

Australia-China Relations  
Institute  
澳中关系研究院



# Economic reality bites: What Australia needs to know amidst US-China strategic competition

James Laurenceson  
Thomas Pantle  
November 2021

Australia-China Relations  
Institute  
澳中关系研究院



The Australia-China Relations Institute (ACRI) is an independent, non-partisan research institute based at the University of Technology Sydney (UTS). UTS:ACRI's mission is to inform Australia's engagement with China through substantive dialogue, and research and analysis grounded in scholarly rigour.

This report received funding support from PwC Australia.

The analysis and conclusions in this publication are formulated independently by its author(s). UTS:ACRI does not take an institutional position on any issue; the views expressed in this publication are the author(s) alone.

Published by  
**Australia-China Relations Institute**  
**University of Technology Sydney**  
PO Box 123  
Broadway NSW 2007  
Australia  
✉ [acri@uts.edu.au](mailto:acri@uts.edu.au)  
🐦 [@acri\\_uts](https://twitter.com/acri_uts)  
[www.australiachinarelations.org](http://www.australiachinarelations.org)

Front cover image: JIANG HONGYAN / Shutterstock

ISBN 978-0-6452063-2-6

© Australia-China Relations Institute, University of Technology Sydney (UTS:ACRI) 2021  
The publication is copyright. Other than for uses permitted under the Copyright Act 1968,  
no part may be reproduced by any process without attribution.

# Contents

<b>Executive summary</b>	<b>1</b>
<b>1. Introduction</b>	<b>2</b>
<b>2. Economic realities for Australia amidst US-PRC strategic competition</b>	<b>3</b>
<i>2.1. Economic reality 1: The PRC and the rest of the world are not decoupling</i>	<b>3</b>
<i>2.2 Economic reality 2: For strategic friends, shared values with Australia don't trump pursuing commercial interests with the PRC</i>	<b>8</b>
<i>2.3 Economic reality 3: Economic fundamentals, not strategic alignment and/or shared values, are still driving Australia's exports</i>	<b>13</b>
<i>2.4 Economic reality 4: Triumphalism that a trade decoupling from the PRC is low-cost for Australia's economy is ill-founded</i>	<b>14</b>
<b>3. Conclusion</b>	<b>15</b>
<b>Acknowledgements</b>	<b>17</b>
<b>About the authors</b>	<b>18</b>
<b>References</b>	<b>19</b>

## Executive summary

- Eliding economic reality is a poor starting point for an informed public discussion about how best to advance Australia's interests amidst heightened strategic competition between the US and the People's Republic of China (PRC) and trade punishment by Beijing. Yet a good deal of local commentary and analysis does just that. This report identifies four key economic realities for Australia: 1. The PRC and the rest of the world are not decoupling; 2. For strategic friends, shared values with Australia don't trump pursuing commercial interests with the PRC; 3. Economic fundamentals, not strategic alignment and/or shared values, are still driving Australia's exports; 4. Triumphalism that a trade decoupling from the PRC is low-cost for Australia's economy is ill-founded.
- Australia cannot take comfort in disrupted trade ties with the PRC being part of a broader, global decoupling trend. Rather, the weight of evidence points to greater economic integration between the PRC and the rest of the world – Australia's strategic friends included. Despite both Washington and Beijing now imposing an average tariff of 20 percent on each other's goods, in January–September 2021 the value of two-way trade between North America and the PRC stood at US\$603 billion, up 33 percent on the same period in 2019. The stock of US investment in the PRC also hit a record high in 2020 – US\$124 billion, up nine percent on 2019.
- Australia's strategic friends have offered useful rhetorical support for Australia's predicament. But outcomes demonstrate a parallel commitment to advancing their own commercial interests, including by snapping up lost Australian sales and trading more with the PRC. In January–September 2021, the PRC's imports from Australia of 12 disrupted goods fell by US\$12.6 billion (approximately A\$17.3 billion), compared with 2019. The biggest beneficiary was Australia's security ally, the US, which increased sales of the same goods to the PRC by US\$4.6 billion (approximately A\$6.3 billion). Canada and New Zealand increased their sales by US\$1.1 billion and US\$786 million, respectively.
- Expressions of solidarity with Canberra have also not extended to strategic friends significantly stepping up their purchases of Australian goods disrupted by the PRC to help mitigate costs. In January–September 2021 sales of Australian wine to the PRC fell by US\$480.5 million, compared with 2019. US purchases rose by just US\$7.1 million. For Australia's wine producers, market diversification is as difficult, long and costly a process as ever. Nor has there been a broader re-orientation of Australia's trade patterns towards countries with which Australia has shared values, such as a commitment to democracy. Comparing January–September 2021 with 2019, global markets have re-directed Australia's exports of goods like coal to Turkey (up US\$191.4 million), barley to Saudi Arabia (up US\$520.4 million) and cotton to Vietnam (up US\$350.5 million) – other countries where an alignment with Australia's values is not clear.
- Triumphalist local assessments that the cost to the Australian economy of decoupling from the PRC is low fail to acknowledge that decoupling in any overall sense has hardly begun. In fact, the total value of Australia's goods exports and imports to and from the PRC is much higher now than when Beijing's campaign of trade punishment began – up 72 percent and 62 percent, respectively. The scope for costs to rise is ample.
- None of these economic realities excuse or deflect attention away from Beijing's actions being the source of Australia's predicament. Nor do they suggest Australia should not stand up for its values or automatically eschew actions that might bring repercussions from the PRC. But Australia's interests are served by a full and accurate accounting of the probable costs and benefits associated with different policy options. Eliding economic reality only makes that task harder.

## 1. Introduction

In September 2021, Treasurer Josh Frydenberg used an address at the Australian National University (ANU) to draw attention to the return of 'strategic competition' to Australia's region.<sup>1</sup> In 2017, the US formally designated the People's Republic of China (PRC) as a 'strategic competitor'.<sup>2</sup> As the temperature on this competition has risen, no other regional capital has aligned itself more overtly with Washington than Canberra, particularly over the past 18 months. The Treasurer warned that US-PRC strategic competition was 'blurring the lines between economics, politics and national security' and that Australia itself was on the 'frontline'. This was because since May 2020 Australia has found itself on the receiving end of a campaign of economic punishment launched by Beijing after it assessed that Canberra was operating in conjunction with Washington to attack the PRC's interests and international reputation.<sup>3</sup>

*Yet amidst the talk of strategic competition and blurred lines – as well as an increasing emphasis on shared values and working with Washington and the capitals of other democracies to build a 'world order that favours freedom over autocracy and authoritarianism' – four economic realities bite for Australia.*

Yet amidst the talk of strategic competition and blurred lines – as well as an increasing emphasis on shared values and working with Washington and the capitals of other democracies to build a 'world order that favours freedom over autocracy and authoritarianism'<sup>4</sup> – four economic realities bite for Australia. These include:

### **Economic reality 1: The PRC and the rest of the world are not decoupling**

Australia cannot take comfort in disrupted trade ties with the PRC being part of a broader, global decoupling trend. Rather, the weight of evidence points to greater economic integration between the PRC and the rest of the world – Australia's strategic friends included. This is particularly the case for flows of trade

and investment, while technology is more mixed.

### **Economic reality 2: For strategic friends, shared values with Australia don't trump pursuing commercial interests with the PRC**

Australia's strategic friends have offered useful rhetorical support for Australia's predicament. But outcomes demonstrate a parallel commitment to advancing their own commercial interests, including by snapping up lost Australian sales and trading more with the PRC. The analysis performed later in this report shows that the biggest beneficiary of Australia's lost sales to the PRC has been its security ally, the US.

### **Economic reality 3: Economic fundamentals, not strategic alignment and/or shared values, are still driving Australia's exports**

Expressions of solidarity with Canberra have also not extended to strategic friends stepping up their purchases of Australian goods disrupted by the PRC to help mitigate costs. For industries like wine, market diversification remains as difficult, long and costly a process as ever. Nor has there been a broader re-orientation of Australia's trade patterns towards countries with which Australia has shared values, such as a commitment to democracy. Instead, global markets have re-directed Australia's exports of goods like coal to Turkey, barley to Saudi Arabia and cotton to Vietnam – other countries where alignment with Australia's values is not clear.

### **Economic reality 4: Triumphalism that a trade decoupling from the PRC is low-cost for Australia's economy is ill-founded**

Global markets re-directing many of Australia's exports make panicked responses by Canberra unnecessary. But triumphalist local assessments that the cost to the Australian economy of decoupling from the PRC is low fail to acknowledge that decoupling in any overall sense has hardly begun: analysis in this report shows that the current value of two-way trade between Australia and the PRC is close to record highs. There is ample scope for costs to rise.

None of these economic realities excuse or deflect attention away from Beijing's actions being the source of Australia's predicament, albeit Beijing would doubtlessly point to what it sees as even earlier unfriendly actions by Canberra. Nor is it to suggest Australia should not stand up for its values and resist coercion by the PRC. But the general public should also not be under any illusion about the costs involved and who will bear them – Australia and Australia alone. Eliding these economic realities is a poor starting point for an informed discussion about how best to advance Australia's interests.

