

PRC economic coercion: the recent Australian experience

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Introduction

In March 2017 Rory Medcalf, director of the National Security College at the Australian National University, observed that '[e]ven where Canberra has seriously annoyed Beijing, such as by supporting legal rulings on the South China Sea [in July 2016], Beijing hasn't directed economic pressure specifically at Australia'.¹ But the political relationship between the two countries has deteriorated sharply since then. And a report by the Australian Strategic Policy Institute (ASPI) published earlier this month documented 152 alleged instances of coercive diplomacy by the People's Republic of China (PRC) globally over the past 10 years, with a sharp increase since 2018. It found that '[o]f the 27 countries found to have been affected, Australia was subjected to the highest number of recorded cases (17 cases)'.²

For the most part, however, the ASPI report did not examine the impact such measures had on trade flows. A remark appearing in PRC state media – described by the ASPI report as coercion in the form of a 'state-issued threat' – might be unpleasant. But if it had little or no impact on trade then it can more accurately be described as bluster or 'bark', rather than 'bite'. This UTS:ACRI brief delves into trade data around six recent events that are most commonly cited as examples of PRC economic coercion directed at Australia:

1. Beef in July 2017
2. Students in December 2017 and February 2018
3. Wine in May 2018
4. Coal in February 2019
5. Barley in May 2020
6. Beef in May 2020

In each case, the PRC government has denied it was engaging in coercion, while other commentators have also raised a variety of other possible motivations, such as protecting the PRC's domestic industry or as retaliation for trade policy measures Australia has taken against PRC imports. The existence of multiple interpretations is consistent with a feature of PRC economic statecraft operating in the 'greyzone' with 'plausible deniability'.³

1 Rory Medcalf, 'China's economic leverage: perception and reality', *National Security College policy options paper no.2*, Australian National University, Canberra, March 2017 <<https://nsc.crawford.anu.edu.au/publication/9971/chinas-economic-leverage-perception-and-reality>>.
2 Fergus Hanson, Emilia Currey, Tracy Beattie, *The Chinese Communist Party's coercive diplomacy*, Australian Strategic Policy Institute, September 1 2020 <https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2020-08/The%20CCPs%20coercive%20diplomacy_0.pdf?4M_JTUAd05Bjek_hvHt1NKdCLts4kbY>.
3 Darren Lim, Victor Ferguson, 'In beef over barley, Chinese economic coercion cuts against the grain', *The Interpreter*, Lowy Institute, Sydney 13 May 2020 <<https://www.lowyinstitute.org/the-interpreter/barney-over-beef-chinese-economic-coercion-cuts-against-grain>>.

The broader context for these events is two-fold. First, the rising prominence of economic coercion is not limited to the PRC. The first ‘key takeaway’ in a 2019 report by the Washington-based think-tank, Center for New American Security, states that ‘Coercive economic measures, such as sanctions, investment restrictions, trade controls, and tariffs, have become an increasingly important tool of U.S. foreign policy in recent years’.⁴ Second, the aggregate value of Australia’s exports to the PRC has continued to expand from \$116.0 billion in 2017 to \$169.1 billion in 2019.⁵ In the first seven months of 2020, even as COVID-19 unleashed a large-scale, global, negative economic shock, the total value of Australia’s goods exports to the PRC remained steady on the same period a year earlier. Meanwhile, goods exports to all other countries fell by 10.2 percent.⁶

Case 1. Beef in July 2017

On July 25 2017 Australia’s Trade Minister received notice that certification to supply the PRC market would be suspended for six Australian meat processing plants, allegedly due to labelling and non-compliance issues.⁷

Some Australian commentators attributed the measures to, amongst other possibilities, ‘Foreign Minister Julie Bishop’s comments last week over freedom of navigation in the South China Sea’.⁸

A factor that helped to limit the immediate costs to the affected plants was that PRC authorities allowed shipments that were in-transit to enter the PRC market.⁹ Access to the PRC market was restored three months later on October 30 2017.¹⁰

According to data from the Meat and Livestock Association, the volume of exports to the PRC dipped 25.3 percent in August 2017 on a month earlier.¹¹ But this was quickly recovered. In September and October – while the suspension affecting the six meat processors were still in place – the total volume of Australian beef exports to the PRC was actually higher than before the measures had been introduced. When compared to the previous year, a decline is again only observable in the month of August, whilst all other months experienced positive growth. By 2018, any disruption due to the partial suspension of certification in 2017 had been well and truly overcome. The period of July through to October in 2018 saw growth in the value of Australia’s beef exports to the PRC of 76 percent over the same period the year before.

