

Australia-Taiwan relations: Prospects and limitations

Part 2. Diplomatic and economic links

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This is the second of a three-part UTS:ACRI Analysis series that examines the prospects for and limitations on the Australia-Taiwan relationship following the election of Lai Ching-te as President of the Republic of China (Taiwan) on January 13 2024. Part 1 discussed what the election of Lai means for Australia-Taiwan ties and cross-Strait relations. Part 2 now turns to how Australia can navigate its one China policy and economic and trade relations with Taiwan, and how Canberra might respond to Taipei's desire for greater diplomatic space. Part 3 concludes the series with a discussion of the Taiwan factor in Australia's defence and security considerations in the Indo-Pacific.

These UTS:ACRI Analyses are based on a series of interviews the author conducted in late 2023 and early 2024 with representatives from Taiwan's two main political parties, the Democratic Progressive Party (DPP) and Kuomintang (KMT), senior officials from Taiwan's Ministry of Foreign Affairs and Ministry of National Defense and Taiwanese academics and analysts.¹

Key takeaways

- Taipei feels that Australia-Taiwan ties are constrained by Canberra's concern over maintaining Australia's trade links with the People's Republic of China (PRC). Former Taiwanese deputy foreign minister Roy Lee categorised Australia and Taiwan's relations as friendly but not close, noting that from Taipei's viewpoint it seemed that 'Australia is always looking over its shoulder at China'. Similar views have been expressed by US officials. A senior US State Department official told his opposite number in Taiwan that 'Australia was a great partner and ally for the US, but the US was consistently frustrated by Australia's stunted Taiwan policy under both Coalition and ALP [Australian Labor Party] governments.' However, while Taipei wants Australia to do more, it appreciates Canberra's increasingly flexible approach to Australia's one China policy, and its support for the status quo as well as peace and stability across the Taiwan Strait.
- All levels of Taiwan's government recognise that other countries regulate their relations with Taiwan in accordance with their national one China policies. Taipei recognises that these policies are important for maintaining peace and stability across the Taiwan Strait and for developing extensive non-official relationships with Taiwan. For its part, Australia has at times applied its one China policy flexibly 'under the radar' but within limits. In recent years, for example, Australia has built greater contacts with Taiwan in areas that previously were 'out-of-bounds'. It also recognises that any attempt to move beyond the confines of the one China policy would likely lead to major instability and possible conflict.

¹ Some interview participants requested anonymity and have been de-identified.

- In the economic realm, Taiwan regards Canberra's support for membership of the Comprehensive Progressive Agreement for Trans-Pacific Partnership (CPTPP) and a free trade agreement (FTA) with Australia as top priorities. While the imperatives of trade ties with the PRC have prompted reluctance on both fronts in Canberra, there remains scope for Australia to review its current stance.

Introduction

The election of Lai Ching-te as president raises questions for Australia regarding its relations with Taiwan and with the People's Republic of China (PRC). Since winning government in May 2022, the Australian Labor Party under the prime ministership of Anthony Albanese has pursued a policy of 'stabilisation' with the PRC. In doing so, it has played a balancing act between maximising Australia's interests in Taiwan, particularly in the realm of trade and economics, and ensuring it does not compromise progress in stabilising ties with the PRC, which views the Australia-Taiwan relationship as potentially damaging to the Australia-PRC relationship. The latter was on display earlier this year, when Beijing lodged a diplomatic protest with Australia for congratulating Lai on his victory, with the PRC's Ambassador to Australia stating there was 'no room at all' for compromise on the 'sensitive' issue.²

Indeed, Australian governments across the political divide have been cautious in their engagement with Taiwan. This tepidness is reflected in the comments of former Taiwanese deputy foreign minister Roy Lee who categorised Australia and Taiwan's relations as friendly but not close, noting that from Taipei's viewpoint it seemed that 'Australia is always looking over its shoulder at China'. Dr Lee added that Australia's dependence on trade with the PRC had allowed Beijing to weaponise its trade and constrain Canberra's dealings with Taipei, notwithstanding the strong bilateral trade and economic relationships between Australia and Taiwan.³

In interviews conducted by the author in Taiwan in July 2023 and January 2024, a number of senior Taiwanese government officials, analysts and academics suggested steps that Australia could consider taking to improve bilateral relations and make the relationship mutually beneficial. These recommendations centred on how Australia could develop its one China policy, support for Taiwan's international space, and economic links, especially with regard to Taiwan's application to join the 11-member Comprehensive Progressive Agreement for Trans-Pacific Partnership (CPTPP) and its desire for a free trade agreement (FTA) with Australia, and its defence and security policy.⁴

Two major themes emerged from these discussions: (1) Taiwan's desire for a flexible approach by Australia's to its one China policy; and (2) Taiwan's desire and need for international support to maintaining the status quo, as well as peace and stability across the Taiwan Strait.

