



Australia-China Trade Tensions During the Covid-19 Pandemic: Australia's Reaction to China Trade Sanctions

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Abstract

Australia's economy is heavily dependent on exports because exports take a significant role in the process of good growth and development. Australia seeks to establish relations with Asian countries, particularly China, in order to enhance its export trade. Relations between the two countries weakened, particularly when Australia wanted to lead the global call for an investigation into the origins of COVID-19, leading China to impose many trade sanctions on Australia. In this study, the researcher uses the theory of international organizations to examine the topic. The author uses a qualitative approach in this study to analyze Australia's reactions to China's trade sanctions during the COVID-19 pandemic. Our results confirm that Australia depends on the WTO as a trade regime to solve its trade disputes and diversify its international trade through the free trade agreement with other countries to overcome China's trade sanctions during the COVID-19 Pandemic.

Keywords: *Trade Tensions; Australia-China; International Organization*

Introduction

Australia is a country blessed with good natural resources. In this way, Australia has a significant opportunity to supply regional economies with superior agricultural services and products (Enterprise Ireland, 2019). Moreover, Australia's economy is heavily dependent on exports because exports take an essential part in the process of good growth and development. Australia is a mineral and energy superpower. Therefore, Australia can take advantage of the strategic location of its role to fulfill the demand of mineral and energy needs for Asia because Australian exports are highly reliant on trends in global demand. Minerals and energy that can be utilized by Australia include: coal, iron ore, LNG, gold, alumina, nickel, and zinc. From the previous studies conducted by (Silva, 2014) The author stated in the journal "Export Trends and Free Trade in Australia: An Analysis" that 20 years ago, the primary export destination countries for Australia's main commodity were the United Kingdom, the United States of America, and New Zealand. In 1990, Australia finally changed the direction of its export focus to Asia and it had several factors that affected Australia's export destinations, such as the increasing demand for various Australian commodities from Asian countries. Australia turned to Asia due to the rapid economic growth of countries in Asia and overriding traditional approaches America and Europe as their export destination (Atkin & Connolly, 2013).

In the interest for maintain market stability for its commodity exports, Australia is focusing on free trade agreements with fast-growing economies. Furthermore, Australia seeks to establish relations with countries in Asia especially China to expand Australia's export trade. China is a country that has increasing influence in the region so Australia intends to pursue its bilateral interests with China. Australia's ambition in cooperating with China can also be seen from the bilateral trade agreement that has been signed. Australia and China signed a free trade agreement to enhance their foreign trade. The purpose of a bilateral trade agreement is to develop connection between the markets of two countries and boost their economic growth and enlarge the market for a country's goods (Kagan, 2020).

The relations between Australia and China have not always worked well. Various problems apart from international trade must also be something that cannot be avoided in international relations. On April, Australia's prime minister Scott Morrison informed reporters that he had recommended to some world leaders to build an international coalition provide the World Health Organization (WHO) with more ability to respond to the pandemic. One week later, China immediately imposed sanctions in the form of barley tariffs against Australia. Beijing recommends foreign visitors not to visit Australia in June 2020, referencing violence and racism against Chinese citizens in fact related to Covid-19 (Levi Parsons For Daily Mail Australia, 2021). Furthermore, the Ministry of Education of China advises students to reconsider studying in Australia. However, China's trade policy actions will be focused on Australian goods exports (Doran, 2021).

The threat posed by China did not discourage Scott Morrison in carrying out an investigation into the corona virus. Scott Morrison's speech at the 75th Session of the General Assembly of the United Nations in New York, 22–29 September 2020 focusing talking about the covid-19 pandemic. Scott Morrison wants to lead global requests for an investigation into COVID-19's origins. China was degraded by Australia's actions, and Beijing warned the country that its actions would irreparably harm relations between the two countries. Beijing's ambassador Cheng Jingye warned to Canberra that a call for an inquiry could damage trade ties, If Canberra continued for an investigation China warned a potential economic backlash (Walsh, 2021). Cheng Jingye claimed that the racial discrimination inquiry could result in Chinese tourists and scholars boycotting Australia when international travel resumes following the pandemic.

The explanation above is the background of trade relations between Australia and China getting worse during the pandemic, China has attacked Australia a lot causing Australia's international trade activities to be disrupted (Packham, 2020). As the result of trade tensions caused by China's anger towards Australia, Beijing targets its several key Australian such as wine, barley, coal, copper ores, frozen beef, cotton, timber, and rock lobster. Beijing imposed high tariffs on some Australian exports, citing anti-dumping measures. Several verbal sales bans and other sanctions China has implemented. This research will discuss more Australia's reaction to overcome China's trade sanctions during trade tensions with China in Covid-19 Pandemic because of the vitality of their international trade relations. Based on the background above, the author would like to prompt a question as follows: How did Australia Overcome China's trade sanctions during the covid-19 pandemic?

