

Australia-China monthly wrap-up

December 2019



Elena Collinson and James Laurenceson

Due to the upcoming holiday season the December monthly wrap-up is being released early, covering developments to December 19 2019. Developments from December 20 will be covered in the January 2020 edition.

Prime Minister Scott Morrison at the beginning of this month [described](#) the People's Republic of China (PRC) as the 'game-changing country of our era and our generation', saying, 'That's obviously going to reset the world order.' He noted, 'They're a much bigger country than they used to be with much more influence, and that's just something the system has to absorb and adapt to.'

While the Prime Minister stated that 'worry is not the word' regarding how Australians should view the PRC, there are evident anxieties Australia is grappling with in relation to its rise.

Domestically, foreign interference was a dominant focus in 2019. The Australian government generally strove to ensure the PRC was not mentioned in relation to the issue by name, but it was the clear driver of discussions. In addressing the matter, and in a display of how seriously the threat is being taken, the Australian government is endeavouring to cover all bases. Following the December 1 [announcement](#) of \$87.8 million in funding for a new Counter Foreign Interference Taskforce, the Australian government on December 5 [established](#) a Senate inquiry into the potential for foreign interference on social media platforms such as WeChat, Facebook and Twitter.

Liberal backbencher Gladys Liu continues to be the subject of intense [scrutiny](#) for purported links to the Chinese Communist Party (CCP), as do the past [activities](#) of Huang Xiangmo, the Chinese businessman stripped of his Australian permanent residency due to national security concerns.

Some in government have called for more action. Independent Senator Jacquie Lambie in a [speech](#) to the Senate on December 3 said, 'We're sitting ducks here. We're leaving ourselves open and we're letting the Communist Party in China come in here and undermine our democracy.' She pressed for 'more protections against China's attempts to influence our political processes.' Greens Senator Nick McKim supported the sentiment, [saying](#), 'As water infiltrates into a sponge, so can foreign influence infiltrate a democracy'.

And on December 10, Liberal backbencher and Chair of the Parliamentary Joint Committee on Intelligence and Security Andrew Hastie penned a forceful [call to action](#): 'We must take assertive diplomatic, economic and covert measures to push back against authoritarian states that undermine the global order at the very edge of peace...If we want to preserve peace and avoid war, we must understand our adversaries and become practitioners of hybrid and political warfare ourselves'.

Some suggestions to combat foreign interference have been subject to questions of practicability and potential overreach. One commentator [recommended](#) that those running for parliament submit a security clearance, a proposal that was effectively [endorsed](#) by former foreign minister Julie Bishop who said she ‘always found it extraordinary that I as foreign minister had no need for a security clearance’. Reflecting on the proposal, former Australian Security Intelligence Organisation head Duncan Lewis in an [interview](#) on December 18 said, ‘I don’t think there is a possibility, let alone that it’s unwise...for vetting of that nature.’ He observed that ‘in a way it kind of goes against the whole essence of the democracy that we live in’ and that it may lead to opening intelligence agencies up to the criticism that they were interfering with the process. This caution is significant in that Mr Lewis has on a number of occasions warned against foreign interference, and last month, in his strongest remarks yet [said](#): ‘Espionage and foreign interference is insidious...You wake up one day and find decisions made in our country that are not in the interests of our country.’ While he has made similar warnings in the past year or two this was the first time he had explicitly identified the PRC as the actor ‘overwhelmingly’ preoccupying Australian authorities.

The case of Australian citizen Yang Hengjun this month was steadily pressed, with public remarks from senior government ministers on his plight increasing in frequency. The Prime Minister [joined](#) Foreign Minister Marise Payne in expressing concern, reiterating in a press conference points Australia had been raising with the PRC, namely, access to lawyers and family, clarity on the charges against him and treatment that complied with international standards. He said, ‘Australia always has to stand up for our citizens and we have to be true to who we are as a people.’ The Foreign Minister took International Human Rights Day on December 10 as an opportunity to engage in further diplomatic signalling, [stating](#) that ‘Australia will continue to stand up for the rights of all Australians, including due process and access to lawyers for our citizens detained abroad.’ Shadow Foreign Minister Penny Wong reiterated the opposition Labor Party’s [support](#) for the government’s efforts in this regard.

Australia’s August 2018 decision to preclude Huawei and ZTE from participating in the rollout of Australia’s 5G network remains another sticking point in the Australia-China relationship. Newly-released [minutes](#) from a July WTO meeting outlined expressions of discontent from the PRC’s representative, who reiterated the argument that Australia had breached trade rules with its 5G decision. The representative built upon this argument by alleging that ‘in 2019 the scope of Australia’s restrictive measures had expanded beyond 5G’ through the introduction of ‘additional unreasonable requirements for...equipment suppliers from China on maintaining and operating the existing 4G network’. In [response](#), the Australian government continued to maintain that its 5G restrictions do not ‘target any particular country’, rejecting the assertion that it was in breach of trade rules.

A reversal of Australia’s decision is unlikely, with the ban having received bipartisan support last year – we might recall, for example, Shadow Minister for Communications Michelle Rowland [stating](#) at the time that ‘[o]n matters of infrastructure security, Labor will always take the advice of our security agencies’.