There is a recognition by the Taiwanese government that many major countries, including Australia, the US and Japan, have formal diplomatic relations with the PRC and regulate their ties with Taiwan in view of their respective national one China policies. In an ideal world, Taipei's preference would be for its friends to discard these policies, but it is aware that they are a political reality with which it must deal. Taiwan's focus, therefore, is on ensuring the maximum flexibility of these policies in a manner conducive to Taiwan's interests.

Australia-Taiwan relations: Background

The Australian government has implemented a one China policy since its recognition of the PRC on December 21 1972. In a joint communiqué, the Australian government recognised the PRC as 'the sole legal government of China' and 'acknowledges the position of the Chinese government that Taiwan is a province of the People's

2 Daniel Hurst, 'China lodges protests at Australia's response to Taiwan's presidential election', *The Guardian*, January 17 2024 <<https://www.theguardian.com/australia-news/2024/jan/17/china-protest-australia-response-taiwan-presidential-election-xiao-qian>>.

3 Author's interview with Roy Lee, then-Deputy Foreign Minister of the Republic of China (Taiwan), July 14 2023.

4 Defence and security considerations will be discussed in Part 3 of this UTS:ACRI Analysis series.

Republic of China'.⁵ This formulation meant that although formal diplomatic relations with Taiwan were not possible, Australia could maintain economic, trade, cultural and people-to-people links with Taiwan.

While Australia has adhered to its one China policy since its inception, it has also consistently opposed the use of force to change Taiwan's status.⁶ This position was reiterated during Prime Minister Albanese's October 2023 meeting with President Joe Biden in Washington.⁷

Recognising the autonomy and democratic reality of Taiwan, Australia's one China policy has been applied relatively flexibly. However, there are limitations to this flexibility, given the PRC's longstanding policy of isolating Taiwan on the international stage and its commitment to eventual reunification. Australian policy towards Taiwan has ramifications for Australia's relations with the PRC, and as such, the Beijing factor plays into Australia's dealings with Taiwan.

As a result, in general, Australia's Department of Foreign Affairs and Trade (DFAT) has taken a cautious approach to managing its relations with the PRC and with Taiwan. This caution has been reflected in ministerial remarks from both Australian Labor Party (ALP) and Coalition governments on Taiwan. Considerations regarding the economic and geopolitical weight of the PRC have, for Australia, consistently outweighed support for Taiwan, notwithstanding its democratic system and its commitment to human rights. Sources within DFAT and the Australian media have said that Foreign Minister Penny Wong has described Taiwan as the 'third rail' of PRC relations, to be carefully watched and managed.⁸ As a result, Canberra has avoided developing an FTA or facilitating Taiwan's membership of the CPTPP, even though an FTA and CPTPP membership for Taiwan would clearly be in Australia's economic interests. Political considerations here have overridden an economic rationale.

There have been no visits by Australian ministers to Taiwan since the Julia Gillard Labor government's Trade Minister Craig Emerson visited in September 2012.⁹ Despite this long gap in ministerial-level visits, interaction has continued at non-ministerial level. Since the 1990s, there has been a tradition of Australian parliamentary delegations and senior Australian officials visiting Taiwan.¹⁰ These delegations have often met Taiwan's president and other senior officials. Most recently, a bipartisan five-member delegation of Australian MPs travelled to Taiwan for a six-day visit in April 2024 to promote Australia-Taiwan cooperation.¹¹ Taiwanese representatives similarly visit Australia. In 2023, Taiwanese Deputy Minister of Foreign Affairs James Tien Chung-kwang travelled to Australia to attend the latest in a series of Track 2 meetings¹² and Science and Technology Council Minister Wu Tsung-tsong visited in October 2023.¹³ At the departmental level, contact, though unannounced, remains frequent and effective.

5 Gough Whitlam, 'Joint communique of the Australian Government and the Government of the People's Republic of China concerning the establishment of diplomatic relations between Australia and China', PM Transcripts, Australian Government Department of Prime Minister and Cabinet, December 21 1972 <<https://pmtranscripts.pmc.gov.au/release/transcript-3119>>.

6 See, e.g., Penny Wong, 'Cross-Strait tensions' media release, August 5 2022 <<https://www.foreignminister.gov.au/minister/penny-wong/media-release/cross-strait-tensions>>; Marise Payne, Peter Dutton, Elizabeth Truss and Ben Wallace, 'AUKMIN 2022 joint statement', January 21 2022 <<https://www.foreignminister.gov.au/minister/marise-payne/media-release/aukmin-2022-joint-statement>>; AAP/AFP, 'Australia congratulated Taiwan's new leader', SBS, January 18 2016 <<https://www.sbs.com.au/language/chinese/en/article/australia-congratulated-taiwans-new-leader/l6itplkhf>>.