Literature Review

International Organization

The author will use international organization theory to examine this topic. Countries have been able to cross borders as a result of globalization. A growing proclivity to act multilaterally rather than unilaterally (in the sense of relying on IO). Multilateralism is a system in which states are expected to act as a group through negotiations and IOs. According to Robert O. Keohane, an international institution or international organization is a government regulation that includes a network of rules, norms and ways that as well as oversees (Keohane, 2008).

The strengthening of international organizations roles, both regionally and internationally, has resulted in international organizations being filled with the membership of countries that have joined into a regime in international institutions politics. In addition, according to Donald Puchala and Raymond Hopkins, a regime exists in every issue area of international relations where there are behavioral regularities, such as principles, norms, or rules that must exist in order to be held accountable (Prayuda, Harto, & Gunawan, 2018).

In terms of international trade, for example, the World Trade Organization (WTO) is expected to integrate all of the world's trade interests through mutually agreed-upon provisions as an international trade regime (Oktaviano, 2017). A regime can establish property rights by enacting special rules that limit who owns what and who is responsible for what, as well as enforcing them or at the very least adjudicating disputes over them (Barkin, 2006). Regimes are absolutely necessary for countries as a vehicle for communication traffic between countries in solving their problems. An international regime functions as a means of communication for member countries in solving problems that threaten regime members.

As part of their organizational structure, some IOs have a full-time dispute resolution body. The most well-known example is the WTO Dispute Resolution Mechanism (DSM), which resolves trade disputes among WTO members. The WTO is proposed to create interactional and mutually advantageous conditions thus all countries can benefit. The Dispute Settlement Body (DSB) is the backbone of the current multilateral trading regime (Oktaviano, 2017).

The author takes one example of the WTO's role in resolved trade disputes was the settlement of anti-dumping cases between Indonesia and South Korea. In 2004 Indonesia imposed anti-dumping duties against South Korea. Indonesia filed an appeal at the World Trade Organization Dispute Settlement Body forum, Indonesia won this dispute (Tempo.co, 2010). The same thing can be done by Australia against China, due to the anti-dumping efforts carried out by China against Australia due to these trade tensions resulting in tremendous losses.

International organizations can influence international relations by facilitating cooperation and by legitimizing rules. Cooperation with other countries in the context of diversification can create new and expanded international trade opportunities. The role of international institutions is very important in international politics in order to create cooperation among international countries (Barkin, 2006). The WTO binds governments to keep their trade policies transparent and predictable which will improve the economic well-being and reduce political tensions (Anderson, 2022). In principle, the WTO exists to promote orderly and fair free trade in the world (Oktaviano, 2017). Based on the theory of international organization, the author tries to analyze Australia's reaction in overcome China's trade sanctions during trade tensions with China in Covid-19 Pandemic.

Methods

This research will be using the qualitative method. According to David Williams (1995) in the book written by Lexy J Moleong (2006) states that Qualitative research is the collection of data in a natural setting, using natural methods, by naturally interested people or research. From the qualitative method, the author uses a qualitative approach in this study to examine Australia's reactions in overcome China's trade sanctions during the COVID-19 pandemic. The author will use library data research. Any other way, library research uses library sources to collect and analyze the data (Zed, 2004). The data that the author will use is gained from journals, books, reports, and internet sources.

Findings and Discussion

An Overview of Australia-China International Trade (Export-Import) Relations

This part explains about the dynamics of Australia-China international trade relations before and after the pandemic. The author will discuss more about Australia-China international cooperation in terms of international trade and specifically on export-import before the covid-19 pandemic. Then, the author will analyse about the triggers of the Australia-China trade tensions during the Covid-19 pandemics.

A. The History of Australia-China Export-Import Relations Before the Covid-19 Pandemic

Australia-China relations have existed for many years, and the two countries decided to establish diplomatic relations about 50 years ago, which led to the two countries becoming involved in a variety of fields, particularly economic exchanges (Kai, 2012). The situation starts from 21 December 1972, The Commonwealth of Australia and the People's Republic of China officially sign the joint communiqué establishing diplomatic relations. Under the Communiqué, the two Governments agreed to:

...develop their diplomatic relations, friendship and co-operation between the two countries on the basis of the principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

The Australia Embassy in Peking (now Beijing) was officially opened on January 12, 1973. Relations between Australia and China were established on complementary and economic ties, as well as community and culture. The same year, Gough Whitlam became Australia's first prime minister to visit China, and he was the person who became the mediator of the two countries' currently underway bilateral relationship. As a result of their existing ties, they signed a trade agreement between the governments of Australia and the People's Republic of China which served as the foundation for bilateral trade and economic relations between Australia and China. Australia will be able to take full advantage of the significant transition that will begin in China a few years later through official diplomatic relationships (Au-Yeung, Keys, & Fischer, 2012).

