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Analysis of the New Form of Australian Trade Based on the Change of Australia's Trade Policy

Zixuan Chen, Shuangxi Duan*

Beijing International Studies University, Beijing 100024, China.

*Corresponding Author: Shuangxi Duan Email: duanshuangxi@hotmail.com

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Abstract: China and Australia are mutually vital economic and trade partners. Facing the evolution of international trade rules and the wave of digital economic development, bilateral trade relations are entering a new stage of development. This paper systematically reviews recent policy adjustments by Australia in key areas such as tax compliance and industrial layout, and analyzes the interactive trends in China-Australia trade policies. On this basis, it focuses on the profound reshaping of trade patterns by the digital economy, explores the potential of cross-border e-commerce and digital trade as new growth engines, and analyzes the governance challenges they bring, such as tax coordination and data privacy. Finally, combining the current international situation, especially the multiple backgrounds of digital transformation and tariff barriers, it objectively evaluates the resilience of China-Australia economic and trade relations and looks ahead to their strategic direction. The study shows that China-Australia trade is evolving from the traditional resource complementarity model to a diversified and digitalized new form. How both sides jointly cope with the pain of transformation and coordinate policies to overcome external challenges will be the key to determining the future level of their relationship.

Keywords: Digital trade; China-Australia trade; Industrial chain restructuring

1 New Opportunities in Australia's Trade Policy

The changes and development in China-Australia trade not only have a positive impact on the economy itself, but also play a significant role in the modernization process of China. Over the past years, the overall development of China-Australia trade has shown a favorable trend, and the development trends of China and Australia are highly consistent with the trajectory of China's economic modernization. Nowadays, fluctuations in the geopolitical landscape and global economic development have led to more standardized changes in global trade policies. In this context, the development of China-Australia trade

has not only shown no signs of stagnation but has further deepened the complementary and interdependent trade relationship between the two countries. Bilateral free trade between the two nations is facing new challenges and broader prospects.

In response to the global environment of tightening trade policies and stricter standards, China and Australia have proactively adjusted their systems. “Australia is fully re-entering the China market,” said Australian Trade Minister Farrel in a video address at the opening ceremony of the China International Fair for Trade in Services (CIFTIS) Australian Pavilion on the afternoon of September 10, 2025. All present were delighted by this statement, which not only marked a new development opportunity and turning point for China-Australia relations but also signified that the China-Australia Free Trade Agreement, which had been steadily developing since its WTO accession, was about to embark on a new journey.

Globally, the tightening of trade policies by various countries has become an unstoppable trend, with trade development policies becoming more stringent, transparent, and compliant. After 2025, the Australian government and the Chinese government will work to establish a more favorable trade environment actively promotes bilateral trade. On July 15, 2025, China and Australia signed the “Memorandum of Understanding on the Implementation and Review of the China-Australia Free Trade Agreement.” From now on, China and Australia will continue to advance trade cooperation, actively maintain close contact, and jointly fulfill the agreement with high quality and high standards. They will review the content of the agreement, further refine its details, and clarify future directions based on the development of both countries and the international environment. This will provide higher-level institutional guarantees and support for bilateral economic and trade cooperation, with the utmost enthusiasm to enhance the level of trade and investment facilitation and liberalization. In terms of taxation, the Australian government continues to tighten policies and expand the scope of assets. The reforms will take effect on July 1, 2025. The draft legislation proposes raising the withholding tax rate on capital gains for foreign residents from 12.5% to 15% and eliminating the current threshold of AUD 750,000 for withholding tax. These new regulations not only expand the scope of assets subject to taxation for foreign residents but also increase compliance complexity. The tightening of tax management reflects Australia’s determination to crack down on any tax evasion by citizens, promoting greater transparency in industries. As cross-regional economic cooperation deepens, a well-managed tax environment serves as a strong testament to a country’s tax management capabilities and international competitiveness. At the same time, the quantification and control of fiscal revenue have become an endogenous driving force for trade policy reforms. The synergy between fiscal governance and the trade environment indirectly highlights the necessity of market diversification.

