

## **Australia Faces An Angry China: What Should America Do?**

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Never underestimate the fury of a totalitarian state scorned. That seems to be the lesson of China, which is angry with Australia. Xi Jinping's government is acting like, well, the Trump administration, using its economic clout as a weapon. And average folks Down Under are paying the price.

The People's Republic of China began hitting Australian exports shortly after Canberra advocated an investigation into Beijing's role in spreading COVID-19. Australians are lucky that China is less vindictive, or at least less dominant, than Washington, which increasingly uses financial and secondary sanctions to force the entire world to join America's de facto economic blockades.

However, last month the PRC doubled down, imposing a variety of restrictions on about \$6 billion worth of Australian exports—barley, coal, copper, cotton, lobster, sugar, timber, and wine. It was a painful hit for Australia, which sends, or at least previously sent, a third of its exports China.

Australia also benefits greatly from Chinese college students and tourists. The COVID-19 pandemic has ravaged both of those industries, which remain moribund. However, next year should bring a dual revival, and no one knows if Beijing will allow them to proceed once the health emergency subsides. Despite its professed outrage, the Xi government still puts number one first. Chinese oenophiles may be forced to suffer, but the PRC so far has left alone imports of iron ore, which account for half of Aussie exports, an apparent testament to Beijing's determination not to hamper its own industrial activity.

The Chinese bill of particulars against Canberra could have been written by Secretary of State Mike Pompeo, who favors ultimatums to other nations, demanding that they sacrifice their sovereignty and meekly submit to Washington's will. This approach has yet to work for America, but the PRC decided to try the same strategy.

Foreign Minister spokesman Zhao Lijian declared: "The Australian side should reflect on this seriously, rather than shirking the blame and deflecting responsibility." Beijing compiled a list of

14 complaints, including media criticism of the PRC's behavior and the national government's opposition to state participation in the Belt and Road initiative.

Reported the *Sydney Morning Herald*, "The list of grievances also includes: government funding for 'anti-China' research at the Australian Strategic Policy Institute, raids on Chinese journalists and academic visa cancellations, 'spearheading a crusade' in multilateral forums on China's affairs in Taiwan, Hong Kong and Xinjiang, calling for an independent investigation into the origins of COVID-19, banning Huawei from the 5G network in 2018 and blocking 10 Chinese foreign investment deals across infrastructure, agriculture and animal husbandry sectors."

An anonymous Chinese official explained that it "would be conducive to a better atmosphere" if Canberra changed course. That is, abject submission highlighted by a mix of cowering and groveling would help improve relations. The Chinese representative added ominously: "China is angry. If you make China the enemy, China will be the enemy."

During the Cold War, U.S. operatives gained a reputation as "the ugly American," officious, arrogant, obnoxious. Now we see "the ugly Chinese" at work, doing everything possible to make others hate them and their government. Beijing is doing a better job making the case for Australia's alliance with America than could Washington.

The Morrison government has stood fast. Trade Minister Simon Birmingham said, "The ball is very much in China's court to be willing to sit down and have the proper dialogue." Treasurer Josh Frydenberg indicated Canberra's willingness to conduct a "respectful and beneficial" discussion but insisted that his nation's interests were "non-negotiable."

The redoubtable Aussies are capable of making their own way in an unfriendly world, but an enraged PRC remains a daunting foe. Indeed, Canberra is not Beijing's only target. After South Korea decided to participate in America's THAAD missile defense system four years ago, the PRC retaliated economically, including with consumer boycotts and tourist restrictions. Such attempts to threaten and intimidate smaller states one by one demonstrates the need for democratic solidarity. Australia deserves support. But what kind?

The place to start would be citizen solidarity. Australian wine tasted good before China start firing its big economic guns Down Under. It is even more appealing today, with Canberra under economic siege and confronting a Sino challenge similar to that facing Washington. American individuals and companies should take an extra look at Australian products now barred from or limited in the PRC market. Aussie exporters already benefit from a bilateral free trade agreement, but Washington should minimize any remaining barriers on targeted Australian goods.

Moreover, American (and other Western) consumers and businesses should look to increase purchases of other traditional Aussie exports to the U.S.—most importantly, meat, dairy, nuts, aluminum, and optical and medical instruments. When COVID-19 fears finally subside, Australia would also be a fine tourist destination (I speak from experience, having visited a half dozen times over the years!). The purpose in doing so would be as much to show support as repair economic damage.