In terms of Australia’s market share of PRC beef imports – a useful metric of whether coercive pressure might have been directed specifically at Australia – UN Comtrade data show there was only a marginal decline from 23.6 percent in July to 19.4 percent in August and 19.7 percent in September.¹² But by October this had bounced back to 22.2 percent, above the monthly average for 2017 of 21.4 percent.

Case 2. Students in December 2017 and February 2018

On December 18 2017, the PRC Embassy in Australia posted a notice on its website contending that ‘recently, in different parts of Australia, there have been increased cases of verbal and physical attacks against Chinese students’.¹³ This was followed by an almost-identical notice on the PRC Ministry of Education’s website on February 14 2018.¹⁴

Initial reporting by the *ABC News* outlined earlier incidences of verbal and physical abuse affecting PRC students, while also noting that the warning came ‘amidst a period of worsening ties between Australia and

4 Peter Harrell, Elizabeth Rosenberg, *Economic dominance, financial technology, and the future of US economic coercion*, Center for New American Security, April 29 2019 <<https://www.cnas.org/publications/reports/economic-dominance-financial-technology-and-the-future-of-u-s-economic-coercion>>.

5 Australian Government Department of Foreign Affairs and Trade, ‘Trade time series data’, July 2020 <<https://www.dfat.gov.au/trade/resources/trade-statistics/Pages/trade-time-series-data>>.

6 Australian Bureau of Statistics, ‘5368.0.55.024 – international merchandise trade, preliminary, Australia, July 2020’, August 25 2020 <<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5368.0.55.024July%202020?OpenDocument>>.

7 *Australian Associated Press*, 9Finance, ‘China lifts import ban on Australian beef’, October 30 2017 <<https://finance.nine.com.au/business-news/china-lifts-import-ban-on-australian-beef/Oe567007-af44-4d09-935a-5ff473593d47>>.

8 Jamie-Lee Oldfield, ‘Beef processors hit by China ban’, *The Weekly Times*, July 27 2017 <<https://www.weeklytimesnow.com.au/news/national/australian-beef-processors-hit-by-temporary-china-export-ban/news-story/acd84a500ff33e4941ca8f3540f526e8>>.

9 Oscar Rousseau, ‘Six Australian meat outfits hit by China ban’, *FoodNavigator-Asia*, July 26 2017 <<https://www.foodnavigator-asia.com/Article/2017/07/27/Six-Australian-meat-outfits-hit-by-China-ban>>.

10 *Australian Associated Press*, 9Finance, ‘China lifts import ban on Australian beef’, October 30 2017 <<https://finance.nine.com.au/business-news/china-lifts-import-ban-on-australian-beef/Oe567007-af44-4d09-935a-5ff473593d47>>.

11 Meat and Livestock Australia, ‘Statistics database’, 2020 <<http://statistics.mla.com.au/Report/RunReport/3cf814d1-603d-49d6-ae37-7e598b3aac0a>>.

12 United Nations Statistics Division, ‘UN Comtrade’, 2020 <<https://comtrade.un.org/data>>.

13 Embassy of the People’s Republic of China in the Commonwealth of Australia, ‘提醒赴澳中国留学人员近期加强安全防范 (Reminder to Chinese students in Australia to strengthen safety measures)’, December 18 2017 <<http://au.china-embassy.org/chn/lsfw/lxdt/f5/t1520390.htm>>.

14 Embassy of the People’s Republic of China in the Commonwealth of Australia, ‘教育部发布2018年第1号留学预警 赴澳大利亚留学应注意安全风险 (The Ministry of Education issued the 2018 overseas students early warning no. 1 – students in Australia should be mindful of safety risks)’, February 14 2018 <<http://au.china-embassy.org/chn/lsfw/lxdt/f4/t1535317.htm>>.

