

# Australia-China monthly wrap-up

May 2020



This edition features:

- Summary and analysis of major developments in May 2020
- Key trade indicators
- Perspectives: 'COVID-19 and taking a principled stance' by Yun Jiang

Elena Collinson and James Laurenceson

On May 18 the World Health Assembly adopted a European Union-led [resolution](#) calling for 'a stepwise process of impartial, independent and comprehensive evaluation...to review experience gained and lessons learned from the [World Health Organization (WHO)]-coordinated international health response to COVID-19'. Co-sponsored by more than 130 countries, the resolution conspicuously lacked the support of the US. President Trump last month had [pledged](#) to withdraw from the WHO and has repeated intentions to fulfil that promise, [accusing](#) the WHO of being 'a puppet of China'. The People's Republic of China (PRC) joined as a co-sponsor [reportedly](#) at the last minute. The resolution was a vindication of sorts for Australia's initial push for an inquiry in April – certainly it was touted as such by a raft of reporting and commentary on the matter – but it is notable that the terms of the final resolution carried was markedly different from those Australia had originally called for.

While Australia and the PRC were each able to claim diplomatic victories in some capacity with respect to a global coronavirus inquiry, this month saw an uptick in turbulence in the relationship between Australia and the PRC with the PRC proactively taking steps, using economic levers, that could be construed as a signal of displeasure with Australia following months of tensions that crescendoed after Australia homed in particularly on the PRC's response to the initial outbreak of the virus during its call for an inquiry (see our [April 2020](#) monthly wrap-up for full background).

The PRC moved to [impose](#) an 80 percent tariff on Australian barley exports, totalling about 50 percent of Australia's overall barley trade, from May 18 for the next five years. And mere days after the PRC announced its plans for Australian barley, its authorities [blacklisted](#) beef imports from four major Australian abattoirs, which reportedly make up approximately 35 percent of total Australian beef exports to mainland China. A PRC Foreign Ministry spokesperson [attributed](#) the decision to 'repeated violations of inspection and quarantine requirements'.

PRC authorities had [commenced](#) an anti-dumping investigation into Australian barley exports in 2018. At the time, Trade Minister Simon Birmingham sought to downplay, publicly, at least, the notion that the investigation was linked to simmering political tensions between the two countries, stating, 'People shouldn't read any more into this than regulatory authorities doing their job...' The Trade Minister adopted a similar, cautious tone in responding to the PRC's latest actions [stating](#), 'We certainly don't see any relationship [between the

trade moves and Australia's push for an inquiry into COVID-19] and we would expect that no other counterpart country should see a relationship between those factors'. Prime Minister Scott Morrison also **emphasised** that the issues should not be linked.

The timing of the announcements of the barley tariffs and abattoir blacklisting, however, is difficult to separate from the ongoing political spat, and, in the case of barley, as the implementation of a warning that had been signalled two years ago. It is pertinent to note that Australia is an **enthusiastic** implementer of anti-dumping measures, with 17 in place against the PRC, but this in itself is not necessarily the most convincing explanation for why the PRC opted to retaliate when it did. Timing is a particularly important part of diplomacy.

The PRC has some history of using technical requirements in trade to make political points. This was **evident** in the import delays of Australian beef and wine in 2018 following then-Prime Minister Malcolm Turnbull's singling out of the PRC during the introduction of new foreign interference legislation. More recently, the PRC **banned** canola seed from Canada in March 2019, which accounted for 40 percent of total Canadian canola exports, following the arrest of Huawei executive Meng Wanzhou in Vancouver.

While the Australian government has made plain it would not engage in economic retaliation against the PRC, with Agriculture Minister David Littleproud **asserting** 'there's no trade war' with the PRC on May 19, the latest developments have sparked a vigorous discussion across government, business, academia, media and the general public on Australian economic dependency on the PRC. Australia's Joint Standing Committee on Trade and Investment Growth on February 26 had commenced an inquiry into diversifying Australia's trade and investment profile. As the PRC is Australia's largest trading partner, it was only natural for a major focus of the inquiry to be an interrogation of this particular relationship. However, its initially broad remit seems to have been informally narrowed to focus almost exclusively on the PRC, helped along in some respects by Committee head George Christensen MP's vocal criticism of the Australia-China economic relationship and his creation this month of a **website** that encourages the public to make submissions to the inquiry with a view 'to speak[ing] up on China's economic infiltration of our nation'.