*None of these economic realities excuse or deflect attention away from Beijing's actions being the source of Australia's predicament. Nor is it to suggest Australia should not stand up for its values and resist coercion by the PRC. But the general public should also not be under any illusion about the costs involved and who will bear them – Australia and Australia alone.*

## 2. Economic realities for Australia amidst US-PRC strategic competition

### 2.1 Economic reality 1: The PRC and the rest of the world are not decoupling

A claim put by some Australian commentators is that 'our globalised and interconnected world is cleaving into two decoupled camps: one dominated by Western liberal-democracies competing against a Sino-led bloc populated by weaker developing nations and authoritarian states'.<sup>5</sup>

While such a decoupled world might be less preferable to the status quo of recent decades, if this assessment were accurate, then at least Australia could take comfort from not being an outlier in having disrupted trade ties with the PRC. And the group with which Australia was cleaving would likely be better than the alternative. The reality, however, is that the weight of evidence does not suggest any broad decoupling between the PRC and the rest of world is taking place – Australia's strategic friends included. In fact, it points to greater economic integration.



Roman\_studio / Shutterstock

Figure 1 shows the latest available goods export data from January to September 2021 between the PRC and other major regions of the global economy, and compares this with the same period in earlier years. Whether the latest data is compared with 2019 (prior to the COVID-19 pandemic) or 2016 (prior to the escalation of US-PRC strategic competition under the Trump administration), an across-the-globe, upward trajectory is apparent. This is true even with respect to North America, despite Washington now imposing an average tariff rate of around 20 percent on imports from the PRC.<sup>6</sup>

Figure 2 shows the same pattern for the PRC's goods imports, including from North America, despite Beijing now also imposing an average tariff rate of around 20 percent on imports from the US. This increased trade in both directions, even in the presence of significant trade barriers, illustrates the deep economic complementarities between the US and PRC economies.

Trade policy towards the PRC under the Biden administration remains a work-in-progress but several clear statements of intent have now been delivered. In September 2021, US Secretary of Commerce Gina Raimondo remarked, 'There's no point talking about decoupling...we have no interest in a cold war

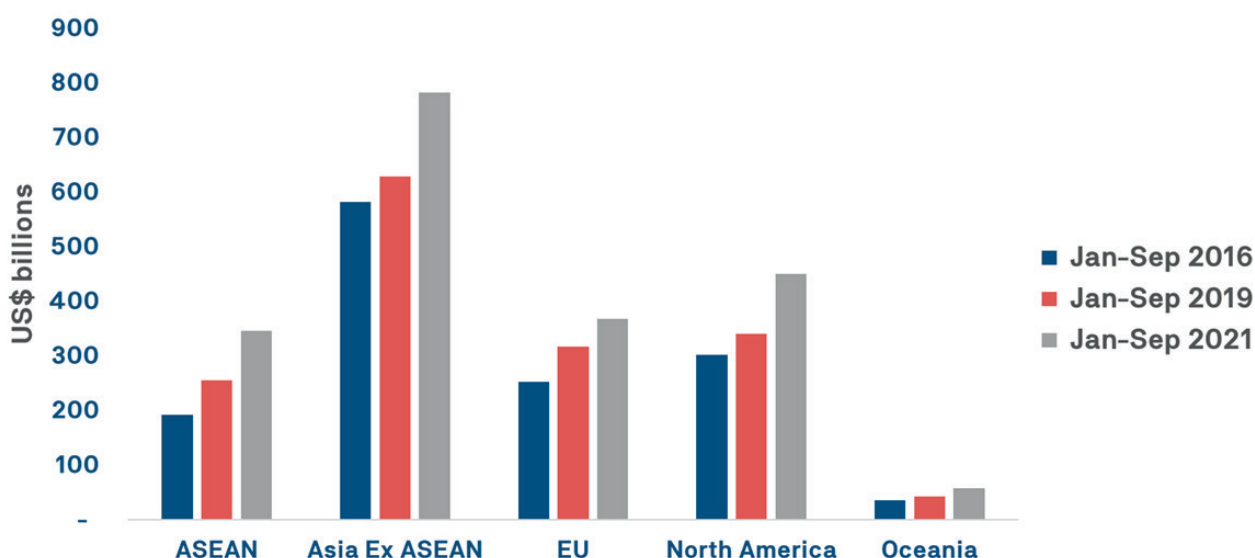
with China. It's too big of an economy – we want access to their economy, they want access to our economy'. She added, 'It's just an economic fact. I actually think robust commercial engagement will help to mitigate any potential tensions'.<sup>7</sup>

A few days later, US Trade Representative Katherine Tai, voiced a similar contention: 'I know there's a lot of talk about decoupling. I don't think that's a realistic outcome in terms of our global economy. I think that the issue perhaps is, what are the goals we're looking for in a kind of recoupling?'.<sup>8</sup> She elaborated that her intention was to advance this agenda and tackle ongoing US concerns through direct dialogue and negotiations with the Chinese side.

Meanwhile Australian Trade, Tourism and Investment Minister Dan Tehan has not been able to secure even a phone call with his counterpart in Beijing since he took on the portfolio in December 2020.

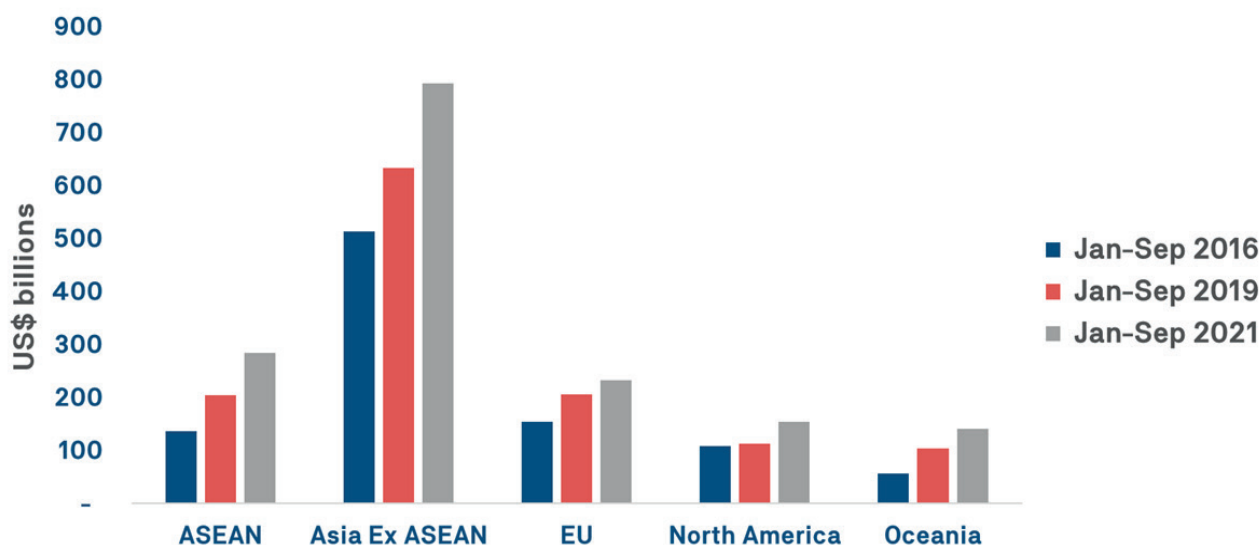
Turning to cross-border capital transactions, Figure 3 shows the PRC's international investment position as of June 2021. The value of its liabilities (i.e., claims on assets in the PRC held by foreign investors) have steadily increased whether in the form of

**Figure 1. The PRC's goods exports**



Source: CEIC Database<sup>9</sup> and authors' calculations.

Figure 2. The PRC's goods imports



Source: CEIC Database<sup>10</sup> and authors' calculations.

direct investment (FDI), portfolio investment (PI) or 'other' investment. The combined total now stands at around US\$7.0 trillion, up from US\$4.4 trillion five years ago. The same is true for assets (i.e., claims on assets overseas held by PRC investors). The value of 'reserve assets', such as US Treasury bonds held by the PRC's central bank in order to smooth exchange rate fluctuations, has remained steady. Combined total assets stood at US\$9.0 trillion in June 2021, up from US\$6.4 trillion in June 2016.