7 Anthony Albanese and Joe Biden, joint press conference, The White House, October 25 2023 <<https://www.pm.gov.au/media/press-conference-white-house>>.

8 Author's interviews with former and currently serving Australian Department of Foreign Affairs and Trade officials and Australian journalists who requested anonymity, October 2023.

9 Australia-Taiwan Business Council, 'Bulletin – 19 December 2012' <<https://atbc.asn.au/bulletin-19-december-2012/>>.

10 Australian Government Department of Foreign Affairs and Trade guidelines limits the office holders who can visit Taiwan to those in the trade, cultural and scientific fields. The Governor-General, Prime Minister, Foreign Minister and Defence Minister do not travel to Taiwan as this would imply recognition of Taiwan's sovereignty contrary to Australia's one China policy. Senior Taiwanese office holders are similarly not permitted to travel to Australia.

11 Cameron Stewart, 'Australia-China relations to be tested by parliamentary delegation visit to Taiwan', *The Australian*, April 3 2024 <<https://www.theaustralian.com.au/nation/politics/australiachina-relations-to-be-tested-by-parliamentary-delegation-visit-to-taiwan/news-story/6702d9e924051725f2d460c6c968f1c6>>; Office of the President, Republic of China (Taiwan), 'President Tsai meets cross-party parliamentary delegation from Australia', April 8 2024 <<https://english.president.gov.tw/News/6701>>.

12 Author's interviews with former and currently serving Department of Foreign Affairs and Trade officials and analysts at the National Security College, Australian National University who requested anonymity, October 2023.

13 'NSTC Minister Wu concludes fruitful visit to Australia', *Taiwan Today*, October 27 2023 <<https://taiwantoday.tw/news.php?unit=2,6,10,15,18&post=243826>>.

Beijing has been consistently critical of Australian parliamentary delegations visiting Taiwan. Referring to a September 2023 visit by Australian MPs,¹⁴ for example, PRC Ambassador to Australia Xiao Qian said that ‘Taiwan is a province of China’ and that Australian politicians needed ‘to respect that there’s a commitment by the Australian government of [the] one China policy’ and ‘refrain from engaging with Taiwan in whichever form or capacity’.¹⁵

A new bilateral development has been the talks, both online and in-person, and visits by three former Australian prime ministers to Taiwan since 2020: Malcolm Turnbull, Tony Abbott and Scott Morrison. These former prime ministers each met with President Tsai Ing-wen and made speeches at the Yushan Forum – a regional conference organised by the Taiwan-Asia Exchange Foundation – in support of Taiwan.¹⁶ Each visit prompted a negative reaction from Beijing, which criticised the Australian government for supposedly breaching Australia’s one China policy by allowing these visits to go ahead.¹⁷

Australia’s one China policy

Taiwan has called on Australia to adopt a more flexible and expansive approach to its one China policy. A senior Taiwanese official said that the PRC purports to define through its ‘one China principle’ how countries should deal with Taiwan, noting that Taipei counters this by asserting that each country has its own one China policy and therefore each country has the flexibility to implement the policy in ways that might expand relations with Taiwan.¹⁸

During a speech at the Yushan Forum on October 11 2023, former prime minister Scott Morrison called for the modernisation of Australia’s one China policy to include support for Taiwan’s accession to the CPTPP and entry into Interpol, the International Civil Aviation Organization (ICAO), the World Health Assembly (WHA) and other forums, as well as non-member engagement with the Quad, the diplomatic partnership between Australia, India, Japan and the US.¹⁹ It is unlikely Australia will champion any of these suggestions due to the certainty of a forceful reaction from Beijing.

Morrison did not pursue any of these steps during his prime ministership. In a conversation with the author, one senior Australian academic with expertise on Taiwan described Morrison’s newfound support for Taiwan as ‘rhetorical BS’. Morrison’s new stance accords, however, with precedent: when in power, Australian leaders do not take major steps to expand Australia’s relations with Taiwan.

That said, Australia can at times apply its one China policy flexibly ‘under the radar’. In recent years, for example, Australia has built greater contacts with Taiwan in areas that previously were ‘out-of-bounds’ but

