

Australia - China relations summary



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The latest developments in Australia-China relations in September 2018.

Ministerial engagement

Australian Ambassador to the People's Republic of China (PRC) Jan Adams in a [speech](#) on September 20 appeared to confirm a visit to Shanghai by Trade Minister Simon Birmingham to lead a delegation of Australian companies to the China International Import Expo in November. Should the Trade Minister's participation proceed, this would be the second Australian federal ministerial visit of sorts to the PRC this year, following then-Trade Minister Steve Ciobo's visit to Shanghai to attend an AFL match in May. Mr Ciobo's request to meet with his PRC counterpart during that visit was [refused](#).

While it was [initially reported](#) on September 21 that a visit to Beijing by Prime Minister Scott Morrison was 'on the cards...before the end of this year', a subsequent article on September 28 [cited](#) a 'senior government source' as stating that a visit this year was 'unlikely'. The Prime Minister during a [press conference](#) on September 26 stated he would be looking to meet PRC leaders at APEC in Papua Guinea in November, but emphasised that while he would have 'a bit more to say about...foreign policy issues in the months ahead', he is for the moment 'very focused on...domestic priorities'.

In the same press conference the Prime Minister reiterated Foreign Minister Marise Payne's remarks regarding foreign policy consistency in the first [interview](#) she gave following news of her appointment to the portfolio. The Prime Minister said:

[W]hen it comes to our international policies, we've run a very consistent approach over the last five years as our government and we'll continue to do just that.

On September 24 the Foreign Minister met with PRC Foreign Minister Wang Yi on the sidelines of UN Leaders Week at the UN General Assembly. At a press conference afterwards she [pronounced](#) the meeting 'productive and constructive' and said:

Without going into the details I think I reinforced the strength we both bring to the table as proud sovereign nations who will always pursue our own interests and protect our national interests, but nevertheless absolutely have the capability to work together constructively and I think that was a message well received.

The Foreign Minister also stated that she and her PRC counterpart ‘have undertaken to meet again in the relatively near future.’

A [statement](#) on the meeting released by the PRC struck a warmer, more cordial tone compared with that of statements in the immediate past (see statements on then-Foreign Minister Julie Bishop’s meetings with her PRC counterpart in [May](#) and [August](#)). The statement opened with a list of the positive aspects of the bilateral relationship, with the PRC Foreign Minister noting, ‘The common ground between the two sides far outweighs their differences.’ Foreign Minister Wang went on to say:

On the basis of mutual respect, the Chinese side is willing to rebuild mutual trust with the Australian side...

The Prime Minister on September 26 [described](#) the meeting as ‘very excellent’.

Trade Minister Birmingham, with respect to the US–PRC trade war, [urged](#) both countries to avoid ‘digging an every-deeper hole’. The Trade Minister emphasised that Australia was not taking any sides in the dispute, saying:

Neither major player comes to this dispute with purity, with arguments over intellectual property, distorting subsidies, unilateral tariffs action and World Trade Organisation disruption all having degrees of validity.

Xinjiang

A Human Rights Watch [report](#) released on September 9, based predominantly on interviews with 58 former residents of Xinjiang, alleged ‘human rights violations in Xinjiang today are of a scope and scale not seen in China since the 1966–1976 Cultural Revolution.’

Last month an Australian resident [told](#) the *Australian Financial Review* that she had ‘lost all connection’ with her family in Xinjiang and had ‘no idea whether they are dead or alive’. She said:

Ask any Uighur living in Australia or around the world whether they are able to speak with their families in Xinjiang. The answer is no. If we call them, they go to jail.

The UN Committee on the Elimination of Racial Discrimination in Geneva on September 19 released its most recent [concluding observations](#) on the PRC. It noted that it was ‘alarmed’ by reports of large numbers of ethnic Uighurs and other Muslim minorities in Xinjiang held in long-term detention or forced to spend periods in political re-education camps. It also indicated alarm about reports of mass surveillance and travel restrictions targeting ethnic Uighurs in the region, as well as allegations that many Uighurs who had left the PRC had been returned to the country against their will.

The PRC denied the mass detention of Xinjiang’s Uighur population, with a representative of PRC’s United Front Work Department [telling](#) the UN the claim was ‘completely untrue’. The representative also stated, ‘There is no such thing as re-education centres in Xinjiang’, although went on to say:

For those who are convicted of minor offences, we help and teach them in vocational skills in education and training centres, according to relevant laws. There is no arbitrary detention and torture.

