

Australia-China monthly wrap-up

November 2019



Elena Collinson and James Laurenceson

It is plain that the relationship between Australia and China has been under perennial strain. But the fundamental desire for continued engagement and progress towards stability between the two countries was evident on both sides when Prime Minister Scott Morrison met with People's Republic of China (PRC) Premier Li Keqiang in Bangkok on the sidelines of the East Asia Summit on November 3. Premier Li **told** the Prime Minister the PRC was 'ready to work with the Australian side to keep our relationship on the right track'.

The day after their 45-minute meeting, the Prime Minister **told** a press pack that 'both the Premier and I are very committed to ensure [disagreements] don't overtake or overwhelm the rest of the relationship'. The Prime Minister also pointedly drew a dividing line between 'commentary' and the 'substance of the relationship', a detail that Australian diplomats and other interlocutors have repeatedly highlighted with their PRC counterparts.

This somewhat upbeat tone was reinforced during Trade Minister Simon Birmingham's visit to Shanghai for the China International Import Expo on November 3, which saw over 200 Australian companies in attendance. The Trade Minister **said** the Australian representation 'reaffirms the importance of this mutually beneficial relationship which has opened new doors for Australian businesses and created thousands of extra Australian jobs.'

While the Trade Minister was in Shanghai, Defence Minister Linda Reynolds was in Washington **emphasising** Australia's commitment to working with the US to ensure a 'credible hard power deterrent' in the Indo-Pacific, and enunciating a desire to further strengthen 'regional engagement and technological advantage'.

These side-by-side international visits by Australian ministers rather neatly depict the Australian government's commitment to continuing to juggle its major economic and security relationships to the best of its ability.

Human rights issues and allegations of PRC-backed political interference in Australia remain significant pressure points in the relationship, with an intensification in both areas in November.

The PRC's human rights record has increasingly been elevated as a priority area for the Australian government in its framing of the bilateral relationship. Public statements of concern have increased in frequency, a testament to the gravity of the matter and due in part, too, to the PRC's freeze on channels in which concerns may be voiced behind closed doors – the most recent example being the **suspension** of a human rights partnership program. Foreign Minister Marise Payne in an October 29 **speech** asserted, 'We will consistently continue to raise issues such as human rights...Turning a blind eye to all human rights violations means an acceptance of behaviour that undermines the foundations of international peace and stability'. The PRC was directly referenced several times in relation to this formulation.

Australia's interest in the PRC's conduct in the human rights realm is heightened by the fact that Australian citizens have been directly impacted. A leaked trove of PRC government documents [published](#) in late November shows 23 Australian citizens 'red-flagged' during a security sweep that saw the mass detention of the Turkic Muslim minority in Xinjiang. The author and Australian citizen Yang Hengjun continues to languish in detention in Beijing on murky charges, subject to daily interrogation, including while shackled, and deprived of contact with his lawyers and family. The Foreign Minister deplored his circumstances as 'unacceptable' in a [statement](#) released on December 2.

Australia also remains on high alert with respect to foreign interference. New federal government [guidelines](#) for Australian universities to mitigate the risk of foreign interference were released on November 14, following consultation with the university sector. And towards the end of November, the news cycle was dominated by two stories centring on allegations of interference – one [involving](#) a self-proclaimed PRC intelligence operative seeking to defect to Australia, Wang Liqiang; the other involving an Australian citizen, Zhao Bo, who [claimed](#) to have been approached by a PRC operative offering a financial incentive for him to run for federal parliament. The cases continue to be the subject of investigation by Australian security agencies.

While some doubts have started to emerge about the veracity of the details in these two claims, their reception and treatment in Australia point to a charged atmosphere of intense vigilance with respect to real and perceived foreign interference. In the wake of these cases and repeated warnings by intelligence agencies of 'unprecedented' levels of foreign interference, the Australian government on December 2 [announced](#) funding of nearly \$90 million for taskforce to counter foreign interference.

Adding to tensions, in mid-November two Coalition backbenchers strongly critical of the Chinese Communist Party were [denied](#) visas for a study tour of mainland China. The Prime Minister [labelled](#) the refusal 'very disappointing'. This decision by the PRC is in keeping with recent past precedent. It had, for example, rejected a visa for a German MP who had been critical of the state in [August](#).