Although private action would be helpful, more is needed. For instance, some analysts proposed that the U.S. indemnify Canberra and other friendly states under economic attack. However, Washington, which ran a \$3.1 trillion deficit last year and might end up facing a similar amount

of red ink this year, cannot act like an ATM machine for the world. Moreover, a general subsidy would encourage other states to repackage preexisting disputes to trigger America's new geopolitical "insurance policy."

An alternative, advocated by some, would be for Washington policymakers to levy economic war on other nations' behalf, imposing countervailing tariffs and more on the PRC. But the U.S. already overuses and misuses its economic clout to do what China is doing, penalize other nations that refuse to submit to Washington's inconsistent, wide-ranging, and ever-changing dictates. Sanctions are an effective policy tool only if they do not threaten core interests of the target state and there is a diplomatic off-ramp. Moreover, intensifying America's ongoing confrontation with the PRC would further poison the overall relationship and put friendly states at even greater risk.

Writer Tanner Greer contended that Beijing's "attempt to undermine the American alliance system demands a firm response from Biden as soon as he comes to power." However, *with that alliance system the U.S. already does more than its part*, defending at great expense much of the known world, including a couple score of prosperous and populous states that could do much more to protect themselves, including Australia. None of them reciprocates by contributing to America's defense, unless agreeing to let American taxpayers underwrite their security is viewed as a "contribution." Australia is more serious about its military than many other U.S. partners, but still benefits greatly from America's propensity to insist that other states allow it to defend them.

Better for Washington to engage allies and friends in Asia and Europe to discuss how to collectively deal with China's threatening behavior. After spending three years bestowing air kisses on Xi Jinping, along with compliments for his response to COVID-19, President Donald Trump announced he was the PRC's greatest critic. He demanded that allies join his newly launched Sinophobic campaign even though previously he had waged economic war against those same allied states—Canada, South Korea, and the Europeans, most notably—while attempting to win a trade war against China. It was a foolish, myopic, and incompetent effort. Additional evidence that the administration botched this issue came last week, with the announcement that Europe had negotiated a new market-opening agreement with Beijing. Imagine if the Americans and Europeans had joined in 2017 to present a combined list of issues requiring resolution to the PRC.

However, the Biden administration offers a new start. An important objective should be to begin serious discussions over how to deal with Beijing's attempts at economic coercion. Among possible steps would be creating a multilateral fund to support countries and industries under attack; opening markets for products banned or limited by the PRC; limiting or prohibiting Chinese sales to governments (China gained about \$2.5 billion in procurement contracts from the European Union this year); and retaliating more broadly, including general trade penalties along with narrow restrictions on particular industries and services.

Such a discussion should also include the plight of private companies that come under similar attack. The demand that airlines change their website designations for Taiwan; the insistence that athletes remain silent about Chinese human rights abuses lest teams and leagues be punished; the spectacle of Hollywood filmmakers cleansing their offerings of anything that might offend anyone in Zhongnanhai. At the very least, firms and industries should be legally enabled and publicly encouraged to cooperate in resisting Beijing's dictates. Other ideas include

implementing counter-restrictions via law or regulation, barring firms from setting domestic policy in response to foreign demands.

Commitments from many countries would be necessary; such an effort shouldn't become yet another plan to mulct Americans by making them pay, yet again, to defend the rest of the world. Such efforts could end up being quite costly. Indeed, the biggest victims of Trump's misguided trade war were American companies and consumers.

Moreover, commerce is one of the best remaining connections between China and other nations as the Xi regime leans toward Maoist totalitarianism. Both sides will lose if every aspect of the relationship is politicized and weaponized—especially since isolation would likely make Beijing more hostile and dangerous not less.

Nevertheless, the PRC will continue to penalize weaker nations as long as there appear to be minimal to no consequences. In most cases, the real intent is not to force the target government to give way in that specific case, but rather to preemptively submit next time. Countries that know Chinese retaliation is likely, even inevitable, while assistance from others is unlikely, will be more likely to adjust their behavior to satisfy Beijing.

Australia will survive the PRC's economic assault. But Canberra shouldn't have to fight alone. Like-minded states should cooperate to discourage Beijing's worst behavior. The objective would not be to start an economic war, but rather to end one the Chinese appear ready to start. The Biden administration should take center stage in such an effort, repairing the damage done by Trump's foolish economic fusillades against friend and foe, irrespective of cost and harm.

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