

Australia-China monthly wrap-up

June 2021



This edition features:

- Summary and analysis of major developments in June 2021
- Key trade indicators

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June saw an acceleration of senior Australian government ministers' efforts to consolidate support amongst like-minded countries amidst difficulties with the People's Republic of China (PRC). Prime Minister Scott Morrison in a series of set piece speeches and remarks framed the major challenge to global security and stability today as an ideological one – that of competition between liberal democracy versus autocracy – and pressed the case for concerted action amongst friends, partners and allies to preserve the status quo against '[\[a\]ccelerating trends](#) [that] are working against our interests'.

Having in 2019 [stated](#), '[I]f you look at this [the rise of China] as some great ideological struggle between two world-views, well that can take you to a very dangerous end, and I don't subscribe to that analysis. I don't think it's in Australia's interests', the Prime Minister's June 9 [speech](#) in Perth, titled 'A world order that favours freedom', signalled a swing towards embracing the precise framing he had previously warned against, as he exhorted liberal democracies to '[step] up with coordinated action', and 'show that liberal democracies work for all'.

This arguably stands at some odds with the professed need, expressed in the same speech, to 'respect other nations...whatever [political] system they have in place'. It also glosses over the fact that liberal democracies are a minority in the Indo-Pacific and that while countries in the region have articulated concern great power competition in the region, the Prime Minister's view on how to navigate the present set of circumstances remains an outlier.

This was particularly apparent during the Prime Minister's visit to Singapore on his way to the G7-plus Summit in the UK. On June 10, Prime Minister Morrison met with Singaporean Prime Minister Lee Hsien Loong for the sixth Australia-Singapore Annual Leaders' Meeting. Asked during the post-meeting press conference, 'what is your advice to Australia and the G7 on how to handle relationships with China', Prime Minister Loong [replied](#):

You need to work with the country, it is going to be there, it is going to be a substantial presence and you can cooperate with it, you can engage it, you can negotiate with it...You don't have to become like them, neither can you hope to make them become like you...This is a big world, in which there are different countries and work with others who are not completely like-minded, but with whom you have many issues where your interests do align and where your mutual cooperation is necessary.

He noted the ‘rough spots’ needed to be dealt with ‘as issues in a partnership which you want to keep going and not issues which add up to adversity, which you are trying to suppress.’

Leaders at the G7-plus summit were more receptive to the Australian position on the PRC, with heads of state vocal in their concerns about Beijing. Italian Prime Minister Mario Draghi [told](#) reporters that the PRC is ‘an autocracy that does not adhere to multilateral rules and does not share the same vision of the world that the democracies have’. French President Emmanuel Macron, after meeting with Prime Minister Morrison, [labelled](#) Beijing’s use of economic coercion against Australia a ‘flagrant breach’ of international law, vowing ‘we stand by your side’. The final summit [communique](#) made specific reference to Xinjiang and Hong Kong, calling on the PRC ‘to respect human rights and fundamental freedoms’ and committed to ‘upholding the rules-based international system and international law.’ It also committed to the Build Back Better World (B3W) initiative, ostensibly an alternative source of funding to the PRC’s Belt and Road Initiative for low to middle-income countries seeking investment for infrastructure projects.

These gestures were welcomed by Australia, with Foreign Minister Marise Payne in an [interview](#) on June 16 saying, ‘[W]hat the G7+ has shown is a very broad understanding of Australia’s consistent position in standing up for liberal democratic principles in our region.’ The Prime Minister, following a [trilateral](#) Australia initiated with the US President and UK Prime Minister, [stated](#) the meeting was a ‘great opportunity for liberal democracies and advanced economies alike to be able to align their thinking and their outlooks on how they are seeing issues around the world.’