On a state level, the intensified focus on Australia's ties with the PRC has renewed scrutiny over Victoria's two memoranda of understanding (MoUs) with the PRC on the Belt and Road Initiative (BRI). Victoria is unique among Australian states and territories in its approach to the BRI.<sup>1</sup> Victorian Labor Premier Daniel Andrews has continued to defend its framework agreement, **emphasising** that business with the PRC 'underpins tens of thousands of jobs' in the state. Victorian Opposition Leader Michael O'Brien has **undertaken** to bow out of the MoUs if his party wins the state election in November 2022, stating that they do not 'support our sovereignty, our security or our jobs', **noting** instead it was 'all about political influence'. Federal government **ministers** and backbenchers have taken the opportunity to repeat criticisms of Victorian government, while the Federal Labor Party has again **distanced** itself from the Victorian MoUs, signifying – political point scoring aside – an effective consensus at the federal level on engagement with the BRI. Further complicating matters, the issue briefly took on an international tinge when US Secretary of State Mike Pompeo, asked in an interview on May 24 about Victoria and the BRI, appeared to threaten American reprisal against Australia if Victoria pursued a formalised deal, **saying**, 'I don't know the nature of those projects precisely, but to the extent they have an adverse impact on our ability to protect telecommunications from our private citizens, or security networks for our defence and intelligence communities, we will simply disconnect, we will simply separate'. This was quickly **walked back** by the US Ambassador to Australia on the same day.

Friction between Australia and the PRC in the political sphere has prompted renewed public interventions from some quarters of Australian business, particularly from prominent businesspeople **Andrew Forrest** and **Kerry Stokes**. This follows a period of relative quiet in the business sphere after **briefings** in 2018 to major company boards – conducted by the heads of the Australian Security Intelligence Organisation (ASIO) and the Department of Foreign Affairs and Trade – making the case for government and business unity on messaging on the PRC.

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<sup>1</sup> Read more on Australian approaches to the BRI: Elena Collinson, 'Australian perspectives on the Belt and Road Initiative', Australia-China Relations Institute, University of Technology Sydney, October 30 2019 <<https://www.australiachinarelations.org/content/australian-perspectives-belt-and-road-initiative>>.

On May 28 the PRC's legislature [approved](#) sweeping national security laws to be enacted in Hong Kong, a significant erosion of Hong Kong's partial autonomy under the 'one country, two systems' framework and a troubling indicator of Beijing's ever-increasing assertiveness. Australia registered its concern via two strongly-worded joint statements – the [first](#) with the UK and Canada on May 22 following the proposal to introduce the legislation and the [second](#) with the UK, Canada and the US following the proposal's approval. While Australia has decisively adopted a firm diplomatic stance on the matter, Prime Minister Morrison has [stated](#) that enacting sanctions against PRC officials was 'not something that's under consideration', continuing on a differentiated Australian stance from the US.

On the trade front, reporting this month has focused on the decisions by the PRC to apply trade restriction measures to barley and beef. While these are significant developments, this has fed a narrative that the economic relationship, which has provided ballast to the broader bilateral relationship in recent years, is now vulnerable. Yet this month's trade figures point to a bigger picture where the total value of Australian good exports to the PRC in the year to March hit a record high of \$149.9 billion. The value of mining exports grew by 2.0 percent in month-on-month terms and this was more than enough to offset a decline in other sectors. And it is worth noting that the demand shock of COVID-19 in sectors that were obviously vulnerable, such as exports of agriculture, forestry and fisheries products, has to date perhaps been less than expected. In January to March 2020, Australia's exports of these goods to the PRC stood at \$3.5 billion. Despite the PRC putting its domestic economy in lockdown – involving, for example, widespread restaurant closures – this was down by just [13.1 percent](#) on the same period the previous year. Data from the PRC's customs authorities covering the year to April also show the value of total imports from Australia up [2.7 percent](#) on a year earlier.

This month also saw the release of new data from the Australian Bureau of Statistics on foreign investment in 2019. The total stock of mainland Chinese direct investment in Australia increased by 10.1 percent to \$46.0 billion, another record high. Still, this only amounted to 4.5 percent of total foreign direct investment, and compared with \$205.1 billion for the US. Meanwhile, Australia's direct investment in the PRC also was higher than ever before, at \$15.5 billion.

In summary, this month's economic data paint a broad picture of resilience in Australia's economic relationship with the PRC at a time when reporting and commentary is pointing sharply in the opposite direction.

