

Australia-PRC relations: the state of play

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The pre-COVID-19 backdrop

An Australian prime minister has not had a stand-alone visit to the People's Republic of China (PRC) since Malcolm Turnbull arrived in April 2016.¹ When Julie Bishop stepped down from the foreign ministership in August 2018, she had not visited the PRC since February 2016.² Her successor, Marise Payne, squeezed in a brief stop in November 2018 but has not returned.³ Other senior ministerial visits have been few and far between and mostly limited to Trade, Tourism and Investment Minister, Simon Birmingham, attending events that are important set pieces for the PRC such as the China International Import Expo in November 2019.⁴ These observations make the point that the current political tensions in the bilateral relationship are not new.

The PRC sees some Australian actions in recent years, such as the decision to ban Huawei from the local 5G rollout, as inconsistent with the Comprehensive Strategic Partnership that both countries signed up to in 2014. But in a well-received essay last month, recently-retired senior Department of Foreign Affairs and Trade (DFAT) official, Richard Maude, noted that 'No Australian government can ignore the immense clash of interests and values that today's China creates and the limits this inevitably puts on the relationship'.⁵

Instances of loose rhetoric on the Australian side and the trend toward 'Wolf Warrior' diplomacy from the PRC has exacerbated these challenges.^{6,7}

Prior to this year, however, the consequences for the economic side of the relationship had been limited. One casualty was that negotiations to upgrade the 2015 China-Australia Free Trade Agreement have not taken

- 1 Malcolm Turnbull, 'Prime Minister – visit to China', transcript, April 8 2016 <<https://www.malcolmturnbull.com.au/media/prime-minister-visit-to-china>>.
- 2 Julie Bishop, 'Doorstop interview – Beijing, China', transcript, February 17 2016 <<https://www.foreignminister.gov.au/minister/julie-bishop/transcript-oeo/doorstop-interview-beijing-china>>.
- 3 Marise Payne, 'Visit to China for 5th Australia-China Foreign and Strategic Dialogue', media release, November 5 2018 <<https://www.foreignminister.gov.au/minister/marise-payne/media-release/visit-china-5th-australia-china-foreign-and-strategic-dialogue>>.
- 4 Simon Birmingham, 'Visit to China to back Australian exporters', media release, November 5 2019 <<https://www.trademinister.gov.au/minister/simon-birmingham/media-release/visit-china-back-australian-exporters>>.
- 5 Richard Maude, 'Looking ahead: Australia and China after the pandemic', *Looking Ahead*, Asia Society Australia, May 13 2020 <<https://asiasociety.org/australia/looking-ahead-australia-and-china-after-pandemic>>.
- 6 Elena Collinson, 'Australia's tilt on China', Australia-China Relations Institute, University of Technology Sydney, July 4 2017, <<https://www.australiachinarelations.org/content/australias-tilt-china>>; Simone van Nieuwenhuizen, 'Australia's tilt on China: an update', Australia-China Relations Institute, University of Technology Sydney, December 13 2017 <<https://www.australiachinarelations.org/content/australias-tilt-china-update>>.
- 7 John Power, 'As China tensions mount, Australia's dovish voices calling for engagement are fading away', *South China Morning Post*, Jun 12 2020 <<https://www.scmp.com/week-asia/politics/article/3088611/china-tensions-mount-australias-dovish-voices-calling-engagement>>.

place since 2017.⁸ There were also scattered reports since 2018 of Australian exports of beef, wine and coal being disrupted at mainland Chinese ports, prompting some commentators to accuse the PRC of economic coercion.⁹ Mostly though, subsequent data revealed few discernible impacts.¹⁰ And indeed, at an aggregate level, two-way trade between Australia and the PRC continued to set record highs.¹¹ This provided some semblance of an equilibrium in the broader bilateral relationship, albeit an uneasy one.

The deterioration in 2020

COVID-19 has accelerated the worsening in ties between the PRC and the United States with both sides engaged in punitive policy actions and the spreading of propaganda and conspiracy theories. That alone has narrowed the space that Australia has traditionally sought to tread between its major trading partner and its security ally.

