

Australia-China monthly wrap-up

September 2020



This edition features:

- Summary and analysis of major developments in September 2020
- Key trade indicators

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While Australia and the People's Republic of China (PRC) remain at a diplomatic impasse, Australia continues its work towards soft-balancing the PRC by strengthening its regional relationships.

The Hindustan Times on September 2 [reported](#), for example, that Foreign Minister Marise Payne and Defence Minister Linda Reynolds would soon be meeting their Indonesian and Indian counterparts for a virtual summit. And foreign ministers from Australia, the US, Japan and India, the countries forming the Quadrilateral Security Dialogue, will meet in Tokyo on October 6 – the first ministerial-level international meeting [hosted](#) by Japan since March, and the first under new Prime Minister Yoshihide Suga's administration. Japanese Foreign Minister Toshimitsu Motegi [told](#) a press conference that, 'It is timely that foreign ministers of the four nations who share the same ambitions over regional matters exchange views over various challenges'. [Asked](#) about the forthcoming meeting of the Quad, a PRC Foreign Ministry spokesperson expressed PRC unease, terming the grouping an 'exclusive clique', saying that multilateral cooperation ought not '[target] third parties or [undermine] third parties' interests'.

The beginning of this month saw yet more acrimony between Australia and the PRC with the PRC's General Administration of Customs advising it would be [suspending](#) shipments from Australia's largest grain exporter, the Western Australia-based CBH, effective September 1, on the basis of food safety. PRC Customs claimed to have found pests in the product on several occasions – a charge categorically rejected by CBH. As an ostensible means of exerting pressure on state and business to in turn lobby the Australian federal government, the move elicited two divergent responses from Western Australia's (WA) state government and industry representatives. WA Premier Mark McGowan [stated](#), 'I would just urge the Commonwealth government to reset the relationship with China...it needs to be a number one priority to get back onto a proper footing with our biggest trading partner'. But on the industry side, WA Farmers' Federation chief executive [observed](#), 'Squeeze a piglet, make it squeal and the big sow will come running. Well, the industry is getting better at not responding because that's what China wants' – signalling, perhaps, a shift in attitude amongst Australian industries on the receiving end of Beijing's punitive trade measures.

A week on, two Australian journalists, Bill Birtles with the ABC and Mike Smith with *The Australian Financial Review*, were [evacuated](#) from the PRC. Having initially been questioned by the PRC's Ministry of State Security in relation to a 'national security case' and subjected to an exit ban, the journalists left the PRC with assistance from Australian diplomatic missions. There are now no longer any accredited journalists for Australian media in the PRC for the first time since the 1970s.

This investigation into the two Australian journalists conducted by PRC authorities followed raids of the homes of four Chinese journalists accredited to PRC state media in Australia on June 26 by Australian intelligence, in an application of Australian foreign interference laws. This first publicly [reported](#) on September 8 by Xinhua. [Asked](#) whether Australia should 'seek to revoke journalist visas of Chinese state-owned media working here', Foreign Minister Payne said, 'That is not how Australia operates. Australia operates according to law and in our national interests. And unless individuals are breaching laws in Australia, then that would not be an approach we would take'. The point, however, seems to have been made without visa revocations, with the four journalists [returning](#) to the PRC.

While the effective expulsion of the two Australian journalists from the PRC slots in to the political tit-for-tat narrative, it also points to a broader issue of increasing state repression and heavy-handedness in dealing with critiques of its leadership and its policies. Matthew Carney, former ABC bureau chief in the PRC, on September 21 [detailed](#) how PRC authorities in 2018 had threatened him and his family, including his 14-year-old daughter, due to reports he had filed critical of PRC government actions, including stories on Xinjiang and political executions. At the same time, the lack of Australian publicisation of the raids on the homes of Chinese journalists, happening as they did on the same day as the well-publicised raids on the homes of New South Wales MLC Shaoquett Moselmane and a staffer, raise questions about the manner in which transparency is applied in foreign interference cases.