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- 14 CNA, ‘6 Australian parliamentarians begin 4-day Taiwan trip’, *Focus Taiwan*, September 25 2023 <<https://focustaiwan.tw/politics/202309250006>>; ‘On a visit to Taiwan, Australian lawmakers call for warmer relations with self-ruled island’, *Associated Press*, September 26 2023 <<https://apnews.com/article/australia-taiwan-visit-lawmakers-2a9b7a4430c49ec091986abb0cb2f83b>>.
- 15 Andrew Greene, ‘Australian politicians warned not to undermine Chinese relations by travelling to Taiwan’, *ABC News*, September 28 2023 <<https://www.abc.net.au/news/2023-09-28/china-ambassador-australia-taiwan-delegation-visits/102913968>>.
- 16 Malcolm Turnbull delivered a virtual speech at the Yushan Forum in October 2020 and visited Taiwan in May 2023, leading a delegation from the Centre for Asia-Pacific Resilience and Innovation. See Malcolm Turnbull, Keynote speech at the Yushan Forum, October 8 2020 <<https://www.malcolmturnbull.com.au/media/keynote-speech-at-the-yushan-forum>>; ‘President Tsai receives CAPRI delegation’, *Taiwan Today*, May 31 2023 <<https://taiwantoday.tw/news.php?unit=2&post=237435&unitname=Politics&postname=President-Tsai-receives-CAPRI-delegation>>; ‘Democracies must unite to face authoritarian threats: Ex-Australian PM’, *Focus Taiwan*, May 29 2023 <<https://focustaiwan.tw/politics/202305290011>>. Tony Abbott visited Taiwan in October 2021. See Tony Abbott, ‘Remarks to the Yushan Forum’, Taipei, Taiwan, October 8 2021 <<https://tonyabbott.com.au/2021/10/remarks-to-the-yushan-forum-taipei-taiwan/>>; Daniel Hurst, ‘Tony Abbott tells Taiwan president democracies must ‘stand shoulder to shoulder’ against China’, *The Guardian*, October 7 2021 <<https://www.theguardian.com/world/2021/oct/07/tony-abbott-tells-taiwans-president-democracies-must-stand-shoulder-to-shoulder-against-china>>. Scott Morrison visited Taiwan in October 2023. See Hudson Institute, ‘One China 2.0: Speech by China Center Advisory Board member Hon. Scott Morrison at the Yushan Forum’, October 11 2023 <<https://www.hudson.org/one-china-2-scott-morrison>>; Liu Tzu-hsuan, ‘Australia supports a free Taiwan: Morrison’, *Taipei Times*, October 11 2023 <<https://www.taipetimes.com/News/front/archives/2023/10/11>>; Office of the President, Republic of China (Taiwan), ‘President Tsai meets former Prime Minister Scott Morrison of Australia’, media release, October 10 2023 <<https://english.president.gov.tw/NEWS/6620>>.
- 17 See, e.g., Daniel Hurst, ‘“Shameful”: Turnbull rebukes Australian business for criticising China relations’, *The Guardian*, July 16 2020 <<https://www.theguardian.com/australia-news/2020/jul/16/shameful-turnbull-rebukes-australian-business-for-criticising-china-relations>>; ABC/AP, ‘Chinese Foreign Ministry spokesman lashes out at former Australian prime minister Tony Abbott over Taiwan’, *ABC News*, October 12 2021 <<https://www.abc.net.au/news/2021-10-12/china-doubles-down-on-abbott-criticism-for-his-taiwan-visit/100531050>>; Kathleen Calderwood and Stephen Dziedzic, ‘Scott Morrison makes argument for ‘modernised One China framework’ in Taiwan speech’, *ABC News*, October 11 2023 <<https://www.abc.net.au/news/2023-10-11/scott-morrison-delivers-speech-in-taiwan/102965890>>.
- 18 Author’s interview with a senior Taiwanese official who requested anonymity, September 15 2023.
- 19 Hudson Institute, ‘One China 2.0: Speech by China Center Advisory Board member Hon. Scott Morrison at the Yushan Forum’, October 11 2023 <<https://www.hudson.org/one-china-2-scott-morrison>>.

without public announcement in order to avoid complications with Beijing. For example, Taiwan has quietly welcomed visits by senior Australian officials from DFAT and other government departments.²⁰ Taiwan's Foreign Minister Joseph Wu made the observation that an intelligence exchange at the end 2022 involving a Deputy Head of the National Security Bureau, Taiwan's intelligence agency, and the Director-General of Australia's Office of National Intelligence (ONI), was highly successful, and recommended its continuation given its value to both sides.²¹ According to a senior Taiwanese official, the intelligence exchange is continuing.²²

There was concern in Beijing that the August 2022 visit to Taiwan by then-Speaker of the US House of Representatives Nancy Pelosi could indicate a weakening of the US' one China policy and a heralding of possible future visits by senior US office holders such as the Secretary of State or Secretary of Defense. Such visits would be seen by the PRC as an abandonment of the US' one China policy and could provoke serious political and military responses from Beijing against Taiwan.