China over public discussion of Chinese Communist Party interference in Australia'.¹⁵ On February 15 2018 the *Financial Times* quoted LaTrobe University's James Leibold, as stating '[t]his is clearly an act of retaliation to the introduction of new foreign interference laws in Australia and the ongoing debate about Chinese Communist party interference'.¹⁶

Data from the Australian Government Department of Home Affairs show that there was little year-on-year change in monthly visa lodgements by PRC students in each of the 12 months of 2018 and 2019.¹⁷ Data for new student enrolments indicates that the number of commencing PRC students in 2018 reached 129,103 – up 3.0 percent from 125,305 in 2017.¹⁸

Case 3. Wine in May 2018

On May 17 2018, Treasury Wine Estates Ltd (TWE) announced to the Australian Stock Exchange that it was 'experiencing delays for some of its Australian Country of Origin shipments being cleared by the General Administration of Customs China (GACC)'. It cited 'new and additional verification requirements' that 'seemingly appear to only apply to Australian Country of Origin wines'.¹⁹

The news immediately prompted a headline in *The Australian Financial Review (AFR)* stating '[p]olitical tension blamed on Treasury's China Customs headache'.²⁰

The trade restriction measures turned out to be extremely short-lived. On June 5 2018, just three weeks after TWE had issued its statement to the markets, the *AFR* was reporting that 'more than two-thirds' of the Australian wine that had been affected had been released for sale.²¹ According to data from Wine Australia, the value of Australia's wine exports to the PRC (including Hong Kong SAR and Macao SAR) reached \$1.14 billion in 2018, up 18 percent on a year earlier. In volume terms, Australian wine exports to the PRC had increased by seven percent.²² As a share of the PRC's total wine import volume, the Australian product increased its market share against its competitors during 2018.²³

Case 4. Coal in February 2019

On February 21 2019, *Reuters* reported that 'Customs at China's northern port of Dalian has banned imports of Australian coal' and that 'Coal imports from Russia and Indonesia will not be affected', citing an official from Dalian Port Group.²⁴ On February 21 2019, an *ABC News* report with a headline including the statement, 'Chinese officials ban Australian coal imports' cited 'industry sources' who said 'similar delays are now occurring at other Chinese ports'.²⁵

On February 21 2019 *The Sydney Morning Herald (SMH)* quoted Peter Jennings, the executive director of ASPI, as saying that the development was 'a deliberate shot across the bows...designed to keep Australia on edge about our decision concerning Chinese investment or its inclusion in our 5G network'.²⁶

PRC customs statistics document that the PRC decreased its imports of Australian coal in February 2019 by 45 percent compared with February 2018. However, volumes then quickly recovered in subsequent months to

15 Bill Birtles, 'China's embassy in Canberra issues safety warning for Chinese nationals in Australia', *ABC News*, December 20 2017 <<https://www.abc.net.au/news/2017-12-20/chinese-embassy-issues-safety-warning-for-australia/9277202>>.

16 Jamie Smyth, Thomas Hancock, 'Chinese students warned over Australia safety', *Financial Times*, February 15 2018 <<https://www.ft.com/content/e1f92b40-11f9-11e8-8cb6-b9ccc4c4dbbb>>.

17 Australian Government Department of Home Affairs, 'Student visa program', 2020 <<https://data.gov.au/dataset/ds-dga-324aa4f7-46bb-4d56-bc2d-772333a2317e/details>>.

18 Australian Government Department of Education, Skills and Employment, 'International student data', 2020 <<https://internationaleducation.gov.au/research/international-student-data/pages/default.aspx>>.

19 Treasury Wine Estates, 'Treasury Wine Estates responds to market commentary', May 17 2018 <<https://www.tweglobal.com/-/media/Files/Global/ASX-Announcements/2018/Treasury-Wine-Estates-responds-to-market-commentary-17-May-2018.ashx>>.

20 Michael Smith, 'Political tension blamed on Treasury's China Customs headache', *The Australian Financial Review*, May 17 2018 <<https://www.afr.com/companies/retail/political-tension-blamed-on-treasurys-china-customs-headache-20180517-h1068g>>.