Australia-PRC people-to-people ties took another hit with [reports](#) on September 9 highlighting the revocation of Australian visas for mainland Chinese academics Chen Hong and Li Jianjun, frequent visitors to Australia, in another application of Australian foreign interference laws. In apparent response, the PRC on September 24 [banned](#) an Australian academic, Clive Hamilton, and analyst Alex Joske, who together worked on the controversial 2018 book *Silent Invasion*, from entering the country – a purely symbolic move, it seems, given the two neither had visas nor plans to visit the PRC.

The Australian government have swung, perhaps somewhat belatedly, into some damage control with respect to the flow-on effects that tensions between Australia and the PRC, especially within the context of the COVID-19 pandemic, have had on the Australian-Chinese community. Immigration Minister Alan Tudge in a September 25 [speech](#) acknowledged instances of racism experienced by members of the community, condemning them as 'disgraceful', and praised 'the significant contribution that Chinese migrants and their descendants have made to Australia for generations'. Minister Tudge also used the speech to justify the PRC policy stances adopted by the Australian government:

While we value the relationship with China, the Australian government will always act in the best interests of Australia – just as China acts in its interests.

There is nothing remarkable about this. It is what Australians would expect and it is what we have done.

He emphasised that differences between Australia and the PRC 'do not take away from our respect for and appreciation of our wonderful Chinese Australian community or indeed our friendship with the people of China'.

Australian government ministers this month also appeared to be out in force to press and repeat a consistent set of talking points with respect to the PRC, expressing support for the trading relationship and desire for its endurance while remaining firm and unapologetic about policy positions adopted to date. Treasurer Josh Frydenberg on September 3 [stated](#):

[W]e need to set clear and consistent lines when it comes to issues of international concern. For example, looking into an international inquiry into the origin of the coronavirus...Now obviously that upset China and created some tensions, but the reality is the Chinese-Australian economic partnership is a very strong one, it is mutually beneficial...it's a two-way street. It's helping to create jobs here and there, and long may that economic partnership continue.

Home Affairs Minister Peter Dutton on September 9 [said](#):

[W]e will...stand up for our principles and our values. Australia is not going to apologise for that, but we want to continue what's a very important trading relationship with China and we'll make sure that that continues, but we are not going to compromise on the fundamental beliefs that we hold near and dear.

Trade Minister Simon Birmingham on September 11 [laid out](#) the rhetorical strategy explicitly:

[F]rom an Australian government perspective, our position is one of consistency. Consistency in defending Australian values, Australian interests and Australian security, but also consistency in welcoming the economic growth and prosperity of China.

The Trade Minister also [noted](#): 'We have different systems of government; we bring different approaches to those systems of government – but we respect their sovereignty and we simply ask for that to be reciprocated'. The Foreign Minister [repeated](#) the sentiment in a following interview: 'Australia and China are different countries with different systems of government, and different approaches. And I respect the systems and the legal environment which operates in China'.

Running commentary from hawkish, and previously vocal, Liberal backbenchers seems to have decreased in volume in parallel.

Australian citizen and news anchor for PRC state broadcaster CGTN, Cheng Lei, detained by PRC authorities in August, allegedly on national security grounds, continues to be held under 'residential surveillance at a designated location', with Australian officials given [access](#) to her for only the second time in six weeks at the end of September. Australian citizen and author Yang Hengjun, held in the PRC for now about 19 months without a trial on murky charges of espionage, was [allowed](#) meetings this month with Australian officials and his lawyer – reportedly the first time since December 2019. He has rejected the PRC Foreign Ministry's claims of a confession. With no real explanations forthcoming, it can continue to be surmised that the PRC does not balk at using individuals to communicate political displeasure, a particularly worrisome trait, one that may have significant ramifications for tourism and business.

The total annual value of Australia's goods exports to the PRC fell back from historic highs in July as both mining and non-mining exports recorded negative growth. [Preliminary data](#) from the Australian Bureau of Statistics indicate the falls continued into August.

