Australia's Narrative on Beijing's Economic Coercion: Context and Critique

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Abstract

A narrative has emerged in Australia since May 2020 that attributes disruption of Australian exports to China to China's authoritarian political system and presents the local predicament as unsurprising given past attempts by Beijing at economic coercion affecting other countries. Further, the Australian public has been told that strategic friends are rallying to provide a collective defence and these countries too are seeking greater economic distance from China. The strands of this narrative serve to soothe strategic anxieties and deflect attention away from choices made by Canberra. This chapter, however, contends that this narrative is substantially incomplete, misses relevant context and fails to acknowledge evidence that challenges its key claims. Providing a fuller accounting of context and evidence does not serve to deny or legitimise Beijing's actions. Rather, it serves an accurate assessment of Australia's predicament, in turn informing policy responses.

Introduction

In the second half of 2016, the political relationship between Canberra and Beijing began to deteriorate. Almost immediately, there was an uptick in media reporting in Australia that suggested goods and services exports to China were being disrupted by Beijing to put pressure on Canberra to modify its policy positions. This included beef (July 2017), education (December 2017), wine (May 2018) and coal (February 2019). However, an ex-post analysis revealed the impact on trade flows of these episodes to be either imperceptible or modest in scale and short-lived in duration (Laurenceson et al., 2020). This, however, changed in May 2020 when Beijing formed an assessment that Canberra was coordinating with the Trump administration in Washington to launch a political attack over the COVID-19 pandemic (Zhou & Laurenceson, 2022). What began with several meat processing facilities having their certification to supply the Chinese market removed then extended to prohibitive tariffs being placed on barley and wine, allegedly because these were being dumped causing injury to China's domestic producers. A host of informal sanctions were also rolled out affecting coal, cotton and more. Australia's then-trade minister, Simon Birmingham described Beijing's actions as contrary "to the letter and spirit of both its ChAFTA [China-Australia Free Trade Agreement] and its [World Trade Organization] obligations" (Hurst, 2020). The pace of the unfolding campaign of trade disruption slowed in 2021 but new, smaller-scale impediments continued to be added to the mix and, as of July 2022, none of the measures had been removed.

In response, a narrative has emerged in Australia that attributes these actions to China's authoritarian political system and presents the local predicament as unsurprising given Beijing's past resort to economic coercion affecting other countries. Further, the Australian public has been told that strategic friends are rallying to provide a collective defence and these countries too are seeking greater economic distance from China. The strands of this narrative serve to soothe strategic anxieties and deflect attention away from choices made by Canberra. This chapter, however, contends that this narrative is substantially incomplete, misses relevant context and fails to acknowledge evidence that challenges its key claims. Providing a fuller accounting of context and evidence does not serve to deny or legitimise Beijing's actions. Rather, it serves an accurate assessment of Australia's predicament, in turn informing policy responses. Given that narratives are powerful tools deployed by political actors to shape understanding and hence make some policy responses more likely than others, allowing a simplistic one to go uncontested is a poor starting point for advancing Australia's national interests.

Background

An Australian reading gravitates to May 2020 as the point in time when political differences between Canberra and Beijing began spilling over to disrupt economic exchanges between the two countries. This dating means that Beijing is inevitably cast as the instigator of disruption. A Chinese reading of events, on the other hand, might identify December 2015, the moment when ChAFTA was enacted. There was a straightforward negotiating quid pro quo that had allowed ChAFTA's completion and both sides had clear expectations regarding what would follow.

For Canberra, the expectation was that Beijing would, in line with its ChAFTA commitments, reduce tariffs on Australian exports. This expectation was subsequently met with Chinese tariff reductions fuelling a rapid expansion in sales of Australian wine, dairy products and more. To be sure, this is not to say that Australian goods going to China now face lower average tariffs than Chinese goods going to Australia. World Trade Organization (WTO) data show both Australian agricultural and manufactured goods exporters still face tariff rates several times higher (World Trade Organization, 2022a). Nonetheless, it remains the case that Canberra's expectations of policy changes by Beijing, which had allowed the Australian government to "sell" ChAFTA to domestic stakeholders, were met.