The Australian government has thus far been restrained in publicly commenting on Xinjiang. On September 12 the Foreign Minister issued a brief statement saying:

The Australian government is concerned about the situation in China's Xinjiang Uighur Autonomous Region. Our officials have conveyed these concerns to China on a number of occasions, including concerns over relatives of Uighur Australians.

This was largely a [reiteration](#) of previous comments made by the Foreign Minister's predecessor, Julie Bishop, earlier this year.

Shadow Foreign Minister Penny Wong on released a lengthier [statement](#) on the same day, stating Labor was 'deeply concerned' about the reports on Xinjiang, and 'particularly concerned about reports of Australian residents feeling intimidated and unable to contact their family members'. Senator Wong's statement also called on the government to 'use Australia's membership on the UN Human Rights Council, in coordination with other members' to press the issue in tandem with bilateral exchanges with the PRC.

Foreign interference

Australian Conservatives Senator Cory Bernardi in parliament on September 19 [called on](#) the Australian government to establish a royal commission into Chinese Communist Party influence, citing the Menzies government's royal commission on Soviet espionage as one precedent.

Finance Minister Matthias Cormann rejected the call.

South China Sea

During a visit to Australia for a defence sector symposium on September 24 French Armed Forces Minister Florence Parly [said](#) that one item on the discussion agenda was how Australia and France 'could together better coordinate what we are doing in the South China Sea because we are very conscious that China is more and more assertive.' She added that, 'France's position is very clear, that China sticks to the international rules, but we remain very open to dialogue.'

At this year's launch of the Australian Army and People's Liberation Army's Exercise Pandaroo, defence attaché of the PRC embassy in Australia, Senior Colonel Wang Jingguo, was asked whether Australia freedom of navigation patrols (FONOPs) would create tensions with the PRC. He responded that 'freedom of navigation exercises is not a problem, it has never been a problem in the South China Sea.' He said:

All countries have their rights that their aircrafts and their ships have the full rights and freedom of navigating in the South China Sea.

..

Australia is an independent country. It is for the Australian government and its people to make its own decision whether to conduct this kind of freedom of navigation exercise in the South China Sea or not.

On September 30 US Navy destroyer, the USS Decatur, [conducted](#) a FONOP passing through the 12 nautical mile zone of the Gaven and Johnson Reefs in the South China Sea. A PRC warship moved to confront the US destroyer, coming within 45 yards of the vessel and prompting it to change course to avoid collision.

A spokesperson for the US Pacific Fleet [described](#) the incident as 'an unsafe and unprofessional manoeuvre' by the PRC, while a PRC Foreign Ministry spokesperson [said](#) of the encounter, 'The Chinese side will take all necessary measures to safeguard its national sovereignty and security.'

Defence Minister Christopher Pyne [said](#) of the near-collision:

We would view any use of intimidation or aggressive tactics as destabilising and potentially dangerous.

Australia has consistently expressed concern over ongoing militarisation of the South China Sea and we continue to urge all claimants to refrain from unilateral actions that would increase tension in the region.

Shadow Foreign Minister Penny Wong [concurred](#) with the Defence Minister:

We don't want to see unilateral action, risky action which seeks to, or has the effect of, escalating tension in the South China Sea over disputed borders.

Prime Minister Morrison on October 3 [stated](#):

We're cool heads in this situation. We have very strong relationships with both the United States and China.

Tasmania and the PRC

Tasmanian Greens leader Cassy O'Connor in a speech to the Tasmanian parliament on September 27 pointed to an Australian-Chinese council candidate in Tasmania, Yongbei Tang, and her history of involvement with Chinese community organisations (including the Australian Council for the Promotion of Peaceful Reunification of China, which has come under public scrutiny a number of times in the recent past) and Chinese-language media, as evidence of a PRC attempt to influence local government. She said:

[E]very person sitting in this House should be deeply concerned about the growing body of extremely credible evidence that the Chinese government is seeking to influence the outcome of Hobart City Council elections. There is extremely credible evidence, verified by people with expertise in this field.

Ms Tang said in [response](#):

I am very grateful for the chance to be an Australian citizen, my children have grown up here and I appreciate Australian values...I am not a member of the Chinese Communist Party.

Ms O'Connor's statements flow on from previously articulated concerns about PRC influence and interference in Tasmania, [including](#) the possibility that the PRC has designs on Tasmania due to its 'geographic importance as an essential stop on the air route from mainland China to the Antarctic continent.'