21 Andrew Tillet, 'Winemakers demand Malcolm Turnbull step in to ease China wine woes', *The Australian Financial Review*, June 5 2018 <<https://www.afr.com/politics/winemakers-demand-malcolm-turnbull-step-in-to-ease-china-wine-woes-20180604-h10yi9>>.

22 Wine Australia, '2018: an impressive year for Australian wine exports', *Market Bulletin Issue 140*, January 22 2019 <<https://www.wineaustralia.com/news/market-bulletin/issue-140>>.

23 Wine Australia, 'Increasing demand for quality wines in China', *Market Bulletin Issue 141*, January 22 2019 <<https://www.wineaustralia.com/news/market-bulletin/issue-140>>.

24 Meng Meng, Muyu Xu, Dominique Patton, Michale Martina, Tom Westbrook, Melanie Burton, Richard Pullin, Christian Schmoltinger, Tom Hogue, 'Exclusive: China's Dalian port bans Australian coal imports, sets 2019 quota – source', *Reuters*, February 21 2019 <<https://www.Reuters.com/article/us-chi-na-australia-coal-exclusive/exclusive-chinas-dalian-port-bans-australian-coal-imports-sets-2019-quota-source-idUSKCN1QA0F1>>.

25 Stephen Letts, 'Dollar tumbles as Chinese officials ban Australian coal imports; analysts say move 'crystallises fears' about possible crackdown', *ABC News*, February 22 2019 <<https://www.abc.net.au/news/2019-02-21/china-bans-coal-import-and-send-dollar-tumbling/10835136>>.

26 Kirsty Needham, Cole Latimer, 'A big Chinese port bans Australian coal and the dollar falls', *The Sydney Morning Herald*, February 21 2019 <<https://www.smh.com.au/world/asia/a-big-chinese-port-bans-australian-coal-and-the-dollar-falls-20190221-p50zfu.html>>.

be broadly in line with 2018 movements. The total annual volume of the PRC's coal imports from Australia in 2019 was down just four percent from 2018.²⁷

Market share data exhibits a similar pattern to the quantity data, in that Australia's share of the PRC's coal imports decreased markedly to 31 percent in February 2019 compared to 43 percent in February 2018. However, the following month, March 2019, Australia's market share was on-par with that in March 2018, while in April 2019 it exceeded that of the previous year. For 2019 as a whole, Australia's market share only declined modestly to 40 percent from 43 percent in 2018.²⁸

Case 5. Barley in May 2020

On November 19 2018 the PRC Ministry of Finance and Commerce (MOFCOM) launched an investigation into whether Australia barley was being dumped in the PRC market and benefiting from subsidies. After an 18-month investigation, on May 19 2020, MOFCOM ruled that both dumping and subsidisation had occurred, leading to a combined 80.5 percent tariff on Australian barley.²⁹

When the investigation was first announced in 2018, the *AFR* referenced grain producers who saw the moves as a politically motivated response to an agreement between Australia and the US to develop a PNG naval base aimed at countering Beijing's influence in the southwest Pacific.³⁰ When the tariffs were imposed in May 2020, the suggestion by the PRC's ambassador in Australia a month earlier that '[m]aybe also the ordinary people will say why should we drink Australian wine or eat Australian beef',³¹ led some news outlets such as *ABC News* and the *AFR* to include the assessment that the imposition of tariffs were a coercive step.³² Commenting on this, Trade Minister Simon Birmingham stated that he 'can understand why people draw those links, particularly given the comments of the Chinese ambassador to Australia'.³³

During 2019 the average monthly value of Australia's barley exports to the PRC was \$A59.1 million, while in June 2019 specifically it was \$A19.0 million. In June 2020, the first month after the PRC imposed the trade restriction measures, the value collapsed to just \$A1.1 million, not surprising in view of the size of the tariff imposed.³⁴ This makes the impact of the barley move different to previous instances of trade disruption.