But what has really heightened Australian anxieties are signs that the wall between political tensions and economic cooperation in the bilateral relationship might be breaking down. On April 26 the PRC Ambassador to Australia raised the prospect that mainland Chinese consumers could turn away from Australian goods and services.¹² This was followed on May 12 by the removal of certification for four Australian meat processors to deliver product to the mainland Chinese market, with the claim of repeated labelling infringements.¹³ On May 18 China levied a tariff on Australian barley of more than 80 percent, allegedly for dumping.¹⁴ On June 6 China's Ministry of Culture and Tourism issued an alert to Chinese tourists to 'enhance their safety awareness and do not travel to Australia' due to an increase in 'violence against Chinese and Asian people in Australia'.¹⁵ This was followed on June 9 with a warning from China's Education Bureau to prospective Chinese students to 'conduct a good risk assessment and be cautious about choosing to go to Australia or return to Australia to study', again due to 'racist incidents'.¹⁶

There is debate around the extent to which some of these steps are, in fact, coercive.¹⁷ But to the extent they are, comments on April 17 from Home Affairs Minister Peter Dutton appear to have been a spark. Dutton was asked, 'The US wants China to come clean over the virus outbreak, do you agree?'. He replied: 'I do think there will be a reset in the way the world interacts with China. We do want more transparency...when you've got a Communist Party that doesn't have the transparency that other comparable economies have, then that is a problem. And when you see their involvement in foreign interference, when you see their involvement in cyber, all of these aspects need to be looked at again'.¹⁸ This was quickly followed on April 19 with Marise Payne calling for an 'independent review mechanism to examine the development of this [COVID-19] epidemic'.¹⁹ On April 21 a Chinese embassy spokesperson issued a statement rebuking Dutton's comments as indicating 'he must have also received some instructions from Washington requiring him to cooperate with the US in its

- 8 Primrose Riordan, 'Blow to farmers as China delays trade 'upgrade'', *The Australian*, March 1 2019 <<https://www.theaustralian.com.au/nation/politics/blow-to-farmers-as-china-delays-trade-upgrade/news-story/d40f3fd70b30fc646d7fbf62578b81a4>>.
- 9 Andrew Tillet, 'Beef, wine exports hit amid China, Canberra tension', *The Australian Financial Review*, May 31 2018, <<https://www.afr.com/politics/beef-wine-exports-hit-amid-china-canberra-tension-20180531-h10rw0>>.
- 10 James Laurenceson and Michael Zhou, *Small grey rhinos: understanding Australia's economic dependence on China*, Australia-China Relations Institute, University of Technology Sydney, May 22 2019 <<https://www.australiachinarelations.org/content/small-grey-rhinos-understanding-australia%E2%80%99s-economic-dependence-china>>.
- 11 James Laurenceson and Michael Zhou, *COVID-19 and the Australia-China relationship's zombie economic idea*, Australia-China Relations Institute, University of Technology Sydney, May 7 2020, <<https://www.australiachinarelations.org/content/covid-19-and-australia-china-relationship%E2%80%99s-zombie-economic-idea>>.
- 12 Embassy of the People's Republic of China in the Commonwealth of Australia, 'Transcript of Chinese Ambassador Cheng Jingye's interview with Australian Financial Review political correspondent Andrew Tillet', April 27 2020 <http://au.china-embassy.org/eng/sghdxfwb_1/t1773741.htm>.
- 13 Kath Sullivan and Jodie Gunders, 'Red-meat processors have beef sales to China suspended as trade barriers escalate', *ABC News*, May 12 2020 <<https://www.abc.net.au/news/rural/2020-05-12/china-trade-escalation-as-beef-farmers-are-targeted/12237468>>.
- 14 Michael Smith and Brad Thompson, 'China pulls the trigger on 80pc Australian barley tariffs', *The Australian Financial Review*, May 18 2020 <<https://www.afr.com/companies/agriculture/china-pulls-the-trigger-on-australian-barley-tariffs-20200518-p54u5w>>.
- 15 *ABC News*, 'China warns citizens not to travel to Australia amid 'increased' racism since coronavirus outbreak', June 6 2020 <<https://www.abc.net.au/news/2020-06-06/do-not-travel-to-australia-china-warns-citizens-of-racism/12328488>>.
- 16 Bill Birtles, 'China cautions students about 'racist incidents' during coronavirus pandemic if they return to Australia', *ABC News*, June 9 2020 <<https://www.abc.net.au/news/2020-06-09/china-warns-students-not-to-return-to-australia-after-coronaviru/12337044>>.
- 17 James Laurenceson, 'The trade dispute between Australia and China should be taken with a grain of barley', *Australian Outlook*, Australian Institute of International Affairs, June 5 2020 <<http://www.internationalaffairs.org.au/australianoutlook/20934/>>.
- 18 Peter Dutton, 'Today Show 17/4/2020', interview, April 17 <<https://www.facebook.com/PeterDuttonMP/videos/661032857793652/>>.
- 19 Marise Payne, 'Interview with David Speers, ABC Insiders', transcript, April 19 2020 <<https://www.foreignminister.gov.au/minister/marise-payne/transcript/interview-david-speers-abc-insiders>>.