Australia, the PRC and the Antarctic

University of Canterbury academic Anne-Marie Brady [writing](#) in *The Australian* on September 6 warned that '[a] new space-based arms race is under way in Antarctica', stating that PRC and Russia's expanding Antarctic dual-use satellite receiving stations are 'a game changer in terms of the military importance of the continent.' She stated this also posed a challenge to the Antarctic Treaty. Professor Brady noted that falling within Australian Antarctic Territory are China's Beidou ground satellite receiving and processing stations at Changcheng, Zhongshan and Kunlun.

In [comment](#) to *The Australian* the former director of the Australian Antarctic Division (a part of the Australian government's Department of Environment and Energy), Tony Press, 'did not share Professor Brady's concerns' but did recommend that Australia increase its diplomatic efforts in Antarctic:

[There needs to be] increased diplomatic efforts in Antarctic affairs; Australia needs to be on the front foot to ensure that the Antarctic remains a place of peace and co-operation into the future.

A Department of Foreign Affairs and Trade (DFAT) representative [told](#) *The Australian* that the Antarctic Treaty 'continues to serve Australia's interests' and that 'technologies that can be dual use...are essential for operating in Antarctica.' Moreover, the spokesperson said:

No breaches of article one of the treaty¹ have been identified through Australia's inspections.

¹ [Article 1, Antarctic Treaty: Antarctica shall be used for peaceful purposes only.](#)

DFAT also [told](#) *The Mercury* that Australia had a ‘strong and vital’ relationship with the PRC in Antarctica.

Professor Brady has also previously [argued](#) that the PRC ‘reserves the right to make a [sovereignty] claim in Antarctica; however it doesn’t publicise this.’ This claim was at the time questioned by Dr Press who noted that ‘there’s nothing that China does in Antarctica that could be used, within the bounds of international law, for it to assert sovereignty in Antarctica.’

Tasmanian Premier Will Hodgman on September 14 [expressed](#) the Tasmanian government’s interest in working in with the PRC in some Antarctic endeavours, including using Hobart as a supply port for PRC icebreakers. He said:

China’s engagement with Australia and Tasmania as the national gateway to Antarctica has always been a positive experience.

Tasmania had in 2014 [signed](#) a Memorandum of Understanding with the State Oceanic Administration of China to increase collaboration in scientific research in the Antarctic.

Tasmanian Greens leader Cassy O’Connor [criticised](#) Mr Hodgman’s comments, stating that with respect to his view of the PRC’s intentions he is ‘either a fool, or he is naive, or he is a coward’.

Australia has been slowly levelling more attention onto the Antarctic, with an inquiry into Australia’s Antarctic Territory and how Australia might best maintain its national interests conducted late last year (report published on June 18, available [here](#)) and a [review](#) of the governance arrangements supporting the Australian Antarctic Science Program undertaken in August 2017.

PRC students in Australian universities

On September 9 Fairfax Media [reported](#):

Organised factions of Chinese international students are dominating elections at Australia’s major universities, beating the established political parties at the same time as national authorities warn about foreign influence.

The article used the University of Sydney in which this ‘phenomenon is most pronounced’ as a case study.

The university’s vice-chancellor, Michael Spence, said:

I would point out that engaging in student elections isn’t exactly covert, nor is it unwelcome at the University of Sydney. [We] welcome any attempt to ensure that representative bodies are as diverse as our student population.

Regardless of the administration’s welcoming stance, concerns about foreign influence at universities seem to be permeating the student body at the university. One student running for president of the Students’ Representative Council – who has both a PRC-background and Australian permanent residency – [said](#) he had been asked ‘by several people, including student newspaper editors, whether he had links to the Chinese Communist Party’.

University elections at the University of Adelaide this year have reportedly seen PRC students [threatening](#) other PRC students from rival factions, telling them they had been reported to the PRC embassy for being ‘openly against socialism and communism’.

Australian Conservatives leader Senator Cory Bernardi said that this ‘snitching scandal plays into every fear that we have about Chinese Communist Party influence’. On September 19 he [cited](#) the reports out of the University of Adelaide in his preamble to his question, ‘[W]hat is the government doing to limit the expansion of Chinese communist government influence in Australia?’

Quad

On September 12 the *Times of India* [reported](#) that the next meeting of Quad countries – Australia, the US, India and Japan, would be held soon ('probably...by this autumn'). This will be the group's third consultative meeting, and the second time they meet this year.

