



**CAUTION AND COMPROMISE  
IN AUSTRALIA'S  
CHINA STRATEGY**

Benjamin Herscovitch

Policy consistency and diplomatic decorum have been the dominant themes of Canberra's publicly advertised approach to Beijing since the May 2022 federal election. The Albanese Labor government has reaffirmed all its Coalition predecessor's major China-related national security and defence priorities. Among other areas of policy continuity, Australia under Albanese is still trying to minimise China's security role in the Pacific, expand US military presence at Australian ports and airfields, combat Chinese government interference in domestic politics, and acquire nuclear-powered submarines through the AUKUS security partnership with the United States and the United Kingdom (see 'How Fearful is China's Military Rise?', page 199).

This broad policy continuity has been combined with a significant shift in Australia's diplomatic messaging. Gone is the talk of it being 'inconceivable' that Australia would not support the United States if it was involved in military conflict, including with China over Taiwan.<sup>1</sup> Meanwhile, Australian ministers no longer make historical comparisons between the challenge posed by China today and the threat of 'belligerent autocrats' in the 1930s.<sup>2</sup> Instead, 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'.<sup>3</sup>

It is not wrong to say that the Albanese government's approach to China combines policy continuity and conciliatory rhetoric. But it is also far from the full story. This characterisation glosses over two central elements of the Albanese government's China strategy: caution and compromise. Although Canberra has not sought to advertise these aspects of its China strategy, they have been integral and enduring features since the election of the Albanese government.

## 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 it, Labor has sought to mitigate

the perceived security risks associated with exposure to Chinese investors and education links. But, unlike its predecessor, the Albanese government has pursued this objective in ways that minimise Beijing's ire.

Under the Foreign Relations Act (FRA) legislated in 2020 by the Morrison Coalition 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', it pledged to 'keep these arrangements under review' and ruled out the establishment of new Confucius Institutes.<sup>4</sup>



**The Albanese government has ruled out the establishment of new Confucius Institutes**

Source: Matt Brown, Flickr

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.<sup>5</sup> The Albanese government twice rejected investments from Chinese or China-linked firms in Australian rare-earth elements and lithium mining companies in 2023.<sup>6</sup>

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.<sup>7</sup> Coincidence cannot be ruled out. But the pattern of rejections coinciding with approvals and the influence of senior cabinet members over investment decisions suggest that the Albanese government is seeking simultaneously to keep Chinese and China-linked companies out of the critical minerals industry while also sending a welcoming message to Chinese investors more broadly and thereby 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 the Coalition's use of the FRA to veto Victoria's Belt and Road Initiative agreements in 2021 and their criticisms of the Albanese government's conditional acceptance of existing Confucius Institutes suggest not.<sup>8</sup> 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.<sup>9</sup> Although the power to impose Magnitsky-style sanctions was 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 there.<sup>10</sup>

Morality aside, the case for sanctions is far from clear-cut when viewed from the perspective of the Australian national interest. Imposing sanctions on officials and entities implicated in human rights abuses seems unlikely to change the Chinese government's behaviour. It might also have unintended negative implications for a wide range of Australian priorities. It is likely that China would respond with reprisals such as tit-for-tat countersanctions, arbitrarily detaining Australian citizens, prolonging the detention of Australians already imprisoned in China, and stalling or perhaps even reversing the progressive normalisation of the bilateral diplomatic and trade relationship.<sup>11</sup>

Still, not only did Minister for Foreign Affairs Wong tentatively support targeted sanctions against China when in opposition but also 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'.<sup>12</sup> Despite this and having levelled numerous targeted sanctions against Iran, Myanmar and Russia since taking office, the Albanese government has shied away from taking similar actions against China.<sup>13</sup> Taken together, this makes the Albanese government's unwillingness to sanction Chinese officials and entities look like a calculated compromise.

The responses to Beijing's anti-dumping and countervailing duties on Australian barley and wine similarly point to the role of policy compromise in Canberra's China strategy (see 'Ending Economic Sanctions: The Role of Chinese Industry Associations in the Removal of Barriers on Australian Barley and Wine', page 217). Rather than pursuing Australia's World Trade Organization (WTO) cases against China to their likely successful conclusions, Canberra chose to suspend and in the case of barley also discontinue proceedings in exchange for the review and eventual removal of duties.<sup>14</sup> Although Australia thereby lost opportunities to highlight China's trade malfeasance via the outcomes of these WTO processes, these decisions likely helped Australian barley and in all likelihood wine exporters once again to access the Chinese market. These decisions probably secured the quicker negotiated removal of trade restrictions, which pursuing the legal route might not have delivered. But these cases remain textbook definitions of compromise, involving as they did mutual concessions from both Canberra and Beijing to settle disputes.

