

# Australia-China monthly wrap-up

April 2021



This edition features:

- Summary and analysis of major developments in April 2021
- Key trade indicators

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*With research assistance from Thomas Pantle*

The intensification of tensions between Taiwan and the People's Republic of China (PRC) over the past few years has meant that the prospect of military conflict over Taiwan has increasingly preoccupied Australian strategists and analysts. But what had generally been a low hum of murmured concerns saw forceful amplification this month, with senior government figures loudly hinting at the possibility of Australian involvement in a war with the PRC. With no catalyst sparking the sharpening of discourse, the seemingly sudden enthusiasm at the upper levels of government to convey a state in which Australia teeters on the precipice of war, has led to domestic confusion and alarm. This month also saw the cementing of a bipartisan political consensus on a harder line on the PRC in Australia, a restatement of diplomatic 'digging in' by both Australia and the PRC, the further inflammation of bilateral political tensions following the Australian federal government's cancellation of agreements between the state of Victoria and the PRC on the Belt and Road Initiative (BRI) and review into the Northern Territory government's lease of the Port of Darwin to the Chinese-owned company Landbridge, as well as a step-up of a PRC propaganda campaign on Xinjiang.

The US Charge d'Affaires in Australia, Michael Goldman, at the beginning of the month had [indicated](#) that Taiwan was 'an important component' of strategic planning between the US and its allies. Weeks later, Defence Minister Peter Dutton during an Anzac Day interview on April 25 [said](#) that he did not think that a military conflict over Taiwan 'should be discounted'. This assessment, though qualified by the statement that 'Nobody wants to see conflict between China and Taiwan', took on particular prominence coming as it did alongside a robust missive from Australian Department of Home Affairs Secretary Michael Pezzullo in an Anzac Day email to departmental staff and [published](#) on April 26 in *The Australian*:

In a world of perpetual tension and dread, the drums of war beat – sometimes faintly and distantly, and at other times more loudly and ever closer...Today, as free nations again hear the beating drums and watch worryingly the militarisation of issues that we had, until recent years, thought unlikely to be catalysts for war, let us continue to search unceasingly for the chance for peace while bracing again, yet again, for the curse of war.

The Defence Minister had made it a point on April 30 to [note](#) that ‘We are in peace time and we want to stay in peace time’. Earlier, on April 4, he [emphasised](#) that ‘we’ll continue to work very closely with countries like China...because that is an important relationship on many levels’ and that while ‘obviously China has held long-term ambition in regards to Taiwan’, ‘[w]e want to make sure that there is peace in our region, that we can work in a collaborative way with the Chinese Communist Party’. And on April 8 he [stated](#) that while Australia faced ‘a very uncertain time’ in the coming years, ‘[n]obody believes that we are on the brink of war or anything like that’. Prime Minister Scott Morrison [said](#) on April 27 that the government was ‘working with our comprehensive strategic partners, which includes China...to ensure that we can have an open, trading, peaceful community in the Indo-Pacific’.

But these quieter caveats appear to have mostly fallen by the wayside in the ensuing commentary. Former Liberal Senator and Australian Army major general Jim Molan [wrote](#) on May 3, ‘[W]ar is not just possible in our region, but likely’. And a confidential briefing by then-special forces commander Adam Findlay to soldiers in April last year, in which he spoke of the ‘high likelihood’ of conflict with the PRC, was [leaked](#) to *The Sydney Morning Herald* which splashed on its May 4 [front page](#) the headline ‘War with China is likely’.

Fanning the flames is the fact that no senior government representative has made a concerted attempt to forcefully damp down talk of war. For example, the Prime Minister declined to directly respond to an April 27 [press conference question](#) asking ‘what do you make of [Michael Pezzullo’s] comments?’ and an April 28 [press conference question](#) whether Pezzullo ‘[overstepped] the mark and should he have run those comments past you?’ On April 29 Treasurer Josh Frydenberg was [asked](#), with respect to the ‘drums of war’ message and other actions by the Australian government this month, ‘What message are you trying to send here?’ He stated that ‘Australia will always defend its national interest’. Moreover, Home Affairs Minister Karen Andrews [said](#) she had been made aware in advance of Pezzullo’s ‘strong opinion piece’ and gave no indication that any issue was taken with its substance and tone.