That said, the Australian Bureau of Agricultural and Resources Economics (ABARES) also noted that the lengthy investigation had allowed farmers to pursue mitigation options: 'Altered planting decisions [less barley, more alternative crops] and changes in the markets to which Australia exports barley will lessen the negative impact of China's punitive tariff'. ABARES also concluded that 'barley production is expected to remain profitable since it is a relatively low input crop and has agronomic value as part of crop rotations'.³⁵

Case 6. Beef in May 2020

On May 11 2020, the PRC Ministry of Commerce notified the Australian government of the suspension of imports from four meat processors in Australia, which jointly accounted for a reported 35 percent of Australian beef exports to the PRC, allegedly for labelling and health certificate shortcomings.³⁶

On May 12 2020, a report in the *AFR* cited 'private concerns inside the government linking the sanctions to the Prime Minister's calls for an international investigation in the COVID-19 virus'.³⁷ A report in the *SMH* on

27 CEIC Data, 'China premium database', 2020.

28 CEIC Data, 'China premium database', 2020.

29 Cao Liangyue, Jared Greenville, *Understanding how China's tariff on Australian barley exports will affect the agricultural sector*, Australian Bureau of Agricultural and Resource Economics and Sciences, Australian Government Department of Agriculture, Water and the Environment, June 2020 <<https://www.agriculture.gov.au/abares/research-topics/trade/understanding-chinas-tariff-on-australian-barley>>.

30 Michael Smith, 'China launches anti-dumping probe into Australian barley imports', *The Australian Financial Review*, November 19 2018 <<https://www.afr.com/world/asia/china-launches-anti-dumping-probe-into-australian-barley-imports-20181119-h181zp>>.

31 Georgia Hiltch, Jordan Hayne, 'Federal Government calls Chinese ambassador about comments on trade boycott over coronavirus inquiry', *ABC News*, April 28 2020 <<https://www.abc.net.au/news/2020-04-28/government-calls-chinese-ambassador-boycott-coronavirus-inquiry/12191984>>.

32 Dan Conifer, 'China imposes 80pc tariff on Australian barley for next five years amid global push for coronavirus investigation', *ABC News*, May 19 2020 <<https://www.abc.net.au/news/2020-05-18/china-to-impose-tariffs-on-australian-barley/12261108>>; Andrew Tillett, Brad Thompson, 'No evidence: China knew barley dumping claims were false', *The Australian Financial Review*, May 19 2020 <<https://www.afr.com/politics/federal/no-evidence-china-knew-barley-dumping-claims-were-false-20200519-p54uap>>.

33 Andrew Tillett, Brad Thompson, 'No evidence: China knew barley dumping claims were false', *The Australian Financial Review*, May 19 2020 <<https://www.afr.com/politics/federal/no-evidence-china-knew-barley-dumping-claims-were-false-20200519-p54uap>>.

34 Australian Bureau of Statistics, 'Exports by SITC - (\$ - thousands)', 2020 <<http://stat.data.abs.gov.au/#>>.

35 Scott Waldron, 'The exposure of Australian agriculture to risks from China: the cases of barley and beef', *Asian Cattle and Beef Trade Working Papers No. 4*, University of Queensland, June 2020 <<http://www.asiabeefnetwork.com/wp-content/uploads/2020/06/200610-China-barley-beef.docx.pdf>>.

36 Kath Sullivan, Jodie Gunders, 'Red-meat processors have beef sales to China suspended as trade barriers escalate', *ABC News*, May 12 2020 <<https://www.abc.net.au/news/rural/2020-05-12/china-trade-escalation-as-beef-farmers-are-targeted/12237468>>.

37 Brad Thompson, Angus Grigg, John Kehoe, 'China asked to explain beef bans as trade row grows', *The Australian Financial Review*, May 12 2020 <<https://www.afr.com/companies/agriculture/china-asked-to-explain-beef-bans-as-trade-row-grows-20200512-p54s5c>>.

the same day similarly observed that the suspension was ‘fuelling concern of a campaign by Beijing against Australian producers in response to Prime Minister Scott Morrison’s push for an independent coronavirus inquiry’.³⁸

As in 2017, PRC authorities allowed exports from the affected processors that were in-transit to enter the market.³⁹ According to data from Meat and Livestock Australia, the volume of beef exports to the PRC declined in February 2020 – coinciding with the impact of COVID-19 on PRC demand.⁴⁰ Exports rose in March, April and May 2020, with the volume of exports in April and May 2020 exceeding that in April and May 2019. Volumes then dropped in June and July 2020 compared to both the preceding months and the same period in 2019. The year-to-date total volume of beef exports in 2020 is a relatively modest 8.6 percent lower than in 2019.