But how this rhetorical support will translate in practice remains to be seen. The summit communique committed to ‘continue to *consult* on collective approaches to challenging non-market policies and practices which undermine the fair and transparent operation of the global economy’ [emphasis added]. The expressions of solidarity are yet to match up with substantive action. For example, one mechanism in which practical support might be offered to Australia, the World Trade Organisation (WTO), is experiencing a series of impasses as a result of the US’ refusal to appoint new nominees to the WTO appellate body. There was some recognition of this conundrum by the Prime Minister who [stated](#):

Larger economies of the world will always have particular interests that sometimes can clash with these [Appellate Body] reforms efforts and we’ve seen that. And I’m not talking about China, the US position in these areas has of course been greatly frustrating.

The Australian Labor Party remains broadly in lockstep with the government on matters pertaining to the PRC. While in a June 2 [speech](#) Opposition Leader Anthony Albanese criticised the manner of the government’s policy delivery, saying that ‘Australia needs more strategy and less politics when it comes to managing our differences with China’, there is little in the way of [difference](#) on substantive policy. The Opposition Leader, asked on June 10 what Labor would do differently with respect to Australia’s relationship with the PRC, [said](#) that they would ‘engage, consistent with the position of the Biden administration that speaks about competition without catastrophe and a return to diplomacy’. He noted that ‘there is no disagreement between Labor and the government when it comes to issues like [the] South China Sea and Huawei’ and that Labor would ‘continue to stand up for human rights’, including ‘about what has occurred in Hong Kong, what has occurred with the Uyghurs’. Asked what ‘the right way to do diplomacy’ is, the Opposition Leader pointed to Australia’s historical approach under governments spanning John Howard to Tony Abbott, as well as Japan’s approach.

Outgoing Department of Foreign Affairs and Trade (DFAT) Secretary Frances Adamson in a [speech](#) to the National Press Club on June 23 said the PRC was ‘dogged by insecurity’, and [labelled](#) the PRC Embassy in Australia’s [list of 14 grievances](#) a ‘massive own goal’, a notably forthright assessment from a generally publicly cautious figure. This seems to confirm the bridging over of the historical divide between defence and intelligence on the one hand, and diplomats on the other with respect to strands of policy thinking on the PRC (discussed in UTS:ACRI’s [Australia–China March 2021 wrap-up](#)).

The Secretary also noted that ‘the best policy always comes from contestability. This is as true of the China challenge as it is of economic or social policy.’ Yet in some quarters in Australia there appears to be some concerted effort to dissuade debate by framing dissenting views to those held by government as ‘undermining

Australia's national position'. Western Australian Premier Mark McGowan's recent [remark](#) that 'federal talk of conflict and trade retaliation with China must stop', and his call for 'having a bit of tact and a bit of savvy', elicited strong [criticism](#) from backbench MP Andrew Hastie who stated the Premier was 'way above his level of competence and expertise' and 'naïve and reckless'. The MP also [characterised](#) the Opposition Leader a 'threat to national security' for putting forth a view on Australian PRC policy different, albeit only in form as opposed to function, to that of the government's. He went on to say 'Mark McGowan and Anthony Albanese who has been running some similar lines in his own uniquely boorish way, need to look the Australian public in the eye and tell us which of those 14 points they would concede. Until they do that they should put up or shut up.'

While the Prime Minister this month [returned](#) to the descriptor 'comprehensive strategic partnership' with reference to the Australia-PRC relationship and also [noted](#) that 'living with China...is the goal', there is little likelihood that any shift away from its hard-line position on the PRC will occur in the near future. Defence Minister Peter Dutton in a June 10 [address](#) emphasised 'our national security and economic objectives are entwined', a sentiment also [put forth](#) on at least [two occasions](#) this month by Defence Industry Minister Melissa Price. The Defence Minister had also said:

[W]e need to make sure that...our values are respected within our region. We can't have that trampled on by anyone, including China, and we need to make sure that we're very honest and open with the Australian public about the reality of what we face. There is general unity on the PRC within the ranks of the Coalition. Barnaby Joyce, who was recently [returned](#) to the deputy prime ministership, used his first [speech](#) to the party room to rally colleagues to 'a unifying cause' to 'make Australia as strong as possible in order to protect our way of life' in the face of 'a new superpower that's different'. These remarks build on [comments](#) he made in December 2020: 'The biggest issue facing my children's lifetime and my grandchildren's lifetime is how they live in a world where China is a superpower...We have to get our priorities right and priority number one is to be stronger than new growth in China.'