According to the PRC's National Bureau of Statistics, in the first half of 2021 the value of FDI into the PRC was US\$91.0 billion, up 27.1 percent on the same period in 2019 prior to the COVID-19 pandemic.<sup>12</sup> In 2020, the United Nations Council on Trade and Development (UNCTAD) reported that the PRC attracted more FDI than any other country – US\$163 billion, compared with US\$134 billion going to the US in second place.<sup>13</sup>

Despite strategic competition between Washington and Beijing, US Bureau of Economic Analysis (BEA) data show the stock of American direct investment in the PRC stood at US\$123.9 billion in 2020, up from US\$97.5 billion in 2016.<sup>14,15</sup> Examining the annual value of net flows of US investment to the PRC between

2016 and 2020, these were consistently positive and in the range of US\$6.4-US\$9.4 billion.<sup>16,17</sup> BEA data also show the stock of PRC investment in the US last year was valued at US\$36.4 billion. This was up from US\$31.9 billion in 2016 but down from US\$39.6 billion in 2019.<sup>18</sup>

The Trump administration made much of the US bilateral trade deficit with the PRC. In 2020, the value of US exports to the PRC stood at US\$165 billion.<sup>19</sup> Imports from the PRC were worth US\$450.4 billion. However, when the sales of majority US-owned affiliates in the PRC are included in the picture, the balance changes markedly. In 2019, the latest year for which data are available, sales of majority US-owned affiliates in the PRC totalled US\$378.8 billion. In comparison, sales of majority PRC-owned affiliates in the US stood at just US\$85.0 billion.<sup>20</sup>

The latest surveys of foreign investors in the PRC highlight a broad range of irritations and complaints but very little intention to withdraw. According to the American Chamber of Commerce in Shanghai's *China Business Report* released in September 2021, 78 percent of 338 respondents reported being 'optimistic' about the five-year business outlook, compared with



just 10 percent who were pessimistic.<sup>21</sup> The vast majority, 80 percent, had no plans to redirect their PRC investment elsewhere. Amongst manufacturers, 72 percent had no plans to move any production out of the PRC in the next three years. Another 19 percent planned to move less than 20 percent of production. Only two percent intended to remove all production. These figures largely reflect the fact that the main reason US companies are in the PRC is to ‘produce or source goods or services in China for the China market’ (53 percent). The proportion who are there to ‘produce or sources goods or services in China for the US market’ stands at just 11 percent.

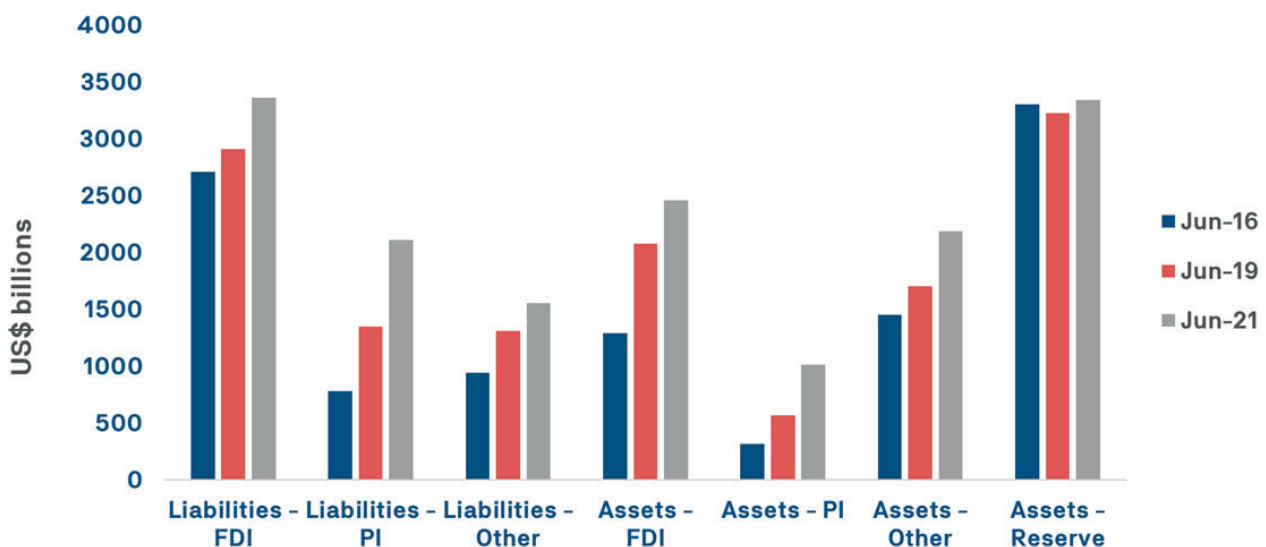
An analogous survey by the European Chamber of Commerce in China released in June 2021 reported that 68 percent of respondents were ‘optimistic’ about the business outlook over the next two years, compared with just six percent who were ‘pessimistic’. Of 585 respondents, 91 percent said that they were not considering shifting current or planned investments in the PRC to other markets. The proportion considering shifting any investment out of the PRC was the lowest on record.<sup>22</sup>

The story from a survey conducted by the China-Japan Chamber of Commerce in Beijing was largely the same.<sup>23</sup>

On the technology front, the state of play is more mixed and the future trend less clear. On the one hand, more than 300 Chinese companies, many in the technology space, have been added to the US’ Entity List, a trade restriction list published by the Department of Commerce.<sup>24</sup> This makes engagement with these companies difficult not only for American companies but for those from other jurisdictions as well due to the extraterritoriality of US laws. PRC investments in US technology companies are also being more closely scrutinised.<sup>25</sup> On the other hand, in the area of fundamental science and research, collaboration continues at pace. Figure 4 shows that the total number of joint scientific and research publications involving at least one author affiliated with a PRC institution and another in institutions in Australia, the US, the UK, Canada, Germany, Japan and Taiwan. All have increased since 2016, although joint publications between the US and the PRC declined modestly between 2019 and 2020.

Deeper dives could be undertaken in more sensitive areas of research collaboration. Artificial intelligence (AI) is just one example. Figure 5 shows that within the category of ‘Computer science – Artificial intelligence’, Australia and Japan have consistently

**Figure 3. The PRC's international investment position**



Source: State Administration of Foreign Exchange of the PRC<sup>11</sup> and authors’ calculations.

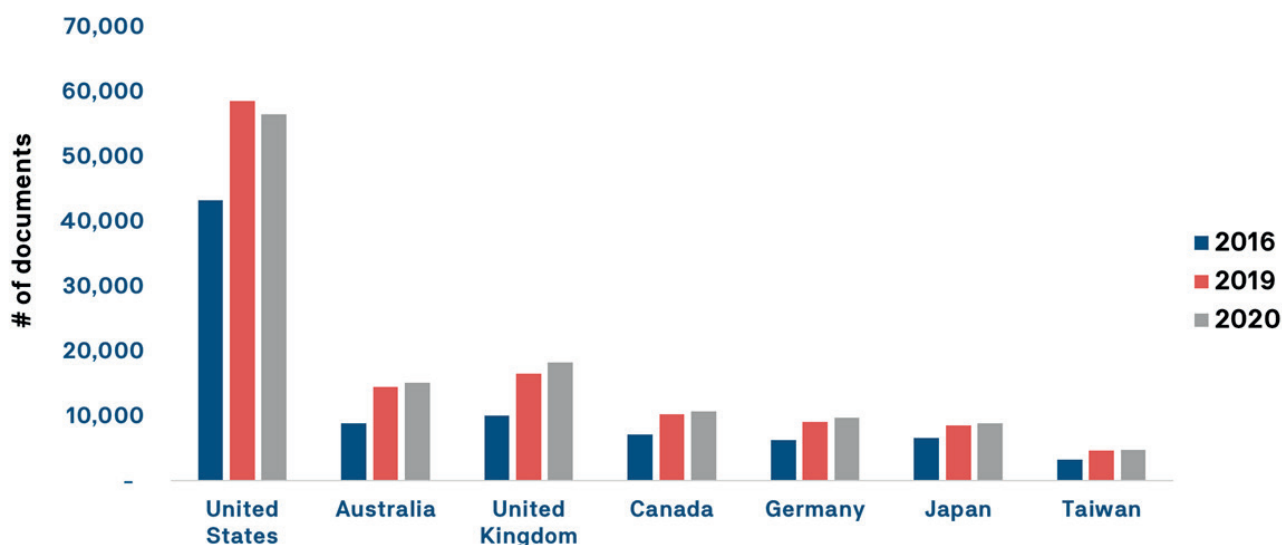
increased the number of joint publications with the PRC over the period 2016 to 2021. Meanwhile, the US, UK, Canada, Germany and Taiwan increased collaboration with the PRC between 2016 and 2021 but decreased slightly against 2019.

Recent developments in regional economic architecture have also reinforced the gravitational pull of the PRC's economy. The Regional Comprehensive Economic Partnership (RCEP), due to enter into force on January 1 2022, has been described as 'the first integrated trade bloc in the Indo-Pacific'.<sup>28</sup> Yet the weighty book-ends of the Indo-Pacific construct, India and the US, are absent from the agreement. The map of RCEP members shows that the trade bloc is firmly focused on Asia and Oceania, not the Indo-Pacific. Moreover, while RCEP consists of 15 members, Figure 6 shows the PRC's economic and trade weight stands head and shoulders above the others. It is certainly true that RCEP's rules were not dictated by the PRC and that these and other RCEP provisions will help to constrain its coercive impulses.