With the advancement of cooperation between the two countries in 2003, The Australia-China Economic and Trade Framework was signed, laying out a plan for various activities to enlarge bilateral trade and economic relations. As part of the framework, the two countries conducted a feasibility study of a free trade agreement; since the agreement was reached, further steps have been taken toward formal free trade arrangements. In March 2005, the Australian Department of Foreign Affairs and Trade (DFAT) and China's Ministry of Commerce jointly released a feasibility study on the Australia-China free trade agreement (Parliament of Australia, 2022). Furthermore, a month later, on April 18, 2005, they agreed to begin negotiations toward a free trade agreement (Culas & Timsina, 2019).

Australia-China cooperation also started to improve in 2007. In 2009, Overtook Japan as Australia's largest trading partner, and become the country's largest export market. Australia is also China's seventh-largest trading partner. In 1972, Australia-China trade was less than \$100 million; today, it exceeds \$100 billion (Australian Embassy China, 2022). China has been Australia's largest market for iron ore exports since 2004. However, other mineral exports are also significant. In 2011, China was Australia's largest market for copper ores (exports of \$1.5 billion), Nickel ores (\$1.1 billion), Aluminium ores (\$854 million), Manganese ores (\$837 million), Mineral sands (\$719 million), and Non-ferrous waste & scrap and Ferrous waste & scrap (\$398 million and \$249 million respectively).

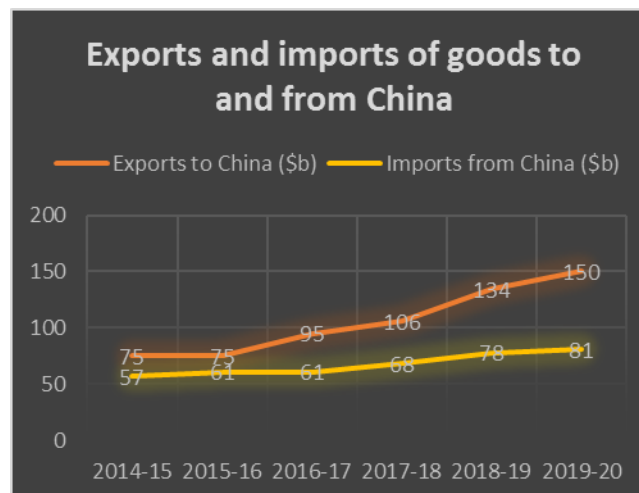
Due to China's rapid urbanization and industrialization, Australia's exports to China increased dramatically between 2001 and 2011. Over the last decade, China's rapid economic development has increased demand for resources such as iron ore and coal, which Australia has met as an exporter to

China, resulting China becoming Australia's most important trading partner. Both prices and export volumes increased significantly during this period. In recent years, China's demand for Australian raw materials, particularly minerals and fuels, has been the most important factor in this growth, with iron ore and coal exports being essential (Batty & Bingham, 2012). According to the article “Australia-China: not just 40 years” written by (Au-Yeung, Keys, & Fischer, 2012) in 1972, Trade-in goods have grown from about \$100 million to \$114 billion in 2011. Moreover, China's share of Australia's total merchandise trade rose from 1% in 1972 to almost 25% in 2011-2012. Thus, Australia is the only developed country that directly experiences a trade surplus with China (Au-Yeung, Keys, & Fischer, 2012).

Australia is committed to advancing a comprehensive strategy of partnership with China and recognizes that China's influence in the multilateral system continues to grow. On the global economy world, free trade and free trade agreements are important in international trade. According to (DFAT, 2011) Australia's FTAs must be fully consistent with WTO principles and rules, delivering WTO-plus results and strengthening the multilateral trading system. By times, According to (DFAT, 2022) China–Australia Free Trade Agreement (ChAFTA) on 17 November 2014 signed by Andrew Robb (the Minister for Trade and Investment) and Gao Hucheng (China's Minister of Commerce) in the presence of Prime minister Abbott and Chinese President Xi and the closing ceremony of negotiations held at Parliament House. ChAFTA entered into force on December 20, 2015, after 21 intense negotiations that began in 2004. Following the implementation of ChAFTA, Chinese tariffs on a number of Australian agricultural imports were reduced. For the first 11 years, the ChAFTA would reduce tariffs from the baseline level to zero on a variety of products. Dairy, live animals, barley, beef, lamb, and mutton from Australia, edible fruits and vegetables, seafood, hides, skins, and leather are just a few examples. Tariffs on beef and dairy products would be reduced by up to 25% over the next 4 to 11 years.