According to the report, India preferred the meeting to remain at the joint secretary level, rejecting US and Japanese calls for an elevation to a foreign minister level.

That the meeting would remain at the senior official level had been confirmed by a US official following the India-US 2+2 on September 6. They [said](#):

We are looking to establish the next date of assistant secretary/ joint secretary level Quad meeting to follow up on conversations related to maritime domain awareness.

Belt and Road Initiative (BRI)

The European Union [launched](#) its 'New Connectivity Strategy' to 'improve connectivity between Europe and Asia' on September 19. The strategy emphasises a focus on the 'fiscal and financial sustainability of infrastructure projects' and 'high environmental and social standards', two criticisms which have been levelled at the BRI.

The EU's newly launched strategy [joins](#) Australia, the US and Japan's trilateral infrastructure investment partnership, announced at the end of July, as another alternative to the BRI.

Hong Kong investment in energy infrastructure – CKI bid

The Australian Competition and Consumer Commission (ACCC) gave the Hong Kong-listed Cheung Kong Infrastructure's (CKI) \$13 billion bid for APA Group, Australia's biggest gas pipeline operator, the [green light](#) on September 12 following a court-enforceable undertaking by CKI to divest significant gas assets in Western Australia. This would allow for another entity to acquire the assets, creating 'an operator similar in size' to CKI's current operations in Western Australia.

The bid is currently being considered by the Foreign Investment Review Board (advised by the Critical Infrastructure Centre), who will provide a recommendation to the Australian government. Despite previous speculation that a government decision would be handed down before the deal is voted on by APA shareholders in November, a change in government has called this timing into question. Head of the APA Group Mick McCormack on September 26 [said](#):

I can't see the government doing anything that might present a target for their political opponents and that certainly includes announcing this transaction.

While Mr McCormack remained optimistic that the bid would succeed, he said one 'would be naive to think that given the interest in the transaction there is not a political overlay to it.'

The bid has prompted [concerns](#) around the cumulative level of ownership of energy supply infrastructure by Chinese mainland/Hong Kong-linked companies and around the potential for PRC [interference](#). Others, however, [posit that](#) the national security considerations may be overstated.

Liberal Senator [Jim Molan](#) and One Nation leader [Pauline Hanson](#) this month [joined](#) Centre Alliance Senator Rex Patrick, former deputy prime minister Barnaby Joyce and Nationals Senator John William in publicly calling for the government to reject the bid.

Shadow Defence Minister Richard Marles in a *Sky News* [interview](#) on September 23 said that while he was not indicating ‘a particular view one way or the other about CKI’s interest’ that it was ‘appropriate that decisions of this kind are seen through a national security lens.’ He said:

Our gas pipelines are critical infrastructure and national security has to be a consideration so we can learn how these pipelines are owned and how they may be leveraged, one way or another, in the future.

While CKI had thus far kept a low profile as debate swirled around its bid, it made a rare foray into the public sphere to reject claims that it was subject to PRC influence. CKI deputy managing director Andrew Hunter said:

The idea that we are in some way influenced by the Chinese government is fictitious, to say the least.

CKI is a publicly listed, global infrastructure company. We subject ourselves to the highest standards of corporate governance.

APA Group head Mick McCormack [noted](#), ‘Some of the commentary in the media has been pretty far-fetched, to say the least.’

China Global Television Network (CGTN) in Australia

The English-language arm of PRC state broadcaster China Central Television (CCTV), CGTN, in September purchased billboard advertisements in major cities across Australia to [promote](#) its channel on Foxtel and Fetch. The PRC has purportedly spent half a million dollars on this advertising campaign.

This new PRC media push follows the 2016 [deal](#) *China Daily* inked with Fairfax Media to publish a monthly eight-page supplement ‘China Watch’ in Fairfax papers.

Australia, the PRC and the Pacific

Foreign Minister Payne attended the Pacific Islands Forum Leaders in Nauru on September 3-5. The [media release](#) announcing her visit stated that ‘[s]ecurity issues will be at the forefront of the agenda’. Minister Payne in a radio [interview](#) on September 3 said that ‘[w]e have absolutely reinforced the Pacific is a key priority of Australia’s foreign policy.’

The Foreign Minister also refused to endorse former international development minister Concetta Fierravanti-Wells comments from earlier in the year alleging the PRC was building ‘roads to nowhere’ and ‘useless buildings’ in the Pacific. She [said](#):

I’m certainly not going to comment on or adopt those views.