The extent to which this decline is owed to the suspensions is confounded by falling slaughter rates affecting Australian beef exports to all markets, increased tariffs on Australian beef in the PRC as a result of reaching the China–Australia Free Trade Agreement safeguard in early July 2020, new regulations for COVID-19 testing of imported meat products and competition from beef producers in other markets.⁴¹ Year-on-year trends may also be affected by the 2019 African Swine Fever epidemic in the PRC, which boosted demand for imported meat in 2019.

What is also evident in Australia’s beef export data is that the demand for Australian beef extends well beyond the PRC. By the middle of 2020 the US had quickly emerged as Australia’s largest customer, with the PRC falling to fourth place, also behind Japan and Korea.⁴²

Features of the PRC’s trade disruption measures

First, in some cases, such as PRC students at the end of 2017 and in early 2018, the coercion that was alleged to have taken place had no perceptible impact on trade.

Second, in other cases, while the impact on trade was perceptible, it proved short-lived – one month in the case of beef in 2017, three weeks in the case of wine in 2018 and no more than two months for coal in 2019.

Third, aside from being short-lived, trade has nearly always continued, even if at a reduced level. In the case of beef in 2017 and again in 2020, while new shipments from affected meat processors were halted, those already in-transit were allowed to enter the PRC market. And a majority of Australian meat processors continued to export to the PRC as normal.

Fourth, even when trade with the PRC has suffered a sharp fall, such as with barley this year, Australian industry had prior opportunity to mitigate the shock. In the case of beef, mitigation following the imposition of PRC measures was assisted by strong demand from other countries. This is not, however, to dismiss the costs that individual producers have sometimes borne, or those concentrated in specific regions.

Finally, the more frequently Beijing employs trade restriction measures, the more sensitive Australian producers will be to risk derived from exposure to the PRC market. This, too, will inform their risk mitigation strategies, reducing the PRC’s coercive leverage in the process. On August 23 2020 Minister Birmingham alluded to as much: ‘Some of the regulatory decisions that China has made this year will obviously increase the risk profile that businesses would see when it comes to trading with Chinese counterparts’.⁴³ This means, as John Kehoe writing in the *AFR* on June 24 2020 explained, ‘...if an exporter can get \$110 for their product in China or \$100 in South Korea, the risk-adjusted price may be more profitable in the more predictable liberal democracy’.⁴⁴

38 Mike Foley, Eryk Bagshaw, ‘China suspends Australian beef imports from four abattoirs’, *The Sydney Morning Herald*, May 12 2020 <<https://www.smh.com.au/politics/federal/china-suspends-australian-beef-imports-from-four-abattoirs-20200512-p54s4k.html>>.

39 Meat and Livestock Australia, ‘Australia’s beef trade with China’, May 14 2020 <<https://www.mla.com.au/news-and-events/industry-news/australias-beef-trade-with-china/>>.

40 Meat and Livestock Australia, ‘Statistics database’, 2020 <<http://statistics.mla.com.au/Report/RunReport/3cf814d1-603d-49d6-ae37-7e598b3aac0a>>.

41 Scott Waldron, ‘The exposure of Australian agriculture to risks from China: the cases of barley and beef’, *Asian Cattle and Beef Trade Working Papers No. 4*, University of Queensland, June 2020 <<http://www.asiabeefnetwork.com/wp-content/uploads/2020/06/200610-China-barley-beef.docx.pdf>>.

42 Jon Condon, ‘July beef exports continue to sag, in line with slide in slaughter rates’, *Beef Central*, August 4 2020 <<https://www.beefcentral.com/trade/july-beef-exports-continue-to-sag-in-line-with-slide-in-slaughter-rates/>>.

43 Sally Pattern, Patrick Durkin, ‘Risks of exporting to China have increased for Australian companies’, *The Australian Financial Review*, August 23 2020 <<https://www.afr.com/policy/economy/risks-of-exporting-to-china-have-increased-for-australian-companies-20200823-p55odn>>.

44 John Kehoe, ‘Who’s next on China’s trade hit list?’, *The Australian Financial Review*, June 24 2020 <<https://www.afr.com/politics/federal/who-s-next-on-china-s-trade-hit-list-20200618-p5541k>>.