For Beijing, the benefits foreshadowed by ChAFTA were twofold. First, given that in 2005 Canberra had agreed to confer so-called "market economy status" on China as a precondition for negotiations, it was expected that fewer Chinese goods would be hit with onerous anti-dumping tariffs given WTO rules that would constrain Australia's capacity to do so (Zhou & Laurenceson, 2022). Throughout the first half of the 2010s, the Australian government had been ramping up its use of anti-dumping tariffs and China was the most common target, accounting for around 30% of all measures in force on the eve of ChAFTA's enact-ment (Productivity Commission, 2016). The expectation by Beijing that ChAFTA would change this state of affairs was not unfounded. The Australian Senate Committee that had recommended negotiations be pursued made clear what effect the "market economy" determination would have—"Chinese imports will now be judged no differently for anti-dumping purposes to imports from the US and the EU" (The Senate, 2015). Second, the screening process for proposed investments by Chinese companies, such as the dollar value thresholds at which approval by the Foreign Investment Review Board was required, would be brought into line with the way that Canberra handled proposals coming from the US, Japan, Korea and several other countries (Uren, 2020). Beijing's broader expectations for investment liberalisation were also spurred by comments from then-Prime Minister, Tony Abbott. During a visit to China in 2012 as Leader of the Opposition, Abbott had expressed a view that an investment by a foreign state-owned enterprise (SOE) would "rarely be in Australia's national interest" (Grigg, 2012). This was because it might pursue another capital's strategic objectives rather than simply the company's own commercial objectives. Yet upon becoming Prime Minister in September 2013, Abbott reversed his position. On a visit to Shanghai in April 2014 he said, "We now appreciate that most Chinese state-owned enterprises have a highly commercial culture. They're not the nationalised industries that we used to have in Australia" (Murphy, 2014). To punctuate the depth of his newfound conviction, Abbott emphasised that, "Australia has never rejected any investment application from a Chinese SOE and recently approved a large SOE investment in critical infrastructure" (Murphy, 2014).

The reality that followed, however, departed significantly from these expectations. Canberra continued to instigate anti-dumping actions against Chinese goods and treat China as a "non-market economy" when calculating the remedial tariff rate. It did this by taking what international trade law scholars have described as a "creative approach" to skirt WTO strictures (Zhou & Laurenceson, 2022). For its part, Canberra insisted that the measures were legitimate and permitted by international trade rules and that Beijing was able to contest them at the World Trade Organization (WTO) if it wished (Coorey & Kehoe, 2020). Beijing did just that in June 2021 (World Trade Organization, 2021). Canberra also began blocking high-profile, proposed Chinese investments with increasing frequency, while waving through similar proposals from other countries. This was facilitated by the passing of additional legislation and regulations around foreign investment following ChAFTA's enactment. A national security justification was used to block Chinese proposals involving critical infrastructure assets such as the purchase of a state electricity distribution network (August 2016) and the participation by Chinese companies in a nation-wide 5G telecommunications infrastructure rollout (August 2018). For others, like a cattle station portfolio (April 2016), the reasons given for them being judged by the Treasurer to not be "in the national interest" were more nebulous. Canberra's blocking of Chinese investments subsequently extended to a small Perth-based minerals exploration company with development assets in the Democratic Republic of Congo (April 2020), a Japanese-owned dairy and drinks manufacturer (August 2020) and a South-African-owned construction firm (January 2021). In July 2021, Treasurer Josh Frydenberg justified blocking an increasing number of Chinese investment proposals by claiming he had "increasingly seen foreign investment applications that are being pursued not necessarily for commercial objectives but strategic objectives" (Crowe & Bagshaw, 2021). He declined to elaborate on how this justification could be applied to, for example, a dairy and drinks manufacturer. Again, this is not to say that, in general, Chinese investment in Australia faced higher barriers than Australian investment faced in China. Data from the Organization of Economic Cooperation and Devel-opment (OECD) make clear that Beijing maintains a more prohibitive inward investment regime than does Canberra (OECD, 2022). The point is simply that Canberra's actions were at odds with Beijing's expectations, and it was these policy expectations that had allowed Beijing to "sell" ChAFTA to domestic constituencies. It is also the case that Canberra chose to play a leading role in advocating that other capitals restrict Chinese investments, particularly in technology sectors (Cassell & Packham, 2019). At the end of 2020, it was reported that Canberra's activism extended to the point that, despite being located in the southern hemisphere, Australian diplomats had "crisscrossed Europe connecting China critics in smaller nations with counterparts elsewhere" and that these efforts had "buttressed similar ones by Washington" (Hinshaw et al., 2020)