**The Albanese government has decided not to sanction Chinese officials and entities**

Source: Michael Lieu, Flickr

Canberra might have compromised in other less clear-cut cases as well. According to the Chinese government, the process for the expected eventual removal of wine duties in March 2024 was made possible by the Australian Anti-Dumping Commission's preliminary finding that anti-dumping measures on Chinese wind towers should expire in April 2024.<sup>15</sup> Meanwhile, despite Prime Minister Albanese decrying Chinese company Landbridge Group's 99-year lease of Darwin Port when he was in opposition, his government decided to leave the lease in place.<sup>16</sup> This decision was welcomed by China and publicly announced in the immediate lead-up to Prime Minister Albanese's visit to Shanghai and Beijing in November 2023.<sup>17</sup> In another apparent compromise, the Albanese government used language in early October 2023 that gave the impression of legal rigour regarding the Chinese government's eventual release of long-detained Australian journalist Cheng Lei, despite her detention most likely having been an example of Chinese government hostage diplomacy.<sup>18</sup>

None of these recent cases are unambiguous compromises. The Albanese government insists that the Australian Anti-Dumping Commission is independent and has not shifted recommendations to please China.<sup>19</sup> At the same time, the review of Landbridge Group's Darwin Port lease was

classified, and it is therefore not possible to determine whether it amounted to a decision to keep China happy by not annulling the lease.<sup>20</sup> Still, this series of China-friendly decisions suggests that the Albanese government's policy compromises might extend beyond not imposing targeted sanctions and suspending WTO proceedings.

## **Invidious choices and the costs of compromise**

Some looming policy decisions do not seem to permit the kind of supple tactical gymnastics that the Albanese government has pulled off to date. These include whether to join proposed US measures to restrict foreign capital flows into select Chinese technology companies, 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 as well.

Building on the October 2022 export controls on semiconductors and related equipment to China, in August 2023 the United States proposed outbound investment restrictions to limit access to foreign capital for select Chinese technology companies.<sup>21</sup> As a minor player in the global semiconductor market, Australia was not pushed to join the export controls. But now the United States is sounding out the willingness of significant investors in China, including Australia, to participate in the proposed outbound restrictions on capital flows.<sup>22</sup>

These mooted capital restrictions seem to put Australia in a bind: either comply with Washington's request and deeply frustrate Beijing or not restrict capital flows into select Chinese technology firms and rebuff a request for support from Australia's most powerful ally. The former decision would likely damage Australia's bilateral relationship with China, while the latter might be diplomatically untenable, especially while the United States is sharing some of its most sensitive military technology with Australia. But even on this seemingly fraught policy dilemma, it is not clear that Canberra will be forced to make such an invidious choice—at least for now. The Biden administration's outbound investment restrictions have only been proposed,

and the path for this kind of policy by executive order is likely to be long and uncertain given the vicissitudes of politics in Washington, especially in the run-up to the 2024 presidential election. So, with any luck, Australia will be insulated for some time yet from having to decide whether to sign up to this adversarial financial element of US China policy.

Canberra is also 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 lobbies for support for its candidature.<sup>23</sup> Yet the slow-moving and consensus-based CPTPP decision-making process and the trade pact's diverse membership mean that Australia might be able to sidestep taking any public positions on China's and Taiwan's competing bids.<sup>24</sup> 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 is every chance that Canberra will be able to avoid having to cast the deciding vote.<sup>25</sup> Australia might even be able to secure better diplomatic and trade treatment from China thanks to Beijing's bid to get into the CPTPP. For as long as China is trying to work its way into this trade pact, Beijing will have an added incentive to play nice with CPTPP members like Australia.

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 in Ukraine.<sup>26</sup> But if Canberra's shrewd manoeuvrings to date are a guide, there is good reason to think that the Albanese government will continue to find ways to combine broadly 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 does not 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.



This text is taken from *China Story Yearbook: China's New Era*, edited by Annie Luman Ren and Ben Hillman, published 2024 by ANU Press, The Australian National University, Canberra, Australia.

[doi.org/10.22459/CSY.2024.08B](https://doi.org/10.22459/CSY.2024.08B)