Australian frigates will be [joining](#) a British carrier strike group sent to the South China Sea, Boris Johnson [said](#) 'People are worried about what's happening to the Uighurs, about the general repression of liberties in Hong Kong and some of the ways China behaves in the region, particularly towards Australia.' The Foreign Minister [stated](#) that it was a routine exercise for Australia but at the same time did not deny the motivating reasons laid out by the UK Prime Minister.

In a clear sign that security concerns about the PRC are being factored into decision making in an increasing number of areas in Australian society, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in early June [informed](#) staff it would not renew a climate research partnership with the Qingdao National Marine Laboratory. This followed an [assertion](#) by Australian Security and Intelligence Organisation (ASIO) head Mike Burgess in Senate Estimates last month that ocean temperature modelling could assist submarine operations against Australia. The decision was met with robust [criticism](#) by Australian scientists.

Australia and the PRC continue to tangle this month on trade matters, with the Prime Minister [designating](#) PRC trade sanctions 'completely unconscionable'.

On June 7, one of Western Australia's largest citrus producers, AGRIFresh, was [reported](#) to be experiencing delays in the processing of its fruit at PRC ports. AGRIFresh's director said, 'This season, I think, with a lot of international pressures – especially with the relationship between China and Australia – has put a lot of pressure on the domestic market. We're not seeing a lot of containers exported to China this year compared to previous years.' On June 8 Trade Minister Dan Tehan said in an [interview](#), 'Citrus growers have raised with me some concerns that they've had with regard to landing product in China' and that Australian officials 'continue to explore with Chinese officials what's going on and what we need to do to address those issues'. He noted that as yet there is 'nothing official' in terms of a PRC ban on Australian citrus.

On June 19 Trade Minister Dan Tehan and Agricultural Minister David Littleproud [announced](#) that the Australian government would take action in the WTO over the PRC's decision on March 26 to lock in anti-dumping and anti-subsidy duties on Australian wine over five years. [According](#) to the Trade Minister, Australian wine exports to the PRC had fallen from \$1.1 billion to about \$20 million. On June 24, the PRC's Ministry of Finance

and Commerce (MOFCOM) [announced](#) that it had ‘filed a lawsuit against Australia for anti-dumping and countervailing measures against imports of railway wheels, wind towers and stainless-steel sink products from China under the WTO dispute settlement mechanism’. Australian measures applying to wind towers and stainless-steel sinks have been in place since 2014 and 2015 respectively, and measures applying to railway wheels since 2019. Anti-dumping measures on wind towers also apply to imports on South Korea, and anti-dumping measures on railway wheels also apply to France. Trade Minister Tehan responded to the PRC’s announcement [saying](#), ‘China has the right to take this action but Australia will be vigorously defending our system’. Finance Minister Simon Birmingham [described](#) the decision as ‘more petty than provocative’ making the comparison between Australia’s processes, which are ‘transparent ones’ that ‘stand in contrast to the type of approach that was used in China’s decision against our wine and barley’.

Recent UTS:ACRI monthly wrap-ups have noted the narrowing of Australia’s goods exports to the PRC, particularly since the middle of 2020. This month saw new data released that quantifies the extent to which this narrowing has extended to services. Services exports to the PRC last year fell by 35.7 percent on 2019. This compares with a drop of 28.0 percent to all other countries. However, there is no clear indication that bilateral political tensions were responsible. Rather, it more likely reflects border closures instigated by the Australian government affecting trade with the PRC to a greater extent than elsewhere. Travel services account for 68.2 percent of total services exports to the PRC, compared with 48.8 percent to all other countries.