It is also true that RCEP will facilitate the development of value chains in Asia and Oceania generally, not just those involving the PRC. But it remains the case that RCEP will promote greater intra-Asia and Oceania trade and less with other regions of the global economy. And no other RCEP member has the capacity based on economic fundamentals – market demand, production capabilities and so on – to insert itself into more of these intra-regional value chains than the PRC. RCEP might act to promote a gradual 'decoupling' but the economies being decoupled from will be those outside the agreement, like the US and India.

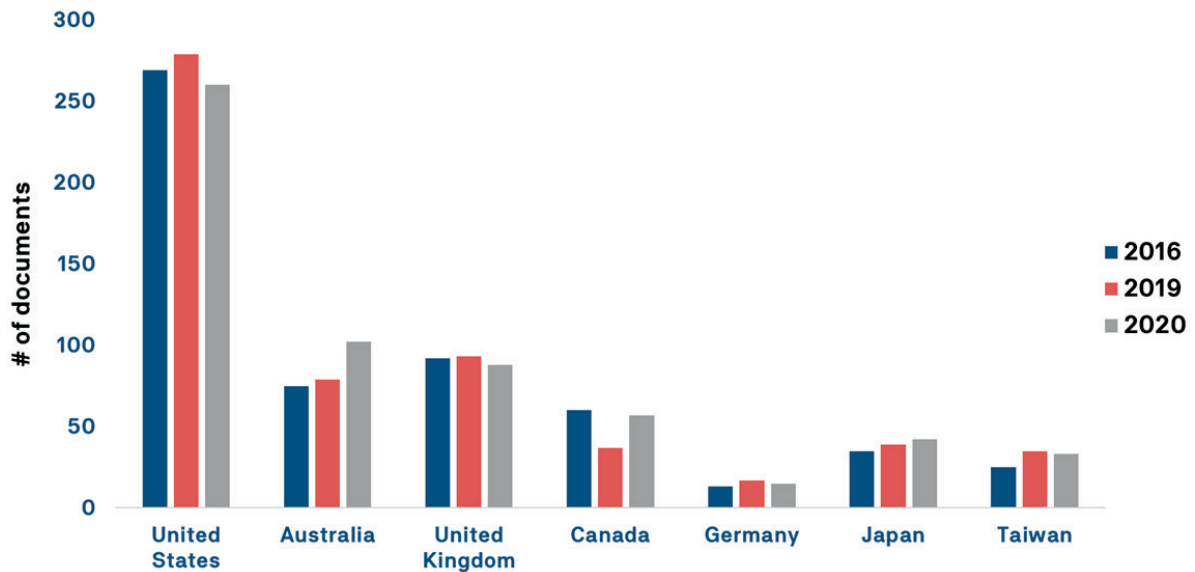
*RCEP will promote greater intra-Asia and Oceania trade and less with other regions of the global economy. And no other RCEP member has the capacity based on economic fundamentals – market demand, production capabilities and so on – to insert itself into more of these intra-regional value chains than the PRC.*

Figure 4. Total number of joint scientific and research publications involving the PRC



Source: Scopus<sup>26</sup> and authors' calculations.

**Figure 5. Total number of joint publications involving the PRC - 'Computer science - Artificial Intelligence'**



Source: Scopus<sup>27</sup> and authors' calculations.

None of the above is to suggest that an ongoing deepening of economic linkages between the PRC and the rest of the world is inevitable. The key point, however, is that the future trend will be heavily determined by the economic facts on the ground in the PRC.

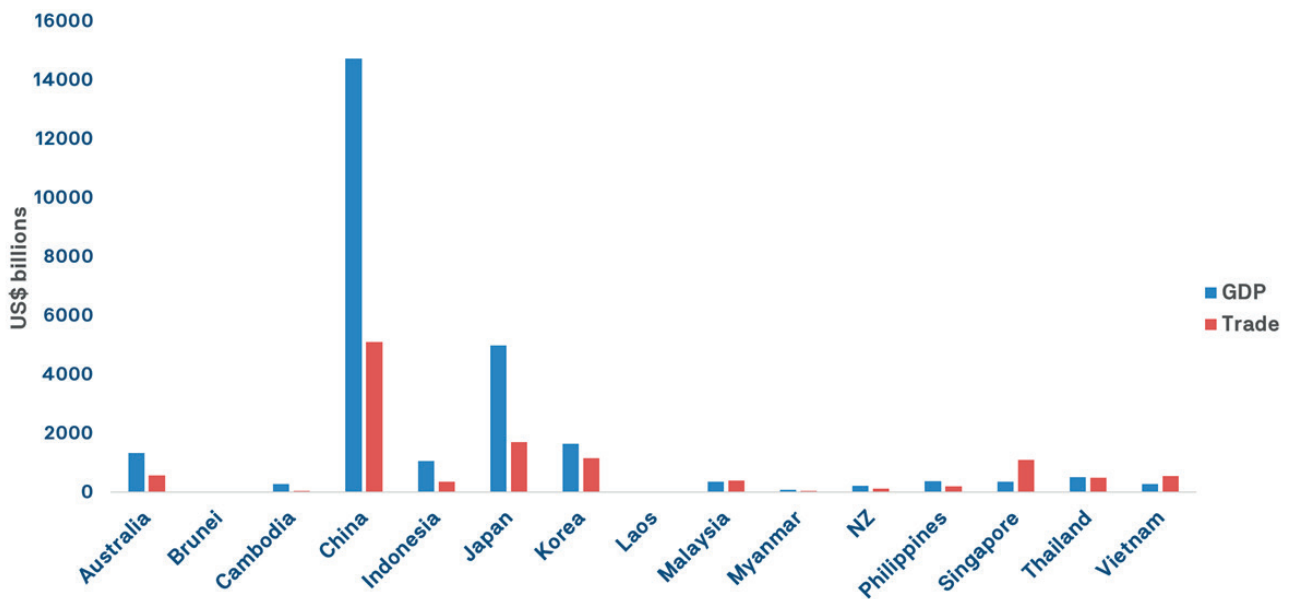
*None of this is to suggest that an ongoing deepening of economic linkages between the PRC and the rest of the world is inevitable. The key point, however, is that the future trend will be heavily determined by the economic facts on the ground in the PRC.*

Facing demographic, debt and other challenges, the PRC's political system and economic policy-makers may ultimately be unsuccessful in charting a path out of the 'middle-income trap'. But as long as the PRC's economy does continue to outperform those of other countries, overseas traders, investors, technology entrepreneurs and scientific

researchers will have an incentive to engage more deeply with it.

While the PRC's emergence as a high-income country is not guaranteed, in 2017 the Australian government's own *Foreign Policy White Paper* forecast that between 2016 and 2030 the PRC would add more new purchasing power than the US, Japan, India and Indonesia combined.<sup>30</sup> Another data point comes from Homi Kharas, an expert on the global middle class at the Brookings Institution. Kharas calculates that since the mid-2000s, the PRC has been adding around 60 million people to its middle class every year, far in excess of anywhere else.<sup>31</sup> He highlights that this gap between the PRC and other countries will expand as long as 'China continues to enjoy more rapid economic growth than any other major economy'.

Figure 6. RCEP member countries, GDP and trade (2020)



Source: World Bank<sup>29</sup> and authors' calculations.

## 2.2 Economic reality 2: For strategic friends, shared values with Australia don't trump pursuing commercial interests with the PRC

Since Beijing began singling Australia out for trade punishment in May 2020, Washington has not hesitated to deliver high-profile, rhetorical statements of support under successive administrations. In July last year, then-Secretary of State, Mike Pompeo, commended the Morrison government for 'standing up for democratic values and the rule of law despite intense, continued, coercive pressure from the Chinese Communist Party'.<sup>32</sup> Shortly after President Joe Biden's election victory in November, his National Security Adviser, Jake Sullivan, emphasised that America would stand 'shoulder to shoulder' with Australia.<sup>33</sup> In March 2021, President Biden's 'Indo-Pacific Czar', Kurt Campbell, assured local media that the US was 'not going to leave Australia alone on the field' and that it was 'not prepared to improve relations in a bilateral and separate context at the same time that a close and dear ally is being subjected to a form of economic coercion'.<sup>34</sup> The same month, Chargé d'Affaires at the US Embassy to Australia Mike Goldman said the US would 'absolutely have Australia's back'.<sup>35</sup> He encouraged Canberra to 'just keep on doing what you're doing but with confidence that the United States and other like-minded

democracies see an interest in having Australia succeed'. In May, Secretary of State Antony Blinken offered a cricketing twist to Campbell's earlier comments, insisting that the US would 'not leave Australia alone on the pitch'.<sup>36</sup>

Fellow Quadrilateral Security Dialogue members, Tokyo and New Delhi, have also issued joint statements with Canberra 'opposing coercive economic practices', although neither were prepared to mention the PRC by name.<sup>37,38</sup> In contrast, Jakarta, the centre of economic and strategic gravity in Southeast Asia, declined to sign up to any reference to economic coercion altogether.<sup>39</sup>

*Rhetorical statements of support from the US and others are welcome. At a minimum, they raise reputational costs for Beijing in terms of its perceived adherence to global trade rules and norms, even as some of the specific disputes await formal adjudication at the World Trade Organization (WTO). But it is instructive that support by Australia's strategic friends has not extended to actions that would involve them foregoing a commercial benefit.*

Rhetorical statements of support from the US and others are welcome. At a minimum, they raise reputational costs for Beijing in terms of its perceived adherence to global trade rules and norms, even as some of the specific disputes await formal adjudication at the World Trade Organization (WTO).

