

Diplomacy and appeal to WTO rules win the day on Australia's rupture with China

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When Australian Prime Minister Anthony Albanese visits China this week, he'll be able to celebrate a figure that previous Australian leaders could only dream of. Over the past year, China has imported more than AU\$200 billion worth of Australian goods and services.

In August 2023, the Australian Bureau of Statistics put the annual value of [goods exports](#) at AU\$194 billion [and services](#) at AU\$9.5 billion. In 2016, the last time an Australian prime minister visited China, the combined figure was less than half the current level at AU\$95.6 billion.

Besides buoyant commodity prices and the emergence of new areas of trade such as lithium, exports have reached a record high because the [disruptive measures](#) imposed by Beijing in 2020, affecting barley, coal, lobsters and more, have been steadily removed. Australian [Trade Minister Don Farrell](#) says that under the Albanese government's watch, by September 2023 AU\$20 billion of 'trade impediments' had been reduced to just AU\$2.5 billion.

There is one narrative in Australia, particularly popular among those who championed former prime minister Scott Morrison's government's abrasive approach to China relations, that this positive outcome resulted from firm Australian resistance. It suggests that eventually, Beijing had no choice but to 'capitulate' [under Australian pressure](#). This narrative is both misleading and self-serving.

It is true that by the end of 2021 Beijing had recognised that its campaign of trade disruption was causing more harm to itself than it was shifting Canberra's foreign policy positions. Upon his arrival in January 2022, the new Chinese ambassador to Australia, Xiao Qian, said he was on a '[noble mission](#)' to work with 'the Australian government and friends in all sectors ... to jointly push the China-Australia relations back to the right track.' But Australian resolve provides only a partial explanation of the removal of the disruptive trade measures.

What triggered Beijing's actions in 2020 was not a particular policy by the Morrison government, but rather its diplomatic posturing. After the early Australian moves that disadvantaged China, such as Australia leading the world in banning Chinese technology companies from participating in its 5G rollout in August 2018, and accusations then that Beijing was threatening Australian trade, there was [little sign](#) of it. It was only in early 2020 when the Morrison government [began aping the political attacks](#) launched by former US President Donald Trump against Beijing over the COVID-19 pandemic that Beijing took steps against Australian trade.

Beijing wasn't alone in being taken aback by Australia's political assault. On [Morrison's call](#) for international health inspectors to be given powers akin to 'weapons inspectors' [Martin Parkinson](#), the usually reserved and

then recently retired secretary of the Australian Department of Prime Minister and Cabinet, remarked ‘what whizz kid ... dreamed up those talking points, what did they think they were going to achieve with that?’

When the Albanese government restored ‘[calm and consistent](#)’ diplomacy, little wonder that [ministerial visits resumed](#) and trade disruptions [began to ease](#).

A critical ingredient in the restoration of trade ties has been the multilateral trading system, overseen by the World Trade Organization (WTO). This system, which supports open and competitive global markets, blunted the effects of Beijing’s bans on Australia by facilitating the redirection of exports of Australian coal, barley and other commodities, previously destined for China, elsewhere.

The WTO also provided a neutral forum in which Canberra and Beijing could engage on their disputes [relating to barley](#) and [wine](#). After Washington drove the WTO’s regular appeals body into dysfunction in December 2019, Australia and China both stuck to a rules-based process by joining the workaround to the WTO dispute settlement process, [the Multi-Party Interim Arrangement](#). This meant that neither would appeal an unfavourable WTO panel finding ‘into the void’.

In the case of barley, the timeline is telling. The WTO panel [circulated its final report](#) on Australian barley exports to both parties on 15 March — [reportedly in Australia’s favour](#). On 10 April, Canberra and Beijing announced a deal had been struck in which Beijing would undertake an ‘[expedited review](#)’ of the tariffs it had imposed. This led to Chinese [tariffs being lifted](#) on 4 August.

Australian Foreign Minister [Penny Wong calculates](#) that Australia ‘would not have been able to get this outcome without working through the WTO’. Later that month, Trade Minister Farrell farewelled the first shipment of [55,000 tonnes of Australian barley](#), at a healthy price premium, destined for China.

October brought the [news](#) that the same process was in train for wine. On the informal measures still affecting lobsters and beef, [Farrell says](#) that warming relations and the experience of the barley episode mean that Australians can ‘be very confident ... that we can resolve all of those outstanding issues.’

Australia’s resisting [Beijing’s attempts at economic coercion](#) was undoubtedly right. But in celebrating the latest trade numbers, when in Beijing Albanese might propose a toast to [professional diplomacy](#) and a shared commitment to the multilateral trading system, including an independent, rules-based resolution of disputes. Recommitment to both is the right way forward.

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