

DEEPENING CONFLICT BETWEEN AUSTRALIA AND CHINA —A TRANSITION PERIOD TO A NEW EQUILIBRIUM POINT—

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SUMMARY

- Relations between Australia and China are at the worst level ever. As China imposes economic sanctions, Australia is calling for dialogue. China, which has been dissatisfied with Australia over the past several years, has not responded to that request. Neither side shows signs of conceding, and the situation remains in a deadlock.
- For Australia, reducing its economic dependence on China is growing in importance. Trade investment and supply chain diversification are essential. Australia will likely strengthen its relations with India, a country with expanding demand for resources, and Southeast Asia, which sees the middle class growing.
- Considering the political calendar, it is highly probable that the situation will not improve until after the Australian election, which some think will be held before the end of the year. It is likely that the relaxation of China's sanctions will only progress gradually. As the conflict between the United States and China becomes radical, Australia-China relations will, albeit improvement to some extent, remain likely to deteriorate for any small reason.

1. THE CURRENT POSITION OF AUSTRALIA-CHINA RELATIONS

(1) Neither side showing compromise

Australia-China relations, which were normalized in 1972, have fallen to the point that could be called the “worst ever.” Although a trend of deterioration has been seen since 2016, the conflict rapidly worsened when China intensely opposed the Australian government's request for an independent investigation into the origins of COVID-19 in April 2020 (Figure 1).

China's opposition was mainly in the form of economic retaliation, and particularly the imposition of sanction-like regulations and customs duties on items exported from Australia to China. These cover a wide range of items such as coal, copper ore and concentrate, beef, barley, wine, and timber,¹ and the possibility of future expansion is undeniable.²

The Australian government is calling for dialogue, but China has not shown any indication of responding. It is believed that Dan Tehan, who was appointed as Minister for Trade, Tourism and Investment in December 2020, sent a letter calling for dialogue to Wang Wentao, who was also appointed as Minister of Commerce the same

¹ The iron ore, Australia's largest item of export to China, is not subject to sanctions because Australia accounts for more than 60 percent of China's iron ore imports and it is difficult for China to find alternative suppliers.

² As for service exports, the Chinese government called on its citizens to refrain from traveling to Australia in June 2020. While this is not effective in the face of travel restrictions due to COVID-19, it is possible that Chinese citizens will be discouraged from traveling to Australia even if they are allowed to do so after the virus subsides. China is Australia's largest export destination for services, accounting for 15.4 percent of short-term visitors to Australia and 37.3 percent of international students in higher education in 2019.

month.³ Prime Minister Scott Morrison also stated in a press conference held in late January 2021 that he was open to dialogue. However, the Prime Minister explicitly stated that he has no intention to call for dialogue by making preemptive concessions on the Australian side.⁴ China has adopted the stance that Australia is responsible for the deterioration in relations, and that it can cooperate with dialogue only if Australia shows intentions to improve relations by its attitude. At present, neither side shows sides of compromising, and there is no clue as to how to improve the situation.

Figure 1. Major movements in Australia-China relations

Apr	Australia	Called for independent investigation into COVID-19
May	China	Suspended imports of certain Australian meats on the grounds of technical issues such as product labeling and quarantine
	China	Imposed addition customs duties in excess of 80% on Australia barley
Jun	China	Called for refraining from travel to Australia
Jul	Australia	Enabled Hong Kong citizens in Australia to apply for permanent residency
	Australia	Sent letter to the United Nations rejecting China's sovereignty over the South China Sea
Aug	Australia	Sale of Australian dairy business by Kirin Holdings to China's Mengniu Dairy was scrapped
Sep	China	Strengthened import quarantine on Australian wheat
Oct	China	Instructed domestic textiles manufacturers to cease using Australian cotton. Suspended imports of Australian timber
Nov	China	Head of press division of Foreign Ministry tweeted fabricated image of Australian soldier holding a knife against a child
	China	Chinese Embassy to Australia handed over to the Australian media a document of 14 disputes regarding Australia's actions and views
	China	Strengthened quarantine of Australian lobsters, effectively banning imports
	China	Made a provisional decision to impose anti-dumping customs duty up to more than 200% on Australian wine
	China	Suspended unloading of Australian coal
Dec	Australia	Filed a case to the WTO claiming that China's additional tariffs on Australian barley are unreasonable
	Australia	Established Foreign Acquisitions and Takeovers Act strictly reviewing investments from overseas from the perspective of national security
	Australia	Enabled agreements made by local governments to be scrapped by the national government if found to be against national interests

Source: Prepared by MGSSI based on press reports, etc.