But it is instructive that support by Australia's strategic friends has not extended to actions that would involve them foregoing a commercial benefit. For example, the Biden administration continues to insist that the PRC live up to the bilateral trade deal that the Trump administration pressured Beijing into signing in January 2020.<sup>40</sup> This deal violated WTO norms by requiring that the PRC purchase more US goods and provide preferential access to its market for US producers – all the while placing those from Australia and other countries at an unfair disadvantage.

Another notable outcome is that in parallel with rhetorical statements of support Australia's strategic friends have been prominent in advancing their commercial interests by snapping up lost Australian sales and trading more with the PRC. What follows is a brief summary based on data from the PRC's customs agency covering the Australian goods that have experienced disruption. All data are sourced from the People's Republic of China General Administration of Customs and refer to the period from January to September.<sup>41</sup>

**Coal (HS code – 270112):** Coal is the highest value Australian export to the PRC that has experienced disruption. In 2019 the PRC's imports of Australian coal were worth US\$8.0 billion, up from US\$7.3 billion in 2017. The PRC's imported coal market as a whole contracted 18 percent between 2019 and 2021. Imports from Australia, however, fell to zero. Meanwhile, imports from the US increased 12-fold from US\$123.3 million to US\$1.5 billion. Imports from Canada also grew 2.5 times from US\$602.0 million to US\$1.5 billion.

**Barley (HS code – 100390):** In 2019 the PRC's imports of Australian barley were worth US\$649.6 million, down from \$1.1 billion in 2017. The PRC's imported barley market as a whole doubled between 2019 and 2021. Imports from Australia, however, fell to zero. In contrast,

imports from Canada increased 2.3 times from US\$310.5 million to US\$726.5 million.

**Beef, fresh or chilled (HS code – 0201):** In 2019 the PRC's imports of Australian beef, fresh or chilled, were worth US\$143.4 million, up from US\$47.3 million in 2017. The PRC's imported beef market, fresh or chilled, nearly doubled between 2019 and 2021. Imports from Australia increased by a markedly slower 31 percent to US\$187.9 million. Meanwhile, imports from the US increased 16-fold from US\$6.6 million to US\$107.1 million.

**Beef, frozen (HS code – 0202):** In 2019 the PRC's imports of Australian beef, frozen, were worth US\$1.1 billion, up from US\$425.3 million in 2017. The PRC's imported beef market, frozen, increased 62 percent between 2019 and 2021. Imports from Australia, however, fell 48 percent to US\$562 million. Imports from the US increased 16-fold from US\$46 million to US\$764.0 million.

**Beef, edible offal (HS code – 0206):** In 2019 the PRC's imports of Australian beef, edible offal, were worth US\$23.3 million, up from US\$14.7 million in 2017. The PRC's imported beef market, edible offal, increased 59 percent between 2019 and 2021. Imports from Australia, however, fell 52 percent to US\$11.2 million. Imports from the US grew 2.9 times from US\$192.9 million to US\$562.8 million.

**Cotton (HS code – 520100):** In 2019 the PRC's imports of Australian cotton were worth US\$680.1 million, up from US\$379.5 million in 2017. The PRC's imported cotton market increased 16 percent between 2019 and 2021. Imports from Australia, however, fell by 92 percent to US\$55.1 million. Imports from the US grew 2.2 times from US\$642.4 million to US\$1.4 billion. Those from India grew 2.1 times from US\$363.1 million to US\$756.2 million.

**Timber, fuel wood (HS code – 4401):** In 2019 the PRC's imports of Australian timber, fuel wood, were worth US\$646.7 million, up from US\$543.6 million in 2017. The PRC's imported timber market, fuel wood, contracted by one percent between 2019 and 2021. Imports from Australia fell at a much faster rate, 41 percent, to US\$384.7 million. Imports from Vietnam, now often touted as a new strategic friend of

Australia, increased 1.2 times from US\$784.2 million to US\$957.3 million.<sup>42</sup>

**Timber, wood rough (HS code – 4403):** In 2019 the PRC's imports of Australian timber, wood rough, were worth US\$446.8 million, up from US\$431.3 million in 2017. The PRC's imported timber market, wood rough, increased 18 percent between 2019 and 2021. Imports from Australia, however, fell by 98 percent to US\$7.3 million. Imports from New Zealand grew by 43 percent from US\$1.7 billion to US\$2.5 billion. Those from the US rose by 17 percent from \$615.7 million to US\$718.6 million.

**Timber, sawn or chipped (HS code – 4407):** In 2019 the PRC's imports of Australian timber, sawn or chipped, were worth US\$9.5 million, down from US\$16.1 million in 2017. The PRC's imported timber market, sawn or chipped, fell by 14 percent between 2019 and 2021. Imports from Australia dropped by a more precipitous 52 percent, while for the US the decline was four percent.

**Rock lobster (HS code – 030631):** In 2019, the PRC's imports of Australian rock lobster were worth US\$416.4 million, up from US\$84.2 million in 2017. The PRC's imported rock lobster market officially contracted 39 percent between 2019 and 2021. Imports from Australia fell to zero. Imports from New Zealand rose 22 percent from US\$153.1 million to US\$187.4 million. Those from the US doubled from US\$15.2 million to US\$32.4 million. Unofficially, however, recent research by the Australia-China Relations Institute at the University of Technology Sydney (UTS:ACRI) shows that Australian rock lobster exporters were able to ship their product to Hong Kong, a Special Autonomous Region of the PRC, which then made its way to the mainland via the 'grey trade'.<sup>43</sup>

**Copper (HS code – 260300):** In 2019 the PRC's imports of Australian copper were worth US\$1.2 billion, up from US\$857.0 million in 2017. The PRC's imported copper market as a whole grew 68 percent between 2019 and 2021. Imports from Australia, however, fell 98 percent to US\$29.4 million. Imports from the US increased 68-fold from US\$13.0 million in 2019 to US\$1.1 billion. Those from Canada rose by 41 percent from US\$663.1 million to US\$935.1 million.

**Wine (HS code – 220421):** In 2019 the PRC's imports of Australian wine were worth US\$589.3 million, up from US\$467.5 million in 2017. The PRC's imported wine market contracted 34 percent between 2019 and 2021. Imports from Australia fell by a much larger 92 percent to US\$45.5 million. In contrast, imports from New Zealand rose by 14 percent from US\$15.5 million to US\$17.7 million, while those from the US were steady.

Table 1 shows that when comparing 2021 with 2019, the PRC's imports of the disrupted goods from Australia fell in the nine-month period by a combined US\$12.6 billion. The main beneficiary of lost Australian sales was its security ally, the US. The combined increase in US sales of these same goods to the PRC was US\$4.6 billion, equivalent to 36 percent of the Australian fall. Of the 12 categories of goods that Australia faced disruption, the US increased its sales in nine.

Next came Russia (up a combined US\$2.7 billion from five categories), followed by Indonesia (up a combined US\$2.3 billion from four categories), Canada (up a combined US\$1.1 billion from five categories) and New Zealand (up a combined US\$786 million from seven categories).

Evidence of increased, across-the-board US sales to the PRC lends support to earlier concerns raised by University of Adelaide researchers that Australian and US producers are frequently in competition in supplying the PRC market.<sup>44</sup> To be sure, US goods have not necessarily replaced Australian goods in direct, one-for-one fashion. For seven of the 12 goods categories, total PRC imports expanded. Nonetheless, in such categories Australian producers would have been in the mix to expand their sales and meet this growth in demand. Instead, US producers have been able to capitalise on the absence of Australian competition.

**Table 1. The PRC's imports from Australia and other supplier countries (change in value US\$ millions, 2019 – 2021)**

Product	Australia	US	Russia	Indonesia	Canada	NZ	Total market change
Barley (HS code – 100390)	-649.6		16.5		416.0		1167.6
Beef, fresh or chilled (HS code – 0201)	44.5	100.5	2.4		-0.1	7.8	179.6
Beef, frozen (HS code – 0202)	-526.0	717.6	90.3		21.9	9.3	3249.7
Beef, edible offal (HS code – 0206)	-12.1	369.9	0.4		-66.8	3.5	847.9
Coal (HS code – 270112)	-8039.7	1369.3	2091.2	1587.8	927.4	9.1	-2460.0
Cotton (HS code – 520100)	-625.0	779.9					475.5
Timber, fuel wood (HS code – 4401)	-261.9	38.1	-2.9	18.2	-0.02	-1.4	-26.5
Timber, wood rough (HS code – 4403)	-439.5	102.9	-64.1	-9.4		743.6	1332.8
Timber, sawn or chipped (HS code – 4407)	-9.5	-28.4	-263.5	-56.9	-434.1	-22.5	-900.9
Rock lobster (HS code – 030631)	-416.4	17.3		10.0		34.3	-271.2
Copper (HS code – 260300)	-1158.3	1112.1	834.6	701.8	272.0		16923.2
Wine (HS code – 220421)	-543.8	-0.6	0.4		0.9	2.2	-567.9
<b>Total</b>	<b>-12637.3</b>	<b>4578.5</b>	<b>2705.3</b>	<b>2251.4</b>	<b>1137.2</b>	<b>786.0</b>	<b>19949.8</b>

Source: PRC General Administration of Customs<sup>45</sup> and authors' calculations.