## Key trade indicators - May 2020

	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
<b>Total goods exports (\$ billion)<sup>2</sup></b>	149.9	0.9 (11.1)	3.4	20.9	64.9	94.4
<b>Mining (\$ billion)<sup>3</sup></b>	105.3	2.0 (27.4)	9.3	36.1	59.7	77.2
<b>Non-mining (\$ billion)<sup>4</sup></b>	24.9	-2.1 (-22.5)	-8.7	-7.0	38.5	87.2
<b>Confidential/not classified (\$ billion)<sup>5</sup></b>	19.7	-1.3 (-14.8)	-7.1	-0.9	181.1	348.2
<b>Iron ore (\$ billion)<sup>6</sup></b>	82.6	2.7 (37.5)	13.2	52.1	63.8	79.7
<b>Iron ore (kilo tonnes)<sup>7</sup></b>	666.3	0.1 (1.4)	1.0	-0.1	1.5	15.9
<b>Coal (\$ billion)<sup>8</sup></b>	14.0	-0.5 (-6.1)	-5.2	-4.3	36.0	78.1
<b>Liquefied gas (\$US billion)<sup>9</sup></b>	12.8	-2.3 (-23.9)	-8.6	0.6	205.0	1413.1
<b>Food, live animals, beverages (\$ billion)<sup>10</sup></b>	10.6	0.2 (2.1)	14.1	35.2	127.5	298.8
<b>Services exports (\$ billion)<sup>11</sup></b>	18.5	-	-	8.2	47.9	129.6
<b>Tourist arrivals (million)<sup>12</sup></b>	1.17	-7.6 (-61.3)	-18.8	-18.5	-5.3	30.0
<b>Commencing students<sup>13</sup></b>	46,637	-	-	-17.5	-12.0	23.4
<b>PRC stock of direct investment in Australia (\$ billion)<sup>14</sup></b>	46.0	-	-	10.1	18.9	44.3
<b>Total good imports (\$ billion)<sup>15</sup></b>	76.9	-0.6 (-7.2)	-2.2	-0.2	28.2	40.2
<b>Services imports (\$ billion)<sup>16</sup></b>	3.5	-	-	7.0	26.5	39.3
<b>Australian stock of direct investment in the PRC (\$ billions)<sup>17</sup></b>	15.5	-	-	11.6	16.0	23.4

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<sup>2</sup> 12 months to March 2020. ABS <<http://stat.abs.gov.au/>>.

<sup>3</sup> Ibid.

<sup>4</sup> 12 months to March 2020. The figures include agriculture, forestry and fishing, manufacturing and information media and telecommunications. ABS <<http://stat.abs.gov.au/>>.

<sup>5</sup> 12 months to March 2020. ABS <<http://stat.abs.gov.au/>>.

<sup>6</sup> Ibid.

<sup>7</sup> 12 months to March 2020. CEIC database.

<sup>8</sup> 12 months to March 2020. ABS <<http://stat.abs.gov.au/>>.

<sup>9</sup> 12 months to March 2020. CEIC database.

<sup>10</sup> 12 months to March 2020. The figures exclude barley. ABS <<http://stat.abs.gov.au/>>.

<sup>11</sup> The latest available figure is for 2018-19. ABS <<https://www.abs.gov.au/ausstats/abs@nsf/mf/5368.0.55.004>>.

<sup>12</sup> 12 months to March 2020. ABS <<http://www.abs.gov.au/ausstats/abs@nsf/mf/3401.0>>.

<sup>13</sup> Year-to-date March 2020. 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>>.

<sup>14</sup> The latest available figure is for 2019. ABS <<https://www.abs.gov.au/AUSSTATS/abs@nsf/DetailsPage/5352.02018?OpenDocument>>.

<sup>15</sup> 12 months to March 2020. ABS <<http://stat.abs.gov.au/>>.

<sup>16</sup> The latest available figure is for 2018-19. ABS <<https://www.abs.gov.au/ausstats/abs@nsf/mf/5368.0.55.004>>.

<sup>17</sup> The latest available figure is for 2019. ABS <<https://www.abs.gov.au/AUSSTATS/abs@nsf/DetailsPage/5352.02018?OpenDocument>>.

## Perspectives

# COVID-19 and taking a principled stance



**Yun Jiang**

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Many people (myself included) who had been paying attention to what was happening in Wuhan in January this year were highly critical of the People's Republic of China (PRC) government's initial handling of the COVID-19 outbreak. And rightly so – the authorities suppressed information and downplayed the severity of the situation at the crucial early stage. The most prominent example of this was the authorities' silencing of Wuhan doctors in late December, including Dr Li Wenliang who this year succumbed to the virus. So it was disheartening to see similar responses being repeated in other countries in February and March, as the outbreak spread globally.

Yet these similar responses by other countries are reported differently. The COVID-19 pandemic provides clear examples of double standards when it comes to judging PRC government actions and those of other governments as the virus subsequently spread beyond PRC borders. Western narratives about the PRC's response to the virus are vastly different from those about Western governments' responses despite many points of similarity.

Three examples in particular are discussed below: attempts to suppress information related to the virus outbreak, the promotion of conspiracy theories, and the trade of medical supplies.

### **Suppression of information: a 'communist problem'?**

When the outbreak was at its height in China, much ink was spilled over the role the Chinese Communist Party (CCP) played. Some commentators suggested that democracies would have acted differently and therefore could have prevented such an outbreak. For those that see themselves as involved in an ideological battle with Beijing, COVID-19 was [held up](#) as proof that the democratic system of governance was superior.