(2) The deterioration in relations became prominent from the second half of 2017

In fact, the relations between the two countries have continued to decline since 2016 (Figure 2). The distance between Australia and China narrowed the most when President Xi Jinping visited Australia for G20 and spoke at parliament in 2014. At this time, Australia and China agreed to upgrade the bilateral relationship to a comprehensive strategic partnership and to conclude an FTA. However, the atmosphere began changing from around when the Northern Territory government concluded an agreement to lease Darwin Port to a Chinese company for 99 years in October 2015. The port is close to a facility where United States Marines are stationed, and the United States government expressed dissatisfaction with Australia. There was also rising alarm due to the rapid increase in investment by Chinese companies in Australia, especially in infrastructure. In 2016, the Australian government halted the acquisition of public power companies and large farms by the Chinese companies due to national security concerns (Figure 3). It has also begun to show alarm at China's penetration into Pacific Island countries in Australia's "backyard."

The shift in Australia's view of China became clear with the foreign affairs white paper published in November 2017, for the first time in 14 years. It reviews the framework of diplomacy on the basis of changes in international conditions from a long-term perspective and emphasized alarm about China, such as stating that "China is challenging America's position." The same year, it was revealed that an opposition party member who received funding from a Chinese businessperson had made comments supporting China regarding the South China Sea issue. This led to heightened concerns about interference by China in domestic politics. At the end of that year, a series of bills were introduced to eliminate political influence by foreign governments and foreign nationals, such as banning political contributions by foreign nationals, but this was clearly aimed at China.

³ Dziedzic, S., and Sullivan, K. "Trade Minister Dan Tehan snubbed by Chinese counterpart as communication freeze with Australia continues," *ABC News*, Jan. 29, 2021.

⁴ Morrison, S. "Press Conference – Australian Parliament House, ACT," Transcript, Jan. 25, 2021.

Figure 2. Major events in Australia-China relations in recent years

2014	Nov	President Xi speaks in Australian parliament, upgrading the two countries' relations to comprehensive strategic partnership and agreeing to conclude FTA
2015	Oct	Northern Territory government leases port in the region to a Chinese company for 99 years
	Dec	Australia-China FTA takes effect Launch of AIIB (with Australia participating as an original member)
2016	Feb	Australia publishes Defense White Paper
	Apr	Australia rejects sale of large stock farm to a Chinese company
	Jul	Australia demands that China accept South China Sea arbitration rejecting China's sovereignty
	Aug	Australia halts sale of public power company to a Chinese government-owned company
2017	From mid-year	In Australia concerns increase about the spread of influence of the Chinese Communist Party on Australian society
	Nov	Australia publishes Foreign Policy White Paper
	Dec	Australia submits bill to stop interference in domestic politics by foreign governments and foreign nationals
2018	Feb	Suspension of exchange projects between Australia and China emerges
	Aug	Australian government decides to exclude Huawei from 5G
2019	Jan	Delays in customs clearance of Australian coal in multiple Chinese ports emerge
	Sep	Prime Minister Morrison comments that China is a newly developed economy rather than a developing economy (receiving favorable treatment under the WTO schemes and such) in relation to trade friction between the US and China
	Nov	Prime Minister Morrison and Premier Li meet in Bangkok (the last summit meeting as of now)
2020	Apr	Relations markedly deteriorate due to Australia's comments about an independent investigation into COVID-19

Source: Prepared by MGSSI based on government websites, press reports, etc.