Framing Australia's Trade Predicament---Australia as a Victim of China's Authoritarian Political System

In March 2017, Australia's then-Foreign Minister, Julie Bishop delivered a provocative address in Singapore in which she connected China's assertive foreign policy behaviour in the preceding years with the authoritarian nature of its domestic political system. She contended that, "While non-democracies such as China can thrive when participating in the present [international] system…Domestic democratic habits of negotiating and compromise are essential to powerful countries resolving their disagreements according to international law and rules" (Bishop, 2017). Further disseminating this claim and bringing it specifically into the realm of economic ties, were commentators such as the Director of the National Security College at the Australian National University, Rory Medcalf. He stated, "Essentially, Beijing wants from its commercial partners the same deal that it has with its own people—economic benefits in return for acquiescence on politics and security" (Medcalf, 2017). In 2021, Peter Hartcher, the political and international editor of the *Sydney Morning Herald* wrote, "Under Xi [Jinping], Beijing has merely been extending its methods of keeping power at home to an unwary world" (Hartcher, 2021a). Thus, in this telling, Australia's trade predicament can be under-stood in terms of falling victim to Beijing's authoritarianism. Punctuating the suggestion that Australia's predicament was all about Beijing, in June 2020, then-Prime Minister, Scott Morrison stated that, "Australia has done nothing to injure [the] partnership [with China], nothing at all" (Morrison, 2020).

This framing, however, removes Australia's experience with trade disruption by Beijing from the relevant context that the country with the most extensive track record of practising economic coercion is, in fact, the US, a liberal democracy. This is, of course, not to imply that US behaviour has compelled China to act in the way it has towards Australia. Rather, as the established great power, US behaviour inevitably serves as a norm for other rising, great powers. A 2019 report by the Washington-based Center for New American Security began with the observation that, "Coercive economic measures have been a longstanding tool of American foreign policy, dating back to the early nineteenth century. But since the end of the Cold War, coercive economic measures have become an ever more important instrument of U.S. foreign policy" (Harrell & Rosenberg, 2019). During the Trump administration, the report argued, they had become "a central tool". This observation foregrounds the fact that great powers are attracted to economic coercion because there is an asymmetry in exposure compared with their trade and investment partners.

This is also not to dismiss China's domestic conditions as irrelevant or to claim that its practice of coercion is identical to that practised by the US. Scholarly research shows that China's domestic ideas and institutions, rooted in its own historical experience, have had a powerful impact on the way that Beijing conceives of, and practises, economic coercion (Reilly, 2021). However, this mix of domestic factors is a more complex story than Beijing having a proclivity for economic coercion simply because the ruling party does not face any domestic political competition. A lack of alternative instruments for exerting influence is relevant, too. In 2021, James Reilly, a University of Sydney expert on Chinese economic statecraft observed, “the world’s second-largest power faces considerable difficulty in trying to exert influence abroad via military coercion or ideational persuasion. That leaves money” (Reilly, 2021). It is also the case that China’s practice of economic coercion leans much more heavily on informal measures such as delivering behind-the-scenes guidance to importers, particularly SOEs, to shun a target country’s goods, whereas US measures are more transparent and explicitly linked to domestic legislation. Still, from the target country’s perspective, the impact is much the same and in both cases, the opportunities for recourse are limited.

