

China Threatens Australia Because That's All It Can Do

by Phillip Orchard - June 10, 2020

As cases of COVID-19 resurge elsewhere in the world, it's worth remembering that Australia whipped the coronavirus into submission with relative ease, reducing the number of new daily cases to single digits by mid-April. Yet, the pandemic has left Australia with an acute case of economic and diplomatic whiplash anyway, not because of its public health shortcomings but because of its uneasy codependence with China.

The country's astonishing 29-year run of economic growth is set to come to an abrupt end, thanks in part to flagging demand from China, whose soaring commodities purchases helped keep Australia out of a recession after 2008. And Beijing, upset with Canberra over (among other seemingly trivial matters) its pro forma support for an international investigation into the origins of the virus and **Taiwanese membership in the World Health Organization**, is going the extra mile to ensure Australia doesn't take Chinese buyers for granted. Over the past month, China has halted shipments of Australian beef, imposed an 80 percent tariff on Australian barley, warned of consumer boycotts targeting Australian winemakers and dairy farmers, and urged the more than 200,000 Chinese university students in Australia to consider studying elsewhere.

Beijing, in other words, is becoming less and less subtle about its capacity for coercion. And Australia – at once dependent on the Chinese economy, strategically located on the periphery of what China sees as its natural sphere of influence, tightly allied militarily with the superpower China sees as hellbent on halting its rise, and yet wary of the U.S.' own turn away from its multilateral international architecture – is a tempting place to make the case that regional powers are better off with Beijing. But China's recent actions suggest that it's under no illusion that Australia's loyalties can be won, nor that a strategic rivalry can be avoided.

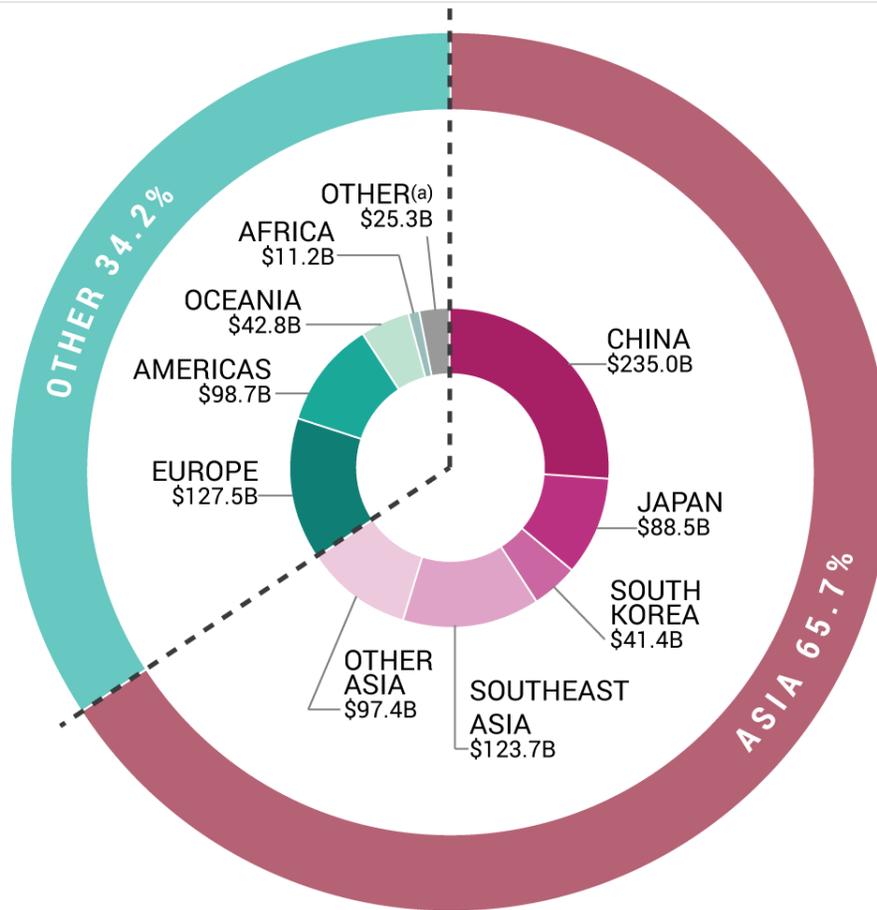
Chinese Leverage

The Australian government has grown increasingly uneasy with its dependence on Chinese money – and thus Beijing's ability to turn Australian states and business communities against Canberra – for years. Australia, for example, became the first member of the Five Eyes intel-sharing alliance to ban Chinese firms such as Huawei from its 5G buildout, leading to tacit Chinese restrictions of

imports of Australian coal and wine. Concerns over large-scale Chinese purchases of Australian land and investment in Australian infrastructure, particularly near sensitive military and intelligence facilities, compelled Canberra to override state governments and block certain foreign investments. In 2018, the Victoria state government defied Canberra by signing onto Beijing's Belt and Road Initiative. A series of high-profile corruption and disinformation operations scandals that allegedly exposed widespread Chinese influence over Australian politics, media and academia sparked something of a red scare and prompted the government to restrict foreign political donations. These concerns, in fact, include the entire region, with **the government launching a host of initiatives to counter Chinese influence in South Pacific island nations.**

