The nature of Australia’s trading relationship with the rest of the world has changed dramatically in the 75 years since the end of World War II. In 1945–46 the total value of Australia’s exports of goods and services was $19 billion. It remained relatively low for the next 25 years, passing $50 billion only in 1969-70. It took a further 15 years to double, passing the $100 billion mark in 1984–85. It doubled again to $200 billion in 2000-01, and more than doubled again to $473.7 billion in 2019.

The nature of Australia’s export commodities has also changed rapidly over recent decades. Right up until the early 1980s rural commodities such as wool and meat dominated Australia’s exports. The shift away from this rural product reliance began in the 1970s, initially driven by exports of coal and iron ore.

Service exports began to assume a more dominant role in the 1980s. Short-term visitor arrivals into Australia went for about 137,000 in the early 1960s to over 2.5 million in 1991-92 and 9.3 million in 2019. The rural sector had a corresponding drop in its relative importance, accounting for about 42% of exports in 1969-70 to around 10% in
It was not just the structure of Australia’s exports that changed rapidly. The principal markets also changed radically. In the early 1960s the United Kingdom took 24% of Australia’s exports, the United States 13%, China 7.7% and Japan 22.4%. The figures for 2018-19 show a radical change. The United Kingdom has shrunk to less than 1.5%, the United States 3.9%, Japan a small shrinkage to 18% and a dramatic rise for China to just under 37% of the total.

Of Australia’s 25 largest export markets, (who account for the overwhelming majority of total exports) Asian countries constituted the greatest proportion, both in number and in value. Of the top 10 export markets, seven were in Asia (the other three being the United Kingdom, 4th, the United States 5th, and New Zealand 8th.) China, by far the largest market was 2.5 times greater than Japan in second place, and more than 10 times greater than the United Kingdom and the United States, each of the latter two accounting for less than 10% of the value of the Chinese market.

The year 2020 has seen some radical changes in Australia’s relationship with China, not all of which can be attributed to the virus. Australia’s exports to China fell by nearly a quarter year on year, and fell for each of the last five months to August 2020. It would be unwise to attribute this loss to the coronavirus effect. China’s imports from all nations grew by 6% in the year to August 2020 and the country’s economy, including imports, has had a relatively short and minor impact from the virus.

The Chinese view as expressed in the Party’s media outlet, the Global Times, in a series of articles featuring Australia in recent weeks, is that the slump in trade is a direct consequence of the deteriorating political relationship between the two countries. If the slump continues, and there are no signs at all of any improvement in the relationship, quite the contrary, the economic consequences for Australia will be devastating.

Unlike the food exports of decades ago, the market for mineral products is much less elastic. Importing countries have to have the industrial infrastructure to utilise the raw minerals, and new markets cannot be created in the medium, let alone short term.

It is not just exports that will be affected by the rapid cooling of China – Australia relations. Chinese students in 2019 comprised by far the biggest number of foreign students in Australian universities. That market has virtually vanished this year. Similarly, with Chinese tourists, again the largest group in 2019. It would be extremely unwise for either the tourist or the University sectors to expect any improvement in the foreseeable future. Both sectors contributed billions of dollars to Australia’s foreign exchange balance and supported tens of thousands of jobs.

The United States runs an enormous trade deficit with China which is somehow turned into a Chinese “fault”. The blunt reality is different. Chinese education and technology have significantly outpaced the United States in recent years. One manifestation of this is that a huge number of major United States companies have moved their production out of the United States and relocated to China and other Asian countries.

It is not just a cost driven exercise. As noted, the Chinese technology is now superior to that of the United States (as is also the case in Russia), the labour force is better educated, production costs are lower, and the market for advanced goods is rapidly expanding. China lifting 700 million people out of poverty this century alone has had major downstream effects, including an educated, affluent domestic market. The major social indicators in the United States by comparison have nearly all been in the opposite direction.

When one looks at the social and economic indicators in China, they all point to increasing demand for quality imports, whether of raw materials or other indicia of social and economic progress. Australia, with large resources and a small population (about the same as Shanghai) should be in a prime position to benefit from China’s economic progress.

Instead, as the figures now demonstrate, Australia is paying an economic price for its political subservience to the
United States. That subservience takes many forms, all of which defy rational explanation if the test was one of a country acting in its own economic interests.

Australia's willingness to engage in the United States' foreign wars of choice, from Korea 70 years ago up to and including the ongoing travesties in Iraq, Afghanistan and elsewhere. None of that by itself would necessarily have impacted on Australia's relationship with China. In recent years, and especially in the Trump era, that subservience has taken on a different and more dangerous element.

Australia seems to have completely disregarded the maxim attributed to Lord Palmerston: a country has neither friends nor enemies, only interests. The current actions of the Australian government are the antithesis of enlightened self-interest. To go out of one's way to annoy and alienate such an important economic partner (in multiple senses) such as China, is simply irrational. The foolishness is compounded by there being an absence of any obvious plan B.

The next few years are likely to be years of hardship for Australia unprecedented in the modern era. The Australian government has only itself to blame. It would be extremely unwise to assume that a change of government in Australia would make the least difference. The Opposition Labor Party is basically an echo chamber when it comes to the government's actions with regard to China.

The reasons for that go back in all probability to the overthrow of the Labor government in 1975, an exercise from which the party has never fundamentally recovered. Under the Australian electoral system, itself uniquely bad for a so-called democratic nation, no viable alternative to the two major parties seems a realistic prospect. Australia will have to learn to adjust to a new, and harsher, economic reality.

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