China's wine imports have more than doubled in the last five years, reaching a peak in 2014-2015. Besides that, Australia has surpassed the United States as the third-largest wine exporter to China. Australia exported horticultural products worth A\$111 million in 2014-2015, up from A\$14 million in 2009-2010 along with the rapidly increasing demand for Australian horticultural products. Then, after the reduction of higher tariffs of up to 30% on horticultural products, Australian farmers will benefit even more (Culas & Timsina, 2019). In general, other product exports have increased significantly since the beginning of ChAFTA, including meat (particularly beef), drugs and pharmaceuticals, and beverages (particularly red wine) (ABS, 2020).

Export and Import of Goods to and from China



Source: Australian Bureau of Statistics, Australia's trade in goods with China

The graph shows the value of goods exported rise in the five years to 2019-20 from \$75b in 2014-15 to \$150b in 2019-20; and Goods exports have increased significantly from \$75.7b in 2015 before ChAFTA's entry into force become \$150b in 2020. Also, imports grow significantly up to 42% over the same period. The development of international trade relations between China and Australia which is growing from year to year. In terms to strengthen the existing explanation and data listed, the decision of the two countries to carry out bilateral relations to decide to make a trade agreement is very beneficial for Australia. Although bilateral international trade relations began in 1973 and continue to run, international trade relations have been tightened only 5 years after the signing of ChAFTA (Australian Government: Department of the Prime minister and Cabinet, 2020). The significant increase in exports and imports was also influenced by exports of resource commodities, particularly metal ore (mostly iron ore), and coal (ABS, 2020).

B. The Emergence of Australia-China Trade Tensions During Covid-19 Pandemic

The trade relations between China and Australia improve greatly because of China's success in becoming Australia's largest trading partner. However, their bilateral relations that are getting stronger cannot be separated from several issues that are very likely to occur. The existence of cooperation indicates that there may be conflicting points, real or potential, but the parties willing to listen to other parties' argument interests besides of their own interests and to seek a negotiated solution and, as far as possible, are considered by all parties. In other words, the words of international cooperation in the generic form simply indicate that two or more countries are neither solving problems on their own nor acting independently (Sato, 2010). China-Australia trade tensions are primarily a war of words and trade restrictions. China imposed barriers, it urged Australia to respond only slightly A small response is because Australia values cross-border trade between the two countries. Tariffs or restrictions on Chinese imports would be incredibly damaging to Australian businesses and the economy (Carpenter, 2021).

China's bitterness toward Australia began when Australia became the first country to publicly prohibit Huawei from participating in its 5G network due to concerns that the tech giant would leak data to the Chinese government. Despite China's repeated denials, the government stood firm in its decision to sanction Huawei. Early stages with the Rudd administration in 2010, the NBN (National Broadband Network) broad quietly decided not to take Huawei's offer to participate in the development of a national broadband network. The Gillard government then officially announced the NBN ban on Huawei. Till the Turnbull government banned Huawei and ZTE rom constructing Australia's 5G network in 2018 (Hartcher, 2021).

Trade relations have deteriorated, particularly since Australia demanded an investigation into the origins of the coronavirus, which was discovered in a Wuhan wet market. Morrison told reporters on April 22 that he had proposed the formation of an international coalition to a number of world leaders in order to give the World Health Organization (WHO) more power in pandemic response. As a result, in response to Australia's calls for an investigation, China issued a strong statement accusing the country of engaging in a "political game." China's ambassador to Australia responded to Canberra's request by stating that Chinese consumers may boycott Australian beef, wine, tourism, and universities (Kachor, 2020). It only took 1 week after China had its revenge against Australia. Based on the news (Sullivan, 2020) there were trade sanctions imposed by China such as as barley, wine, meat, cotton, copper ores, coal, timber, and rock lobster.

1. Barley: In May 2020, China imposed massive anti-dumping duties on Australian barley totalling 80.5% with expected to last five years. China has been conducting an anti-dumping and countervailing duty investigation into Australian barley exported to China between October 1, 2017 and September 20, 2018 since November 19, 2018 (Cao & Greenville, 2021).
2. Wine: In late November, China launched an investigation into claims Australian winemakers disposed of the wine and followed up a few days later with a separate investigation into claims

the winemakers were subsidized. Since then, China has imposed tariffs 218% on Australian wine imports (Richards, 2021).

