Australia Faces New Challenges in its Relationship With China

The relationship between Australia and China has deteriorated markedly over recent months. Each side is blaming the other for the deterioration, and amid the flurry of frankly anti-China propaganda emerging from most of the major Australian news outlets it is difficult to establish what went wrong and who precisely is to blame.

It is possible however to point to a series of significant events and infer that at least one of them, and more likely several, were the origins of the problem. Such analysis is not welcome in Australia which has opted for the role of being an innocent party unjustly accused. How true is that?

China is certainly a critical part of the Australian economy, and has been so for a lengthy number of years. Some of the current lamenting accuses the country’s political leaders of being too ready to take the Chinese view, and too little to ensure that the country diversified its markets. Such lamenting is fruitless. At the time it was happening all parties were happy to sell the Chinese as much as it could be persuaded to take. If there were any voices five, ten or fifteen years ago urging caution they were remarkably quiet.

Now there is a plethora of voices publicly questioning Australia’s dependence upon the Chinese market, and dependence it certainly is. In 2019, the last year for which non-Covid related figures are available, approximately 40% of all of Australia’s exports were sold to China. That was a figure that had been rising steadily for decades, and in the growth years there was no shortage of persons willing to share the largess created by such a market.

It was not however, just the export industries that welcomed the Chinese boom. In 2019 China was also the largest source of foreign tourists to Australia, and the tourism industry, a multi-billion-dollar earner, could scarcely contain its excitement.

Tourism was not the only industry to welcome ever increasing numbers of Chinese visitors. The education sector, but particularly the universities and other tertiary establishments, also welcomed Chinese students in record numbers. They were far and away the largest group of foreigners to seek further education in Australia. This year, thanks primarily to Covid, the numbers crashed, leaving the universities with too many staff and too few paying customers to support a continuation of their numbers.

Large scale redundancies have already been announced and it may safely be assumed that more will come. Again, the assumption had been that the good times would continue to roll. Now they are facing harsh reality.

One sector that appears to be holding up, at least relatively, is Chinese investment in Australian companies, although here the trends are also not good. An increasing number of applications for Chinese companies to invest in Australia have been turned down in recent months. This has not received the publicity given to the fall in foreign tourists and foreign students, but it is significant and potentially very damaging.

The best-known example, announced in 2019, was prime minister Scott Morrison stating that Chinese technical giant Huawei would not be permitted to operate in Australia. He appears to be the first Western political leader to make this decision. The ostensible reason for the ban is that Huawei’s products, especially the telephone technology, is in fact part of a giant Chinese scheme to spy on western communications.

The decision was clearly a political one. There is no evidence that Huawei is a backdoor conduit for Chinese spying. That is more than can be said of the United States telecommunications giants whose record of using their product as a mechanism for spying on its users’ communications is now widely known. The complete silence from the Australian
political authorities on these revelations is hugely significant. How can, until recently, secret American spying on our communications be any better than the alleged spying of a country such as China. The hypocrisy of the Australian stance has not gone unnoticed in Beijing.

The proverbial straw that broke the Chinese back was however, the ill-judged and indeed profoundly stupid public questioning of China as the source of the coronavirus currently plaguing the world. In February of this year Australian Prime Minister Morrison publicly questioned China’s alleged role in unleashing the virus upon the world. He was the first political leader to do so.

The Chinese were understandably furious. The city of Wuhan, location of the first Chinese cases of the virus had been the city where the World Military Olympics had been held in the second half of October 2019. The Chinese believed that the virus had been introduced to China by foreign participants in those games. The western world did not want to know about possible sources. United States President Donald Trump made, (and continues to make) a giant play of what he calls the “China virus”.

Recently published research in the peer reviewed journal Microorganisms by Teresa Rito and others puts Europe centre stage as the main source of the virus (www.mspi.com October 2020). Morrison has been conspicuously silent on this research although it is now well over a month since it was published.

Since the ill-considered questioning as to the virus’ origins, it has been all downhill from then in the China-Australia relationship. Morrison does not seem to have learned anything from his experience. Last week he suddenly flew off to Japan for a highly publicised but essentially meaningless meeting with the new Japanese Prime Minister Yoshihide Suga.

Morrison returned from Japan apparently having learned nothing. He told business leaders in a virtual appearance following his return from Japan that he was always willing “to pick up the phone” but that he was not prepared to agree to any meeting with the Chinese leadership that would “trade away” Australia’s interests.

In short, he has learned nothing from Australia’s experiences with its trade with China over the past year. Signalling that a meeting with your country’s largest trading partner can only happen on your terms is the antithesis of re-establishing a good working relationship.

China has now imposed restrictions on Australian exports in copper, barley, timber, coal, sugar, wine and lobsters. The collective value of these exports runs to tens of billions of dollars. There are no ready-made alternatives waiting to take China’s place. Part of the irony is that the United States is exporting all of those products to China. The Australian gesture, definitely in support of the United States, may turn out to be to the United States’ advantage and Australia is the one that suffers. The incoming Biden administration will not alter that reality and in fact it is more likely to improve the China-United States relationship then was true under Trump.

There are a lot of hard times ahead for Australia, due in no small part to the inept handling of the relationship with China. For that, they have no one to blame but themselves.

James O’Neill, an Australian-based former Barrister at Law, exclusively for the online magazine “New Eastern Outlook”.