Figure 3. Main incidents of investment by Chinese companies being halted or rejected by the Australian government

	Area of investment	Overview of incident
2016	Agriculture	Halted acquisition of S. Kidman stock farm by a Chinese company
	Electric power	Halted sale of public power company Ausgrid to State Grid Corporation of China and Hong Kong company
2020	Beverages	Did not approve sale of Australian dairy business by Kirin Holdings to a Chinese company
	Construction	Planned to reject acquisition of major general construction company Probuild by Chinese government-owned China State Construction Engineering
2021	Electric power	Rejected contract to engineer, procure and construct (EPC) gas-fired power plant in New South Wales by a Chinese government-owned company

Source: Prepared by MGSSI based on press reports and other data

It appears that China, watching such movements by Australia, particularly in the second half of 2017, considered them as problematic, deciding to revise its relations with Australia. From the start of 2018, such cases began to be reported as exchange projects between Australia and China being canceled due to circumstances on the China side. In an interview with an Australian newspaper in April 2018, the Chinese ambassador to Australia expressed his understanding that the tension between Australia and China became clear in the second half of 2017, and that Australia's misguided remarks and actions toward China would have an adverse impact.⁵ Furthermore, when Foreign Minister Wang Yi met with Minister for Foreign Affairs Julie Bishop on the sidelines of the G20 Foreign Ministers' Meeting, he insisted that the difficulties faced in the two countries' relations were due to the circumstances on the Australian side, and said that if Australia sincerely hoped the relations between the two countries to return to the right track, it had to take off tinted-glasses, view China's development more from a positive perspective.⁶ His point was that Australia's view of China was incorrect. The Chinese Foreign Ministry also explained that the meeting was held at Australia's request, and Foreign Minister Wang said that the meeting was not official. It is obvious that China has no intention to proactively restore relations. Three months after the meeting, in August 2018, Australia decided to exclude Huawei from 5G.

Prime Minister Morrison and Premier Li Keqiang met in November 2019—the final summit meeting between Australia and China as of now. Premier Li said that it was hoped that the Australian side would meet the Chinese side halfway and work hard to ensure the sound and steady development of bilateral relations.⁷ From China's

⁵ Korporaal, G. "China delivers trade warning amid strain on ties," *The Australian*, April 19, 2018.

⁶ Ministry of Foreign Affairs of the People's Republic of China, "Wang Yi Meets with Foreign Minister Julie Bishop of Australia," May 22, 2018.

⁷ The meeting was an official annual summit meeting between Australia and China, and was held when the East Asia Summit was hosted in Bangkok. The content of the publications made by the Chinese Ministry of Foreign Affairs slightly differs in Chinese and

point of view, it had taken two years to convey the message that Australia was responsible for restoring the Australia-China relations, giving it ample time and some warning. China ran out of patience due to the remarks about independent investigations into COVID-19 in April 2020 based on Australia’s distrust of China.⁸

(3) Australian industry and public opinion support the government but are aware of the importance of China

On the whole, the majority of Australian industry and the public support the government’s strong approach to China, reflecting a change in views of China in Australia. According to the public opinion research by the Lowy Institute, an influential Australian research institute⁹ (Figure 4), the percentage of people who viewed China as a threat increased from 12% in 2018 to 41% in 2020. In response to the question of “How much do you trust China to act responsibly in the world?” positive responses fell from 54% in 2017 to 23% in 2020. Although the industrial sector wants relations with China to improve, there have been few calls for the government to make concessions to China.

Figure 4. Australian public opinion

◆ Is China more of an economic partner to Australia or more of a security threat to Australia?

	2018	2020
Economic partner	82%	55%
Security threat	12%	41%

◆ How much do you trust China to act responsibly in the world?

	2017	2020
Not at all/ Not very much	44%	77%
A great deal/ Somewhat	54%	23%

◆ In foreign policy, there can sometimes be a clash between Australia’s economic interests and Australia’s democratic values. When that happens, should economic interests or democratic values be considered more important?

	2007	2020
Democratic values	74%	60%
Economic interests	18%	38%

Source: Prepared by MGSSI based on the Lowy Institute Poll 2020

However, this does not mean that relations with China are regarded as unimportant. In the poll conducted by the Lowy Institute mentioned above, when asked whether to prioritize Australia’s democratic values or economic interests in international problems, responses prioritizing “economic interests” rose from 18% in 2007 to 38% in 2020. The question is made with China in mind and shows glimpses of the honest view that economic relations with China are essential (Figure 5).