November served as a further reminder that there is no neat relationship between the political challenges in Australia-China relations, or even the state of China's economy, and the demand by Chinese companies and households for Australian goods and services.

After hitting a record high last month, the annual value of Australia's good exports to China rose another 2.5 percent, according to the latest monthly data. It is now up 32.9 percent over the past year.

One of the reasons for trade resilience was [put](#) by the PRC Consul General in Perth, Dong Zhihua, on November 11: '[W]e also depend on Australia in a way in terms of our resource security, the critical resources, the iron ore, the other mineral resources that is very important for our industrialisation and our urbanisation.' The acknowledgement of this interdependence was also interesting in that it is not often touched upon by PRC officials.

There are, however, also areas of weakness in the trade relationship. The latest jump in headline figures was driven solely by the mining sector. And as Brazilian iron ore supply comes back online it is unrealistic to expect there won't be further price falls ahead. Services exports to China, led by tourism and education, have also flat-lined over the past year. In addition, there have been new [reports](#) of Australian goods exporters facing delays in securing Chinese regulatory approval needed to access the Chinese market, such as meat processors. Australian exports of barley also remain caught up in a Chinese dumping investigation that some producers [see](#) as politically motivated.

But even with those caveats, overall food and beverage exports are still recording strong growth, up 34.7 percent over the past year. The volume of beef exports to China in October was up 94 percent year-on-year.

Key trade indicators – November 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 | 145.9 | 2.5 (34.9) | 18.1 | 32.9 | 96.3 | 66.0 |
| Mining (\$ billion)² | 97.2 | 3.8 (55.6) | 26.1 | 36.1 | 92.1 | 39.3 |
| Non-mining (\$ billion)³ | 27.3 | -0.5 (-5.7) | 2.3 | 15.4 | 48.9 | 100.1 |
| Confidential/not classified (\$ billion)⁴ | 21.4 | 1.0 (12.7) | 7.8 | 45.9 | 298.0 | 379.6 |
| Iron ore (\$ billion)⁵ | 73.8 | 4.5 (69.9) | 36.5 | 48.3 | 87.9 | 33.5 |
| Iron ore (kilo tonnes)⁶ | 659,863 | 0.5 (5.7) | -1.0 | -3.1 | 3.9 | 27.2 |
| Coal (\$ billion)⁷ | 14.8 | 0.2 (2.1) | 1.4 | 9.5 | 152.3 | 68.9 |
| Liquefied gas (\$US billion)⁸ | 13.9 | 0.8 (10.0) | 10.5 | 51.0 | 378.4 | 1877.6 |
| Food, live animals, beverages (\$ billion)⁹ | 9.4 | 3.3 (47.2) | 22.6 | 34.7 | 117.4 | 215.5 |
| Services exports (\$ billion)¹⁰ | 17.9 | - | - | 13.1 | 62.7 | 139.0 |
| Tourist arrivals (million)¹¹ | 1.44 | 0.1 (1.2) | 0.3 | 1.2 | 21.8 | 80.2 |
| Commencing students¹² | 104,148 | - | - | -4.0 | 20.6 | 57.0 |
| Chinese stock of direct investment in Australia (\$ billion)¹³ | 40.1 | - | - | 4.5 | 12.3 | 71.7 |
| Total good imports (\$ billion)¹⁴ | 78.6 | 0.6 (7.7) | 2.1 | 10.4 | 29.8 | 56.6 |
| Services imports (\$ billion)¹⁵ | 3.4 | - | - | 16.5 | 31.9 | 46.9 |
| 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 Acting Director of the Australia-China Relations Institute at the University of Technology Sydney.

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

² Ibid.

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

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

⁵ Ibid.

⁶ 12 months to September 2019. CEIC database.

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

⁸ 12 months to September 2019. CEIC database.

⁹ 12 months to September 2019. The figures exclude barley. 12 months to September 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 September 2019. ABS <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3401.0>>.

¹² Year-to-date August 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 August 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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