In the Australian narrative, the missing context of US economic coercion can at least partly be explained by local producers rarely having been targeted by Washington. During the Trump administration (2016– 2020), Australia narrowly escaped the imposition of US tariffs on steel and aluminium that afflicted not only China but also a host of US security allies and partners including the European Union (EU), Japan, Korea and Taiwan (Park, 2018). In China’s specific case, Washington’s campaign of disruption was extended by the Biden administration (2021–), particularly into the technology realm: there are, for example, now more than 500 Chinese companies on the US Department of Commerce’s Entity List (Chen, 2022). 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. Washington’s coercion has continued despite some of the actions taken by the Trump administration towards China having been adjudicated by the WTO as inconsistent with global trade rules (Murray & Donnan, 2019). The response by both the Trump and Biden administrations has been to reject the WTO’s rulings. Further, the US has rendered the WTO’s appellate body inoperable by blocking the appointment of new judges as the terms of existing ones expired, preventing China from having recourse to rules-based remedies. It is a stark data point that in June 2022, the US was a respondent in 156 disputes at the WTO, more than triple that for China (World Trade Organization, 2022b). Similarly, the historical record shows US compliance with WTO rulings to be the worst among all member states (Reich, 2017).

Australia as One Victim Among Many

Another way that Australia’s trade predicament has been framed is as one victim among many. In September 2020, a report by the Australian Strategic Policy Institute (ASPI) contended that, “The CCP [Chinese Communist Party] relies heavily on trade restrictions as a means of coercing states” (Hanson et al., 2020). A database was compiled consisting of 152 alleged instances of “coercive diplomacy” over the period 2010 to August 2020 and affecting 27 countries—with trade restrictions being one category. There was, according to the ASPI report, an uptick in instances of “coercive diplomacy” since 2018. Earlier episodes were recounted involving Japan (2010, 2012), Norway (2011), the Philippines (2012) South Korea (2017) and Canada (2019).

What is missing here, however, is that while Beijing has indeed previously sought to leverage economic connections to either signal displeasure or attempt to shift the foreign policy positions of other capitals, an incisive assessment would make clear that Australia’s contemporary experience is unprecedented in breadth and duration. The historical record shows that beyond the issuance of threats, Beijing’s preparedness to engage in trade disruption has typically been circumscribed. This had led to experts on Chinese economic statecraft to describe Beijing's approach as generally being "more bark than bite" (Reilly, 2015). In the case of the Philippines, Norway and Korea, for example, the allegations centred on specific goods and services—bananas, salmon and tourism, respectively. For Japan, it was more expansive, involving a variety of rare earths. Yet, a detailed analysis that examined import data published by Japanese authorities cast doubt on the extent to which coercion was at play, concluding that, "if China's leaders had ordered an embargo, it was a very ragged one affecting rare earths and different Japanese ports differently" (Johnston, 2013). In the Korean case, by the following year inbound Chinese tourism had rebounded (Kang & Lee, 2021). The Canadian experience involved canola seed and soybeans. Exports of these goods to China continued, albeit at lower levels than previously. In 2020, China remained Canada's leading canola seed market, and in 2022, market access was restored (The Canadian Press, 2022). In nearly all cases, total trade between China and the countries targeted continued to increase even as specific goods and services were hit with disruption (Laurenceson & Zhou, 2019).

The recent experience of Lithuania alongside Australia might be cited as evidence that Beijing has now switched to a more aggressive approach. It was reported in early December 2021 that China's customs agencies had removed Lithuania from its register of origin countries, the practical effect of which was a complete import ban, albeit a few days later this was restored (Bermingham, 2021). Reports then emerged of Beijing pressuring major European corporations to cut Lithuania out of their supply chains (O'donnell & Sytas, 2021). The total value of China's goods imports from Lithuania between December 2021 and April 2022 was 83% less than the same period a year later (Laurenceson, 2022a). In February 2022, China officially halted imports of Lithuanian beer, dairy and beef imports, alleging shortcomings in associated documentation (BBC News, 2022). The same month at a joint press conference with Australia's then-Foreign Minister, Marise Payne, Lithuania's Foreign Minister, Gabrielius Landsbergis said, "For quite a while, Australia was one of the main exam-ples when China was using economy and trade…as a political weapon. Now Lithuania joins this exclusive club" (Tillett, 2022). However, this association avoids the fact that Beijing's actions followed unique steps taken by Vilnius, specifically, allowing Taiwanese authorities to open a representative office using the name "Taiwan" rather than "Taipei". The Taiwan naming issue is one about which Beijing has been pedantic for more than 70 years. And since establishing diplomatic relations with the People's Republic, no other country, including Australia and the US, have agreed to adopt a similar naming convention: they have accommodated Beijing's sensitivities. In assessing the extent to which Beijing's actions had coercive intent, it is also relevant that exports to China only accounted for one per cent of Lithuania's total (Laurenceson, 2022a).