Furthermore, according to the Australian China Chamber of Commerce (AustCham China), 72% of member companies stated that the most significant business risk is a deterioration in Australia-China relations. Meanwhile, there are no signs of pulling out of Chinese markets.¹⁰ Although there is a strong sense of political risk, the view is that the importance of the Chinese market will not decrease.

English. “Australian side will meet the Chinese side halfway” is from the announcement in English. Ministry of Foreign Affairs of the People’s Republic of China, “Li Keqiang Holds the 7th Round of China-Australia Annual Prime Ministerial Meeting with Prime Minister Scott Morrison of Australia”, 3 Nov 2019.

⁸ China’s dissatisfaction with Australia can be summarized in the 14 points indicated to the media in November 2020 by the Chinese embassy in Australia. The 14 points included blocking Chinese foreign investment deals, banning Huawei from the 5G network, laws excluding domestic interference with China in mind, demands for independent investigations into COVID-19 in alignment with the United States, and interference in issues in the Xinjiang Uygur Autonomous Region, Hong Kong, and Taiwan. Chinese embassy staff said that if they treated China as an enemy, then that would make them an enemy.

⁹ The poll was conducted in March 2020, and it is likely that sentiment toward China has further deteriorated since then.

¹⁰ Coyle, N, CEO of China-Australia Chamber of Commerce (AustCham China), “Australian businesses need China; hope bilateral ties reset,” Interview, *Global Times*, Dec. 24, 2020.

Figure 5. China's share of Australian trade

(Units: AUD million, %)

	Exports of goods		Imports of goods		Exports of services	
	Amount	Share	Amount	Share	Amount	Share
2000	6,009	5.4	9,073	7.6	851	2.5
2005	16,128	11.5	21,365	13.5	2,940	7.0
2010	58,421	25.1	39,217	17.8	6,471	11.4
2015	75,736	30.3	61,785	22.4	11,006	15.1
2016	82,263	31.8	59,505	22.3	13,419	17.2
2017	100,177	33.2	64,518	22.4	15,836	18.6
2018	118,652	34.3	74,882	23.6	17,933	19.3
2019	149,229	38.2	79,490	24.7	19,346	18.9
2020	145,188	40.0	84,435	28.8	n.a.	n.a.

Source: Prepared by MGSSI based on data from the Australian Department of Foreign Affairs and Trade and the Australian Bureau of Statistics
<https://www.abs.gov.au/statistics/economy/international-trade/international-merchandise-trade-preliminary-australia/latest-release>
<https://www.dfat.gov.au/trade/resources/trade-statistics/trade-statistics>

2. EFFORTS TO ESCAPE FROM ECONOMIC DEPENDENCE ON CHINA

(1) Increasingly necessary diversification of external economic relations

Australia-China economic relations have deepened rapidly in pace with the economic growth of China, but the situation over the past several years shows that the economic dependence on China has reached a level that could make Australia strategically and politically vulnerable (Figure 5).

Australia did not intend to become solely dependent on China. In 2012, when China had already become the largest destination for Australian exports,¹¹ the Labor government of Prime Minister Julia Gillard announced "Australia in the Asian Century."¹² It not only places emphasis on relations with China but also highlights the importance of further strengthening relations with major countries such as Japan, India, Indonesia, and South Korea, and creating relations with other countries, representing the intention to building extensive and comprehensive relations for engaging in the growth of Asia (Figure 5).

However, China's presence as an economic partner subsequently became more prominent. As a practical matter, the greatest priority was to strengthen economic relations with China, which had the world's largest population and maintained a high rate of economic growth, and the benefits of being connected to the Chinese economy probably outweighed any concerns. Furthermore, even if there were aspects of political friction, these were cushioned by the strengthening of economic relations. Examples include the stable supply of resources from Australia to China with its rapidly growing demand, progress in Australia-China FTA negotiations (negotiations commenced in 2005 and took effect in 2015), and Australia's participation in the Asian Infrastructure Investment Bank (AIIB) as an original member (launched in 2015).