On April 28 Prime Minister Morrison [announced](#) that \$747 million would be invested into the upgrading of four military training bases in the Northern Territory and expansion of war games with the US. The funds are part of a \$270 billion commitment, [announced](#) in 2020, to improve defence capabilities over the next decade.

While former prime minister Kevin Rudd has [questioned](#) the timing and the motivation behind the statements by Australian security officials – ‘[T]here is nothing to underpin the analysis that there is any crisis imminent... this is primarily about domestic political repositioning by the government simply to change the domestic political narrative and agenda from areas where the government is in trouble...to what they would regard as much safer political terrain, namely the khaki terrain of a national security agenda’ – senior figures in the Opposition Australian Labor Party, with the exception of former Opposition leader and now Shadow Government Services Minister [Bill Shorten](#), have also refrained from any kind of emphatic pushback. Shadow Foreign Minister Penny Wong on April 27 [said](#), ‘[W]ords matter and this is not the sort of language that we generally use when we are trying to be sober and cautious’, but ultimately left it ‘up to the government to explain how it is beneficial to Australia, how it furthers our national interests having a senior public servant make those remarks’.

The PRC has sought to characterise the discussion of war in Australia as far-fetched and self-serving, with a Foreign Ministry spokesperson [saying](#), ‘Some individual politicians in Australia, out of their selfish interests, are keen to make statements that incite confrontation and hype up threat of war, which is extremely irresponsible and will find no audience’. Yet Beijing has itself refrained from discounting the [possibility of conflict](#): ‘We are willing to do our best to strive for the prospect of peaceful reunification, but we will never leave any space for ‘Taiwan independence’ separatist activities in any form’.

Australian and PRC diplomatic representatives this month made clear again that each side remained unwilling to take steps to start smoothing relations. Department of Foreign Affairs and Trade (DFAT) Secretary Frances Adamson in an April 13 [speech](#) said, ‘The Australian government wants a constructive relationship with China where we can discuss differences and work for mutual benefit...but China expects compromise on key national interests in exchange for dialogue and cooperation’. And PRC Ambassador to Australia Cheng Jingye during an [address](#) on April 29 stressed, ‘Whoever tied the knot is responsible for untying it’.

The same message had been underlined by PRC deputy head of mission in Australia Wang Xining during an event at the National Press Club on April 21. Going on the offensive with colourful [remarks](#)<sup>1</sup>, he said that the PRC had witnessed ‘too many incidents over the past few years in which [its] interest has been hurt’ by Australia and maintained that the PRC had ‘done nothing intentionally to hurt this relationship’. That same evening, Foreign Minister Marise Payne [announced](#) the Australian government’s decision to cancel two agreements between the Victorian state government and the PRC on the Belt and Road Initiative (BRI) – a memorandum of understanding on BRI cooperation (signed on October 8 2018) and a framework agreement on BRI promotion (signed on October 23 2019) – under Australia’s [Foreign Arrangements Scheme](#), which had commenced on December 10 2020. The intent to cancel these agreements had been [telegraphed](#) from the inception of the Scheme, a position [supported](#) by the Opposition Labor Party.

The cancellation of the agreements, sparsely detailed and effectively dormant as they were, was a largely symbolic move which signalled that the Australian government’s previously [neutral and at times cautiously open stance](#) towards the BRI, [conveyed](#) by Scott Morrison upon first assuming the prime ministership in 2018 and [reinforced](#) by DFAT Secretary Frances Adamson at the second BRI Forum in 2019, was firmly in the past.

In likely anticipation of an adverse reaction by the PRC to the cancellations, Foreign Minister Marise Payne [asserted](#) on April 22 that the decision ‘isn’t about any one country’, while Finance Minister Simon Birmingham [highlighted](#) the fact that ‘[o]f the more than 1,000 agreements...that were part of this first checking process...350 of them were with China, and have all sailed through quite happily’. In response, a PRC Foreign Ministry spokesperson on April 23 [stated](#), ‘China reserves the right to make further reactions over this matter’. They further said, ‘The claim that this decision is not aimed at any country does not hold water’.