The above is also not to argue that Washington could easily, or should, intervene in markets and the decision-making of privately-owned companies to prevent them from taking commercial advantage of the predicament Australian producers have found themselves in. If the shoe was on the other foot and it was US exports being disrupted by Beijing, Canberra would not intervene to stop Australian producers behaving in a similar manner. The point is simply to make clear that US producers are benefiting and intervention by Washington has not, and will not, be forthcoming. The costs are being borne by Australian producers and Australian producers alone.

### **2.3 Economic reality 3: Economic fundamentals, not strategic alignment and/or shared values, are still driving Australia's exports**

There has been some spirited exhortations coming from prominent voices located in countries that Australia counts as strategic friends. For example, after Beijing imposed prohibitive tariffs last November, these called on compatriots to increase their purchases of Australian 'freedom' or 'democracy' wine.<sup>46,47</sup> Yet trade data reveal such calls to help mitigate the costs borne by Australian businesses have largely gone unheeded. Instead, it has been global markets that have reduced costs by re-directing exports elsewhere, including to other countries where an alignment with Australia's values is not clear.<sup>48</sup>

Consider the following illustrative cases. All data are sourced from the International Trade Centre's (ITC) Trade Map database and once again refer to the period from January to September.<sup>49</sup>

**Coal (HS code – 270112):** In 2019 21 percent of Australian coal exports went to the PRC, up marginally from 20 percent in 2017. By 2021 the PRC's share of Australian coal exports fell to 0.1 percent. This translated to a fall in value between 2019 and 2021 of US\$7.3 billion. While the value of shipments to India increased by nine percent, it decreased by three percent to Japan. Exports to Turkey, on the other hand, increased 2.8 times from US\$107.2 million to US\$298.6 million. According to an annual

classification by the International Institute for Democracy and Electoral Assistance (IDEA), while still assessed as a 'hybrid regime' rather than an 'authoritarian regime', over the past 10 years Turkey has experienced a greater shift away from democracy than any of the other 150-plus countries tracked.<sup>50</sup>

**Barley (HS code – 100390):** In 2019 61 percent of Australian barley exports went to the PRC, down slightly from 68 percent in 2017. By 2021 the PRC's share of Australian barley exports fell to zero. This meant a fall in value between 2019 and 2021 of US\$392 million. Meanwhile, the value of barley exports to Saudi Arabia increased from zero in 2019 to US\$520.4 million in 2021. According to the IDEA classification, like the PRC, Saudi Arabia has consistently been assessed as an 'authoritarian regime'.<sup>51</sup>

**Cotton (HS code – 520100):** In 2019 70 percent of Australian cotton exports went to the PRC, up from 18 percent in 2017. By 2021 the PRC's share of Australian cotton exports fell to seven percent. This amounted to a fall in value between 2019 and 2021 of US\$556.5 million. Exports to Vietnam – another country that IDEA assesses is ruled by an 'authoritarian regime'<sup>52</sup> – increased 6.2 times from US\$67.2 million in 2019 to US\$417.7 million in 2021. Of course, Vietnam's government – the Communist Party of Vietnam – has not threatened Australia's interests by engaging in economic coercion, cyber-attacks, military posturing and other acts in the same way that the PRC's has. For this reason, as noted earlier, these days Vietnam is more likely to be regarded in Canberra as a strategic friend. But this only serves to punctuate the point that in responding to economic coercion and the other challenges the PRC presents, Canberra has chosen to also emphasise differences in values, while with partners like Vietnam a lack of shared values is de-emphasised and the focus is placed firmly on interests.

**Wine (HS code – 220421):** In 2019 43 percent of Australian wine exports went to the PRC, up from 34 percent in 2017. However, this fell to just one percent in 2021, translating to a collapse in value between 2019 and 2021 of US\$480.5 million. Over the same period,



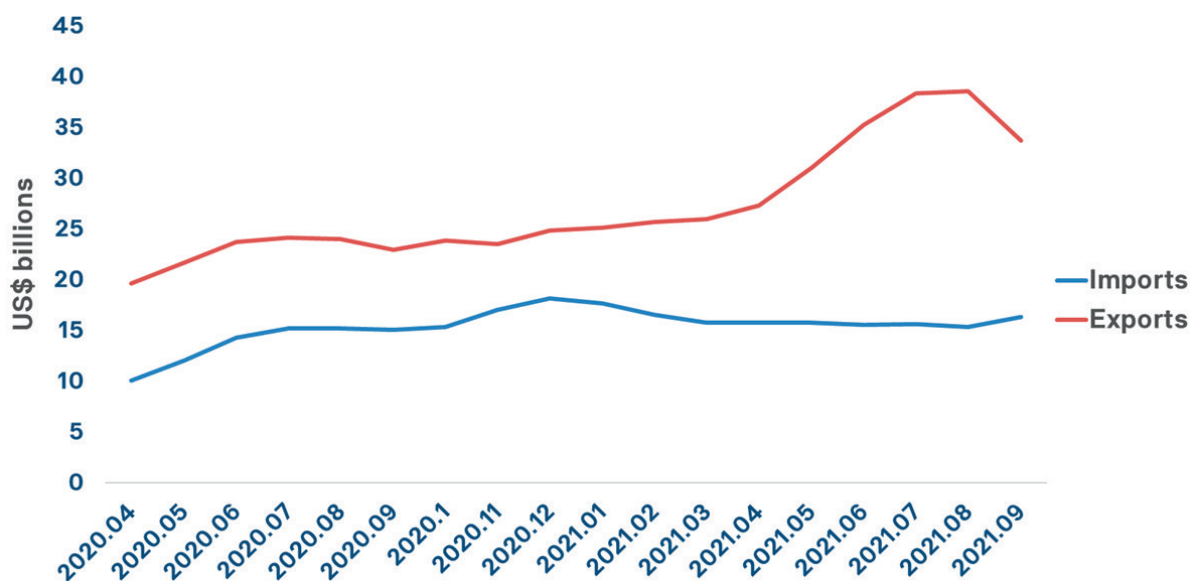
purchases by the US, Japan and India rose by just US\$7.1 million, US\$6.4 million and US\$1.1 million, respectively. Sales to the UK increased by a more substantial US\$41.5 million, although this was still marginally less than a jump of US\$43.8 million to Beijing-controlled Hong Kong.

*It is important to be clear that mostly what has happened over the last 18 months is that Australia's exports have been re-directed by global markets. This is not the same as trade diversification.*

Aside from the pattern of Australia's exports not being re-aligned based on shared values, it is also important to be clear that mostly what has happened over the last 18 months is that Australia's exports have been re-directed by global markets. This is not the same as trade diversification. Diversification is a difficult, long and costly process that involves holding on to sales in the PRC while trying to cultivate increased demand from new customers located elsewhere – all with no guarantee of success. Instead, Beijing's actions have forced PRC companies to enter global markets and source imports from suppliers other than

Australia, leaving the markets that the PRC's new suppliers previously serviced available for Australian exporters. For local producers of largely homogenous goods like coal and barley, global markets performed this re-direction swiftly and at relatively low cost. But for industries that produce differentiated goods like wine, the extent to which global markets can re-direct exports is limited. As a consequence, wine producers have experienced large falls in total exports.<sup>53</sup> Wine producers must now undertake the task of trying to diversify to new markets with each involving transaction costs in the form of product design, marketing and logistics. Larger players like Treasury Wine Estates will have the capacity to manage the adjustment over time. For many smaller players however, the costs will be prohibitive and bankruptcy awaits. General equilibrium modelling has suggested that over a five-year time horizon only 60 percent of Australia's wine exports to the PRC will eventually be diverted to alternative markets. The remaining 40 percent will be lost production value.<sup>54</sup>

**Figure 7. Australia's goods trade with the PRC - rolling quarterly totals (April 2020 - September 2021)**



Source: International Trade Centre<sup>56</sup> and authors' calculations.