Two things are striking about this trend. One is just how much leverage Beijing has over Canberra. The Australian economy is indeed beholden to Chinese buyers and investors. More than 38 percent of Australian exports of goods in 2019 went to the Middle Kingdom. This included some \$55 billion of iron ore, natural gas and coal and \$8 billion in agriculture products. Chinese investors, meanwhile, sunk more than \$44 billion into a range of sectors from mining to agriculture to infrastructure. (Inbound Chinese investment was estimated to have dropped by more than half last year as bilateral tensions rose.) There were nearly twice as many tourists from China than any other country (except New Zealand) in 2018; they spent more than \$8 billion. Nearly one in 10 university students in Australia is now Chinese, generating another \$8 billion in tuition and fees each year. Australia's highly decentralized power structure – in which states and independent senators wield immense power over legislation, leading to legislative gridlock, strategic paralysis and strikingly frequent changes in leadership – opens up countless avenues of influence to foreign powers.

Australia's Two-Way Trade by Region, 2018-19



Regional breakdowns

ASIA: Central Asia; Middle East; North Asia; South East Asia and Southern Asia.
 EUROPE: Eastern Europe; Northern Europe; South Eastern Europe, Southern Europe and Western Europe.
 AMERICAS: North America; the Caribbean; Central America and South America.
 OCEANIA: Antarctica and Pacific Island countries and territories.
 AFRICA: Central and West Africa; North Africa and Southern and East Africa.
 (a) Includes confidential items of trade.

Source: Department of Foreign Affairs and Trade

© 2020 Geopolitical Futures

[\(click to enlarge\)](#)

Second is how quick China has been to threaten Australia, putting Beijing at risk of exhausting its leverage and triggering political blowback for marginal gains at most. Australia has relatively few ways it can truly threaten China. The main one – its longtime military alliance with the U.S. and budding partnerships with regional powers like Japan and India – only matters if China makes a push to **dominate the South Pacific**, which China is still decades away from attempting. Indeed, while Australia would play an instrumental role in **“the Quad,”** Canberra has been reluctant to do anything that deepens Beijing’s perception that the coalition is intended to blunt China’s rise. This

reflects both its desire to keep bilateral relations focused on mutual commercial gain and its view that **the Chinese navy does not pose an imminent threat**.