3. **Meat:** China has delayed imports from a number of Australian beef suppliers. China has blacklisted four major Australian beef exporters due to allegations of mislabelling (Wilson, 2021). According to Rabobank, China's beef import growth slowed in 2021 due to lower Australian supply (Reuters Staff, 2022).
4. **Cotton:** On October 2020, China ordered producers to stop buying Australian supplies or risk 40% tariffs. The Chinese government determined how much cotton each factory could import using a quota system under China's current trade rules.
5. **Copper Ores:** Beijing has imposed an unofficial embargo on shipments. The Chinese government, according to media reports earlier this month, has directed companies not to purchase copper ore and concentrates. According to General Administration of Customs data, shipments of copper concentrate from Australia fell sharply in October, falling 54.2 % from September to 40,496 tonnes. It was also the lowest total monthly since April, down 34.5 % year on year.
6. **Coal:** Hundreds of bulk carriers carrying Australian coal have been stranded off the coast of two major Chinese ports for months, unable to unload their cargo. Due to stalled Australian shipments, China discovered that coal imports failed to fulfill environmental standards due to stalled Australian shipments, costing up to \$700 million in delays. Chinese importers were expected to avoid coal since November 6. Coal has been identified as a commodity that has been warned about. Australia investigated reports that China had verbally instructed buyers not to purchase Australian coal (Reuters Staff, 2022). State media in China appeared to confirm that Beijing had blocked Australian coal imports, threatening \$14.5 billion in trade. Fourth-quarter exports fell by 82% early in December, and Australia's largest coal port, Newcastle, ceased all coal exports to China.
7. **Timber:** In November, China spotted timber imports from New South Wales and Western Australia after local customs officials discovered pests in cargo from those states. Local customs authorities are required to return pest-infested cargo. Following that, China stopped timber shipments from a number of countries, including Victoria and Queensland, Tasmania, and South Australia. When China previously banned timber exports from South Australia and Tasmania, it claimed that the decision was made to prevent pests from entering China and to protect the country's forestry and environmental security (ABC, 2020).
8. **Rock Lobster:** In November, tons of live lobsters washed ashore at Chinese airports and clearance houses, starting with lobster checks at Chinese airports. A \$2 million live rock lobster finally washed up on the tarmac in Shanghai, with Chinese Customs agents alleging the lobster may have been contaminated (Srinivasan, 2020).

Although explicitly the trade agreement between the two countries does not require coercion to buy each other's products, China's treatment refers to discriminatory trade actions against Australian investors in China, which according to them violates the provisions of ChAFTA. Birmingham also emphasized China's adherence to its ChAFTA and WTO obligations, citing the Chinese government's targeted actions against Australian goods. After ten years of negotiations, ChAFTA was signed in good faith in 2015, paving the way for two-way trade. However, the relationship has been strained by plenty of trade restrictions imposed by China, including anti-dumping duties on Australian wine and barley, the suspension of beef exports, restrictions on cotton and coal shipments, and unofficial bans on copper, sugar, lobster, and log timber (Su Lin Tan & Tan, 2020).

However, this claim is gazed by research colleagues at Song Wei, China Academy of International Trade and Economic Cooperation. Specifically, Australia complaints that China is taking discriminatory action against Australian investors is completely unfounded. In terms of trade sanctions imposed by China, Australia certainly will not retaliate for this act because this will result in Australia being hit by its own boomerang. This is related to China, which is Australia's largest trading partner. This understanding can be seen indirectly from Australia's efforts, which initially wanted to resolve this issue by sitting down with China, in the sense that Australia is still willing to work directly with China to resolve the trade sanctions (Jun & Chi Jingyi, 2020).

Australia's Reaction to Overcome China's Trade Sanctions During Trade Tensions with China in Covid-19 Pandemic

Australia must define the type of partnerships it wants with its international partners as it considers its economic recovery. According to this study, Australia is serious enough to take a step through international cooperation to protect its international trade, particularly in export and import. Australia's response to China's trade sanctions during the Covid-19 Pandemic is reliant on the World Trade Organization, and decided to enter into trade agreements with other countries to diversify its trade.

A. Australia Reports China to the World Trade Organization (Wto) as an Agent That Can Handle Trade Disputes

The failure of initiatives taken by separate governments in their efforts shows that the problem extends beyond national borders and that the only alternative is international cooperation because the economic activities of countries have become part of the global system. At the current stage of international politics, all nations must establish a policy of international cooperation. The existence of globalization essentially means that the political, economic, and social situations have become highly integrated with international realities. Thus, the stability of institutions and policies aimed at economic development and the promotion of a better quality of life is increasingly dependent on good cooperation. Arthur Stein argued that "bargaining" (i.e., cooperation) can occur secretly even between enemies in the midst of war (Sato, 2010). Then, in the social sphere the term of it has no different. Referring to the discussions in the war, even though this is the case. In this case, Australia still wants negotiations to resolve its trade tensions with China.

In this research, which examines Australia-China trade tensions, Australia uses the WTO as a trade regime to resolve its increasingly complicated problems with China. A dispute arises when a country adopts a trade policy measure or takes some action that one or more WTO members consider to be in violation of a WTO agreement, or fails to fulfill obligations, in order to achieve one of the WTO's objectives of resolving trade disputes The resolution of trade disputes is one of the WTO's primary functions.