Attempts have been made to deflect attention away from Australia's outlier status by also casting Canberra as just one of a host of regional capitals experiencing problems in relations with Beijing. In February 2022, Australia's then-Defence Minister, Peter Dutton said, "China's problem is not just with Australia, it's with India, it's with Thailand, it's with the Philippines, Indonesia—all of these countries and many more— they're in serious dispute with… It's China under President Xi which has changed, not the rest of us" (FitzSimons, 2022). It is certainly the case that plenty of capitals have run up against Beijing's more assertive foreign policy stance and that public opinion towards China has fallen significantly well beyond Australia (Silver et al., 2022). What is being suggested here, however, misses the key point: the nature of the disputes that these capitals and publics have with China are, in fact, more serious than Australia's. They involve, for example, deep historical grievances or unresolved land and maritime delimitations. Yet, despite the serious nature of these disputes, none have experienced the same degree of trade disruption that Australia has.

Australia's Economic Distancing from China as Part of a Broader Trend

Some Australian commentators have further sought to assuage local anxieties over trade disruption from Beijing by claiming that Canberra's strategic friends are seeking greater economic distance from China too. And in any case, the process of greater distancing was one insti-gated by Beijing. In September 2020, John Lee, a senior fellow at the United States Studies Centre in Sydney insisted that, "China had implemented a decoupling approach to the US long before Donald Trump assumed power…The point matters because we need to be sure about what is causing economic globalisation to unravel, and who is significantly to blame…It is the Communist Party's prior determination to decouple…which is the trigger" (Lee, 2020). There is little argument that Beijing's industrial policies, like "Made in China 2025" and Chinese President Xi Jinping's "dual circulation strategy" are aimed at wanting to bolster the resilience of China's domestic economy. However, bolstering resilience is a long way from decoupling. In December 2020, Christopher Joye, a columnist for the *Australian Financial Review*, wrote that the, "deterioration in relations between Australia and China is regrettable but also entirely expected" (Joye, 2020). This is because, "Xi Jinping believes conflict between capitalism and Chinese socialism is inescapable, and he has been preparing for this contingency…". In Joye's telling, "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" (Joye, 2020). The picture being painted here is far broader than a distancing confined to narrow industry segments, such as suppliers to countries' 5G telecommunications networks. Similarly, it is far broader than Chinese government initiatives aimed at achieving self-sufficiency in specific goods like grain or high-end semi-conductors, the latter of which is hardly surprising given US actions that aim to crimp China's access to these vital production inputs.

Yet, the evidence supporting an assessment that a broad, economic distancing trend is underway between China and Australia's strategic friends is equivocal at best. In 2018, Geoff Raby, a former Australian ambassador to China, observed that whatever the rhetorical statements and hopes of Beijing, in practice they had allowed the Chinese economy to become "utterly dependent on world markets to keep supplying it with all the resources it needs for its economic survival" (Raby, 2018). This import dependence ranges from oil to iron ore, to computer chips and more.

It is the case that imports have fallen from 28% of China's GDP in 2006 to 17.4% in 2021 (World Bank, 2022). However, for a geographically large economy experiencing rapid industrialisation like China's, it is market grows and an increasingly sophisticated industrial base allows for more manufacturing inputs to be made at home. Nonetheless, China's import-to-GDP ratio remains four percentage points higher than the US.