The PRC's incentive for restraint

The PRC could inflict far worse trade punishment on Australia than it has done to date. This restraint can be explained by several factors.

First, there is a pure economic cost. Trade is by definition a mutually beneficial transaction, meaning that disrupting trade brings costs to both parties, including the PRC.

Second, the PRC likely understands that coercive measures have little prospect of success. As the PRC has employed trade-disrupting measures with increasing frequency, the backlash within the Australian public has grown stronger and nowadays even the voices of groups with interests in urging moderation in Australian government policies, such as the business sector, have grown quieter.⁴⁵ Rather than undercutting the Australian government's firm stance on the PRC, coercion feeds into domestic politics to incentivise even stronger pushback.

Third, Beijing does not always have ready access to policy levers to cut off trade. In the case of students and tourism, indirect pressure can be exerted via disinformation campaigns in the PRC's state-owned media. But PRC consumers get their news from a range of sources, and Australian governments and industry can respond with marketing campaigns of their own.

Fourth, the PRC's actions against Australia to date are already being beamed around the world, casting significant global doubt on its reputation as a reliable trading partner that plays by the rules.⁴⁶ Trade is supported by a rules-based system, albeit imperfect, overseen by the World Trade Organization (WTO). When disputes such as those around barley arise, these rules require 60 days of bilateral consultations after which Australia can initiate a formal complaint to the WTO, as Canberra has indicated it intends on doing.⁴⁷

Fifth, while in Australia the focus is placed on PRC coercion, the bigger picture is that the PRC is vulnerable to coercion itself. US restrictions placed on exports of high tech goods to the PRC are the most notable example but former Australian ambassador in Beijing, Geoff Raby, also observes that the PRC is now 'utterly dependent' on world markets for basic raw materials.⁴⁸ The PRC may now be the world's largest steel producer, but more than 60 percent of iron ore needed to produce that steel comes from Australia.

Finally, in addition to the risk mitigation options retained by individual Australian producers and sectors, the country as a whole can pursue strategic risk mitigation. As early as 2012, the University of Sydney's James Reilly observed that 'Australia has responded to deepening economic dependence upon China with classic balancing strategy: strengthening security ties with its Asian neighbours and the United States while bolstering its military capacity'.⁴⁹ The *2017 Foreign Policy White Paper* and the *2020 Defence Strategic Update* have given further impetus to these endeavours.

Conclusion

Trade restriction measures that the PRC might apply in the future could have a more dramatic effect on Australian exports. But this possibility serves as justification to monitor the facts as they unfold. Going beyond PRC government rhetoric and Australian media headlines to analyse existing data are fundamental to developing a best-practice understanding of potential PRC economic coercion today.

45 Natasha Kassam, *Lowy Institute Poll 2020*, Lowy Institute, Sydney, June 24 2020 <<https://poll.lowyinstitute.org/>>; John Power, 'As China tensions mount, Australia's dovish voices calling for engagement are fading away', *South China Morning Post*, June 12 2020 <<https://www.scmp.com/week-asia/politics/article/3088611/china-tensions-mount-australias-dovish-voices-calling-engagement>>.

46 See, e.g., *The Economist*, 'China punishes Australia for promoting an inquiry into covid-19', May 21 2020 <<https://www.economist.com/asia/2020/05/21/china-punishes-australia-for-promoting-an-inquiry-into-covid-19>>.

47 Ben Doherty, Daniel Hurst, 'Australia vows to stand up to China amid reports wine and dairy exports could be targeted next', *The Guardian Australia*, May 20 2020 <<https://www.theguardian.com/australia-news/2020/may/20/australia-vows-to-stand-up-to-china-amid-reports-wine-and-dairy-exports-could-be-targeted-next>>.

48 Geoff Raby, 'China – the constrained superpower', transcript, International House, June 23 2018 <<https://ihouse.unimelb.edu.au/home/features/china-the-constrained-superpower>>.

49 James Reilly, 'Counting on China? Australia's strategic response to economic interdependence', *The Chinese Journal of International Politics*, 5(4), November 10 2012 <<https://doi.org/10.1093/cjip/pos016>>.

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