Australia accuses China of undermining their free trade agreement through a series of sanctions or export bans. Canberra accuses Beijing of failing to uphold the "letter and spirit" of its WTO commitments. According to Yao, a Beijing-based international law analyst, China's tariffs on Australian barley are not in violation of ChAFTA seeing as, also according to China's investigation, Australia is selling barley to China at a lower price than its domestic market price, towards the disadvantage of Chinese barley growers and harvest dealers. Except for anti-dumping duties, neither China nor Australia is permitted to increase existing import duties on each other's imported goods under Chapter 2 of ChAFTA (Jun & Chi Jingyi, 2020). With the sanctions imposed by China on Australian wine by 218% and barley at 80.5%, it will certainly disrupt Australia's international trade. China is acting in this manner because it accuses Australia of dumping, which is a prohibited trade practice under international trade law. Dumping occurs when a country exports a product to another country at a lower price than normally cost in its domestic market. The purpose in a foreign country may be to increase market share and drive out competition. The Australian government has categorically denied this case.

On the other hand, Australia frequently complains that China does not reciprocate its goodwill. Birmingham also stated that if a solution on other goods could not be reached, the government would consider taking further action at the WTO (Sullivan, 2020). In December 2020, Australia reported that China had imposed 80.5% tariffs on barley. The Federal Government has confirmed that it will appeal the decision with the World Trade Organization in response to China's decision to impose high tariffs on barley (WTO). In May, an 80.5% barley tariff was imposed, 73.6% of which was in response to dumping claims (selling barley below production costs) and a 6.9% countervailing duty (Australian farmers have been subsidized). It is the first time Australia has referred China to an independent arbiter of agricultural commodities.

Under Senator Birmingham, Australia first took action against China when the government referred it to the WTO over barley tariffs. Simon Birmingham announced the decision, claiming that Beijing's 80% surcharge on Australian barley imports was "less base" and unsupported by facts and evidence. Based on the evidence, data, and analysis gathered, Australia has a very strong case. Something must be done to protect Australian grain growers' and barley producers' integrity and propriety. Senator Birmingham acknowledged that WTO dispute resolution could take a long time to resolve, but that there was always the possibility of ending it sooner. What Australia has done with Canada's wine industry, and what others have done by initiating the WTO process, shows that there is always a way to put a stop to the problem for a while.

The main point of WTO action is that each party has the ability to communicate with other countries. It enables governments to discuss potential problems and potential solutions. The impact of China's new tariffs on Australia's barley industry will be the loss of trade with China, a premium market. Humongous tariffs on Chinese barley have effectively rendered Australian barley uncompetitive in that market. While governments have the right to appeal decisions through the WTO Dispute Settlement process, which will take time, Australia's grain industry will be tried to force to adapt to the new trading environment until steps were taken and tariffs are lowered.

Australia's complaint to the World Trade Organization about China's anti-dumping duties on wine exports should pave the way for bilateral talks in June 2021. Only six months after reporting China to the World Trade Organization for unfair trade practices involving barley, Australia reported China to defend Australian winemakers. In line with the government's support for a trading system based on rules. China's 218% increase in wine tariffs in November against Australia has hurt Australia as the crackdown nearly shut down Australia's largest overseas wine market, according to official figures sales fell from Aus\$1.1 billion (\$840 million) to just Aus\$20 million.

Dan Tehan, Minister for Trade, Tourism, and Investment, stated that he persists in hopeful for open talks with China to overcome this issue and that he will use every other mechanism to try to resolve the disputes. Furthermore, Dan Tehan admitted that the WTO dispute resolution process was difficult and would take 2-4 years (The Economic Times, 2021). After extensive consultation with winemakers, the decision to take the dispute to the WTO was made. Even though there was no quick fix, Tony Battaglone, Chief Executive of Australia Grape and Wine Incorporated, believed that taking the issue to the WTO was the best way to try to solve the problem (BBC News, 2021).

Australia Diversification of Its International Trade Through Free Trade Agreement

Australia as a country that is very open to international trade, will certainly not retaliate against China's action of them. Openness to international trade accelerates productivity and encourages exports and economic growth. Australia has shown that its economy has grown resilient and an increasingly strong economy. Being involved in a conflict with the country's largest market, of course, will be very worried about the economy going forward. In a sense, Australia needs to consider risks and plan long-term mitigation and diversification strategies. The dramatic loss in trading volume with China as Australia's largest partner calls for far greater urgency to step up Australia's diversification strategy.

Long-term diversification will be a tough challenge. It's not about getting bigger up with a specific partner or parting ways on a successful relationship. This term refers to government activities such as trade negotiations and commercial diplomacy, as well as Australia's business market development strategy (Wilson, 2020).