propaganda war against China.²⁰ On April 22 Prime Minister Scott Morrison appeared to endorse the World Health Organization having powers to enter a country and undertake investigations put by his interlocutor as being akin to ‘weapons inspectors’.²¹ The same day the Prime Minister touted a phone call with President Trump, tweeting that they had ‘talked about the World Health Organisation and working together to improve the transparency and effectiveness of international responses to pandemics. Australia and the US are the best of mates and we’ll continue to align our efforts...’.²² This sequence was evidently enough for Beijing to surmise that Australia was working in lockstep with the US to attack the PRC and on April 23 a PRC Foreign Ministry spokesperson described Australia’s call for an independent review, as well as its lobbying of other countries, as ‘political manoeuvring in essence’.²³

On April 28, when asked how he interpreted the Chinese ambassador’s comments just two days earlier that Chinese consumers might turn away from Australian goods and services, the Trade Minister replied that, ‘Australia is no more going to change our policy position on a major public health issue because of economic coercion, or threats of coercion, than we would change our policy position in matters of national security’.²⁴ He also confirmed that DFAT Secretary, Frances Adamson, had been in contact with the PRC ambassador about his comments.²⁴ The same day the PRC embassy took the extraordinary step of issuing a public statement on the ambassador’s conversation with Secretary Adamson, also reiterating that from the PRC’s perspective, Australia’s proposal for an independent inquiry was a ‘political manoeuvre’.²⁵ This was backed up by comments from the PRC Foreign Ministry rejecting the suggestion that China was engaged in ‘economic coercion’.²⁶ These events prompted another round of tit-for-tat between DFAT and the PRC embassy.²⁷

Things did not improve the following month. On May 18, when asked whether Australia’s calls for an investigation in COVID-19 had been ‘vindicated’ by growing support for a World Health Assembly (WHA) motion, Marise Payne said that ‘I think what it illustrates is...that there is a strong view that it is appropriate to engage in a review of what has happened in the pandemic, the impact it has had, to ensure basically that we learn those lessons and it doesn’t happen again’.²⁸ Following the motion’s passing with unanimous backing, former Director-General of the Office of National Assessments, Allan Gyngell, noted that there had been ‘a lot of triumphalist media backgrounding...from ministerial offices around Canberra’.²⁹ The PRC embassy reacted to claims of vindication as being ‘nothing but a joke’ and that said the motion adopted by the WHA was ‘totally different from Australia’s proposal of an independent international review’.³⁰ On May 28 the Foreign Minister joined counterparts in Canada, the UK and the US in issuing a statement of ‘deep concern’ regarding Beijing’s proposal of a new national security law in Hong Kong.³¹ The next day the PRC embassy shot back a statement of their own to ‘flatly reject the unwarranted allegations’.³²

20 Embassy of the People’s Republic of China in the Commonwealth of Australia, ‘Chinese Embassy’s spokesperson responding to a question by Global Times on Mr. Dutton’s recent remarks’, April 21 2020 <http://au.china-embassy.org/eng/sghdxwfb_1/t1771892.htm>.

21 Scott Morrison, ‘Interview with Paul Murray, Sky News’, transcript, April 22 2020 <<https://www.pm.gov.au/media/interview-paul-murray-sky-news-2>>.

22 Scott Morrison, Twitter thread, April 22 2020, <<https://twitter.com/scottmorrisonmp/status/1252785723830226944?lang=en>>.

23 Geng Shuang, ‘Foreign Ministry Spokesperson Geng Shuang’s regular press conference on April 23, 2020’, Ministry of Foreign Affairs of the People’s Republic of China, April 23 2020 <https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1772783.shtml>.

24 Simon Birmingham, ‘Interview on ABC Radio Canberra AM with Sabra Lane’, transcript, April 28 2020 <<https://www.trademinister.gov.au/minister/simon-birmingham/transcript/interview-abc-radio-canberra-am-sabra-lane-2>>.