Aware of Beijing's concern, the US and other G7 countries responded by reassuring Beijing of their commitment to their one China policies via the Hiroshima G7 leaders' statement in May 2023, thereby seeking to remove justification for PRC action against Taiwan. For its part, Taiwan welcomed the statement²³ which asserted that there was 'no change in the basic positions of the G7 members on Taiwan, including stated one China policies' and called for 'a peaceful resolution of cross-Strait issues'.²⁴

According to scholars from Academia Sinica, Taiwan's preeminent academic research institution, Taipei viewed this section of the Hiroshima statement as a signal to Beijing of Western support for the status quo across the Taiwan Strait and the right of all countries having diplomatic relations with Beijing to develop unofficial relations with Taiwan across a range of fields.²⁵ Taiwan also welcomed Prime Minister Albanese's support for the G7 statement.²⁶ A senior Taiwanese official observed that this firm international position in favour of maintaining each countries' one China policy but opposing aggression against Taiwan was a no-cost stance for the G7 and others that was effective in negating any justification for potential aggression against Taiwan by Beijing. The official noted that Taiwan particularly welcomed this form of non-military deterrence.²⁷

A one China policy is essential to the two goals for maintaining peace and stability across the Taiwan Strait and to developing an extensive non-official relationship with Taiwan. Any attempt to move beyond the confines of the one China policy would likely lead to great instability and possible military conflict in the Strait. For Australia, the key, therefore, is not to remove or replace its one China policy, but to interpret and implement it more flexibly and in ways that benefit both Australia and Taiwan. While Australia has heretofore adopted some flexibility in the past, there remains room for manoeuvre, albeit within the limitations set in place by the importance of Australia's relationship with the PRC.

Economics and trade

Trade has always been the key driving force in the Australia-Taiwan relationship. Taiwan was Australia's seventh largest two-way merchandise trading partner in 2022-23, with two-way trade worth \$29.9 billion.²⁸

The Australian export figures are likely to increase as Taiwan buys an increasing amount of liquefied natural gas (LNG) from Australia. An Institute for National Defense and Security Research (INDSR) researcher suggested that Australia could work to ensure Taiwan's energy security in the case of a blockade or war,

²⁰ Author's interview with Joseph Wu, Foreign Minister of the Republic of China (Taiwan), July 6 2023.

²¹ *Ibid.*

²² Author's interview with a senior Taiwanese official who requested anonymity, January 8 2024.

²³ Ministry of Foreign Affairs of the Republic of China (Taiwan), 'MOFA welcomes and appreciates G7 leaders' communiqué reaffirming importance of peace and stability across Taiwan Strait', press release, May 20 2023 <https://en.mofa.gov.tw/News_Content.aspx?n=1328&sms=273&s=114717>.

²⁴ The White House, 'G7 Hiroshima leaders' communiqué', May 20 2023 <<https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/20/g7-hiroshima-leaders-communiqué/>>.

²⁵ Author's interview with Academia Sinica scholars Tsai Ming-chang, Chang Liao Nien-chung, Lin Cheng-yi, Guo Pei-yi, Lin Thung-hong and Wu Chien-huei, July 4 2023.

²⁶ Anthony Albanese, press conference, Hiroshima, Japan, May 21 2023 <<https://www.pm.gov.au/media/press-conference-hiroshima-japan>>.

²⁷ Author's interview with Joseph Wu, Foreign Minister of the Republic of China (Taiwan), July 6 2023.

²⁸ Australian Government Department of Foreign Affairs and Trade, 'Australia-Taiwan relationship', accessed April 2 2024 <<https://www.dfat.gov.au/geo/taiwan/australia-taiwan-relationship>>.

particularly as Taiwan has only 14 days of LNG supply. The researcher stated that Taiwan is building a fourth LNG receiving terminal on Taiwan's east coast and that Australia should guarantee supply of LNG to Taiwan to fill these reserve tanks.²⁹

On September 13 2023, *The Australian* newspaper reported that Taiwan would be purchasing more LNG from Australia to buttress its energy security against a PRC blockade or attack on Taiwan.³⁰ This would provide a dual-purpose opportunity for Australia to increase LNG exports but also to play a role in ensuring Taiwan's national and energy security interests.

Academia Sinica scholars suggested Australia should do more to support Taiwan economically by entering into a free trade agreement (FTA) with Taiwan and supporting Taiwan's accession to the CPTPP.³¹ CPTPP membership and an FTA with Australia remain top priorities for Taiwan, and the Taipei Economic and Cultural Office (TECO) in Australia has been active in promoting these propositions to government, academia and the media.³²

Australia has considered for some time the prospect for an FTA with Taiwan and, more recently, Taiwan's membership of the CPTPP, following its formal application to join the grouping in September 2021. Taiwan completed FTAs with New Zealand in July 2013 and Singapore in November 2013 and since then has expressed a keen enthusiasm to conclude a similar agreement with Australia. Taiwan remains one of the few major economies that Australia has not concluded an FTA with.

