



**FIRST KOREA, NOW AUSTRALIA:
CHINA'S CARROT-AND-STICK
DIPLOMACY IS NOT NEW**

BY TENNY KRISTIANA

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Australia-China ties have deteriorated recently, due to Australia calling for an independent inquiry into the novel coronavirus. Their relations have also suffered due to China slamming Australia with anti-dumping measures and putting high tariffs on Australia's barley products. China is also angry that Australia banned Huawei from involvement in Australia's 5G network and technology development. Australia [also banned](#) ZTE after the UK's National Cyber Security Centre warned that using ZTE's equipment and services could pose a national security risk.

China's ambassador to Australia, Cheng Jingye, [responded](#) to the call for a Covid-19 inquiry by warning Australia of a Chinese consumer boycott encompassing students, tourists, and sales of Australian products in China (such as beef and wine). Moreover, [Beijing stated](#) that Australian Prime Minister Scott Morrison deserves "a slap in the face" for blaming China over Covid-19 and argued that this was Morrison's way of deflecting from domestic criticism over the mishandling of Australia's bushfires earlier this year.

Australia [replied](#) that it will not change its policy on the inquiry, as this is a national security issue, and economic coercion will not stop Australia from demanding the investigation. Australia's decision to stick with its policy separates it from the EU, which

previously received threats from the Chinese government over the pandemic report. A leak at the [EU Foreign Service](#) head of communications shows that the Chinese government is threatening the EU with retaliation if the pandemic report comes out, resulting in EU officials [rewriting](#) the report with softer words.

Chinese "diplomacy" on Covid-19, including threatening other governments through economic retaliation, is not new. In 2016, China applied a carrot-and-stick policy to South Korea over deployment of the anti-ballistic missile defense system [THAAD](#), using military and economic power to dispense rewards and punishments.

Beijing used the carrot-and-stick strategy toward Seoul before and after THAAD's deployment. This included releasing a statement that the relations of the two countries would be fine if Seoul ignored the US request to deploy THAAD, and warning Seoul about worsening relations if the deployment took place. For instance, on November 26, 2014, the Chinese ambassador to South Korea [declared](#) Chinese opposition to the THAAD deployment, arguing it would damage China-South Korea relations.

In July 2016, Seoul announced the deployment and Beijing applied the stick. It [cancelled](#) Premier Li Keqiang's meeting with then-President Park Geun-hye, while the Chinese Ministry of National Defense suspended the China-South Korea high-level defense dialogue, which has taken place regularly since 2011. The Chinese government also did not send its high-level official to attend the South Korean embassy's annual National Day event in 2016.

In the business sector, China blocked South Korean products through tightened regulations and consumer boycotts. Lotte [experienced](#) tax audits and safety inspections from Chinese officials. Furthermore, hundreds of South Korean firms which operate in mainland China [became targets](#) for inspections, visa denials, store closures, customs clearances, and suspension/revocation of contracts.

The Chinese National Tourism Administration [ordered](#) travel agencies to stop selling tour packages

to South Korea. Seoul data shows that in 2016 alone Chinese tourists accounted for 47% of total tourists and contributed 70% of duty-free sales. According to the National Assembly's Budget Office [data](#), tourism and accommodation industries suffered declining revenue from dropping Chinese visitors. Estimated total losses for the tourism industry amounted to around 7.5 trillion won (\$6.8 billion).

China also [banned](#) South Korean TV shows on China Central Television and all regional satellite television broadcast stations. The supervising body of the Chinese television industry made an official statement regarding the bans, claiming the content of Korean shows to be meaningless and “destructive” to social morals.

Beijing's “stick” left Seoul with [economic losses](#), estimated at more than \$7.5 billion, equivalent to 0.5% South Korea GDP in 2017. However, Beijing's economic retaliation failed to remove THAAD from South Korean soil. Seoul and Washington secured their security and strategy targets.

What can Australia learn from this case? When it comes to national security, countries prioritize national security over the economy, and put realism over liberalism. However, the government should prepare for the worst if the Chinese government makes good on its threats, especially of consumer boycotts. The THAAD case showed that the Chinese government could do this to Seoul, and might be successful in applying it to Canberra, especially in the tourism, trade, and education sectors.

In 2019, Australia tourism statistics recorded that more than 1.4 million Chinese tourists came to Australia, made it as the top visitor, and passed New Zealand. Will Australia be ready to lose its tourism income from declining Chinese tourists? [In 2018 alone](#), Chinese tourists spent \$11.5 billion in Australia. In the early June 2020 the Chinese Ministry of Culture and Tourism issued a [travel alert](#), warning Chinese travelers from going to Australia due to the possibility of experiencing a racist attack caused by anger over the pandemic.

And how about the export threat from China, which will affect [Australian trade](#)? China accounts for 24.4%

of Australia's exports and imports; by comparison Japan, its second largest trading partner, accounts for only 9.7%. Economists continue to [debate](#) whether India could become a market for Australian products, replacing China, as well as the prospects for increasing trade with Vietnam, Indonesia, Japan, and South Korea.

In the education sector, the Australian Department of Education, Skills and Employment [data](#) shows that from January to April 2020, Chinese students accounted for 164,693 out of 628,279 international students in Australia. This was [equivalent to](#) 26% of total international students, well ahead of India (17%) and Nepal (8%). China's threat started with its Ministry of Education [statement](#) in early June 2020, which asked students to do a “good risk assessment” and “exercise caution” when choosing whether to go to or return to Australia for study, as during the pandemic Australia had multiple incidents of discrimination targeting those of Asian descent.

Beijing has now made the “boycott Australia” campaign official, leading to the possibility of history repeating itself. The THAAD case is a concrete example of how well Beijing plays its carrot and stick game, yet Seoul successfully walked out, winning the game in the end. Given the major slide of Australian trade, tourism, and education that China accounts for, Canberra needs to ask itself whether continuing the coronavirus inquiry is worthwhile.

This dilemma is not Australia's alone. Other countries are experiencing similar problems when facing China. Following Seoul—or Tokyo, with its “hot economics, cold politics” model—should be on the diplomatic table.

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