25 Embassy of the People’s Republic of China in the Commonwealth of Australia, ‘Chinese Embassy’s spokesperson responding to a question on Ambassador Cheng Jingye’s phone call with DFAT Sectary Frances Adamson’, April 28 2020 <http://au.china-embassy.org/eng/sghdxwfb_1/t1774089.htm>.

26 Geng Shuang, ‘Foreign Ministry Spokesperson Geng Shuang’s regular press conference on April 28, 2020’, Ministry of Foreign Affairs of the People’s Republic of China, April 28 2020 <https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1774380.shtml>.

27 Embassy of the People’s Republic of China in the Commonwealth of Australia, ‘Remarks by Chinese Embassy spokesperson regarding relevant DFAT statement’, April 29 2020 <http://au.china-embassy.org/eng/sghdxwfb_1/t1774484.htm>.

28 Marise Payne, ‘Press conference’, transcript, May 18 2020 <<https://www.foreignminister.gov.au/minister/marise-payne/transcript/press-conference-3>>.

29 Allan Gyngell and Darren Lim, ‘Australia in the world: episode 49’, *Australian Outlook*, Australian Institute of international Affairs, June 15 2020 <<http://www.internationalaffairs.org.au/australianoutlook/australia-in-the-world-episode-49/>>.

30 Embassy of the People’s Republic of China in the Commonwealth of Australia, ‘The Embassy spokesperson’s response to media question’, May 19 2020 <http://au.china-embassy.org/eng/sghdxwfb_1/t1780805.htm>.

31 Marise Payne, Francois-Philippe Champagne, Dominic Raab, Mike Pompeo, ‘Joint statement on Hong Kong’, media release, May 28 2020 <<https://www.foreignminister.gov.au/minister/marise-payne/media-release/joint-statement-hong-kong>>.

32 Embassy of the People’s Republic of China in the Commonwealth of Australia, ‘Chinese Embassy’s statement’, May 29 2020 <http://au.china-embassy.org/eng/sghdxwfb_1/t1783880.htm>.

On June 11, the Prime Minister for the first time also directly cited ‘coercion’ in connection to China, stating, ‘I’m never going to trade our values in response to coercion from wherever it comes’.³³ The same day he described the PRC’s Belt and Road Initiative as a ‘programme that the Australian foreign policy doesn’t recognise’ and ‘it is not something the Australian government has signed up to because we do not believe that it is in Australia’s national interests’.³⁴ In the same interview, the Prime Minister described an accusation in the PRC state-run *Global Times* newspaper that Australia is racist toward Chinese students as ‘...rubbish. It’s a ridiculous assertion and it’s rejected...’. He also asserted that Australia had ‘done nothing to offend the relationship. Nothing at all’.

An inevitable downward spiral? Not so fast.

While the headlines and atmospherics of the relationship might suggest otherwise, trade ties continue as a source of strength and ballast. In fact, despite the COVID-19 shock to the PRC’s economy, the total value of Australia’s goods exports to mainland China in the first four months of 2020 actually increased on the same period in 2019.³⁵ Australia-China cooperation isn’t just about iron ore for manufactured goods. This year the PRC emerged as Australia’s leading international partner in knowledge creation, according to the metric of the number of co-authored peer-reviewed scientific publications.³⁶

In terms of barley, beef, tourists and students, there’s also significant evidence supportive of the view that Beijing has mostly been signalling displeasure rather than seeking to inflict genuine economic harm – for the moment, at least.³⁷ There are, after all, no mainland Chinese tourists currently in Australia due to the country’s closed international borders.³⁸

The Australian government has also been careful to put some distance between itself and a US that is only likely to ramp up PRC-bashing rhetoric in the lead up to a presidential election in November. Last month it was notable that when the White House attempted to launder COVID-19 conspiracy theories – dressed up as ‘intelligence’ – through an Australian media organisation, Australia’s security agencies briefed against the claims in other outlets.³⁹ The Prime Minister has also been happy to tout areas where Australia and the PRC continue to work together. For example, on May 26 he drew a contrast with US actions aimed at undermining the World Trade Organisation, noting that ‘we’ve actually worked together closely with China to actually pull together an alternative system...’.⁴⁰

