

# Caution and Compromise in the Albanese Government's China Strategy

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Policy consistency and diplomatic decorum have been the dominant themes of Canberra's approach to Beijing since the May 2022 federal election. The Albanese Labor government has reaffirmed its Coalition predecessor's priorities: among other things, trying to minimise China's security role in the Pacific; deterring military aggression, including against Taiwan, by obtaining nuclear-powered submarines through AUKUS; and openly criticising Beijing on human rights. Meanwhile, Prime Minister Anthony Albanese and his ministers have sought to ['engage diplomatically, without a loudhailer'](#) and guide the relationship ['with all the nuance that is required'](#). Yet this narrative of newly conciliatory rhetoric and policy continuity glosses over two new, central elements of the Albanese government's approach to China: tactical caution and policy compromise.

## Tactical Caution

Despite sharing many of the China policy objectives of its predecessor, the Albanese government has taken a cautious approach to implementation. This is apparent in its handling of Confucius Institutes and Chinese investments in critical minerals. Like the Coalition before them, Labor has sought to mitigate the perceived security risks associated with exposure to Chinese investors and education links. But, unlike their predecessor, the Albanese government has pursued this in ways that minimise Beijing's ire.

Under the Foreign Relations Act (FRA) legislated in 2020 by the Morrison government, Minister for Foreign Affairs Penny Wong could have expelled Confucius Institutes from Australian universities. The Albanese government instead sought to achieve its national security goals without diplomatic fallout by opting for ongoing scrutiny. With the Albanese government 'concerned about foreign interference and potential risks to academic freedom', they've pledged to ['keep these arrangements under review'](#) and ruled out the establishment of new Confucius Institutes.

Likewise, the securitisation of the critical minerals industry appears to have been finessed to avoid antagonising Beijing, which has longstanding concerns about Australia's treatment of Chinese companies. The Albanese government has [twice](#) in the last six months rejected investments from Chinese or China-linked firms in Australian rare earth elements and lithium mining companies. Yet both decisions coincided with Canberra approving large Chinese investments in parts of the mining industry deemed to be less sensitive, including iron ore and nickel. Coincidence can't be ruled out. But the pattern of rejections coinciding with approvals and the political dimension of investment decisions suggest that the Albanese government is seeking to simultaneously keep Chinese and China-linked companies out of the critical minerals industry, while also sending a welcoming message to Chinese investors more broadly and reducing the likelihood of getting Beijing offside.

Might the Coalition have charted such a tactically cautious course on Confucius Institutes and investment decisions had they retained government? Maybe, although their use of the FRA

to [veto](#) Victoria's Belt and Road Initiative agreements in 2021 and the Coalition's criticism of the Albanese government's [conditional acceptance](#) of existing Confucius Institutes suggests not. On two sensitive bilateral issues, the Albanese government has acted tactically: opting to put Confucius Institutes on notice and yet avoid the blunt trauma of expulsion, and soothing the sting of critical minerals investment rejections with the balm of approvals in other industries.

### **Policy Compromise**

The Albanese government's approach to China is defined not just by the tactics employed, but also the decisions not taken. Most conspicuously, the Albanese government has decided not to sanction Chinese officials and entities implicated in severe and systematic human rights abuses. Even though Magnitsky-style sanctions were legislated in 2021, Australia has declined to use these powers against China as the United States, Canada, the United Kingdom, and the European Union have done. Despite [82 percent of Australians](#) supporting such targeted sanctions against China and credible reports of ongoing mass incarcerations, forced removals of children and cultural erasure in Xinjiang, Tibet and other regions, the Albanese government is [unwilling](#) to deny the perpetrators the freedom to travel to Australia and take advantage of financial opportunities here.

Morality aside, the case for sanctions is far from clear-cut when viewed from the perspective of the national interest. Imposing sanctions on officials and entities implicated in human rights abuses is unlikely to change the Chinese government's behaviour. It might also have unintended negative implications for a wide range of Australian priorities, including trade. It's likely that China would [respond with reprisals](#) such as tit-for-tat countersanctions, arbitrarily detaining (more) Australian citizens, prolonging the detention of Australians already imprisoned in China, and blocking further normalisation of the bilateral diplomatic and trade relationship.

Having levelled numerous sanctions against Iran, Myanmar, and Russia since taking office, the Albanese government has [shied away from targeting China](#). Yet not only did Minister for Foreign Affairs Wong tentatively [support targeted sanctions](#) against China when in opposition, but the Albanese government has committed to ['employ every strategy at \[Australia's\] disposal towards upholding human rights, consistent with our values and with our interests.'](#) Taken together, this makes the Albanese government's unwillingness to sanction Chinese officials and entities look like a calculated compromise.

The response to Beijing's anti-dumping and countervailing duties on Australian barley similarly points to the role of policy compromise in Canberra's China strategy. Rather than pursuing Australia's World Trade Organization (WTO) case against China to its likely successful conclusion, Canberra chose to [discontinue legal proceedings in exchange for the removal of duties](#). Although Australia lost an opportunity to highlight China's trade malfeasance via the outcome of the WTO proceedings, the decision gives Australian barley exporters access to the Chinese market, which pursuing the legal route might not have delivered. But it remains a textbook definition of compromise, involving as it does mutual concessions from both Canberra and Beijing to settle a dispute.

### **Invidious Choices and the Costs of Compromise**

Some looming policy dilemmas don't seem to permit the kind of supple tactical gymnastics that the Albanese government has pulled off to date. These include whether to leave Chinese company Landbridge Group's 99-year lease of Darwin Port in place, and the choice between

the Chinese and Taiwanese bids to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade pact. But Canberra could still avoid being wedged by binary choices on these issues.

Prime Minister Albanese's [definitive past opposition](#) to Landbridge Group's lease and the growing importance of Darwin and surrounds for the Australian and US militaries likely make the politics and diplomacy of leaving the lease unchanged [untenable for Labor](#). But that doesn't mean that Canberra needs to anger Beijing by tearing up the lease. A range of different possible arrangements for Darwin Port could allow the Albanese government to put Landbridge Group under scrutiny without affronting Beijing by booting the company out of the Top End. These might include adding [additional security oversight or limiting the length and/or geographic scope of the lease](#).

Meanwhile, Canberra is likely to be shielded from making any tough CPTPP choices. Yes, Beijing will heap pressure on Canberra and other capitals to back its bid just as Taipei also lobbies for support for its candidature. Yet the slow-moving and consensus-based CPTPP decision-making process and the trade pact's diverse membership mean that Australia may be able to sidestep taking any public positions on China's and Taiwan's competing bids. With Japan, among others, wary of China's membership and smaller CPTPP members unlikely to back Taipei's accession for fear of frustrating Beijing, there's every chance that Canberra will be able to avoid having to cast the deciding vote.

The Albanese government's formula of China policy consistency and diplomatic decorum combined with a side of tactical caution and policy compromise will continue to be pressure tested. Reports of Chinese state-owned firms sending dual-use technology to sanctioned Russian defence companies point to how much strain the formula might come under as the case grows for [punishing Beijing's support for Moscow's war effort](#). But if Canberra's shrewd manoeuvres to date are a guide, there's good reason to think that the Albanese government will continue to find ways to combine tough China policy settings with ongoing relationship repair.

Still, as China's systematic and severe human rights abuses continue, past policy compromises will become difficult to defend. Statecraft doesn't allow much space for saintliness. Principled measures to punish human rights abusers might simply entail too much risk for the national interest. But we should at least honestly and openly recognise the moral impost of the Albanese government's so-far successful China strategy.



#### *About Benjamin Herscovitch*

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