Climate change was the top security issue to dominate the Pacific Islands Forum, with leaders signing a communique at the forum’s end nominating climate change as ‘the single greatest threat’. Tuvalu Prime Minister in a press conference [claimed](#) that Australia had tried to lobby for softer language in the communique.

Both the Foreign Minister and Defence Minister Pyne were careful to emphasise that Prime Minister Morrison's absence at the forum did not constitute a snub. The Prime Minister on September 8 said that he would meet with South Pacific leaders at APEC, having invited them to a barbecue at the Australian ambassador's residence in Port Moresby. He [told *The Australian*](#):

We are putting a fair bit of effort into those relationships. It is in our strategic interests, not just our longstanding friendship. I've invited them all around for a barbecue. I think it will be very important...there are very real strategic issues to be managed in the Pacific.

Australia has committed \$5 million to help Papua New Guinea (PNG) develop Lombrum Naval Base on Manus Island. The base had been run by the Australian Defence Force until PNG gained independence in 1975. The Australian on September 20 [reported](#) that then-Prime Minister Malcolm Turnbull and PNG Prime Minister Peter O'Neill had discussed a proposal for the site to serve as a joint naval base on July 11. While there has been no concrete confirmation on this front from either the Prime Minister or Defence Minister, neither have denied the proposal.

The Prime Minister [said](#):

The Pacific is a very high-priority area of strategic national security interest for Australia.

But I'm not going to comment on speculation on national security issues, that would not be appropriate.

This follows [reports](#) in August that the PRC was possibly interested in investing in a multi-use port facility on Manus Island, although there was no indication that any formal talks between the PRC and Papua New Guinea had taken place. It also follows the news last month that Australia had [committed](#) to assisting Fiji in redeveloping its Black Rock Peacekeeping Humanitarian Assistance and Disaster Relief camp in Nadi into a regional hub for police and peacekeeping training and pre-deployment preparation. The Fiji Military Forces' chief staff officer for coordination [said](#) on September 7 that Australia had edged out a bid by the PRC:

China had had an interest in that for quite a while but it seems that I would say, I think Australia played their cards right in terms of tabling a holistic offer, something that China was a bit reluctant to ... [They were] asking us to do certain parts of the development while they come in as a partner to do other developments.

A DFAT taskforce is also [working on](#) a plan to fund PNG's domestic internet cable network in an attempt to prevent Huawei from building the infrastructure. This would be financed from the investment infrastructure fund it has set up with the US and Japan. While no Australian minister has publicly commented on the matter, the plan was [confirmed](#) by US Charge d'Affaires to Australia, James Carouso on September 28:

We are working on a counter-offer. These are negotiations going on. It's up to the PNG government at the end of the day. But the whole idea is to give alternatives.

PNG Prime Minister O'Neill has [previously said](#) he was 'highly praising and actively supporting' the BRI.

The US, Britain and France are also stepping up efforts to increase their presence in the region and forge closer ties with Pacific Island nations.

Trade

By James Laurenceson

The issue of the moment is the rapidly building US-China trade war. The US now has tariffs on \$250 billion of Chinese imports, while China has responded on \$110 billion of US imports. President Trump has threatened an immediate move to also put tariffs on the remaining \$267 billion in Chinese imports to the US. If the dispute stays at the level of a bilateral trade dispute, the impact on Australia will be negative but manageable. A new study by KPMG puts the cost at 0.4 percent of GDP after five years, so about one quarter's worth of growth.

My assessment is that there are prevailing risks to this relatively sanguine outlook.

First, the trade dispute is not being restrained by the World Trade Organization (WTO). Tariffs are being imposed by the US unilaterally and at the same time it is blocking new appointments to the WTO's dispute settlement body. In other words, this is not simply a dispute between two big countries but under threat is the entire rules-based system underpinning global trade.

Second, there is limited scope for President Trump's protectionist instincts on China to be restrained by US domestic politics. In fact, quite the opposite, with leading Democrats cheering the President on.

Third, the latest reports are that the US is set to launch an 'administration-wide' broadside against China, encompassing the National Security Council, Treasury, Commerce and Defence. Vice President Mike Pence's address at the Hudson Institute in Washington last week confirms this. The more the US sees trade as a lever to prosecute a broader agenda of strategic competition, the less incentive China will have to negotiate because it will perceive its entire system as being under attack, including its legitimate efforts to move up the development ladder. How global economic confidence responds to ramped-up strategic competition between the US and China is unknown but it will certainly add a new and significant element to the risks associated with a conventional trade war.

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