

Australia's trade with China – back in the spotlight

China looks to be making efforts to diversify away from reliance on Australia

Last week **China** announced it would open an anti-dumping investigation into **Australian** wine exports, reigniting debate over the two countries' trading relationship. Fortunately for the Australian economy, exports of iron ore and coal – worth AU\$63 billion and AU\$14 billion in 2018/19, respectively – have thus far not been affected by political tensions. Exports of coking and thermal coal [increased](#) in the first half of the year, while iron ore exports hit a [record high](#) in June. However, China appears to be making efforts to wean itself away from reliance on Australian natural resources. In June, a Chinese-backed consortium [won](#) preliminary approval to develop the Simandou mine in **Guinea** – the world's largest untapped source of iron ore. China has also made other investments in **Liberia** and **Sierra Leone** and recently opened up four new domestic ports for so called '[Chinamax](#)' ships – potentially paving the way for additional iron shipments from Africa and **Brazil**. China is pushing ahead to develop Thar Block-I, **Pakistan's** largest coalfield. Developing these mines and the necessary infrastructure will of course take considerable time. Political instability remains a challenge in most of these countries and it is unclear whether these new sources of coal and iron ore will be competitive with Australian exports on price and quality. Nonetheless, China's infrastructure building spree and reliance on coal will not last forever. Policymakers may eventually need to grapple with the possibility that Chinese demand for Australia's resources is not inexhaustible.

MbS meeting with Netanyahu cancelled

Trump may have missed out on an opportunity to play up his credentials in diplomacy

Saudi Crown Prince **Mohammed bin Salman** (MbS) has reportedly cancelled a secret meeting with **Israeli** Prime Minister **Benjamin Netanyahu** after news of his visit was leaked. The meeting had been scheduled for next week in Washington. **US** President **Donald Trump** and close adviser Jared Kushner had supposedly pushed for the meeting. It is unclear whether the meeting's outcome would have been made public. If it was, it would likely have served as a powerful PR stunt for President Trump. The meetings cancellation underscores the inevitability of sensitivities in any negotiations regarding the normalisation of Israeli-Gulf relations.

Political instability complicates virus management in Latin America

Six Latin American countries have changed their health ministers at least once during COVID

The resignation or sudden removal of health ministers in six **Latin American** countries has complicated effective management of COVID19. Brazil currently has the [second-highest](#) number of deaths in the world at 116,580 and Latin America has become an epicentre for the virus. Of the twelve health ministers who have changed since the first confirmed case in January, six resigned and six were removed from office. **Peru's** **President Vizcarra** has replaced health ministers twice in seemingly arbitrary cabinet reshuffles. Strangely, former Minister Elizabeth Hinostroza was replaced four days after Vizcarra announced a state-wide lockdown on March 16. Her replacement Victor Zamora was supplanted just as Peru [passed](#) 13,000 virus deaths and was recording approximately 4000 cases per day. **Guatemala** and **Panama** have also reshuffled ministries, while **Chile**, **Ecuador** and nearby-**Bahama's** health ministers resigned mid-pandemic. **Brazil's** Health Minister Luiz Mandetta was fired in April after disagreeing with **President Bolsonaro** – who was himself later infected with COVID –

on the effectiveness of social distancing measures. Bolsonaro has described social distancing as “poisonous.” **Nelson Teich** replaced him, but resigned in May after Bolsonaro advocated the use of [unproven](#) antimalarial drugs – chloroquine and hydroxychloroquine – to treat COVID19. Bolsonaro appointed General Eduardo Pazuello as interim Health Minister. The General is still in the role, meaning Brazil has had a health minister with no prior health governance experience since May. Other factors have contributed to Latin America’s COVID19 catastrophe – notably, the informal economy, which represents up to 55 percent of economic activity in Latin America, and the 241 million citizens without access to a formal social safety net. However, political instability and haphazard policy responses to the pandemic have likely played a role.

Unapproved vaccine trials anger PNG officials

PNG authorities stand their ground against China

A minor diplomatic spat has emerged over revelations that **Chinese** mining company Ramu NiCo ‘immunised’ 48 of its employees against COVID-19 three days before sending them to work in **Papua New Guinea**. In a race to secure a successful vaccine, China appears to be testing the vaccines – which have not yet passed the final clinical trial phase – on employees of state-owned enterprises including the Metallurgical Corporation of China, which runs Ramu NiCo.