The Abbott government showed interest in an FTA with Taiwan in 2013-2014, but the conclusion of the China-Australia Free Trade Agreement (ChAFTA) meant that a Taiwan FTA, although viewed by Canberra as making good sense for Australia, was delayed indefinitely and was not revived when Malcolm Turnbull became prime minister.³³ The Morrison government also decided to take no action on Taiwan CPTPP membership or the FTA. The latter decision was based to a large degree on advice from various ministries and agencies, which said that an announcement of negotiations with Taiwan around the time of the announcement of the AUKUS trilateral security partnership would send the relationship with Beijing into a tailspin.³⁴

Additionally, following the election of President Tsai Ing-wen, Beijing began actively opposing Taiwan concluding FTAs with other countries. Under the Ma Ying-jeou administration, the PRC had been willing to tolerate Taiwan completing FTAs with Singapore and New Zealand. However, as part of its pressure on the Tsai administration following its rejection of the 1992 Consensus, the PRC opposed countries entering into FTAs with Taiwan and Canberra noted that opposition.³⁵

On November 18 2022, Prime Minister Albanese suggested that Australia would not support Taiwan joining the CPTPP, saying that the agreement was only for 'nation-states which are recognised' and citing Australia's 'support for the one China policy'.³⁶ This statement followed three days after Albanese's meeting with President Xi Jinping at the G20 in Bali and has been seen in parliamentary circles and among officials as a

29 Author's interview with Lee Chechuan, Research Fellow, Division of National Security Research, Institute for National Defence and Security Research, July 5 2023.

30 Glen Norris, 'Taiwan's gas plan to ease China threat', *The Australian*, September 13 2023 <<https://www.theaustralian.com.au/business/mining-energy/australian-gas-to-buttress-taiwan-security-as-china-threat-deepens/news-story/bfa4bb4b74f3138410f53a74e5513bb9>>.

31 Author's interview with Academia Sinica scholars Tsai Ming-chang, Chang Liao Nien-chung, Lin Cheng-yi, Guo Pei-yi, Lin Thung-hong and Wu Chien-hue, July 4 2023.

32 Author's interviews with Elliot Charng, former Republic of China (Taiwan) representative to Australia, June 29 2023; Joseph Wu, Foreign Minister of the Republic of China (Taiwan), July 6 2023; senior Taiwanese officials who requested anonymity, September 15 2023 and October 5 2023; and Stephen Dziedzic, foreign affairs reporter, *ABC News*, October 5 2023.

33 This is based on the author's experience as Australia's Representative to Taiwan in 2011-2014, as well as advice from the Australian Trade Minister's Office and the Australian Department of Foreign Affairs and Trade between 2013-2016. See also Lisa Murray, 'Australia Taiwan free trade deal caught in crossfire of Donald Trump', *The Australian Financial Review*, December 9 2016 <<https://www.afr.com/world/asia/australiataiwan-free-trade-deal-caught-in-crossfire-of-donald-trump-20161208-gt6pwy>>.

34 Author's interviews with former and currently serving Australian Department of Foreign Affairs and Trade officials who requested anonymity, October-November 2022. -See also Kevin Magee, 'Australia-Taiwan relations under the new Labor government', *The China Story*, Australian Centre on China in the World, December 12 2022 <<https://www.thechinastory.org/australia-taiwan-relations-under-the-new-labor-government/>>.

35 Author's interview with Vincent Chao, spokesperson for then-Vice President Lai Ching-te, July 6 2023. See also Natasha Kassam and Jeffrey Wilson, 'China v Taiwan dilemma for trade pact', *The Australian Financial Review*, October 1 2021 <<https://www.afr.com/policy/foreign-affairs/china-v-taiwan-dilemma-for-trade-pact-20210930-p58vzh>>.

36 Anthony Albanese, press conference, Bangkok, Thailand, November 18 2022 <<https://www.pm.gov.au/media/press-conference-bangkok-thailand-0>>.

signal to Beijing that Australia would not support Taiwan's membership of the CPTPP.³⁷ Albanese subsequently walked the statement back, acknowledging that economies and customs areas could join the CPTPP.³⁸ Taiwan is a member of APEC as an economy and a member of the World Trade Organization (WTO) as the Customs Territory of Taiwan, Kinmen, Penghu and Matsu. Its status as customs territory could allow it to join the CPTPP if it was accepted by all other members. As Albanese walked back his statement, Australian diplomats sought urgently to repair the damage and assure Taiwan that the Australian stance on CPTPP membership had not changed. In doing so, Canberra was sending different messages to both Beijing and Taipei.³⁹