When the world of international trade is increasingly worrying, it is necessary to diversify markets and economic relations to increase resilience and build protection against external shocks. It can be trade conflicts, supply chain disruptions, recessions, pandemics, or other disruptions. According to the data, there are more protectionist policies imposed in the first half of 2020 than in all of 2019 (Wilson, 2020). Restrictions are certainly very detrimental to Australia which is very open and trade-exposed, massive restrictions have a bad impact for the main Australia's export sector across resources, agriculture and services.

Although the diversification is Australia's reaction in dealing with China's trade tensions, it does not mean the relations between the two countries as major trading partners will not run anymore. Also, as Treasurer Frydenberg has pointed out the fact that the losses in trade with China have been largely compensated by the expansion of trade with other markets. Australian businesses find a China Plus approach and it means diversifying their business into other emerging Asian economies, while maintaining engagement with China. Such actions can help build resilience and support long-term growth (Ranhotra, 2021). Treasurer Josh Frydenberg directly demanded Australia not to rely too much on China. Australia has been able to limit the damage by diversifying the majority of its exports to other countries.

Roland Rajah, the lead economist at the Lowy Institute said that "exports to China had been predicted to collapse in the sanctioned areas, but much of this lost trade appears to have found other markets". Analysts predicted that the trade tensions that occurred during this pandemic era would have a significant impact on Australia, but they now argue that Australia has been able to withstand the damage by trying to shift many of its exports to other countries (Tan, 2021). Frydenberg reveals the need to look at new markets, which have opened up as a result of recent free trade agreements (Reuters, 2021). In overcoming these tensions, Australia has implemented cooperative practices in international relations. By involving in trade agreements with other countries in trade agreements where all signers win (Sato, 2010).

Many policies have been implemented by the Australian government to encourage new trade and investment relationships. Australia's opening up of opportunities in the Indo-Pacific will remain key to long-term growth for Australian companies as the opportunities in Asia's emerging consumer market are huge and continue to grow. There are several Australian trade agreements to diversify its trade: (i) The Regional Comprehensive Economic Partnership (RCEP) and The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); (ii) Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA); (iii) Australia-United Kingdom Free Trade Agreement (AU-UK FTA); (iv) Australia-European Union Free Trade Agreement (A-EUFTA); and (v) Australia-India Comprehensive Economic Cooperation Agreement (AI-CECA).

(i) The Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Australia's membership in the regional free trade agreements RCEP and CPTPP are likely to help diversify these export markets over the next five to ten years. The RCEP trade agreement, was forced on 1 January 2022, covers the ten ASEAN member states and Japan, China, New Zealand, and South Korea (into force on 1 February 2022). The RCEP provides a new multilateral framework for Australia to work within in order to resolve trade disputes that jeopardize Australian exports to China. RCEP can be said as the world's largest FTA, signatories are moving towards domestic ratification and implementation, start in early January 1, 2022.

CPTPP was signed by the 11 countries on 8 March 2018 in Santiago, Chile. The countries involved are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam (DFAT, 2021). The UK has also applied for membership in the CPTPP, and South Korea has expressed potential interest, highlighting the CPTPP's relevance as a major multilateral trade agreement. These trade agreements also allow Australia to adjust to its grand strategy and the dilemma of managing commodity-based trade in a strategically assertive China by expanding and diversifying its trade in emerging Asian markets (Biswas, 2021).

(ii) Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

The IA-CEPA will go into effect on July 5, 2020. The IA-CEPA enables Australian and Indonesian businesses to expand and diversify their economic collaboration. As one of the Indo-fastest Pacific's growing economies, Indonesia presents significant opportunities for Australian businesses. Besides that, the IA-CEPA places Australia in a strong position to expand economic cooperation and contribute to Indonesia's growth. As a consequence, the IA-CEPA opens up previously untapped opportunities to diversify and deepen the economic partnership, especially given Indonesia's projected position as the world's fifth-largest economy by 2030 (DFAT, 2022).

(iii) Australia-United Kingdom Free Trade Agreement (AU-UK FTA)

On December 17, 2021, the AU-UK FTA was virtually signed. The gold standard trade agreement is a once-in-a-generation chance for Australia and a huge victory in Australia's relationship with the United Kingdom. The agreement includes significant commercial commitments that will aid both countries in diversifying and recovering from COVID-19. By eliminating tariffs on more than 99% of Australian goods exported to the UK, the AU-UK FTA aims to create new export opportunities and jobs for businesses. The free trade agreement that has already been signed or concluded (but not yet in force) (DFAT, 2022).