## 2.4 Economic reality 4: Triumphalism that a trade decoupling from the PRC is low-cost for Australia's economy is ill-founded

With global markets serving as an effective cost mitigation mechanism for many Australian industries, some local commentators have offered triumphalist assessments of what a decoupling from the PRC means in practice for Australia's economy: 'If this is what decoupling from China looks like, Australia's resilience suggests the costs are far lower than many have assumed'.<sup>55</sup> Aside from down-playing the serious costs being borne in specific industries like wine, more fundamentally what this misses is that decoupling in any overall sense has hardly begun. Figure 7 shows that on a rolling quarterly basis, in September 2021 the total value of Australia's goods exports to the PRC was 72 percent higher than in April 2020, a month before Beijing began disrupting trade. Imports from the PRC were 62 percent higher. This reflects big-ticket items like iron ore and liquefied natural gas (LNG) continuing to be traded as before, as well as record high global iron ore prices. The combination has more than offset falling values for smaller ticket items that have experienced disruption.

The scope for costs to grow, however, is ample. First, global iron ore prices are already down by more than half since July, meaning that the falls in smaller ticket items will increasingly become harder to mask. Second, with borders re-opening following the COVID-19 pandemic, there is potential for disruption to spread from goods to services like education and tourism. Third, over time Beijing will have more opportunities to substitute away from big-ticket imports from Australia. In October, for example, *Reuters* reported that the PRC had agreed to 'three huge LNG deals' with US suppliers.<sup>57</sup> Fortunately, most of Australia's LNG exports to the PRC are protected by long-term contracts. Australian suppliers could, nonetheless, be cut off from any growth in PRC demand. To be sure, the passage of time also affords Australian exporters more opportunity to pursue diversification to other markets, although the scale of these opportunities will still mostly be determined by economic fundamentals such as consumer preferences

and purchasing power rather than strategic alignment or shared values. Fourth, costs will rise if the PRC market continues to outperform the alternatives that Australian exporters still have access to. As noted earlier, the Australian government's *2017 Foreign Policy White Paper* forecasts that the PRC will add more new purchasing power than the US, Japan, India and Indonesia combined. Finally, trade costs are not the only, or the biggest, costs that Australia faces. Canberra's strategic, security and other national interest objectives are difficult to achieve in the absence of a constructive working relationship with the region's dominant power.

*Trade costs are not the only, or the biggest, costs that Australia faces. Canberra's strategic, security and other national interest objectives are difficult to achieve in the absence of a constructive working relationship with the region's dominant power.*

## 3. Conclusion

The economic realities documented in this report, either individually or collectively, do not mean that Australia should automatically eschew engaging in rhetoric or actions that might bring repercussions from the PRC. But Australia's interests are served by a full and accurate accounting of the probable costs and benefits associated with different policy options. Eliding economic reality only makes that task harder.

This page intentionally left blank.



# Acknowledgements

The authors would like to thank Andrew Parker, leader of PwC's Asia Practice in Australia for his feedback on this report. The authors would also like to thank Elena Collinson for her editing work.

# About the authors



## James Laurenceson

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

He has previously held appointments at the University of Queensland (Australia), Shandong University (China) and Shimonoseki City University (Japan). He was President of the Chinese Economics Society of Australia from 2012 to 2014.

His academic research has been published in leading scholarly journals including *China Economic Review* and *China Economic Journal*.

Professor Laurenceson also provides regular commentary on contemporary developments in China's economy and the Australia-China economic and broader relationship. His opinion pieces have appeared in *The Australian Financial Review*, *The Australian*, *The Sydney Morning Herald*, *South China Morning Post*, amongst many others.

 @j\_laurenceson



## Thomas Pantle

Thomas Pantle is Project and Research Officer at the Australia-China Relations Institute, University of Technology Sydney.

Thomas completed a Bachelor of Economics majoring in Econometrics and Chinese at the University of Sydney. His research interests include the Australia-China economic relationship, foreign affairs, and trade. He has studied in China at Fudan University under the New Colombo Plan.

Thomas has previously worked for the Australian Trade and Investment Commission and A.B. InBev in Shanghai and for J.P. Morgan in Hong Kong.

His previous research has been published in The Institute for Regional Security and has been noted in *The Australian*, *South China Morning Post*, *Australian Financial Review*, amongst others.

 @ThomasPantle

# References

1. Josh Frydenberg MP, *Building resilience and the return of strategic competition*, speech, Australian National University Crawford Leadership Forum, September 6 2021 <<https://joshfrydenberg.com.au/latest-news/building-resilience-and-the-return-of-strategic-competition/>>.
2. Demetri Sevastopulo, 'Trump labels China a strategic 'competitor'', *Financial Times*, December 19 2017 <<https://www.ft.com/content/215cf8fa-e3cb-11e7-8b99-0191e45377ec>>.
3. Weihuan Zhou and James Laurenceson, 'Demystifying Australia – China trade tensions', *Journal of World Trade, Forthcoming (2022)*, vol. 56, no. 1. September 10 2021 <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3806162](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3806162)>.
4. Scott Morrison, 'A world order that favours freedom', Speech, Perth UsAsia Centre, June 9 2021 <<https://www.pm.gov.au/media/address-perth-usasia-centre-perth-wa>>.
5. Christopher Joye, 'President Xi is the key to China's destiny', *The Australian Financial Review*, December 4 2020 <<https://www.afr.com/wealth/investing/president-xi-the-key-to-china-s-destiny-20201202-p56jzz>>.
6. Chad Brown and Melina Kolb, *Trump's trade war timeline: An up-to-date guide*, Peterson Institute for International Economics, October 21 2021 <<https://www.piie.com/blogs/trade-investment-policy-watch/trump-trade-war-china-date-guide>>.
7. Bob Davis, 'Commerce Secretary Gina Raimondo aims to strengthen business ties with China', *Wall Street Journal*, September 24 2021 <<https://www.wsj.com/articles/commerce-secretary-gina-raimondo-aims-to-strengthen-business-ties-with-china-11632475802>>.
8. Ken Moriyasu, 'Biden's new trade policy draws praise in Beijing, but baffles D.C.' *Nikkei Asia*, October 13 2021 <<https://asia.nikkei.com/Economy/Trade-war/Biden-s-new-trade-policy-draws-praise-in-Beijing-but-baffles-D.C>>.
9. CEIC, 'CEIC's Data Manager – China Premium Database', November 2 2021 <<https://insights-ceicdata-com.ezproxy.lib.uts.edu.au/Untitled-insight/views>>.
10. Ibid.
11. People's Republic of China State Administration of Foreign Exchange, 'China's international investment position', October 30 2021 <<https://www.safe.gov.cn/en/China/index.html>>.
12. Xinhua, 'China's FDI inflow up 28.7% in H1', The State Council of The People's Republic of China, July 24 2021 <[http://english.www.gov.cn/archive/statistics/202107/14/content\\_WS60ee797dc6d0df57f98dcd97.html](http://english.www.gov.cn/archive/statistics/202107/14/content_WS60ee797dc6d0df57f98dcd97.html)>.
13. Reuters staff, 'China was largest recipient of FDI in 2020: Report', *Reuters*, January 25 2021 <<https://www.reuters.com/article/us-china-economy-fdi-idUSKBN29T0TC>>.
14. Ryan Smith and Jeannine Aversa, 'Direct investment by country and industry, 2020', U.S. Bureau of Economic Analysis, July 22 2021 <<https://www.bea.gov/sites/default/files/2021-07/dici0721.pdf>>.
15. U.S. Bureau of Economic Analysis, 'U.S. direct investment abroad: Balance of payments and direct investment position data' <<https://www.bea.gov/international/di1usdbal>>.
16. U.S. Bureau of Economic Analysis, 'U.S. direct investment abroad: Balance of payments and direct investment position data' <<https://apps.bea.gov/international/xls/usdia-current/usdia-ctrybyindfinancialtransactions-2010-2019.xlsx>>.
17. U.S. Bureau of Economic Analysis, 'U.S. direct investment abroad: Balance of payments and direct investment position Data' <<https://apps.bea.gov/international/xls/usdia-current/usdia-ctrybyindfinancialtransactions-2020.xlsx>>.
18. U.S. Bureau of Economic Analysis, 'Foreign direct investment in the U.S.: Balance of payments and direct investment position data' <<https://www.bea.gov/international/di1fdibal>>.
19. U.S. Bureau of Economic Analysis, 'U.S. international trade in goods and services', September 2 2021 <<https://www.bea.gov/sites/default/files/2021-09/trad-geo-time-series-0721.xlsx>>.
20. U.S. Bureau of Economic Analysis, 'Activities of U.S. Multinational Enterprises (MNEs)' November 12 2021 <<https://www.bea.gov/data/intl-trade-investment/activities-us-multinational-enterprises-mnes>>.
21. The American Chamber of Commerce in Shanghai, *China business report*, September 22 2021 <<https://www.amcham-shanghai.org/sites/default/files/2021-09/CBR-2021.pdf>>.
22. European Union Chamber of Commerce in China, *European business in China – Business confidence survey 2021*, June 8 2021 <[https://european-chamber.oss-cn-beijing.aliyuncs.com/upload/documents/documents/BCS\\_EN\\_final%5b917%5d.pdf](https://european-chamber.oss-cn-beijing.aliyuncs.com/upload/documents/documents/BCS_EN_final%5b917%5d.pdf)>.