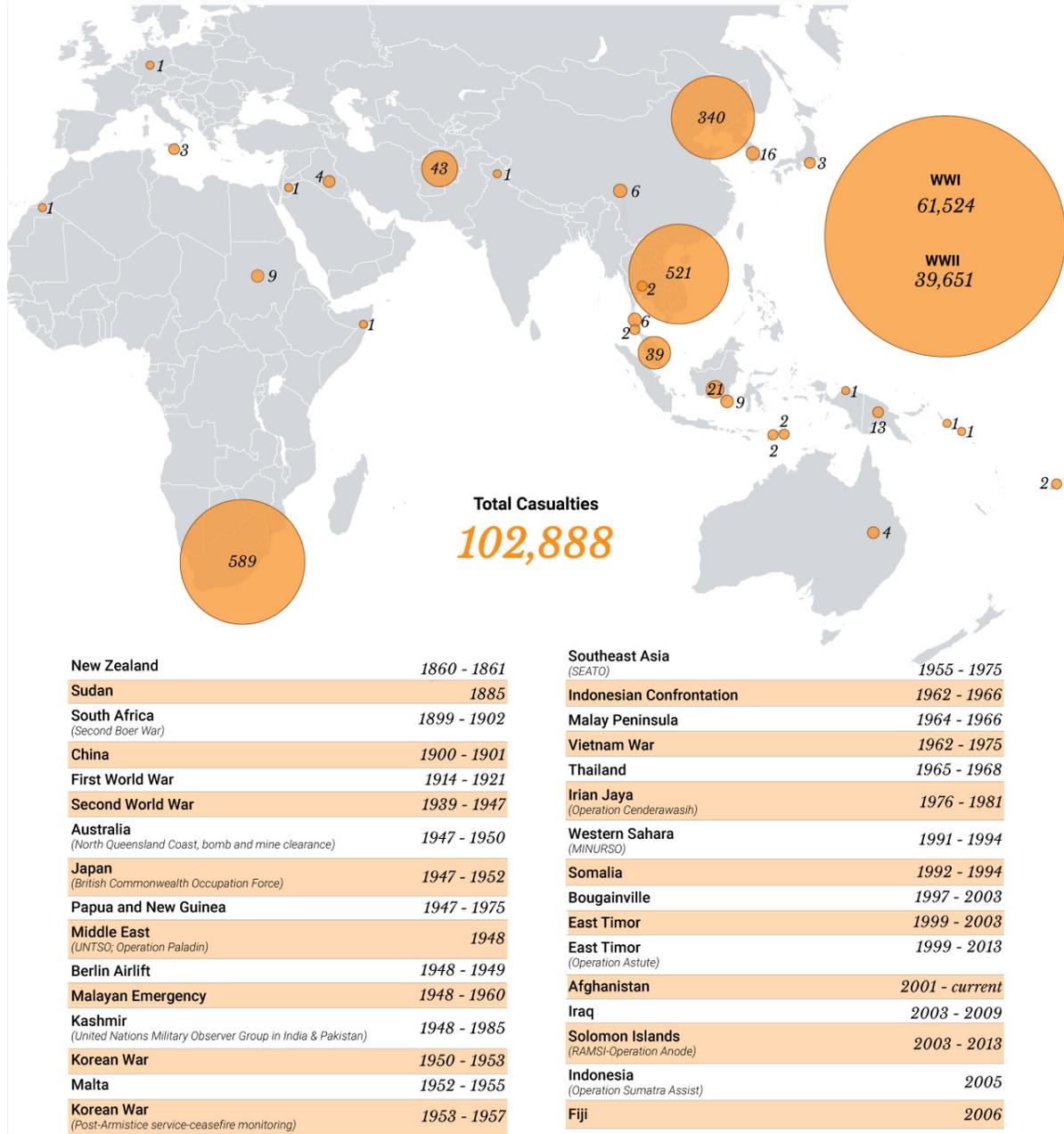
The other issues in Australia that have provoked Chinese retaliation realistically only threaten China's international reputation. Its souring image abroad is a real diplomatic problem for China with **real economic and strategic costs**. But to address them by becoming more overtly coercive would seem counterproductive, particularly in a place already primed to see Chinese money as increasingly threatening to Australian sovereignty.

How to Buy Friends and Alienate People

China's reactions can therefore be explained, in part, by its internal political sensitivity. To Beijing, calling for an investigation into the origins of the pandemic is the same as calling for a probe into all the ways the ruling party's rigidly centralized, censorship-obsessed model of governance contributed to the massive loss of life and livelihoods at home. This is still an existential threat to **the Communist Party's hold on power**.

It can also be explained by the fact that Beijing realizes that **Australia won't abandon the U.S.** – that the only future in which Australia “chooses” China is one in which Australia doesn't really have a choice. To be sure, throughout its history, Australia has periodically seen times of fierce debate on whether to decrease its reliance on U.S. security guarantees – thereby limiting its exposure to policy swings in Washington – and deepen military integration with emerging Asian powers (first Japan and now China). Still, Canberra has remained perhaps the U.S.' most steadfast ally – even routinely sending Australian troops to take part in U.S.-led conflicts of marginal Australian interest to ensure that the alliance remains robust. This is partly the result of Australia's view of itself as a Western power, with deep cultural affinities and historical ties to the U.S. that would make it politically difficult to break away. It's also because Australia's economy has always lived and died by free and open sea lanes – that is, **Australian strategy has always been tied to the dominant global maritime power of the day**. Before the U.S., it was the British. China wants to dominate the Western Pacific, but it has little appetite for the responsibilities that come with the global role, and will not have the capability to do so anytime soon.

Number of Australian Military Service Casualties



Source: Australian War Memorial

© 2020 Geopolitical Futures

[\(click to enlarge\)](#)

To pull Australia firmly into its orbit, Beijing would have to overcome a combination of **strategic imperatives and political forces tying Australia to the U.S.** It's a tall order. There's not much China can do about this short of abandoning its strategic ambitions, overhauling its internal

authoritarian system, waging a decadeslong effort to shed its newfound reputation of political interference and **debt-trap diplomacy**, and hoping the U.S. loses interest in the region. Its material and strategic needs are too immense, and its domestic sensitivities too acute, to put much hope in a strategy focused on winning friends through charm and mutual interest. This is a fundamental challenge for China across the Indo-Pacific and beyond. What Beijing evidently can do, though, is make countries think twice before opposing it, whether on matters big or small, international reputation be damned.

Author: Phillip Orchard

[Read more from this author on geopoliticalfutures.com](https://geopoliticalfutures.com)