PRC trade restriction measures, potentially coercive in nature, are part of the explanation. For example, after tariffs totalling 80.5 percent were levied on Australian barley toward the end of May, allegedly in response to Australian dumping and subsidies, in July the value of barley exports to the PRC slumped to just \$1.1 million. This compared with \$49.7 million in the same month a year earlier. But the COVID-19 shock – a global factor rather than a PRC-specific one – appears to be of much greater importance in driving aggregate values. In the first seven months of 2020, the value of Australia's [exports](#) to the PRC fell by 0.5 percent on the same period in 2019. For Japan, Australia's second largest customer and a country with which Australia enjoys strong political relations, the fall was 18.7 percent. Two other top-five Australian partners, Korea and India also fell, by 6.6 percent and 42.5 percent, respectively. The United States was a standout positive increasing by 45.8 percent.

Key trade indicators - September 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
Total goods exports (\$ billion)¹	148.3	-1.4 (-15.9)	-0.9	6.9	54.1	97.6
Mining (\$ billion)²	106.4	-1.0 (-11.4)	3.2	17.8	55.3	95.9
Non-mining (\$ billion)³	22.3	-3.1 (-31.1)	-13.9	-19.0	17.6	42.4
Confidential/not classified (\$ billion)⁴	19.6	-1.9 (20.3)	-0.7	-4.5	123.2	287.5
Iron ore (\$ billion)⁵	84.5	-0.3 (-3.9)	5.1	25.1	62.6	104.9
Iron ore (kilo tonnes)⁶	706.0	1.8 (23.3)		7.7	5.9	19.8
Coal (\$ billion)⁷	13.4	-4.0 (-39.1)	-2.9	-7.8	15.6	78.0
Liquefied gas (\$US billion)⁸	12.0	-2.2 (-23.6)		-13.8	135.8	808.5
Food, live animals, beverages (\$ billion)⁹	10.1	-1.8 (-19.8)	-1.9	15.9	98.3	187.5
Services exports (\$ billion)¹⁰	19.3	-	-	7.9	44.2	120.7
Tourist arrivals (million)¹¹	0.7	-16.7 (-88.8)	-48.9	-47.6	-41.9	-20.9
Commencing students¹²	66,753	-	-	-27.3	-30.0	-3.8
PRC stock of direct investment in Australia (\$ billion)¹³	46.0			10.1	18.9	44.3
Total good imports (\$ billion)¹⁴	81.9	1.2 (16.1)	3.8	4.3	32.9	41.6
Services imports (\$ billion)¹⁵	3.4			-0.8	20.5	42.7
Australian stock of direct investment in the PRC (\$ billions)¹⁶	15.5			11.6	16.0	23.4

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¹ 12 months to July 2020. ABS <<http://stat.abs.gov.au/>>.

² Ibid.

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

⁴ 12 months to July 2020. ABS <<http://stat.abs.gov.au/>>.

⁵ Ibid.

⁶ 12 months to July 2020. CEIC database.

⁷ 12 months to July 2020. ABS <<http://stat.abs.gov.au/>>.

⁸ 12 months to July 2020. CEIC database.

⁹ 12 months to July 2020. The figures exclude barley. ABS <<http://stat.abs.gov.au/>>.

¹⁰ The latest available figure is for 2019. Australian Government Department of Foreign Affairs and Trade, 'Trade time series data', August 2020 <<https://www.dfat.gov.au/trade/resources/trade-statistics/Pages/trade-time-series-data>>.

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

¹² Year-to-date July 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>>.

¹³ The latest available figure is for 2019. Australian Government Department of Foreign Affairs and Trade, 'Trade time series data', August 2020 <<https://www.dfat.gov.au/trade/resources/trade-statistics/Pages/trade-time-series-data>>.

¹⁴ 12 months to July 2020. ABS <<http://stat.abs.gov.au/>>.

¹⁵ The latest available figure is for 2019. ABS <<https://www.abs.gov.au/ausstats/abs@.nsf/mf/5368.0.55.004>>.

¹⁶ The latest available figure is for 2019. ABS <<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02019?OpenDocument>>.