Further, while the US government is moving in the direction of driving an economic decoupling from the PRC, albeit the extent to which might occur in practice remains unclear, the Prime Minister restated his view that decisions on whether to engage with the PRC is a ‘judgement Australian businesses can only make...’ and ‘are not decisions that governments make for businesses’.⁴¹

The federal opposition has attacked the government for not muzzling a number of backbenchers with long-standing antagonistic positions on the PRC, complicating the relationship’s management. But a compelling alternative explanation is presented by *The Guardian Australia*’s political editor, Katharine Murphy: ‘...it allows the government to speak to people in the community who fear the hegemonic ambitions of the authoritarian

33 Scott Morrison, ‘Interview with Ben Fordham, 2GB’, transcript, June 11 2020 <<https://www.pm.gov.au/media/interview-ben-fordham-2gb-4>>.

34 Scott Morrison, ‘Interview with Neil Mitchell, 3AW’, transcript, June 11 2020 <<https://www.pm.gov.au/media/interview-neil-mitchell-3aw-4>>.

35 James Laurenceson and Elena Collinson, ‘Australia-China monthly wrap-up: May 2020’, Australia-China Relations Institute, University of Technology Sydney, June 3 2020 <<https://www.australiachinarelations.org/content/australia-china-monthly-wrap-may-2020-perspectives-covid-19-and-taking-principled-stance>>.

36 Jane Golley, Paul Harris, James Laurenceson, ‘Campus conundrums: clashes and collaborations’, in Jane Golley, Linda Jaivin, Ben Hillman, Sharon Strange (eds), *China Story Yearbook: China Dreams*, ANU Press, Australian National University, Canberra, April 2020 <http://press-files.anu.edu.au/downloads/press/n6614/pdf/09_chapter.pdf>.

37 James Laurenceson, ‘The trade dispute between Australia and China should be taken with a grain of barley’, *Australian Outlook*, Australian Institute of International Affairs, June 5 2020 <<http://www.internationalaffairs.org.au/australianoutlook/20934/>>.

38 Jennifer Duke, ‘Birmingham says China’s travel warning over racism has ‘no basis in fact’, *The Sydney Morning Herald*, June 6 2020 <<https://www.smh.com.au/politics/federal/no-basis-in-fact-australian-tourism-minister-slams-china-s-travel-warning-20200606-p5503n.html>>.

39 Daniel Hurst, ‘A dodgy dossier? How News Corp hyped a US government reading list into a China coronavirus ‘bombshell’’, *The Guardian Australia*, May 26 2020 <<https://www.theguardian.com/us-news/2020/may/26/a-dodgy-dossier-how-news-corp-hyped-a-us-government-reading-list-into-a-china-coronavirus-bombshell>>.

40 Scott Morrison, ‘Q&A, National Press Club’, transcript, May 26 2020 <<https://www.pm.gov.au/media/qa-national-press-club>>.

41 Ibid.

regime in Beijing. The hawks represent those view points, while the grown-ups in the ministry maintain a more measured diplomatic tone, trying to keep trade on the rails'.⁴²

Conclusion

To date, an Australia that actively pursues its interests and gives voice to its values – as it is in its rights and interests to do – is not one the PRC has indicated it can comfortably live with. This does not, however, mean that a further downward spiral is baked in, with a settling point of permanent hostility. The mutual benefits from the bilateral relationship haven't disappeared with COVID-19, nor amidst rising China-US tensions. It does suggest that both sides will need to work harder. Detailing the timeline of developments sheds light on why the PRC might have believed Australia was acting at the behest of the US. This should prompt an assessment of whether more effective diplomacy could have been conducted. But as Richard Maude also remarks, 'Australian offers to find things to work on that are mutually beneficial [with the PRC] lie fallow'. The Trade Minister observes that his PRC counterpart has declined to take his calls.⁴³ This means that to a significant extent, the future trajectory of the bilateral depends on decisions in Beijing, not Canberra.

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42 Katharine Murphy, 'Morrison could muzzle his China hawks – but he wants to be all things to all people', *The Guardian Australia*, May 23 2020 <<https://www.theguardian.com/australia-news/2020/may/23/morrison-could-muzzle-his-china-hawks-but-he-wants-to-be-all-things-to-all-people>>.

43 Simon Birmingham, 'Interview on Radio National, Breakfast with Fran Kelly', transcript, June 8 2020 <<https://www.trademinister.gov.au/minister/simon-birmingham/transcript/interview-radio-national-breakfast-fran-kelly-3>>.