The PNG government was far from impressed. PNG Pandemic Response Controller David Manning blocked a planeload of Chinese mineworkers from landing in the country, claiming that his government had been left in the dark about China’s vaccine trials. Manning has also written to China’s Ambassador to PNG, giving him one week to provide further clarification about the vaccinated workers. This incident comes as **Australia** and China are expected to engage in a broader contest of “vaccine diplomacy” throughout the region. Prime Minister Morrison is already understood to have spoken to PNG Prime Minister **James Marape**, **Fiji** Prime Minister **Frank Bainimarama** and **Indonesian** President **Joko Widodo** about making any successful vaccine available regionally. China’s behaviour in PNG may have provided Australia with an early head start.

Azerbaijan-Armenian border conflict threatens stability of energy export hub

Energy and security interests closely intertwined

While there has been a significant focus on tensions between Turkey and Greece [over gas](#), other conflicts further underline the close ties between energy and security in the region. [Recent conflict](#) between **Azerbaijan** and **Armenia** has alarmed regional powers. Although it is uncertain what exactly started the violence, the end result was at least 16 casualties on both sides. Crucially, the clashes occurred near a regional energy hub – motivation for the involvement of regional players. Three major oil and gas pipelines passing via Georgia connect Azerbaijan’s oil and gas reserves to **Turkey** and **Europe**. Stability in the corridor is crucial to Turkey and **Israel’s** energy security – 20 percent of Turkey’s energy and 40 percent of Israel’s oil is supplied by Azerbaijan. The corridor is critical to Turkey’s plan to reduce its reliance on **Russian** gas imports. The energy hub’s importance has been made clear by **President Erdoğan**, who expressed public support for Azerbaijan following the clashes. Turkey also conducted bilateral military exercises with Azerbaijan along the border and announced plans to establish a military base. Israel has built Azerbaijan’s military capacity and supplied it with high-tech drones. For its part, **Russia** has sought a mediating role in the conflict and Russian Foreign Minister **Sergei Lavrov** brokered a telephone discussion between both sides. Turkish incursions into such highly contested, sovereign areas suggests energy security may play an increasing role in exacerbating regional political conflicts. As the

region becomes increasingly militarised, any minor escalation risks amplification by these foreign actors.

India quietly moves to remove Huawei from its network

India-China ties appear to be at their lowest point in decades

India's government is making it [increasingly clear](#) to local telecoms providers that they should avoid using **Chinese** equipment in future network investments. The upshot of this is that Huawei and ZTE will be excluded from India's upcoming 5G trials. Learning from the backlash that **British** and **Australian** bans on Huawei provoked in Beijing, India is expected to refrain from officially banning Huawei. The message though is clear enough, and comes on top of a [new initiative](#) by the **US** which many expect will deprive Huawei of access to quality chips. Pending an unlikely reversal in US policy, Huawei's future is very much in jeopardy.

For India, this move marks the latest step in a campaign of economic reprisals against China following June's deadly border clash. In previous years, Prime Minister **Narendra Modi** had worked assiduously to cultivate a close relationship and understanding with his Chinese counterpart, **Xi Jinping**. From the Indian perspective – even leaving aside the recent clashes – the results have been far from satisfactory. China has maintained and recently extended its claims over parts of **Bhutan's** territory and has continued to deepen its influence in **Nepal**, **Sri Lanka** and **Bangladesh** – countries India considers to be within its traditional sphere of influence. With its new policy on Huawei, India appears to be moving – if not somewhat belatedly – toward the embrace of the US and its allies.

More signs of political friction amongst China's elite

Disquiet, although no signs of an imminent threat to Xi's position

Several signs in recent months have pointed to possible opposition to the rule of **China's** paramount leader **Xi Jinping**. Earlier this month, the [transcript](#) of an explosive June interview with Cai Xia, a former professor at the elite Central Party School – emerged in Western media. Xia accused Xi of being a “mafia boss” who had “destroyed” China and the Communist Party. Xia also claimed that many shared her concern at China's direction under Xi. Then in July, dozens of internal security officials – including the Police Chief of Shanghai – were purged as part of an ongoing attempt by Xi to shore up the loyalty of China's powerful domestic-security apparatus.

Perhaps the most mysterious political development of recent months was the opacity surrounding the Party's annual meeting – which normally sees current leaders meet with Party elders at the seaside resort town of Beidaihe. There were no signs of the meeting in state media – a departure from normal practice. Nonetheless, for the first part of August, six of the seven-member Politburo Standing Committee were absent from media view. Conversely, younger party members who may one day replace Xi were seen in public performing their duties. The implications appear to be that, facing growing friction at home and abroad, Xi has opted for a [‘stealthy’](#) meeting with only a select turnout.