Key trade indicators – June 2021

	Latest available figure	Percent change one month ago (annualised in brackets)	Percent change six months ago	Percent change one year ago	Percent change three years ago	Percent change five years ago
Total goods exports (\$ billion)¹	149.1	0.5 (5.8)	2.8	-0.6	49.8	100.3
Mining (\$ billion)²	117.1	1.7 (21.8)	8.7	10.0	71.7	134.9
Non-mining (\$ billion)³	18.4	0.0 (-0.5)	-12.5	-23.6	-12.1	-7.6
Confidential/not classified (\$ billion)⁴	15.0	-3.0 (-30.9)	-13.4	-25.9	29.5	188.2
Iron ore (\$ billion)⁵	106.2	3.2 (46.3)	19.6	26.7	116.6	175.9
Iron ore (kilo tonnes)⁶	718.1	-0.1 (-0.8)	1.0	5.5	6.1	17.1
Coal (\$ billion)⁷	5.0	-15.5 (-86.8)	-53.7	-63.7	-58.7	-12.1
Liquefied gas (\$US billion)⁸	10.2	-1.2 (-13.7)	-5.9	-19.5	34.5	379.0
Food, live animals, beverages (\$ billion)⁹	8.2	-2.6 (-27.4)	-16.5	-22.5	24.5	76.8
Services exports (\$ billion)¹⁰	12.4	-	-	-35.7	-21.5	12.9
Tourist arrivals (million)¹¹	2.9	9.6 (201.4)	-99.3	-99.7	-99.8	-99.7
Commencing students¹²	37,748	-	-	-4.3	-33.6	-16.6
PRC stock of direct investment in Australia (\$ billion)¹³	44.4			-5.4	15.5	24.1
Total good imports (\$ billion)¹⁴	88.2	-0.8 (-8.9)	7.5	12.5	34.7	43.1
Services imports (\$ billion)¹⁵	1.5			-54.6	-49.4	-42.8
Australian stock of direct investment in the PRC (\$ billions)¹⁶	6.8			-56.4	-50.2	-51.3

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¹ 12 months to April 2021. ABS <<http://stat.abs.gov.au/>>.

² Ibid.

³ 12 months to April 2021. The figures include agriculture, forestry and fishing, manufacturing and information media and telecommunications. ABS <<http://stat.abs.gov.au/>>.

⁴ 12 months to April 2021. ABS <<http://stat.abs.gov.au/>>.

⁵ Ibid.

⁶ 12 months to April 2021. CEIC database.

⁷ 12 months to April 2021. ABS <<http://stat.abs.gov.au/>>.

⁸ 12 months to April 2021. CEIC database.

⁹ 12 months to April 2021. The figures exclude barley. ABS <<http://stat.abs.gov.au/>>.

¹⁰ The latest available figure is for 2019-20. Australian Bureau of Statistics, 'International trade: supplementary information, financial year', November 2020 <<https://www.abs.gov.au/statistics/economy/international-trade/international-trade-supplementary-information-financial-year/latest-release>>.

¹¹ 12 months to April 2021. ABS <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3401.0>>.

¹² Year-to-date March 2021. Includes all sectors – ELICOS, Higher Education, Non-award, Schools and VET. Australian Government Department of Education <<https://internationaleducation.gov.au/research/International-Student-Data/Pages/default.aspx>>.

¹³ The latest available figure is for 2020. Australian Bureau of Statistics, 'International investment position, Australia: supplementary statistics', May 2021 <<https://www.abs.gov.au/statistics/economy/international-trade/international-investment-position-australia-supplementary-statistics/latest-release>>.

¹⁴ 12 months to April 2021. ABS <<http://stat.abs.gov.au/>>.

¹⁵ The latest available figure is for 2019-20. Australian Bureau of Statistics, 'International trade: supplementary information, financial year', November 2020 <<https://www.abs.gov.au/statistics/economy/international-trade/international-trade-supplementary-information-financial-year/latest-release>>.

¹⁶ The latest available figure is for 2020. ABS <<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02019?OpenDocument>>.