

YOUNG AUSTRALIANS in  
INTERNATIONAL AFFAIRS



# **BALANCING A DELICATE RELATIONSHIP WITH CHINA AND TAIWAN**

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# EXECUTIVE SUMMARY

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China's recent military action near Taiwan and its subsequent censure by Australia has led to increased geopolitical tension and concern over the possibility that China will invade Taiwan. Armed conflict between China and Taiwan poses a significant challenge for Australia militarily, economically, and socially – and would disrupt the broader Indo-Pacific region. Australia benefits from commercial activity with both China and Taiwan, and despite previous reluctance to clarify a political stance, Australia is now being pushed to choose sides.

To balance its delicate relationship with China and Taiwan, while mitigating the risk of losing either economic partner, Australia should consider the following recommendations:

1. Open Negotiations for an Australian-Taiwan Free Trade Agreement
2. Affirm the One-China Policy Through Bilateral Dialogue
3. Allocate More Resources to Strengthen Indo-Pacific Partnerships

## BACKGROUND

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China and Taiwan cite the same point in history to determine whether Taiwan falls under Beijing's rule or whether Taiwan is a sovereign nation. [1] Following the Chinese Civil War, in 1949, the defeated Chinese Nationalist Party fled to Taiwan, leading China to assert Taiwan was always a Chinese province and simultaneously empowering Taiwan's claims it established a new government. [2]

Australia, like most countries, adheres to a one-China policy, meaning Australia does not recognise Taiwan as a sovereign country. [3] In this regard, Australia shares the official stance espoused by the People's Republic of China: Taiwan remains a province of China. [4] Australia does, however, maintain unofficial economic and cultural relations with Taiwan. [5]

Australia's already-tenuous relationship with China was recently strained when Australia responded to Chinese military exercises near Taiwan. [6] China began flying high numbers of military jets and launching ballistic missiles in response to United States Speaker of the House Nancy Pelosi's arrival in Taiwan. [7] Speaker Pelosi's visit prompted outrage from China because it symbolically shows US support for Taiwan. [8]

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# BACKGROUND CONT.

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China's anger intensified when Australian Foreign Minister, Penny Wong, joined the US Secretary of State and Japanese Foreign Minister and jointly condemned China's aggressive response to Speaker Pelosi's visit. [9] It is important to note that, collectively, these actions from Australia, Japan, and the US undermine the one-China policy.

With tensions rising between China and Taiwan, the possibility of conflict increases. Recently, Shadow Defence Minister, Andrew Hastie, suggested Australia would be called to provide support to Taiwan should war erupt. [10] This contradicts Australia's one-China policy, but it demonstrates the government's higher priority of limiting military aggression from China. Hastie's comments echoed US President, Joe Biden, who had previously indicated the US would intervene militarily should China invade Taiwan. [11] However, soon after Biden's remarks, a White House official walked back the President's response, leaving the US position in question. When asked directly if Australia will defend Taiwan militarily if China invades, Prime Minister, Anthony Albanese, did not provide a definitive answer; instead, he affirmed Australia's support for a one-China policy without disrupting the status quo with Taiwan. [12]

## THE PROBLEM

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A potential military conflict between China and Taiwan presents multiple problems for Australia. China, controlling one of the most powerful militaries in the world, poses a threat to any nation prepared to engage it in opposition. China is also Australia's largest commercial partner, making continued economic relations with China critical. [13] Similarly, Australia maintains a strong commercial and cultural relationship with Taiwan – which would likely suffer if Australia were to not support Taiwan's sovereignty. If Japan and the US come to Taiwan's defence when Australia does not, Australia additionally risks jeopardising integral security relationships in Asia and North America.

Especially with Minister Wong's strong condemnation of China's military action near Taiwan and China's subsequent threats, conflict between China and Australia is no longer an impossibility. Recently, Australian National University emeritus professor of strategic studies, Paul Dibb, affirmed that Australia faces "the probability of high-intensity conflict in our own immediate strategic environment." [14] Similarly, the highest-ranking US military officer, Mark Milley, warned that China is growing more aggressive and dangerous towards Western nations including Australia. [15]

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# THE PROBLEM CONT.

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As China continues to place pressure on Taiwan and project strength to the democracies in the Indo-Pacific region, Australia remains reluctant to clarify its position on China-Taiwan relations. Certainly, Australia should not declare Taiwan a sovereign nation. Nor should Australia cease trade with Taiwan.