Immediately following the cancellation of the BRI agreements was the revival of scrutiny over the Northern Territory government’s 99-year lease of the Port of Darwin to the privately-owned mainland Chinese company Landbridge, entered into in 2015 for \$506 million. The Australian government has now tasked the Department of Defence to conduct a [review](#) into whether the deal ought to be terminated on national security grounds under [critical infrastructure legislation](#) passed in 2018.

In response to growing global condemnation of its policies in Xinjiang, Beijing this month stepped up a propaganda campaign to disavow criticisms levelled at it. On April 7 the PRC embassy in Canberra held a two-hour ‘press conference’ of sorts with Ambassador Cheng to, in his words, counter ‘[disinformation](#)’ and ‘[fake news](#)...made up by certain anti-China forces’. Journalists were shown a series of five videos in a presentation entitled ‘Xinjiang is a wonderful land’. The PRC embassy in London had hosted a similar event a week earlier.

Asked about Australia potentially following suit with unilateral sanctions against the PRC on Xinjiang, in line with recent moves by Canada, the US, the UK and the European Union, Ambassador Cheng [said](#), ‘Any people, any country, should not have any illusion that China would swallow the bitter pill of interfering or meddling in China’s internal affairs...We will not provoke but if we are provoked, we will respond in kind’.

Foreign Minister Payne on April 8 [repeated](#) the Australian government’s stance that ‘[w]e don’t have the same sorts of sanctions regimes as a number of those countries...but we have been very consistent and very clear in raising our concerns and in using the mechanisms available to us through the United Nations and other bodies’.

The Opposition has positioned itself to assume a tougher line on human rights matters with respect to Xinjiang. On April 20 Shadow Foreign Minister Wong, during a [lecture](#) on human rights in foreign policy, called on the Morrison government ‘to consider targeted sanctions on foreign companies officials and other entities...directly profiting from Uyghur forced labour’ and outlined a Labor pledge to introduce Magnitsky sanctions legislation.

It is likely that the PRC will opt to retaliate in some fashion against Australia with respect to actions undertaken this month. PRC Ambassador Cheng on April 28 had [indicated](#) that tourism and education may

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<sup>1</sup> He told the Press Club audience, ‘China is not a cow. I don’t think anybody should fancy the idea to milk China when she’s in her prime and plot to slaughter it in the end. So we are open for collaboration and cooperation, but we’ll be very strong in defending our national interest.’

be in the sights, saying that the current environment in Australia ‘appears to create obstacles for Chinese travellers to return’. That said, he also left the door open for cooperation, nominating the areas of clean energy, health and aged care and regional economic integration via the Regional Comprehensive Economic Partnership.

All in all, it is clear that strong lines have been drawn and the divide between Australia and the PRC more pronounced. The Australian outlook was laid out by Prime Minister Morrison in an [address](#) to the Raisina Dialogue in New Delhi on April 15:

Democratic sovereign nations are being threatened and coerced by foreign interference...Economic coercion is being employed as a tool of statecraft. Liberal rules and norms are under assault. And there is a great polarisation that our world is at risk of moving towards. A polarisation between authoritarian regimes and autocracies, and the liberal democracies that we love.

This month’s trade numbers showed the third straight month of increase in total export value. The value of iron ore sales to the PRC topped \$100 billion for the first time. Imports from the PRC also hit a record high of \$86.6 billion. Moving away from aggregate values and iron ore, however, and contraction is seen across the board from liquefied natural gas (LNG), coal, food and beverages and services.