The Albanese government has since continued to exhibit a reluctance to take any steps towards CPTPP membership for Taiwan or pursue an FTA. While the Joint Standing Committee on Foreign Affairs, Defence and Trade's Trade Sub-Committee in 2022 recommended Taiwan be considered for CPTPP membership,⁴⁰ the Albanese government has shown little inclination to back Taipei, with government ministers remaining non-committal when pressed on the matter.⁴¹

While there is goodwill and sympathy in Australian government circles for Taiwan, the economic imperatives of the PRC relationship as well as national security considerations continue to take precedence. Prime Minister Albanese has maintained the position of the Coalition governments since 2013, which has delayed moving on with an FTA with Taiwan for a decade and stalled efforts to advance Taiwan's CPTPP membership, largely due to concerns that doing so would impact ties with the PRC.⁴² Although Australia has indicated it would not stand in the way of CPTPP membership if either the PRC or Taiwan could demonstrate the required trade standards, it is not advocating membership for either. Australia has remained largely inactive on this issue despite pressure from Japan for Australia to support Taiwan's CPTPP membership.⁴³

Beijing had initially viewed the CPTPP, and its predecessor, the Trans-Pacific Partnership (TPP), as being directed against the PRC, but it is now vigorously pursuing membership – in part to keep Taiwan out.⁴⁴ Then-Taiwanese Deputy Foreign Minister Roy Lee observed last year that should the PRC accede to the CPTPP first, Taiwan will never be allowed to join.⁴⁵

In addition, the political environment among CPTPP members is not uniformly in favour of Taiwan joining: there has been opposition from Chile and Malaysia, with unverified suggestions of possible others.⁴⁶ It is likely that Taiwan will continue to be disappointed by Australia as far as FTA and CPTPP membership is concerned. That said, had the Kuomintang (KMT) candidate Hou Yu-ih or Taiwan People's Party (TPP) candidate Ko Wen-je been elected president in January 2024, in some circumstances, such as Taiwan's acceptance of the 1992 Consensus, it is possible that Beijing would have been open to allowing Taiwan to pursue an FTA. It is clear now Beijing will oppose Taiwan's membership of the CPTPP during the Lai administration.

There is room for Australia to review its policy and look for opportunities to advance an FTA with Taiwan and Taiwan's membership of the CPTPP, given its strong trade relationship with Taiwan, in addition to the fact that

37 Author's interviews with former and currently serving Australian Department of Foreign Affairs and Trade officials who requested anonymity, October-November 2022; and a senior Taiwanese official who requested anonymity, November 2022. The latter said that they thought the statement was sending a message to Beijing that Australia would not advance Taiwan's CPTPP membership application.

38 Michael Smith and Phillip Coorey, 'Australia reassures Taiwan over trade pact entry', *The Australian Financial Review*, November 18 2022 <<https://www.afr.com/world/asia/taiwan-seeks-answers-from-albanese-over-cptpp-comments-20221118-p5bzkh>>.

39 Author's interviews with former and currently serving Australian Department of Foreign Affairs and Trade officials who requested anonymity, October-November 2022; and with a senior Taiwanese official who requested anonymity, November 2022.

40 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Expanding the Membership of the Comprehensive and Progressive Trans-Pacific Partnership*, Parliament of the Commonwealth of Australia, February 2022 <https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/CPTPPMembership/Report>.

41 Don Farrell, National Press Club Q&A, The Great Hall, Parliament House, Canberra, June 1 2023 <<https://www.trademinister.gov.au/minister/don-farrell/transcript/qa-national-press-club>>.

42 Author's interviews with former and currently serving Department of Foreign Affairs and Trade officials who requested anonymity, October-November 2022. See also Kevin Magee, 'Australia-Taiwan relations under the new Labor government', *The China Story*, Australian Centre on China in the World, December 12 2022 <<https://www.thechinastory.org/australia-taiwan-relations-under-the-new-labor-government/>>.

43 John Fitzgerald, 'Where are the guardrails in Australia's relations with Taiwan?', *The Strategist*, Australian Strategic Policy Institute, July 26 2023 <<https://www.aspistrategist.org.au/where-are-the-guardrails-in-australias-relations-with-taiwan/>>.

44 Author's interview with Academia Sinica scholars Tsai Ming-chang, Chang Liao Nien-chung, Lin Cheng-yi, Guo Pei-yi, Lin Thung-hong and Wu Chien-hue, July 4 2023.

45 Author's interview with Roy Lee, then-Deputy Foreign Minister of the Republic of China (Taiwan), July 14 2023.

46 Author's interviews with a senior Taiwanese official who requested anonymity, September 15 2023; and former and current Department of Foreign Affairs and Trade officials who requested anonymity, October-November 2022. See also Xu Wei and Zhang Li, 'PM Anwar Ibrahim hails BRI role in Malaysia's growth', *China Daily HK*, October 4 2023 <<https://www.chinadailyhk.com/hk/article/354481>>.

