

Written Submission to Joint Standing Committee on Trade and Investment Growth's inquiry into Diversifying Australia's Trade and Investment Profile

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About the Authors

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About the Henry Jackson Society

The Henry Jackson Society is a think-tank and policy-shaping force that fights for the principles and alliances which keep societies free, working across borders and party lines to combat extremism, advance democracy and real human rights, and make a stand in an increasingly uncertain world.

Note

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Submission

In May 2020, the Henry Jackson Society released a report entitled "Breaking the China Supply Chain: How the 'Five Eyes' can Decouple from Strategic Dependency". The report, which is attached as the second part of this two-part submission, used United Nations (UN) Bureau of Statistics trade data, commonly referred to as "Comtrade" data, of 5,910 subsets of goods to measure "strategic dependency". A country is said to be "strategically dependent" on China for a good when more than 50% of imports of that good are from China, it is a net importer of those goods, and China controls more than 30% of the global market for that good.

The report found that the five powers which constitute the Five Eyes (Australia, Canada, New Zealand, the United Kingdom, and the United States) are dependent on China for 831 separate categories of goods, of which 260 service elements of critical national infrastructure (CNI). These categories of goods include consumer electronics like laptops and phones, as well as pharmaceutical ingredients necessary for antibiotics, painkillers, and anti-viral medicines. All of the five powers are affected, but Australia is most affected. Australia is strategically dependent on China for 595 categories of goods, of which 167 have applications in CNI. An overview of Australia's strategic dependency is included on page 24 of the report. Overviews of five types of goods on which Australia is strategically dependent are presented between pages 27 and 33.

The report includes, on pages 33 to 37, a series of policy recommendations for how the five powers might reduce their strategic dependency on China. Before definitive action can be taken, however, the report argues that each country should understand the extent of their economic dependency on China. In this respect, the report recommends that each country should (page 33):

1. Implement national legislation to conduct and publish audits at national and company level, so as to identify where dependency on China exists in relation to raw materials, components, and complex supply chains.
2. Undertake a national review of strategic industries to identify and prioritise those that require protection from dependency on China.
3. Review bilateral investment treaties and free trade agreements, to assess how effectively they manage risk from strategic dependency on China.
4. Review existing trading partnerships to identify ways in which increased cooperation could reduce strategic dependency on China

The report concludes with four essays written by current or former politicians from four of the five powers. In these essays, the politicians offer their views on their own country's potential responses to the issues raised by the report. In his essay from Australia (on pages 39 and 40), Andrew Hastie MP, the Federal Member for Canning, recommends that Australia "initiate a review of all trade-exposed products, industries, and sectors in the economy" (page 40). He goes on to call for a "strategic industry plan to build national self-resilience in key pharmaceuticals, medical supplies, and other critical goods" (ibid.).