However, Australia needs to elucidate its future relationship with Taiwan and bolster its resolve in resisting aggression from China.

## **POLICY RECOMMENDATIONS**

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### **1 Open Negotiations for an Australian- Taiwan Free Trade Agreement**

One of the most effective ways to enhance Australia's relationship with Taiwan is by considering Taiwan's request for a free trade agreement. According to the Director-General of the Taipei Economic and Cultural Office in Brisbane, Edward Ling-wen Tao, Australia and Taiwan would benefit from free trade because of their "complementary" economies. [16]

According to the Australian government, free trade agreements increase job creation, stimulate economic activity, and promote foreign investment in Australia. [17] Currently, Australia has free trade with countries in nearly every region of the world. Together, these agreements allow Australian businesses to enter overseas markets, while reducing import costs. [18]

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Because other countries in the Indo-Pacific region already have free trade with Taiwan, an Australian free trade agreement would make Australia more competitive at securing import and export opportunities, and simultaneously reinforce regional relations. [19]

Establishing free trade with Taiwan would not only facilitate easier and cheaper commercial activity, but it would also signal that Australia supports Taiwan as a significant economic partner. Being open to more economic negotiations is the first step towards exploring free trade options.



## 2 Affirm One-China Policy Through Bilateral Dialogue

To ensure stabilisation in the Indo-Pacific region, Australia should maintain its support for a one-China policy while remaining firmly opposed to acts of aggression near Taiwan.

Recently, Minister Wong met Chinese Foreign Minister, Wang Yi, in Bali, marking the first talks between Australia and China for three years. [20] The July meeting highlighted the possibility for the two countries to ease sanctions on each other and reopen communication channels. Despite the successful dialogue in Bali, only a few weeks later, tensions reached new heights following Australia and China's responses to the ballistic missile exercises near Taiwan. Australia should host more frequent bilateral forums with Chinese leaders to deescalate rising tensions and continue the diplomatic discussions started in July.

Certainly, Australia must condemn acts of aggression, such as China's recent military activity. However, Australia must continue to balance this alongside the importance of maintaining civil communication. If Australia affirms its one-China policy and extends the opportunity to create more bilateral forums, a stronger political and economic relationship can be established between China and Australia without damaging Australia's existing relationship with Taiwan.

# 3 Allocate More Resources to Strengthen Indo-Pacific Partnerships

Australia recognises Japan, Indonesia, India, and the Republic of Korea as some of its most pivotal Indo-Pacific partners. [21] Australia can continue to assert leadership in the Indo-Pacific region and demonstrate its strength to China by further strengthening these critical relationships, as well as the relationship with Taiwan. Additionally, by simultaneously hosting bilateral forums with China, Australia minimises the risk that stronger Indo-Pacific partnerships damage the Australia-China relationship.

The Australian government identifies a regional vision for the Indo-Pacific that includes peaceful resolution of disputes, economic collaboration, and protection of small states. [22] This approach to multilateralism and regionalism has previously succeeded in furthering Australia's economic and security interests. [23] Yet, these efforts represent an initial step, and Australia can still further these relationships through international conferences on such topics as energy, education, and commerce.

Additionally, Australia could promote tourism to partner countries, encourage more study abroad opportunities for students, and establish cultural exchange programs to educate people about other nations' governments and economies. By unifying the Indo-Pacific counties based on shared experiences and value systems, Australia will build an alliance that transcends financial and military security.

Finally, by reinforcing international relationships, not just through politics, but also through cultural and social life, Australia safeguards its partnerships should China continue to apply pressure to Taiwan and its supporters.

# CONCLUSION

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China's recent military exercises raised concerns that China may invade Taiwan. The possibility of armed conflict threatens every Western country including Australia, which already experiences a contentious relationship with China.

To minimise the risk of war while maintaining a relationship with Taiwan, Australia should open negotiations to consider a free trade agreement with Taiwan, affirm its commitment to the one-China policy, and strengthen relationships with Indo-Pacific partners. Together, these approaches enhance Australia's economic and political leadership, while redressing Australia's relationship with China.

By undertaking these policy recommendations, Australia can help avert further destabilisation in the region, advance its own economic position, and distinguish itself as a global leader on diplomacy.

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