Tensions between the US and China played out in an Australian context earlier this month, giving another glimpse into the pressures Australia is facing from both sides. The US Ambassador to Australia, Arthur B. Culvahouse Jr, during a blunt interview on Australian TV on December 12 [spoke out](#) against PRC interference in Australia – specifically the targeting and harassment of the Australian Uighur community by individuals he said he believed to be PRC government-sponsored agents. Asked how the Australian government should respond, the US Ambassador urged that ‘[t]here should be serious consequences’. This resulted in a [volley](#) of criticism from the PRC Ministry of Foreign Affairs, and a sharp statement from the PRC [embassy](#) in Australia. The Australian government has as yet refrained from commenting on the matter.

In what might be in line with the PRC’s adoption of a more robust offensive position in the world of diplomacy – note, for example, the escalation of its diplomats’ forays into Twitter, with the PRC Foreign Ministry creating an [account](#) on December 2 and publishing posts flecked with what might be deemed a Trumpian tone – PRC Ambassador to Australia Cheng Jingye gave a rare press conference on December 19, taking questions from reporters for over an hour. One headline-grabber from the conference was the PRC Ambassador’s characterisation of reports on Xinjiang’s mass internment camps as ‘[fake news](#)’, a repetition of a position that seems to have been first assumed during an [interview](#) in October. He also [expressed](#) the view that the PRC

was anticipating that relations with Australia ‘will be back to normal’ after a ‘mixed year of bilateral relations’ that ‘could have been better.’

The latest monthly data release reveals yet another record bilateral trade high. The annual value of Australia’s goods exports to China hit \$146.4 billion, up 30.0 percent on a year ago. Add in new figures covering goods imports and trade in services and the combined two-way trade reaches \$247 billion.

Take a step back and a key lesson to emerge in recent years, and particularly in 2019, is that the pattern of Australia’s international economic linkages are resistant to the Australian government’s preferred foreign policy frame.

The Indo-Pacific is used by Canberra to frame the international environment to suit its objectives. In the economic realm, the Indo-Pacific points to the desirability of trade diversification with engagement with China taking place in the context of flourishing ties with countries spanning a region from India to the United States. Yet in December last year, China bought 34.2 percent of Australia’s goods exports. This has since increased to 37.7 percent. Meanwhile, the importance of India has shrunk from an already small 4.8 percent share to just 3.8 percent. Similarly, Japan’s share has also declined by 1.2 percentage points, while the US share has lost 0.1 percentage points.

This isn’t to suggest that trade diversification across the Indo-Pacific isn’t a worthy objective but rather is a stark reminder that economic linkages are driven by markets and comparative advantage, not security alliances, political preferences or an alignment of values.

Key trade indicators - December 2019

	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	146.4	0.6 (7.9)	15.7	30.0	96.0	69.6
Mining (\$ billion)²	98.4	1.6 (20.5)	24.9	35.6	92.0	43.8
Non-mining (\$ billion)³	27.0	-0.8 (-8.9)	-1.7	11.3	51.1	101.2
Confidential/not classified (\$ billion)⁴	20.9	-1.8 (-19.4)	3.5	32.7	279.0	371.2
Iron ore (\$ billion)⁵	75.5	2.8 (39.4)	35.3	49.8	89.9	40.0
Iron ore (kilo tonnes)⁶	659,144	-0.1 (-1.3)	-0.6	-3.7	3.6	23.8
Coal (\$ billion)⁷	14.4	-2.4 (-25.2)	0.0	4.9	135.0	65.4
Liquefied gas (\$US billion)⁸	13.8	-1.1 (-12.2)	4.8	40.1	338.1	1856.5
Food, live animals, beverages (\$ billion)⁹	9.6	3.9 (57.6)	20.8	36.3	121.7	224.5
Services exports (\$ billion)¹⁰	18.5	-	-	8.2	47.9	129.6
Tourist arrivals (million)¹¹	1.44	0.1 (1.2)	1.3	1.2	20.9	76.8
Commencing students¹²	119,222	-	-	-2.2	19.0	52.0
Chinese stock of direct investment in Australia (\$ billion)¹³	40.1			4.5	12.3	71.7
Total good imports (\$ billion)¹⁴	78.6	0.0 (-0.6)	0.9	7.1	31.1	54.6
Services imports (\$ billion)¹⁵	3.5			7.0	26.5	39.3
Australian stock of direct investment in China (\$ billions)¹⁶	13.5	-	-	1.9	-2.5	-

Elena Collinson is a senior researcher at the Australia-China Relations Institute, the University of Technology Sydney.

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

¹ 12 months to October 2019. ABS <<http://stat.abs.gov.au/>>.

² Ibid.

³ 12 months to October 2019. The figures include agriculture, forestry and fishing, manufacturing and information media and telecommunications. ABS <<http://stat.abs.gov.au/>>.

⁴ 12 months to October 2019. ABS <<http://stat.abs.gov.au/>>.

⁵ Ibid.

⁶ 12 months to October 2019. CEIC database.

⁷ 12 months to October 2019. ABS <<http://stat.abs.gov.au/>>.

⁸ 12 months to October 2019. CEIC database.

⁹ 12 months to October 2019. The figures exclude barley. 12 months to October 2019. ABS <<http://stat.abs.gov.au/>>.

¹⁰ The latest available figure is for 2018. ABS <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0.55.004>>.

¹¹ 12 months to October 2019. ABS <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3401.0>>.

¹² Year-to-date October 2019. 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 2018. ABS <<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02018?OpenDocument>>.

¹⁴ 12 months to October 2019. ABS <<http://stat.abs.gov.au/>>.

¹⁵ The latest available figure is for 2018. ABS <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0.55.004>>.

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