Much trade and investment data point to closer inter-dependence, not greater economic distance. The total value of China's goods imports and exports continues to increase, whether vis-à-vis North-east Asia, South-east Asia, the EU, North America or Oceania. In North America's case, this is despite the fact that the US and China now maintain an average tariff rate of 20% on each other's goods, up from around five per cent in 2018 (Bown, 2022). It is also the case in contexts where geopolitical risks are the greatest. Over the past five years, Taiwan's goods trade with the People's Republic has expanded from $US139 billion to $US209 billion, and now accounts for 25% of the Taiwanese total (International Trade Centre, 2022).

Greater integration between China and elsewhere is apparent from capital flow data too. The value of China's liabilities (i.e., claims on assets in China held by foreign investors) has steadily increased, whether in the form of direct investment (FDI), portfolio investment or "other" investment and by March 2022 stood at a combined US$7.3 billion, up from US$4.6 trillion at the end of 2016. The same is true for assets (i.e., claims on assets overseas held by Chinese investors) which stood at US$9.2 trillion in March 2022, up from US$6.6 at the end of 2016 (State Administration of Foreign Exchange, 2022). At least in part, the increased integration of China into the global capital system can be explained by policy liberalisation on the part of Beijing. The Organization of Economic Cooperation and Development's FDI Restrictiveness Index for China fell markedly from 0.431 in 2012 to 0.244 in 2019 (OECD, 2022).

Despite rising geopolitical tensions between China and the West, there is more evidence that foreign direct investors are doubling down on China rather than leaving. The United Nations Council on Trade and Development (UNCTAD) reported that in 2021, FDI inflows to China jumped by 21% to US$181 billion, following a six per cent increase in 2020 (UNCTAD, 2022). Even when the analysis is confined to the US-China bilateral, the latest available data from the US Bureau of Economic Analysis (BEA) show that the stock of American direct investment in China stood at US$123.9 billion in 2020, up from US$97.5 billion in 2016 (Bureau of Economic Analysis, 2022a). Examining the annual value of net flows of US investment to China between 2016 and 2020, these were consistently positive and in the range of US$6.4–US$9.4 billion. BEA data also show that the stock of Chinese investment in the US in 2020 was valued at US$36.4 billion. This was up from US$31.9 billion in 2016 but down slightly US$39.6 billion in 2019. The Trump administration made much of the US bilateral trade deficit with China. In 2020, the value of US goods exports to the China stood at US$165 billion. Goods imports from China were worth US$450.4 billion (Bureau of Economic Analysis, 2022b). However, when the sales of majority US-owned affiliates in China 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 China totalled US$378.8 billion. In comparison, sales of majority Chinese-owned affiliates in the US stood at just US$85.0 billion (Bureau of Economic Analysis, 2022c).

The latest surveys of foreign investors in China highlight a broad range of irritations and complaints but very little intention to depart. According to the American Chamber of Commerce in Shanghai's China Business Report released in September 2021, 78% of 338 respondents reported being "optimistic" about the five-year business outlook, compared with just 10% who were "pessimistic" (American Chamber of Commerce in Shanghai, 2021).

The vast majority, 80%, had no plans to redirect their investment in China elsewhere. Among manufacturers, 72% had no plans to move any production out of China in the next three years. Another 19% planned to move less than 20% of production. Only two per cent intended to remove all production. These figures largely reflect the fact that the main reason US companies are in China is to "produce or source goods or services in China for the China market" (53%). The proportion who are there to "produce or sources goods or services in China for the US market" stands at just 11%. An analogous survey by the European Chamber of Commerce in China released in June 2021 reported that 68% of respondents were "optimistic" about the business outlook over the next two years, compared with just six per cent who were "pessimistic" (EU Chamber of Commerce in China, 2021). Of 585 respondents, 91% said that they were not considering shifting current or planned investments in China to other markets. The proportion considering shifting any investment out of China was the lowest on record. The story from a survey conducted by the China-Japan Chamber of Commerce in Beijing was largely the same (iMedia, 2021).