(iv) Australia-European Union Free Trade Agreement (A-EUFTA)

Australia is pursuing an ambitious and comprehensive free trade agreement (FTA) with the EU in order to boost exports, economic growth, and job creation. Australia and the EU began FTA negotiations on June 18, 2018. EU is Australia's second-largest trading partner, third-largest export destination, and second-largest overall services market. Through this agreement, through modern customs, rules of origin, and trade facilitation procedures, as well as increased transparency and regulatory frameworks, Australia intends to maximize market access for Australian agricultural and industrial products, lock in access for service providers, and reduce barriers to trade and investment. This free trade agreements that are currently being negotiated (DFAT, 2022).

(v) Australia-India Comprehensive Economic Cooperation Agreement (AI-CECA)

India is already the world's sixth largest economy and its consumer market is expected to expand rapidly over the next decade (Manohar, 2021). Prime Ministers Scott Morrison and Narendra Modi agreed to re-engage in the bilateral Comprehensive Economic Cooperation Agreement (CECA) as part of the Joint Statement of the Comprehensive Strategic Partnership between India and Australia. At the 17th India-Australia Joint Ministerial Commission meeting on 30 September 2021, Trade Minister Dan Tehan and Piyush Goyal formally relaunched the CECA negotiations and reaffirmed their commitment to completing the CECA, including reaching an interim agreement to liberalize and deepen bilateral trade in goods and services by December 2021 and completing full CECA negotiations by the end of 2022. Both Australia and India were focused on diversifying their trade and investment relationships. A deal with India would be a significant win for Australia's trade diversification agenda. Australia should utilize on the potential for a stronger partnership with India (DFAT, 2022).

Based on trade agreements signed by Australia and several other countries, it is reasonable to conclude that trade agreements can improve market access in all areas of trade while also trying to assist in maintaining and stimulating Australian companies' competitiveness. Australia appears to have identified the countries on which it can rely. As though the trade facilitation agenda, the combined effects of the pandemic and international disputes over trade have also led to increased emphasis on cooperation between countries seen as aligned against the threat of free trade. Not to mention, the countries of the world have been trying to devote trade to dealing with the virus and its economic downturn. Despite the struggles challenges of significantly diversifying its export markets, Australia will benefit from its proximity to many of the Asia-Pacific region's major consumer markets.

When considering its economic recovery, Australia must also consider the type of relationship it wants with its international partners. By attempting to diversify its trade, Australia has demonstrated its ambition in its economic recovery. Despite its many challenges, the Australia-China trade tensions represents a historic opportunity for Australia to diversify and strengthen its economic relationships while planning for a post-COVID-19 future. With this trade diversification, Australia can examine in depth how it deals with trade tensions. In fact, China accounts for nearly 40% of Australia's exports. One might assume the cost of Canberra's insubordination would be enormous. But in fact, the effect is small. The reason is trade diversion. When trade barriers are established, businesses try look for alternative outlets for their products (Wilson, 2021).

Conclusion

Australia is a country that highly values cooperation in achieving its national interests. In international relations, countries can take cooperative initiatives to increase interaction with countries and regions. Such cooperation can be through international organizations, WTO which is the core of international trade arrangements. The objectives of the cooperative initiative can be economic, political, and social, unlike marketing by companies that are generally limited to profit in business. Trade tensions between China and Australia are the culmination of China's anger against Australia, so China vent its anger by imposing trade sanctions on Australia. Some of the Australian commodities subject to sanctions are wine, barley, coal, copper ore, frozen beef, cotton, timber, and rock lobster. The tariffs impose and a ban on buying commodities from Australia have weighed on Australia, which relies heavily on its international trade. However, Australia's efforts to investigate Covid-19 cases will not be reversed because this pandemic has disrupted all sectors in Australia and the world.

In dealing with the trade sanctions, Australia chose not to retaliate against China with trade sanctions as well, but Australia uses the international organization World Trade Organization (WTO) in resolving its wine and barley tariff cases. In addition, to face China's trade sanctions, Australia has chosen to diversify its trade by deploying and targeting its trade to the Asia-Pacific region, and entering into agreements with other countries such as (i) The Regional Comprehensive Economic Partnership (RCEP) and The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); (ii) Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA); (iii) Australia-United Kingdom Free Trade Agreement (AU-UK FTA); (iv) Australia-European Union Free Trade Agreement (AU-EUFTA) t; and (v) Australia-India Comprehensive Economic Cooperation Agreement (AI-CECA).

Australia expects an open settlement with China in resolving this matter, given the long terms thinking for the country's economy. Resolving this trade war by taking China to international organization such as the WTO is the right thing and cooperating with other countries in terms of diversifying its trade is a form of preventing the heavy losses that will be felt by Australia. In overcome the problem of China's trade sanctions, it does not become an obstacle for Australia in establishing international cooperation in easing trade tensions that occurred between Australia and China during the Covid-19 pandemic.

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