait and waters adjacent to Taiwan and the Philippines, most recently in 2024.⁴³ Australia has consistently expressed its strong support for the United Nations Convention on the Law of the Sea and criticised the PRC's claims in the South China Sea.⁴⁴

The Australian position on the PRC's claims and the frequent incidents involving Australian military aircraft and ships are a further irritant in the relationship that is unlikely to change, but may also limit development of closer relations between the two countries.

Electric vehicles

On September 23 2024, Washington proposed new rules to ban PRC-developed software and key hardware from connected and autonomous vehicles on US roads.⁴⁵ Two days later, in a piece in *The Australian Financial Review*, Alastair MacGibbon, a former special adviser to the prime minister on cyber security who played a role, together with US input, in moving Australian policy to oppose PRC telecommunications company Huawei's participation in its 5G network in 2018, urged action by the Australian government to prevent connected consumer technologies made in or featuring components from the PRC, including EVs, from entering the

39 Stephen Dziedzic, 'Australia backs Taiwan in Senate motion likely to infuriate China', *ABC News*, August 22 2024 <<https://www.abc.net.au/news/2024-08-22/australia-backs-taiwan-in-senate-motion-likely-to-anger-china/104255756>>.

40 Andrew Tillett, 'Australia leads push-back against China's anti-Taiwan campaign', *The Australian Financial Review*, August 21 2024 <<https://www.afr.com/politics/federal/australia-to-lead-push-back-against-china-s-anti-taiwan-campaign-20240821-p5k4a4>>.

41 Josh Butler, 'Canberra accuses Chinese fighter jet of dropping flares dangerously close to Australian helicopter', *The Guardian*, May 6 2024 <<https://www.theguardian.com/australia-news/article/2024/may/06/canberra-accuses-chinese-fighter-jet-of-dropping-flares-dangerously-close-to-australian-helicopter>>; Sarah McPhee and Mary Ward, 'Australian navy divers injured after sonar pulses detected from Chinese warship', *Sydney Morning Herald*, November 18 2023 <<https://www.smh.com.au/politics/federal/australian-naval-divers-injured-by-sonar-pulses-from-chinese-warship-20231118-p5ekza.htm>>.

42 David Wroe, 'RAF now being routinely challenged by Beijing in South China Sea', *Sydney Morning Herald*, February 3 2016 <<https://www.smh.com.au/politics/federal/raaf-now-being-routinely-challenged-by-beijing-in-south-china-sea-20160203-gmkv1b.html>>.

43 Andrew Greene, 'Australia joins defence exercise in contested South China Sea after Philippines deal with China to ease tensions', *ABC News*, August 7 2024 <<https://www.abc.net.au/news/2024-08-07/australia-joins-exercise-philippines-south-china-sea-defence/104195374>>.

44 See, e.g., Melanie Burton, 'Australia says China's South China Sea Claims are unlawful', *Reuters*, July 25 2020 <<https://www.reuters.com/article/idUSKCN24Q09C/>>.

45 Edward Helmore, 'Biden administration proposes rules to ban Chinese-made cars over spying fears', *The Guardian*, September 23 2024 <<https://www.theguardian.com/us-news/2024/sep/22/biden-rules-ban-chinese-made-cars-spying-fears>>.

Australian market.⁴⁶ On September 26, Climate Change and Energy Minister Chris Bowen ruled out a ban on EVs ‘made in any particular country.’⁴⁷

Minister Bowen’s decision not to follow the US ban on PRC EVs will go some way towards easing tensions with Beijing. However, it is likely the US will continue to exert pressure over Australia to move to enact such a ban. Should this come to fruition, it could occasion retaliation or sanctions and would cause Beijing to see Australia as acting at the US’ behest. The decision to ban Huawei’s 5G participation, for example, was the one of the initial causes of China taking sanctions against Australia.⁴⁸ Any ban on PRC EVs would also be occurring in the context that US and Japanese car manufacturers – Australia’s Quad partners – have been exposed as collecting data on Australians.⁴⁹

Critical minerals

The PRC dominates global critical minerals supply chains. The US has recently moved to limit the PRC’s control of critical minerals and commenced work towards developing its own supply chain, including through approving a major lithium mine in Nevada.⁵⁰ Premier Li during his visit to Australia this year, advocated for closer engagement and cooperation, with a particular focus on the critical minerals sector, with Beijing having articulated concerns that PRC companies are being excluded from investment in Australian lithium mines following the blocking of several investments in Australian lithium mines.⁵¹ Prime Minister Albanese was noncommittal on this front.

In September 2024, the US, Australia and other like-minded partners established a joint financing body which could be used to finance Australian critical minerals projects. The agreement, loosely known within the Australian government as the ‘NATO of critical minerals’, could be used to thwart proposed PRC investment in critical mineral deposits in Australia and break the PRC’s 70 percent control of global output.⁵² Following discussions between Prime Minister Albanese and US President Joe Biden on the sidelines of the Quad meeting on September 21 2024 in Delaware, there has been a suggestion to treat Australian critical minerals as American-produced to attract US subsidies.⁵³ However, this would only apply if US demand cannot be fully addressed by companies in America. Nonetheless, Australia’s participation in US-led efforts to reduce the PRC’s share in global critical minerals supply chains is likely to further exacerbate an existing irritant in the relationship.

Conclusion

The Albanese government has deemed it sufficient to stabilise the bilateral relationship and focus on ensuring Australia’s economic interests with the PRC. Beijing, however, has made clear an expectation for the relationship to progress beyond stabilisation. It is also concerned by Australia’s increasing commitment to US-led military confrontation with the PRC.