Even in 2020, when normal exports to China were impeded, 40.0% of exports went to China, up from 38.2% in 2019. Furthermore, with regard to Australia's high level of dependence on import from China, a conservative British think tank analyzed in a report that Australia's dependence on China was the highest among the Five Eyes (US, UK, Canada, Australia and New Zealand).¹³ Now that China has imposed actual trade sanctions, the importance of lowering economic dependence on China is higher than ever.

(2) Strengthening of relations with increasingly important Southeast Asia

In terms of strategic initiatives related to Australia's economic security, some multilateral partnerships are beginning to move ahead. Japan, the United States, Australia, and India cooperate to secure rare resources,

¹¹ China overtook Japan to become the largest recipient of Australian imports in 2009.

¹² "Australia in the Asian Century."

¹³ In particular, dependence on China in terms of imports is analyzed by item, and indicates the high level of dependence on China for items related to industries vital for national security and advanced industries. Rogers, J., et al. "Breaking the China supply chain: How the 'Five Eyes' can Decouple from Strategic Dependency", Henry Jackson Society, May 2020.

including rare-earth elements. Japan, Australia, and India aim to strengthen the supply chain.

In relations with India, which have been strengthened in recent years, Prime Minister Morrison and Prime Minister Modi met online in June 2020, agreed to upgrade the bilateral relationship to a comprehensive strategic partnership between the two countries, and agreed on the promotion of bilateral trade and investment and reacceleration of negotiations on an economic partnership agreement.¹⁴ Furthermore, there are high expectations for the Indian market as a destination for resource exports, and in August 2019, Matt Canavan, Minister for Resources and Northern Australia, visited India to discuss exports to India and investment by Indian companies in the coal, LNG, and mineral resource sectors.

Over the past several years, in Australia, there has been heightened attention on Southeast Asia. With an expanding middle class and population of 600 million, Southeast Asia has become more appealing as a consumer market, and it has also become increasingly important in the supply chain as a destination for the relocation of manufacturing sites from China. When announcing the 2017 Foreign Policy White Paper, Prime Minister Malcolm Turnbull's joint statement¹⁵ with relevant ministers stated that Australia would strengthen efforts to continue to be an important partner to support Southeast Asia. As part of these efforts, the ASEAN-Australia Special Summit was held in Sydney for the first time in 2018, bringing together the leaders of the countries and strengthening relations between them.¹⁶ At this time, areas of cooperation proposed by industry to national leaders included digital transformation in the service industry, advanced manufacturing and Industry 4.0, agri-food, next-generation energy, and infrastructure.¹⁷ Vietnam, which is growing rapidly, is also specified in the aforementioned joint statement as a country whose bilateral relations with Australia should be strengthened. In 2019, Prime Minister Morrison became the first Australian Prime Minister to visit Vietnam in 25 years and agreed to increase cooperation in trade and security in talks with Prime Minister Phuc.

Furthermore, industry groups and export support groups for each sector and item are also focusing on the development of markets, such as India and Southeast Asia. It is difficult to find markets to replace China, but such movements will accelerate in an effort to reduce dependence on China even somewhat.

3. FUTURE OUTLOOK

(1) Unable to find opportunities for compromise

The possibility of sudden reconciliation between Australia and China is not zero, but considering the past history and the political and diplomatic calendar going forward (Figure 6), there is ample possibility that relations will remain cool without meaningful dialogue until 2022. In June 2021, the United Kingdom will host the G7 summit, and also a "D10" meeting (with participation by 10 democratic countries made up of G7, Australia, India, and South Korea). The D10 meeting is being formed against the presence of China and Russia. The following month of July will mark just five years since the international court of arbitration made a decision avoiding an assertion on China's sovereignty in the South China Sea. It is hard to expect Australia to make any concessions at this time when it is able to send a strong message with China in mind.

Conversely, tension may begin to be alleviated if Australia at least overtly tones down its criticism of China in such situations. There is also the view within Australia that Prime Minister Morrison's criticism of China being more prominent than that by other countries can be revised. With regard to this point, Australian government authorities reportedly have unofficially discussed the Japanese government's approach of "Do More, Say Less" as a method of achieving this.¹⁸

¹⁴ Negotiations between the two countries were interrupted in September 2015.