## Key trade indicators – April 2021

	Latest available figure	Percent change one month ago (annualised in brackets)	Percent change six months ago	Percent change one year ago	Percent change three years ago	Percent change five years ago
<b>Total goods exports (\$ billion)<sup>2</sup></b>	148.3	1.2 (15.0)	1.6	-0.1	48.1	100.6
<b>Mining (\$ billion)<sup>3</sup></b>	113.7	1.9 (24.8)	7.8	10.5	65.7	133.0
<b>Non-mining (\$ billion)<sup>4</sup></b>	18.8	-1.4 (-15.8)	-13.5	-26.1	-7.6	-5.4
<b>Confidential/not classified (\$ billion)<sup>5</sup></b>	15.8	-0.5 (-6.3)	-16.0	-21.8	41.3	201.1
<b>Iron ore (\$ billion)<sup>6</sup></b>	100.0	3.3 (46.8)	18.1	24.5	98.8	167.9
<b>Iron ore (kilo tonnes)<sup>7</sup></b>	711.6	0.1 (1.5)	1.4	6.9	5.1	16.6
<b>Coal (\$ billion)<sup>8</sup></b>	6.9	-13.0 (-81.3)	-43.8	-50.7	-41.9	16.9
<b>Liquefied gas (\$US billion)<sup>9</sup></b>	10.1	-0.3 (-3.3)	-13.4	-22.7	44.4	421.5
<b>Food, live animals, beverages (\$ billion)<sup>10</sup></b>	8.6	-0.8 (-9.0)	-14.6	-17.3	36.1	96.2
<b>Services exports (\$ billion)<sup>11</sup></b>	16.2	-	-	-12.8	12.3	68.0
<b>Tourist arrivals (million)<sup>12</sup></b>	30.4	-41.0 (-99.8)	-95.1	-97.6	-97.8	-97.2
<b>Commencing students<sup>13</sup></b>				-25.7	-26.1	-0.7
<b>PRC stock of direct investment in Australia (\$ billion)<sup>14</sup></b>	46.0			10.1	18.9	44.3
<b>Total good imports (\$ billion)<sup>15</sup></b>	86.6	3.1 (44.1)	5.0	12.0	32.5	39.6
<b>Services imports (\$ billion)<sup>16</sup></b>	2.4			-26.4	-11.8	0.6
<b>Australian stock of direct investment in the PRC (\$ billions)<sup>17</sup></b>	15.5			11.6	16.0	23.4

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<sup>2</sup> 12 months to January 2021. ABS <<http://stat.abs.gov.au/>>.

<sup>3</sup> Ibid.

<sup>4</sup> 12 months to January 2021. The figures include agriculture, forestry and fishing, manufacturing and information media and telecommunications. ABS <<http://stat.abs.gov.au/>>.

<sup>5</sup> 12 months to January 2021. ABS <<http://stat.abs.gov.au/>>.

<sup>6</sup> Ibid.

<sup>7</sup> 12 months to January 2021. CEIC database.

<sup>8</sup> 12 months to January 2021. ABS <<http://stat.abs.gov.au/>>.

<sup>9</sup> 12 months to January 2021. CEIC database.

<sup>10</sup> 12 months to January 2021. The figures exclude barley. ABS <<http://stat.abs.gov.au/>>.

<sup>11</sup> The latest available figure is for 2019-20. Australian Bureau of Statistics, 'International trade: supplementary information, financial year', November 2020 <<https://www.abs.gov.au/statistics/economy/international-trade/international-trade-supplementary-information-financial-year/latest-release>>.

<sup>12</sup> 12 months to January 2021. ABS <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3401.0>>.

<sup>13</sup> Year-to-date January 2021. Includes all sectors – ELICOS, Higher Education, Non-award, Schools and VET. Australian Government Department of Education <<https://internationaleducation.gov.au/research/International-Student-Data/Pages/default.aspx>>.

<sup>14</sup> The latest available figure is for 2019. Australian Bureau of Statistics, 'International investment position, Australia: supplementary statistics', May 2021 <<https://www.abs.gov.au/statistics/economy/international-trade/international-investment-position-australia-supplementary-statistics/latest-release>>.

<sup>15</sup> 12 months to January 2021. ABS <<http://stat.abs.gov.au/>>.

<sup>16</sup> The latest available figure is for 2019-20. Australian Bureau of Statistics, 'International trade: supplementary information, financial year', November 2020 <<https://www.abs.gov.au/statistics/economy/international-trade/international-trade-supplementary-information-financial-year/latest-release>>.

<sup>17</sup> The latest available figure is for 2020. ABS <<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02019?OpenDocument>>.