Taiwan is the 21st largest economy in the world.⁴⁷ Taiwan is by far Australia's largest trade partner with which Australia does not have or is not in the process of negotiating a bilateral FTA or regional trade agreement. Improved market access would help redress the competitive disadvantage Australian businesses now face in Taiwan with respect to competitors who have FTAs with Taiwan such as New Zealand and Singapore. It would help give Australian exporters a chance to regain market share lost to Paraguay and New Zealand under their FTAs, particularly in the dairy, wine and meat sectors. It should also be noted that Taiwan has demonstrated a capacity to negotiate comprehensive, high quality trade agreements.

Improving access to Taiwan would also help diversify Australian export markets, a key pillar of the trade policies of the Albanese government and its ALP and Coalition predecessors. Taiwan's economy, though dwarfed by the PRC's, continues to perform well, and offers Australian exporters strong opportunities. Australia has foregone earlier opportunities to conclude an FTA with Taiwan, particularly in the 2014–2015 period after the conclusion of ChAFTA, and it is unlikely there will be a better opportunity in the foreseeable future.

Integrating Taiwan into regional supply chains through an FTA or CPTPP accession would also bolster Taiwan's resilience economically, politically and strategically, and would signal Australia's political support for Taiwan. As a prosperous, liberal democracy sitting astride a vital strategic crossroad, bolstering Taiwan's resilience as an independent economic and strategic actor could become an important piece of Australia's Indo-Pacific Strategy.

Part 3 of this UTS:ACRI Analysis series will examine the defence and security considerations in the Australia-Taiwan relationship.

Conclusion

The question must be asked: why does Australia not do more to help Taiwan? There is clearly good will towards Taiwan among politicians both on the left and the right. Taiwan is no longer governed by a military dictatorship and there is no active opposition in Australia to Taiwan's position in the Pacific. Today's Taiwan is a democracy that adheres to liberal values. Gender equality and LGBTQI rights, for example, are matters actively supported by its political establishment, reflected in the election of a two-term woman president and the legislation Taiwan passed in 2019 legalising same-sex marriage – both rarities in Asia.

Despite this, the steps advocated by Australian supporters of Taiwan remain very much off the agenda. The simple reality for the Australian government is that Australia's economic interests in Taiwan are outweighed by those in the PRC, which remains the nation's largest trading partner and therefore the most important for Australia's sustained prosperity. Against this backdrop, Canberra's one China policy remains restrictive and largely inflexible, with the government keenly aware that Beijing is willing to take action against Australia when its interests in Taiwan are crossed. While Beijing's actions are generally constrained to those that do not disadvantage them, as recent years have shown, it is increasingly willing to apply severe and unrelenting diplomatic pressure to dissuade Canberra from interacting with Taiwan's government and adhere closely to Beijing's one China principle.

On the diplomatic front, this is having an impact. Its diplomatic pressure is severe and unrelenting. The Albanese government has been cautious not to allow its engagements with Taiwan impact its accomplishments in stabilising relations with the PRC. Canberra's political-security hedging against the PRC through the AUKUS partnership and the Quad also makes this an even more complex proposition.

This is not a situation unique to the Albanese government. Coalition governments that preceded it took few if any steps to advance Taiwan's interests. This was also at a time when relations were particularly poor with Beijing, with a number of Australian exports subject to trade restrictions. It appears to be the case that regardless of what party is in power, if Australian governments want workable relations with Beijing, especially if tensions are high over trade (Morrison) or over strategic support for the US (Albanese), they will be cautious, and Taiwan's interests will become collateral damage.

⁴⁷ Author's interview with a senior Taiwanese official who requested anonymity, September 15 2023.

A senior US diplomat told his opposite number in Taiwan that ‘Australia was a great partner and ally for the US, but the US was consistently frustrated by Australia’s stunted Taiwan policy under both Coalition and ALP governments’.⁴⁸ It does seem that ‘Australia is always looking over its shoulder at China’.

Author

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Mr Magee is a former Australian ambassador and senior Department of Foreign Affairs and Trade (DFAT) official. He had a 34-year career in DFAT during which he was the Australian Representative in Taipei (2011-2014), Ambassador to Saudi Arabia (2008-2011) and Consul-General in Guangzhou (2003-2007). He also served as Deputy Head of Mission in Moscow (2001-2003) and Chargé d’affaires to Russia (2016) and was posted to Singapore as First Secretary (1994-1997) and Beijing as Third Secretary (1990-1992).

During his career with DFAT, among other jobs Mr Magee headed up the areas dealing with both China and with Russia. He also led the Taskforce that established the National Foundation for Australia China Relations and was the interim CEO of that organisation.

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⁴⁸ Author’s interview with a senior Taiwanese official who requested anonymity, September 15 2023, quoting an unnamed senior US State Department official.