¹⁵ Turnbull, M., Prime Minister, et al. "Opportunity, Security, Strength: The 2017 Foreign Policy White Paper," Joint media release, Nov. 23, 2017.

¹⁶ The second summit was held online in November 2020.

¹⁷ Department of Foreign Affairs and Trade, "Business Summit Report to Leaders," March 2018.

¹⁸ Mcgregor, R. "On China, Australia is left counting the cost," *Lowy Institute*, Dec 4, 2020

Figure 6. Major events in 2021-22

Schedule		Event/meeting	Host country	Remarks
2021	Jun	ASEM (Asia–Europe Meeting)	Cambodia	Extended to Q4, 2021
		D10 (Democratic 10)	United Kingdom	To be held along with G7 (G7 + Australia, India, South Korea)
	Jul	Five years since South China Sea arbitration by the International Court of Arbitration		
	Aug	Davos meeting	Singapore	
	Oct	G20	Italy	
	Nov	EAS (East Asia Summit)	Brunei	
APEC		New Zealand	To be held online	
2022	Feb	Beijing Olympics	China	
	By September	Australian lower house general election		
	Dec	50th anniversary of normalization of Australia-China relations		

Source: Prepared by MGSSI

In the second half of 2021, Australia's lower house general election comes into view. The general election must be held by September 2022, but some observers believe that Prime Minister Morrison, with his high approval rating, will call a snap election, depending on the situation. It is difficult to imagine that the ruling party will take a conciliatory stance toward China ahead of an election. There remains even the slightest possibility of a change of government to the opposition Labor Party, which traditionally tends to place more emphasis on relations with China than the ruling party. If China is to actively adjust its diplomacy with Australia, China will have to take into account the outcome of the election. As long as China is able to import iron ore and other necessary resources, which are difficult to secure as alternatives, there is no reason for China to rush into a compromise.

Amid such conditions, multilateral meetings such as G20, APEC, and the East Asia Summit provide opportunities for the two countries to find their way. Even if it is difficult to realize official talks at the summit or ministerial level, it would be possible for the two countries to meet at various levels, such as preparatory meetings, to read each other's minds.¹⁹

As for opportunity to change the atmosphere, the first point is China's movements surrounding the CPTPP. China is considering membership in the CPTPP and has already begun to make unofficial contact with certain member countries. As it is necessary to obtain the approval of all current member countries for new membership, China will need to have some form of talks with Australia in order to proceed with preparations for membership. In principle, Australia welcomes China proceeding with economic reforms and participating in a more open multilateral framework. Directly showing such a stance to China will be a positive for the relations between the two countries. The second point is the Beijing Olympics to be held in February 2022. This is the perfect opportunity for China to show international society the superiority of its regime, which was able to successfully suppress COVID-19. While some are calling for international society to boycott the Games, the tension between the two countries could be eased somewhat if the Australian government makes it clear that it supports the Games and will dispatch high-level officials.

(2) Sanctions will only be lifted gradually

In the past, there had been a separation of politics and the economy in Australia-China relations, with economic relations being maintained or strengthened even if there was friction in political aspects. However, from Australia's perspective, the past year clearly showed that deepening of economic relations with China could harm its ability to negotiate with China. However, it is not easy to find a country or region to replace the Chinese market; therefore, normalizing even only trade relation has substantial benefits. For Australia, a new equilibrium point could be found by having dialogue while there are conflicting political interests, and maintaining normal trade relations without actively seeking deeper economic relations (on the other hand, its economic dependence

¹⁹ It must be noted that many international meetings may be held online in light of the situation with COVID-19. New Zealand, which is the host of the APEC Summit to be held in November 2021, has already decided that it will be held online.

on China would decrease through trade investment and supply chain diversification).

