Australia-China Relations Institute
澳中关系研究院

UTS

Opinion

Will the Five Eyes stare down China's economic coercion?

James Laurenceson
April 15 2021

Note: This article appeared in *The Interpreter* on April 15 2021.

Next month brings the inauspicious one-year anniversary of China ramping up a campaign of trade punishment against Australia. Wine, barley, beef, lobster and coal have all been targeted. And there's no end in sight.

Weary Australian government ministers could be forgiven for taking solace in a series of supportive statements from the Biden administration, as well as by senior politicians and officials in other liberal democratic countries. Last month, Trade Minister Dan Tehan said, 'I think all Australians should be reassured by the fact that the Americans have come out and said that they've got our back, and they won't leave us alone on the playing field'. Prime Minister Scott Morrison followed up by expressing appreciation for the 'great support we've had from liberal democracies around the world, none less so than the United States'. The government has also taken to promoting the economic connections among the intelligence sharing partnership of the so-called 'Five Eyes', Australia, the United States, Canada, United Kingdom and New Zealand.

Australia is providing an important international community service. Plenty of capitals are keen to take lessons from Canberra's experience about how to manage their own relations with Beijing and what a more powerful and nationalistic China might mean for their interests.

But in terms of 'having Australia's back', what support, precisely, is being offered to Australia?

To date at least, it's not economic solidarity.

Of the $20 billion or so annual fall in Australian exports to China caused by trade disruptions, coal accounts for more than half. Using a rolling, quarterly window to smooth monthly volatility, statistics from China's General Administration of Customs indicate that as of September 2020 Australia held a 42.2 percent share of China's imported coal market.

The following month, Chinese utility companies and steel mills were given verbal instructions to avoid the Australian product. Australia's share fell to zero in the three months to February 2021.

In contrast, the share of other Five Eyes countries rose from 2.7 percent to 6.1 percent.

The same data source shows China's massive imported food and beverages market was worth $US123 billion in 2019. In April 2020, Australia held a 6.3percent share. The next month, four Australian abattoirs had their certification to supply the Chinese market removed and this was followed by tariffs on barley and disruptions affecting lobsters and more. Australia's share fell to 3.6percent by February 2021.

Meanwhile, the share of other Five Eyes countries went from 25.5 percent to 39.5 percent.

To be sure, a good chunk of this jump stemmed from US sales of soybeans and corn, products which Australia does not sell to China in volume. But a report by University of Adelaide researchers in February found that the 'Phase One' US-China trade deal struck in January 2020 had possible implications for two-thirds of China's goods imports from Australia other than iron ore.

The US is aware of Australian fears about it cutting trade deals with China on the side. In June last year, then-trade minister Simon Birmingham said he was watching US-China trade flows 'carefully and closely'.

This is also why comments last month from Kurt Campbell, Biden's 'Indo-Pacific Tsar', contending that the 'US is not prepared to improve relations in a bilateral and separate context at the same time that a close and dear ally is being subjected to a form of economic coercion' were so appreciated.

Yet Biden's trade chief Katherine Tai has also insisted that China 'needs to deliver' on the bilateral promises it made in the January 2020 agreement, including those to increase purchases of US agricultural products this year.

For at least some products then, Australia may not so much be 'left alone on the playing field' as substituted off and only able to watch from the sidelines.

When China closed the door to Australian wine by imposing prohibitive tariffs in November, the Trump administration, including Secretary of State Mike Pompeo and other members of the Inter-Parliamentary Committee on China, with the bulk of its members from Five Eyes countries, took to social media, urging their compatriots to up their purchases and blunt the impact.

Alas, while the value of Australian alcoholic beverages exports – almost exclusively wine - to China fell by 98 percent between October 2020 and February 2021, sales to the US and other Five Eyes countries didn't compensate. In fact, these also fell by 25 percent.

Over time this will likely grow as Australian winemakers put more resources into developing the US and UK markets. Perhaps Canada, too, after the Australian government successfully took action against Ottawa at the World Trade Organisation to prise open its market.

In contrast, sympathetic voices in Washington, London, Ottawa and Wellington and social media campaigns touting what the Barossa Valley and Margaret River vintages have to offer are unlikely to make much of a difference.

China's trade belligerence has predictably prompted a reassessment of its reliability as a trade partner – in Canberra, amongst Australia's business sector and in plenty of other countries watching on. For this Beijing only has itself to blame.

And even support from Australia's security ally, friends and partners that is limited to rhetoric are welcome. But at the same time as undertaking a clear-eyed reappraisal of the China relationship, Australia's predicament won't be eased by extending a doe-eyed gaze elsewhere. Practical support may eventually materialise. But until then, it needs to be recognised that it is local winemakers and lobster fishers who are picking up the tab.

Professor James Laurenceson is Director of the Australia-China Relations Institute at the University of Technology Sydney.