But as other countries also saw rising infection figures, some governments showed a similar willingness to suppress information. The United States, for example, removed US Navy Captain Brett Crozier from his position after he wrote a memo to navy leaders expressing concern for the health of crew members aboard his coronavirus-stricken ship. The acting Secretary of Navy's decision to remove the captain was [supported publicly](#) by the Secretary of Defence and the President. Over in the United Kingdom, healthcare professionals were [threatened with disciplinary action](#) for speaking to the media about a lack of personal protective equipment.

But unlike the PRC's missteps, these incidents were not portrayed as an issue of ideology or a problem to do with the system of governance. Nor were other actions such as the US government's [downplaying of COVID-19](#) in February, the UK's [brush with 'herd immunity'](#) or the [strategy](#) favoured by Sweden which resulted in a high death toll. If the PRC had done the same, however, it is not hard to imagine what the reaction would be.



## Promotion of conspiracies and disinformation

The PRC has been rightly condemned for spreading disinformation on the origin of COVID-19. Among some of the most grievous instances are the [suggestion](#) by a [spokesperson](#) for the PRC's Ministry of Foreign Affairs that the virus originated in the US, and quiet [state support](#) for the wide dissemination of a theory that the virus is a US weapon.

Similarly, US officials have also spread conspiracy theories on COVID-19. Most prominent is a claim by the [Secretary of State](#) that the virus originated in a Wuhan lab, contradicting US intelligence and most scientific evidence. A dossier purportedly reflecting Five Eyes intelligence supporting the theory was published by News Corp in Australia, but this was later [denied](#) by Australian intelligence.

A [report](#) by the Australian Strategic Policy Institute (ASPI) on COVID-19 disinformation noted: 'A range of actors are manipulating the information environment to exploit the COVID-19 crisis for strategic gain'. Both China and the US' spread of conspiracy theories are examples of disinformation. Yet ASPI's report on disinformation only examined case studies on China (and to a lesser extent, Russia). 'Disinformation' is rarely a term used for the US, but rather the term 'fake news' is more often used, suggesting a more benign intention than 'disinformation'.

## 'Hoarding' medical supplies

During the height of the pandemic in the PRC at the beginning of this year, it imported medical supplies from countries around the world. These goods were obtained through both official and unofficial channels. For example, individuals based overseas with relatives in mainland China, as well as Chinese companies, organised shipments of medical supplies. Those efforts were publicised on Chinese and diasporic media but did not receive much attention in the mainstream Western media at the time.

But as COVID-19 intensified globally, the shipping of these medical supplies earlier in the year suddenly became suspicious. For example, [a Nine/Fairfax article](#) on March 26 interviewed a 'whistleblower' who detailed how a Chinese property development company was shipping medical supplies to China in January and February.

Other commentary emerged (including from [the US government](#)), accusing the PRC of 'hoarding' medical supplies in January. The actions of PRC companies and the mainland Chinese diaspora were portrayed as, at best, selfish; at worst, sinister. Stories began to circulate of masks that were donated from Italy to China that were then re-exported to Italy for profit, with the [originating source](#) being a 'senior Trump Administration official', who in the same interview blamed China for the delay in US response. No Italian source confirmed this story.

Yet when the US was purchasing essential medical supplies from overseas, including ['hijacking' masks originally destined for Germany](#), there was no insinuation of sinister intent. Companies or individuals that helped the United States import medical supplies were not cast in a suspicious light as those assisting the PRC were. The US measure to [block the exports of 3M masks](#) under their Defence Production Act did not raise much public discussion about the implications for global supply chains, as an export ban from China would.

## Different responses

The above serves to highlight the different prisms used to interpret actions cast from the same mould. When the PRC and the US governments take similar actions, such as suppression of information or purchasing medical supplies, sinister intentions are often imputed to the PRC. The interpretation allotted to the US, on the other hand, is the incompetence of the Trump administration or individual officials, or that the US government is simply looking out for itself with America First, but usually not malice.

Of course, the US and China are very different countries. Most prominent differences are the freedom of press, a viable and active opposition, and the checks and balances inherent in the US system. These characteristics go a long way to ensure the US government has some degree of accountability that is mostly absent in the

PRC system. They help in preventing the more egregious behaviours that we see from the PRC government. These ought to be strongly condemned, especially the mass internment of Uighurs in Xinjiang, the continuing oppression and prosecution of dissidents within its border and overseas, and ever-increasing censorship of journalists and academics.

But we should strive to uphold principles equally across the board. This means criticising the US for actions that we have also criticised China for. This is neither a pro-China nor a pro-US stance, but a pro-principles stance.

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