On the technology front, the state of play is more mixed and the future direction less clear. Earlier, it was noted that there has been a government's Entity List and this disproportionately affects those in the technology space. Further, Chinese investments in US technology companies are being more closely scrutinised and proposals to screen outbound US investments in China are being floated in Washington too (Danzman, 2022). On the other hand, in the area of fundamental science and research, collaboration continues at pace. Over the course of the Trump administration, the proportion of US international scientific and research publications that involved China continued to increase—from 22.8% in 2016 to 26.3% in 2020 (National Science Foundation, 2021). It is now double the proportion of the UK in second place. Further, a technology decoupling is unlikely to cleave neatly along US-China lines given the agency retained by third countries. In Australia's case, for example, irrespective of technology choices made in Canberra, local companies and households will be interacting with their counterparts in a region where China will be a dominant technology supplier and market (Lee, 2021).

Recent developments in regional economic architecture have also cemented the East Asian economic system of which Australia is a part and that has China at its core. The Regional Comprehensive Economic Partnership (RCEP), which entered into force at the beginning of 2022, has been described as "the first integrated trade bloc in the Indo-Pacific" (Wilson, 2021). However, associating RCEP with the Indo-Pacific construct—which strives to dilute China's economic and strategic weight—is a distraction because its weighty bookends, India and the US, are absent from the agreement. The map of RCEP members shows that the bloc is located firmly in East Asia. And while RCEP consists of 15 members, China's economic weight stands head and shoulders above the others, accounting for 51% of the bloc's collective GDP. Beijing has also offered other RCEP members significantly improved market access. The main impact of RCEP then will be a greater proportion of members' trade being with each other, and China more firmly entrenched as the centre of economic gravity. No other RCEP member has the capacity based on economic fundamentals—market demand, industrial base sophistication and so on—to feature more prominently in intra-regional value chains (Laurenceson, 2022b).

None of this is to suggest that an ongoing deepening of economic integration between China and the rest of the world is inevitable. If the Chinese economy lost its dynamism, for example, then this would cause businesses overseas to shift their attention elsewhere. The key point, however, is that the future trend will be heavily largely driven by economic facts on the ground in China.

Australia Is Being Supported by Strategic Friends

Following President Biden's US election victory in November 2020, Australian anxieties were also soothed when his National Security Adviser, Jake Sullivan, quickly underscored that the US would stand "shoulder to shoulder" with Australia in the face of Chinese economic coercion (Knott, 2020). In March 2021, Biden's "Indo-Pacific Czar", Kurt Camp-bell delivered a message to an Australian media outlet that the US was "not going to leave Australia alone on the field" (Hartcher, 2021b). He added that Washington was "not prepared to improve relations [with Beijing] 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". Just a few days later, Australia's Trade Minister, Dan Tehan declared, "I think all Australians should be reassured by the fact that the Americans have come out and said that they've got our back, and they won't leave us alone on the playing field" (Heydar, 2021). The same month, Chargé d'Affaires at the US Embassy in Australia, Mike Goldman, said the US would "absolutely have Australia's back" (Wray, 2021). 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" (Psaledakis & Lewis, 2021).

Economists and business figures, however, immediately cautioned that the idea strategic friends would unite to supply Australia with a collective defence was problematic for two reasons (Laurenceson, 2020). First, in the world of international commerce, strategic friends are often fierce rivals. Second, commerce is not conducted by capitals or government departments, but private-sector companies and households who are driven by wanting to make profits and consume quality products at a competitive price, not geopolitical preferences. Taken together, imagining that Washington, or London, had the inclination or the ability to insist that their companies forgo profits to stand in solidarity with their Australian competitors was naive.

Moreover, immediately prior to Beijing beginning to disrupt Australian exports, Canberra had been given a bald-faced example of its closest strategic friend acting just as economists and business leaders would expect. In January 2020, Washington had coerced Beijing into signing a "phase one" bilateral trade deal that privileged the commercial interests of US companies, even as it skirted global trade rules and norms and imperilled the commercial interests of strategic friends. In the lead up to the deal, the US ambassador in Australia, Arthur Culvahouse had been asked whether it could discriminate against Australian companies. His response was that, "I am hopeful that the concerns and the inter-ests of the Australians are being taken into consideration. But ultimately, it's a…decision by my people in Washington, so let's keep our fingers crossed" (Riordan, 2019). It turned out that Culvahouse's hopes were misplaced and a report by University of Adelaide researchers in

February 2021 found the deal that was eventually struck had possible negative implications for two-thirds of China's goods imports from Australia other than iron ore (Adams et al., 2021).