Meanwhile, it is possible that China's economic retaliatory measures will be gradually lifted. With regard to this, South Korea, one of the United States' allies, alongside Australia, may serve as a point of reference. When South Korea announced that it would commence official talks with the United States to deploy Terminal High Altitude Area Defense (THAAD) missiles in February 2016, China expressed intense opposition and took retaliatory measures such as restricting the distribution of South Korean media content, banning group tours to South Korea, and putting pressure on South Korean companies doing business in China.²⁰ President Moon Jae-in, who took office in May the following year, met with President Xi at G20 in Hamburg, Germany, in July, and the two countries agreed to improve relations in October.²¹ However, China subsequently indicated its view that relations between the countries were on the way to normalization, and only lifted retaliatory measures gradually.

Even if China holds dialogue with Australia, such as summit talks, it will take time to adjust retaliatory measures while watching how Australia reacts.

(3) US-China conflict also affects Australia-China relations

The greatest external factor affecting Australia-China relations is US-China relations. Australia is an ally of the United States, and the economic ties are also strong. The deterioration of Australia-China relations in recent years has also been affected by the conflict between the United States and China. However, Australia's objective in relations with China is not to take the United States' side. When Australian Foreign Minister Marise Payne visited the United States in September 2020, she was asked about relations with China at a joint press conference held with Secretary of State Mike Pompeo. She said that although Australia often took the same position as the United States due to having common values, decisions would only be made independently in the national interests of Australia.²² Furthermore, in an online event held by a British think tank in November 2020, Prime Minister Morrison said that misinterpreting Australia as not having its own interests and views as an independent sovereign state could unnecessarily cause (Australia-China) relations to deteriorate. He added that the partners and allies of the world's largest power need a bit more room to move.²³ Essentially, this appears to be Australia's approach as a middle power²⁴ conducting diplomacy, drawing a line between Australia and the United States.

Meanwhile, China views Australia as being a follower of the United States. In the meeting with Prime Minister Morrison mentioned above, Premier Li said that relations between the two countries should not be influenced by third parties, implying that Australia's policy on China is under the influence of the United States.²⁵ Furthermore, the People's Daily-affiliated *Global Times* ran an editorial entitled "Australia should distance itself from a possible new China-US 'cold war'" in May 2020, criticizing Australia for being one of the first to join in America's China-bashing.²⁶

The Biden Administration has clearly indicated its policy of facing off against China by strengthening ties with allies, and Australia also expects to have close ties with the Biden administration. Even if Australia acts on the basis of its own national interests, Australia may tend to appear to be one of the US' followers from China's perspective as long as America and Australia have many common interests in relations with China. For the time being, it is difficult to imagine that the closed world of bilateral diplomacy will generate strong momentum for

²⁰ China has previously told South Korea that it concerns about the deployment of THAAD.

²¹ When making the agreement, South Korea promised China that it would not participate in the United States' missile defense network, it would not make additional THAAD deployments, and it would not develop the military cooperation between Japan, the United States and South Korea into a military alliance.

²² Payne, M. "Australia-United States Ministerial Consultations," Joint transcript, 29 Jul 2020.

²³ Morrison, S. "UK Policy Exchange Virtual Address," Transcript, 23 Nov 2020.

²⁴ Diplomacy by Australia as a medium-level country is aimed at the creation of an international society based on multilateralism and the rule of law in order to eliminate arbitrary action by great powers, and is sometimes referred to as middle power diplomacy.

²⁵ Ministry of Foreign Affairs of the People's Republic of China, "Li Keqiang Holds the 7th Round of China-Australia Annual Prime Ministerial Meeting with Prime Minister Scott Morrison of Australia," Nov. 3, 2019.

²⁶ "Australia should distance itself from a possible new China-US 'cold war'," *Global Times*, May 24, 2020.

improved relations between Australia and China. Nevertheless, China's motivation for easing sanctions on Australia may come from its intention to separate Australia, even if only slightly, from the US encirclement of China.

In the past, trade had created a strong bond between Australia and China. With China's decision to target a wide range of items for sanctions, the relationship has entered a transitional period toward an unconventional new normal. As the conflict between the United States and China increases, it is becoming increasingly difficult for Australia to maintain good relations with both the United States and China. Even if Australia-China relations show certain improvements, the relations will remain likely to have the risk of deterioration at the slightest opportunity. The strengthening of ties with neighboring countries and regions, including deeper economic relations, will continue to be promoted as a national issue for Australia.

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