23. MINNEWS, 'China-Japan Chamber of Commerce 'White Paper': 92.8% of Japanese companies in China have no plans to adjust their production bases', November 18 2021 <<https://min.news/en/economy/f28892ed085d87bbb5f7622bc0d9066.html>>.
24. U.S. Bureau of Industry and Security, 'Entity List' <<https://www.bis.doc.gov/index.php/policy-guidance/lists-of-parties-of-concern/entity-list>>.
25. Jeanne Whalen, 'TikTok was just the beginning: Trump administration is stepping up scrutiny of past Chinese tech investments', *The Washington Post*, September 29 2020 <<https://www.washingtonpost.com/technology/2020/09/29/cfius-review-past-chinese-investment/>>.
26. Scopus, 'Scopus database', November 3 2021 <<https://www.scopus.com/search/form.uri?display=basic&zone=header&origin=#basic>>.
27. Ibid.
28. Jeffrey Wilson, 'Who's afraid of the RCEP?', *9DASHLINE*, October 4 2021 <<https://www.9dashline.com/article/whos-afraid-of-the-rcep>>.
29. World Bank, 'World Bank Open Data', November 3 2021 <<https://data.worldbank.org/>>.
30. Australian Department of Foreign Affairs and Trade, *2017 Foreign Policy White Paper*, November 23 2017 <<https://www.dfat.gov.au/sites/default/files/2017-foreign-policy-white-paper.pdf>>.
31. Homi Kharas and Meagan Dooley, *China's influence on the global middle class*, Brookings Institute, October 2020 <<https://www.brookings.edu/research/chinas-influence-on-the-global-middle-class/>>.
32. Marise Payne and Linda Reynolds, 'Australia-United States Ministerial Consultations (AUSMIN)', joint transcript, July 29 2020 <<https://www.foreignminister.gov.au/minister/marise-payne/transcript/australia-united-states-ministerial-consultations-ausmin>>.
33. Jake Sullivan, [@jakesullivan], *The Australian people have made great sacrifices to protect freedom and democracy around the world. As we have for a century, America will stand shoulder to shoulder with our ally Australia and rally fellow democracies to advance our shared security, prosperity, and values.* [Tweet], Twitter, December 3 2020 <<https://twitter.com/jakejsullivan/status/1334173397035741189?s=20>>.
34. Peter Hartcher, 'Just not going to happen': US warns China over Australian trade stoush', *The Sydney Morning Herald*, March 16 2021 <<https://www.smh.com.au/world/north-america/just-not-going-to-happen-us-warns-china-over-australian-trade-stoush-20210316-p57b4l.html>>.
35. Michael Wray, 'Would looking to Australia for lessons thwarting China', *The Courier Mail*, March 26 2021 <<https://www.couriermail.com.au/news/queensland/world-looking-to-australia-for-lessons-thwarting-china/news-story/5548e4a12a13d9810e2f23c018c5c6c9>>.
36. Daphne Psaledakis and Simon Lewis, 'U.S. will not leave Australia alone to face China coercion - Blinken', *Reuters*, May 14 2021 <<https://www.reuters.com/world/asia-pacific/us-will-not-leave-australia-alone-face-china-coercion-blinken-2021-05-13/>>.
37. Australian Department of Foreign Affairs and Trade, 'Ninth Japan-Australia 2+2 Foreign and Defence Ministerial Consultations', June 9 2021 <<https://www.foreignminister.gov.au/minister/marise-payne/media-release/ninth-japan-australia-22-foreign-and-defence-ministerial-consultations>>.
38. Australian Department of Foreign Affairs and Trade, 'Joint Statement on Inaugural India-Australia 2+2 Ministerial Dialogue', September 11 2021 <<https://www.foreignminister.gov.au/minister/marise-payne/media-release/joint-statement-inaugural-india-australia-22-ministerial-dialogue>>.
39. Australian Department of Foreign Affairs and Trade, 'Joint Statement on the Seventh Indonesia-Australia Foreign and Defence Ministers 2+2 Meeting', September 9 2021 <<https://www.foreignminister.gov.au/minister/marise-payne/media-release/joint-statement-seventh-indonesia-australia-foreign-and-defence-ministers-22-meeting>>.
40. Office of the United States Trade Representative, 'Remarks as prepared for delivery of Ambassador Katherine Tai outlining the Biden-Harris administration's 'New approach to the U.S.-China trade relationship'', October 4 2021 <<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/october/remarks-prepared-delivery-ambassador-katherine-tai-outlining-biden-harris-administrations-new>>.
41. People's Republic of China General Administration of Customs, 'Customs statistical data query platform', November 2021 <<http://43.248.49.97/indexEn>>.
42. See, e.g. Hong Le Thu, 'Shared vision behind Australia's new strategic friendship with Vietnam', *Australian Strategic Policy Institute*, March 12 2018 <<https://www.aspi.org.au/opinion/shared-vision-behind-australias-new-strategic-friendship-vietnam>>.

43. James Laurenceson and Thomas Pantle, *Australia's export exposure to China: Assessing the costs of disruption*, Australia-China Relations Institute, University of Technology Sydney, September 9 2021 <<https://www.australiachinarelations.org/content/australia%E2%80%99s-export-exposure-china-assessing-costs-disruption>>.
44. Mike Adams, Ron Wickes and Nicolas Brown, *Morphing risks to Australia's goods trade with China: the US-China economic and trade agreement and deteriorating Australia-China relations*, Institute for International Trade, University of Adelaide, Adelaide, February 2021 <<https://iit.adelaide.edu.au/ua/media/1299/wp02-morphing-risks.pdf>>.
45. People's Republic of China General Administration of Customs, 'Customs statistical data query platform', November 2021 <<http://43.248.49.97/indexEn>>.56. ITC, 'Trade Map', November 10 2021 <<https://www.trademap.org/Index.aspx>>.
46. Nick Aspinwall, 'Taiwan touts Australian 'freedom wine' in opposition to Chinese tariffs', *The Diplomat*, December 7 2020 <<https://thediplomat.com/2020/12/taiwan-touts-australian-freedom-wine-in-opposition-to-chinese-tariffs/>>.
47. Michael McGowan, 'Democracy wine: politicians worldwide pledge to drink Australian wine in stand against China', *The Guardian*, December 2 2020 <<https://www.theguardian.com/australia-news/2020/dec/02/democracy-wine-politicians-worldwide-pledge-to-drink-australian-wine-in-stand-against-china>>.
48. James Laurenceson and Thomas Pantle, *Australia's export exposure to China: Assessing the costs of disruption*, Australia-China Relations Institute, University of Technology Sydney, September 9 2021 <<https://www.australiachinarelations.org/content/australia%E2%80%99s-export-exposure-china-assessing-costs-disruption>>.
49. ITC, 'Trade Map', <<https://www.trademap.org/Index.aspx>>.
50. International Institute for Democracy and Electoral Assistance, *The global state of democracy report 2021*, November 2021 <[https://www.idea.int/gsod/sites/default/files/2021-11/the-global-state-of-democracy-2021\\_0.pdf](https://www.idea.int/gsod/sites/default/files/2021-11/the-global-state-of-democracy-2021_0.pdf)>.
51. Ibid.
52. Ibid.
53. James Laurenceson and Thomas Pantle, *Australia's export exposure to China: Assessing the costs of disruption*, Australia-China Relations Institute, University of Technology Sydney, September 9 2021 <<https://www.australiachinarelations.org/content/australia%E2%80%99s-export-exposure-china-assessing-costs-disruption>>.
54. Trish Gleeson, Donkor Addai and Liangyue Cao, 'Australian wine in China – Impact of China's anti-dumping duties', *ABARES research report 21.10*, Australian Government Department of Agriculture Water and the Environment, July 2021 <<https://www.agriculture.gov.au/abares/research-topics/trade/australian-wine-in-china>>.
55. Jeffrey Wilson, 'Australia shows the world what decoupling from China looks like', *Foreign Policy*, November 9 2021 <<https://foreignpolicy.com/2021/11/09/australia-china-decoupling-trade-sanctions-coronavirus-geopolitics/>>.
56. ITC, 'Trade Map', November 10 2021 <<https://www.trademap.org/Index.aspx>>.
57. Jessica Jaganathan and Chen Aizhu, 'China signs huge LNG deals with U.S. supplier Venture Global', *Reuters*, October 20 2021 <<https://www.reuters.com/business/energy/us-venture-global-signs-lng-deals-with-chinas-sinopec-documents-2021-10-20/>>.



Australia-China Relations  
Institute  
澳中关系研究院



**Australia-China Relations Institute  
University of Technology Sydney**

PO Box 123  
Broadway NSW 2007  
Australia

✉ [acri@uts.edu.au](mailto:acri@uts.edu.au)

🐦 [@acri\\_uts](https://twitter.com/acri_uts)

[www.australiachinarelations.org](http://www.australiachinarelations.org)

UTS CRICOS 00099F