This is not to suggest that friendly capitals were unsympathetic to Australia's predicament, nor that rhetorical statements are not of value. At the very least, even rhetorical statements 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 WTO. But a rigorous assessment would also examine whether rhetoric was followed by action. The point is also not to advocate that the capitals of strategic friends 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. Rather, it 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.

Throughout 2021, the Biden administration continued to insist that China live up to the "phase one" deal that the Trump administration had enacted (Ng, 2021). In September 2021, the US Secretary of Commerce, Gina Raimondo made clear she was not beholden to the messaging Kurt Campbell delivered to Australia just six months earlier. Raimondo stated, "There's no point talking about decoupling [from China]…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" (Davis, 2021). 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?" (Moriyasu, 2021). She elaborated that her intention was to advance this agenda and tackle ongoing US concerns through direct dialogue and negotiations with the Chinese side.

What was also made clear by trade data was that the markets in China previously supplied by Australian producers were being snapped up by strategic friends and foes alike. A study by the Australia-China Relations Institute in December 2021 found that in the first nine months of that year, Australian sales of 12 disrupted goods to China had fallen by $US12.6 billion compared with the same period in 2019. The country increasing its sales of the same goods to China by the largest amount was the US, up by $US4.6 billion. Canada and New Zealand were also in the list of top five beneficiaries (Laurenceson & Pantle, 2021).
Another way it was mooted that strategic friends might help Australia was by increasing their own purchases of the goods that China had disrupted. For example, after Beijing imposed prohibitive tariffs in November 2020, prominent voices located in countries that Australia counts as strategic friends called on compatriots to increase their purchases of Australian "freedom" or "democracy" wine. Yet, trade data reveal such calls to help mitigate the costs borne by the Australian economy have largely gone unheeded. In many industries, Australian exporters have been successful in re-directing their goods elsewhere. But this can

mostly be attributed to the support of open and competitive global markets, not strategic alignments based on "shared values" like democracy or otherwise. Making this plain is that more Australian coal is now going to Turkey, barley to Saudi Arabia and cotton to Vietnam (Laurenceson & Pantle, 2021). Over time, harder-hit industries such as wine will increase their sales in markets other than China. But again, this will not reflect considerations like the similarity of political systems but rather increased spending by companies on marketing and logistics in these alternative markets.

Conclusion

This chapter has shown that the Australian narrative following Beijing's campaign of trade disruption launched in May 2020 fails to provide a full accounting of relevant context or considers evidence that challenges its key claims. This finding does not deny or legitimise Beijing's actions. Nor does it imply that Canberra must necessarily shift its policy positions in order to placate Beijing. Rather, it is to make clear that Australian public understanding of the country's predicament has been distorted by a simplistic narrative, and this makes responding in an informed way more difficult. For example, if Australia's trade predicament is understood to be unsurprising—either because it reflects China's authoritarian system or because Canberra is just the latest in a long list of capitals to have been on receiving end of economic coercion by Beijing—then this implies that there is little value in studying how other countries manage China relations and potentially draw lessons. Yet the fact is that Washington engages in economic coercion even more readily and extensively than Beijing does, and Australia is a historical and contemporary outlier in the depth and breadth of disruption it is experiencing due to measures that China has imposed. Similarly, if the costs of Canberra's approach to managing China relations were indeed being shared by strategic friends, then the impetus to consider changing tack would be reduced. The reality, however, is that the costs are being borne by Australian producers and Australian producers alone. If Australia's national interests are to be served, then a full accounting of context and evidence is a necessary starting point. It is on this informed understanding that Canberra's policy responses should be conditioned.

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