Australia seeks to benefit from trade with the PRC but at the same time has joined the US in viewing Beijing as an adversary and threat. This fundamental contradiction in the relationship will only become progressively more severe. Over time, the many differences between the two nations and Australia’s military alignment with

46 Alastair MacGibbon, ‘Australia must be wary of China’s listening in via consumer goods’, *The Australian Financial Review*, September 25 2024 <<https://www.afr.com/technology/australia-must-be-wary-of-bejng-s-ears-and-hands-in-consumer-goods-20240923-p5kcvv>>.

47 Ben Packham and Sarah Ison, ‘Chris Bowen rules out copying US ban of Chinese electric vehicles’, *The Australian*, September 26 2024 <<https://www.theaustralian.com.au/nation/chris-bowen-rules-out-copying-us-ban-of-chinese-electric-vehicles/news-story/051b97037d32895e3b85614fddfde96>>.

48 Author’s discussions with PRC officials and Australian public servants, 2018-2023.

49 James Purtill, ‘These car brands are collecting and sharing your data with third parties’, *ABC News*, October 8 2024 <<https://www.abc.net.au/news/science/2024-10-09/car-brands-are-tracking-and-sharing-your-data-with-third-parties/104440742>>.

50 US Department of the Interior, ‘Major lithium mine approved in Nevada in latest effort to support a domestic supply of critical minerals’, October 10 2024 <<https://www.doi.gov/pressreleases/major-lithium-mine-approved-nevada-latest-effort-support-domestic-supply-critical>>.

51 Brad Thompson, ‘Chalmers blocks Chinese investor from rare earths stake’, *The Australian Financial Review*, March 1 2023 <<https://www.afr.com/companies/mining/chalmers-blocks-chinese-investor-from-rare-earths-stake-20230301-p5copj>>; Kirsty Needham and Lewis Jackson, ‘Australia blocks acquisition of lithium mine by China-linked firm’, *Reuters*, July 21 2023 <<https://www.reuters.com/article/markets/currencies/australia-blocks-acquisition-of-lithium-mine-by-china-linked-firm-idUSKBN2Z106Q/>>.

52 Phillip Coorey, ‘“NATO of critical minerals” deal to hit China dominance’, *The Australian Financial Review*, September 24 2023 <<https://www.afr.com/politics/federal/chinese-stranglehold-in-sight-as-allies-sign-critical-minerals-deal-20240924-p5kd4s>>.

53 Matthew Cranston, ‘Critical mineral exporters edge closer to US breakthrough’, *The Australian Financial Review*, September 22 2024 <<https://www.afr.com/world/north-america/albanese-pushes-biden-on-critical-minerals-access-20240922-p5kcf1>>.

the US have the potential to become more pronounced, leading to a much-reduced relationship. Trade and the economy, people-to-people, cultural, and science and technology links could all slip into a markedly less effective state.

Canberra needs to consider what this contradiction might mean in terms of consequences for the economy and national security, and prepare to deal with the ramifications. The government and opposition are both demurring from discussing the potential economic and national security ramifications of the path Australia is following in its PRC policy. There is bipartisan support for AUKUS and there has been no serious parliamentary debate on the wisdom, cost and ramifications of the agreement.

The key question is at what point would Beijing become frustrated by Canberra's unwillingness to engage beyond stabilisation, as well as its military preparations, and opt to take retaliatory action, such as renewed extensive trade sanctions. The worst-case scenario would be military targeting by the PLA that would bring into reality a conflict that previously only existed in rhetoric and think tank papers.⁵⁴

Australia is acutely aware the PRC is an essential economic partner and major source of wealth, contributing to a high standard of living. Both the Labor government and the opposition have stressed that they want to maintain the trading relationship and even 'double' it.⁵⁵ However, achieving this aim may necessitate a policy which aims beyond stabilisation of the relationship. To do so a path would need to be carved out which addresses the PRC's concerns where practicable, while maintaining Australia's own trade, economic and national security interests. This may well require abandoning stabilisation as the end goal of the Australia-PRC relationship.

Author

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During his career with DFAT, among other jobs Mr Magee headed up the areas dealing with both China and with Russia. He also led the Taskforce that established the National Foundation for Australia China Relations and was the interim CEO of that organisation.

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54 See, e.g., 'Australian official warns drums of war are beating', *Reuters*, April 27 2021 <<https://www.reuters.com/world/asia-pacific/australian-official-warns-drums-war-are-beating-2021-04-27/>>; Andrew Forrest, 'Why China is a national security threat to Australia', Australian Strategic Policy Institute, June 1 2023 <<https://www.aspi.org.au/why-china-is-a-national-security-threat-to-australia/>>; Andrew Harding, 'Eye on China: Australia's proposed defence reforms are a step in the right direction', The Heritage Foundation, June 14 2023 <<https://www.heritage.org/global-politics/commentary/eye-china-australias-proposed-defense-reforms-are-step-the-right>>.

55 See, e.g., Hans van Leeuwen, 'Australia can launch a new trade boom with China, Farrell says', *The Australian Financial Review*, March 1 2024 <<https://www.afr.com/policy/foreign-affairs/australia-can-launch-a-new-trade-boom-with-china-farrell-says-20240301-p5f8yv>>; Peter Dutton, interview, *Sky News*, June 16 2024 <<https://www.peterdutton.com.au/leader-of-the-opposition-transcript-interview-with-andrew-clennell-sky-news-6/>>.