



SAGE International
Policy Brief

Navigating the Storm:

Strategies for Improving Sino-Australian Relations in 2023

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Overview:

Australia and China have a long and complex relationship that has experienced both cooperation and tension. China is Australia's largest trading partner, with two-way trade valued at over AUD\$245 billion in 2020.ⁱ However, the relationship has been strained in recent years due to a range of issues, including concerns over human rights abuses, territorial disputes, and allegations of interference in domestic politics.

Recent Developments:

- In December 2018, the Australian government announced that it would invest in a new foreign influence transparency scheme, aimed at addressing concerns over foreign interference in Australian politics. The move was seen as targeting China and led to a sharp deterioration in relations between the two countries.ⁱⁱ
- In January 2021, China imposed trade restrictions on Australian barley, beef, and wine, citing concerns over quality control. The move was widely seen as retaliation for Australia's foreign influence transparency scheme and led to a further deterioration in relations.ⁱⁱⁱ
- In September 2021, China's Ministry of Foreign Affairs accused Australia of *"grossly interfer[ing] in China's internal affairs and harm[ing] China's core interests in violation of international law and basic norms governing international relations,"* in relation to issues such as human rights, the South China Sea, and Taiwan. The statement marked a further escalation in tensions between the two countries.^{iv}
- China sent 1,727 PLAAF planes into Taiwan's Air Defence Identification Zone (ADIZ)^v in 2022 while increasing drone operations in the contested waters of the East China Sea.^{vi} Japanese fighters scrambled some 446 times in 2022 in response to Chinese/Russian provocations. All of this added to a war-like atmosphere in Northeast and Southeast Asia.^{vii}
- The Biden administration's CHIP and Science Act (9 August 2022) has ended China's ability to access advanced Western semiconductors and chips.^{viii} Denial of these critical items will, in the long term, grievously affect the quality of China's civilian and military industrial outputs.

Policy Options:

Given the importance of the Australia-China relationship, it is in the interests of both countries to find ways to repair and strengthen the relationship. While dealing with the leadership of Xi Jinping may be considered problematic considering his anti-Western stance,^{ix} China in 2023 is entering a period of great



instability.^x A reduction in global trade and investment flows into China will have enormous political, economic and trade repercussions, as will the growing momentum of Western re-shoring of industries to other low-cost manufacturing states. If Xi fails to arrest China's economic decline, his leadership, or the CCP's stewardship of China could lead to significant sustained internal unrest & a significant outflow of political refugees from the Chinese mainland. Potential policy options include:

- Engaging in high-level dialogue: At present, there is a lack of high-level dialogue between the two countries, which has contributed to the deterioration in relations. It would be beneficial for both sides to establish a regular forum for senior officials to discuss issues of concern and work towards resolution.
- Fostering economic ties: Despite the current trade tensions, it is in the interests of both countries to maintain strong economic ties. This could be achieved through measures such as pursuing free trade agreements, promoting investment, and supporting the development of new business opportunities.
- Addressing concerns over human rights and other issues: While it is important for Australia to maintain its commitment to human rights and democratic values, it is also important to find ways to address concerns raised by China in a constructive manner. This could include engaging in dialogue and working towards mutually acceptable solutions, with clear and verifiable positive Chinese behaviour linked to important trade and general economic concessions/rewards.

Conclusion:

The Australia-China relationship is of vital importance to both countries, and it is in the interests of both sides to work towards improving relations. If Xi or the CCP fails to re-stabilise China, emerging internal problems could threaten to overwhelm the Indo-Pacific region. How Canberra can play the role of 'stabiliser' is through the careful use of Australia's diplomatic language. Open talk of war in the national media needs to be discouraged while at the same time, preparing Australia's intelligence, cyber, space assets and armed forces for likely aggressive non-kinetic and kinetic actions originating from China or directly supported by the Chinese government. In the words of former U.S. President Theodore Roosevelt (1901-09), Australia's policy towards China should be to *"speak softly and carry a big stick"*.

However, any perceived unilateral improvement in Sino-Australian relations could negatively impact Australia's bilateral economic and security relations with the



United States. The U.S. is currently engaged in what some have termed a precursor to a new Cold War with China. As the U.S. is Australia's senior security ally, Washington ultimately calls the shots on how Australia interacts with the world.

Australia will need to be able to speak with both the Chinese *and* the Americans from a position of strategic strength. And by strength we do not mean parity, which is impossible. Sound Sino-Australian relations cannot be based on a clear senior-junior hierarchical power relationship. Neither can Australian-American relations. China needs access to Australian resources for its economy to thrive. Australia's position as a stable American strategic base in the Indo-Pacific is critical to Washington's long-term regional and global ambitions. Therefore, Australia has strength in being vital to both the People's Republic in its current form and to the United States. What is needed is for Canberra to recognise this and to stand its ground when negotiating with political leaders in Beijing and Washington.

Australia will need to require a willingness to engage in sophisticated strategic dialogue with both China and the U.S., utilising Australia's primary niche economic and strategic capacities to address mutual concerns and find ways to foster sustainable economic ties with both Indo-Pacific giants.

With careful management, it is possible to repair Australia's pragmatic trade and business relationship with the People's Republic while maintaining solid trade, business, and strategic ties to the United States, building a more positive and productive partnership in the future.

Endnotes:

ⁱ Department of Foreign Affairs and Trade, *China Country Brief: Bilateral Relations*, Australian Government.

ⁱⁱ T Krishnakumar, *FITS and starts*, [The Interpreter](#), Lowy Institute, Sydney, 3 September 2020.

ⁱⁱⁱ Y Xue, *China's economic sanctions made Australia more confident*, [The Interpreter](#), Lowy Institute, Sydney, 22 October 2021.

^{iv} T. Clarke, *China accuses Australia of 'bullying' and 'grossly interfering' in its internal affairs*, [Sky News](#), 8 September 2021.

^v Agence France Press, *China's warplane incursions into Taiwan Air Defence Zone doubled in 2022*, [The Guardian](#), 2 January 2023.

^{vi} T Newdick, *Japanese Fighters Intercept China's High-Flying WZ-7 Drone for First Time*, [The Drive](#), The War Zone, 2 January 2023.

^{vii} Jiji Press, *Japan Fighter Scrambles Up To 446 Times in April-Sept.*, [Nippon.Com](#), 14 October, 2022.

^{viii} Briefing Room, Statements and Releases, *FACT SHEET: President Biden Signs Executive Order to Implement the CHIPS and Science Act of 2022*, [The White House](#), 25 August 2022.

^{ix} J. Mai, *The cloud of anti-Western nationalism hanging over China's Communist Party congress*, [South China Morning Post](#), 3 May, 2022.

^x N. Gan, J. Yeung & L. He, *From the unwinding of zero-COVID to economic recovery: What to watch in China in 2023*, [CNN](#), 2 Jan, 2023.



About the author

Dr. John Bruni is the CEO and founder of SAGE International and has expertise in defence acquisition, asymmetric warfare, and international relations.

John has worked as a Senatorial adviser, a military adviser for the Emirates Center for Strategic Studies and Research (ECSSR) Abu Dhabi, UAE, and a defence consultant to several companies, including a blue-chip Australian transport firm and companies dealing in green engineering, small arms, and personal protection. John also writes for Jane's Intelligence Review (UK), having contributed to Jane's products since 2002.

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