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## China isn't Australia's biggest trade problem: it's the US

James Laurenceson

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One of the more bizarre sights in Australian politics in the coming months may be watching local Donald Trump wannabes trying to use our economic ties with China to fan popular discontent.

For Donald Trump, the playbook was straightforward. The US runs a large trade deficit with China. This led Trump to claim that China had killed the US economy and domestic jobs had been sent overseas.

The touted solution? Label China a currency manipulator and impose a tariff on Chinese imports.

Local populists may be drawn to replicating Trump's economic nationalism. Except the anti-China line won't work. The country that inflicts the largest trade deficit on Australia is not China.

It is the US, by a country mile.

According to the Department of Foreign Affairs and Trade, in 2015-16 the US bought \$25.4 billion less from us than we bought from them. That's more than double the value of our next largest trade deficit – with Germany – at \$12.6 billion.

In fact, trade with China generates our largest trade surplus, worth \$21.8 billion.

And there's more, because our third largest surplus is with Hong Kong, a special administrative region of China, which is worth another \$7.2 billion.

So consistency demands that those sympathetic to the President-elect's muscular brand of economic populism should celebrate China-Australia trade, because it works so much in our favour, and demand tariffs on those imports from the US that so overwhelmingly swamp our exports there.

Little chance of that, one would think.

Those sceptical of globalisation also like to slam foreign investment.

The Australian Bureau of Statistics says that in 2015 Chinese direct investment in Australia was worth \$2.8 billion.

If that seems good reason to restrict Chinese investors, then how to respond to the \$9.7 billion of Australian assets snapped up by US buyers? And that's in one year.

The accumulated stock of US direct investment in Australia is \$174 billion. That compares with only \$35 billion from China.

In other words, if our future has been raped and pillaged – populist rhetoric, not mine – it's been by Washington, not Beijing.

In September, Treasurer Scott Morrison also helpfully clarified that US investors have interests in Australian land totalling 7.7 million hectares, five times that of Chinese investors. And neither came close to Britain, with holdings 18 times larger than China's.

After trade and investment, there are fears about people flows.

Trump has railed against foreigners, mostly Mexican, living and working illegally in the US. A wall, or at least a fence, between Mexico and the US has been put forward as a possible response.

According to the latest data from the Department of Immigration and Border Protection, Australia's problem with visa overstayers is more diverse.

Chinese nationals top the list with 7020 but that's only 11.3 per cent of the total. The third and fourth biggest groups of offenders are citizens of the US and Britain, with a combined share of 14.3 per cent.

Building a wall might not be practical in an Australian context, but to borrow another Trump phrase, will his local supporters be advocating extreme vetting, including of those from the US and Britain?

And on the touchy topic of 457 temporary work visas, in 2015-16 Chinese citizens accounted for only 2847, just 6 per cent of the total, and down 19 per cent on a year earlier. Nearly three times as many 457 visas were given to those from Britain.

Fortunately, Prime Minister Malcolm Turnbull and his senior ministers appear to recognise that adopting Trump-style economic policies here would not be in our national interest.

Australia benefits from our economic links with China, the US and Britain.

In Peru earlier this month for the Asia-Pacific Economic Co-operation (APEC) meeting, the Prime Minister held out hope that the Trans-Pacific Partnership, which would expand our ties with the US economy, may yet get completed.

President-elect Trump immediately squashed that possibility, declaring he would withdraw the US from the TPP on his first day in office.

Fortunately, Australia has other options.

Chief among these is a Regional Comprehensive Economic Partnership, which would bring Australia and New Zealand together with China, Japan, Korea, India and ASEAN.

Some have called the RCEP a TPP-lite. That's a curious description when economic modelling puts the income gains to Australia from an RCEP at three times those of the TPP.

That conclusion shouldn't surprise: it's countries like China that actually want to buy the stuff we produce.