The year-on-year decline in bilateral trade volume and the narrowing of the deficit in the first half of 2025 cannot be simply regarded as a regression in relations. Data analysis reveals that this is the

inevitable short-term “growing pains” brought about by Australia’s proactive optimization of its trade structure and industrial upgrading. Through the memorandum of understanding signed between China and Australia, the liberalization of Australia’s trade and investment policies has impacted its original trade landscape and created new competitive trends, primarily reflected in the balance between traditional industries and emerging sectors. The Australian government aims to consolidate traditional industries and expand emerging fields to forge diversified and empowering new development directions. As of the first half of 2025, the total bilateral trade value between China and Australia was \$96.26 billion, down 11.8% year-on-year. Among them, exports to Australia amounted to \$34.34 billion, up 0.3%; imports from Australia reached \$61.92 billion, down 17.3%; the trade deficit stood at \$27.58 billion, narrowing by 32.1%. The costs incurred in structural adjustments will lead to a tightening of the trade deficit and a decline in total trade value. The aforementioned customs data indicate that Australia is currently in a period of trade transformation pains. The impact on the trade landscape will inevitably result in a short-term trade deficit, but in the long term and overall, the period of pains will be followed by a phase of rapid development. The changes in data precisely reflect the migration of bilateral economies toward higher-value-added segments of the supply chain.

Traditional pillar industries such as mineral energy remain the stabilizing force of Australia’s economy, yet past trade fluctuations have exposed their vulnerability to over-reliance on a single market. In traditional trade sectors, Australia’s mineral resources, for example, resources such as iron ore, coal, and natural gas remain the core pillars of trade exports. According to relevant data statistics, in the first half of 2025, Australia’s exports to China reached 97.8 billion Australian dollars, a year-on-year increase of 21.3%. Among these, the trade exports of energy products ranked among the top in total volume, while agricultural and sideline product exports also demonstrated strong competitiveness internationally. From Australia’s own fiscal perspective, mineral resource trade revenue is one of the key components, making the sustainable and stable export of mineral energy crucial for Australia. Since 2017, when Sino-Australian economic and trade relations experienced a comprehensive decline, China’s investment in Australia has decreased. By 2020, both sides gradually intensified anti-dumping investigations, not only impacting economic and trade relations but also highlighting the risk of supply chain fragmentation in mineral energy. Reduced investment means weakened input. If the current situation continues, Australia will face the dilemma of the collapse of its traditional pillar industries. However, the promotion of free trade and investment is now breaking down former barriers, injecting new vitality into future development.

In emerging sectors, clean energy and services have become new growth points in trade, particularly clean energy. The green economy is a global trend, and clean energy is a hot field for most countries. Additionally, Australia is actively developing its rare earth industry, leveraging its geopolitical strategic advantages to avoid trade friction risks and build unique national industrial strengths. At the same time,

it expands service trade cooperation through platforms like the China International Fair for Trade in Services (CIFTIS). Under the Australian government's industrial layout, the full opening of the China market has also brought new opportunities to Australia. Since August 2025, China has lifted all trade restrictions with Australia, and bilateral trade volume has increased from less than \$100 million at the beginning of diplomatic relations to \$210 billion in 2024. Among traditional industries and emerging sectors, the Australian government clearly favors emerging economies. For Australia, leveraging current trade policy advantages to strengthen cooperation with emerging economies while reducing dependence on traditional markets has become a key focus of market policy strategy. Although Australia's resources are gradually shifting toward emerging sectors, this does not mean that emerging sectors can completely replace traditional trade sectors. Therefore, for Australia, the best strategy is to seize the opportunities in emerging industries and use them to empower traditional industries.

The turbulence in the international situation and the intensifying geopolitical conflicts have increased the uncertainty in the international trade environment. Facing increasingly fierce competition in export products, Australia is striving for transformation by enhancing the manufacturing of high-end products, building infrastructure to reduce logistics costs, and other measures to strengthen its competitiveness. However, for China, Australia's various policies also put pressure on China. Australia's strict control over raw material exports will exacerbate the risk of supply chain fragmentation. Reshaping the global industrial supply chain will inevitably be a long process, and the pain of transformation will subject China's cross-border e-commerce industry to long-term cost pressures. The decentralized allocation of global resources will significantly reduce China's cost advantage in the cross-border e-commerce industry.

There exists a significant asymmetric interdependence in China-Australia trade. China is in the trade deficit side, relying on Australia for the supply of key minerals, while Australia is deeply dependent on China in the export market dimension. This structure prompts both sides to make different but complementary strategic choices. China must enhance its resilience by optimizing industrial layout and building a diversified supply chain; Australia, on the other hand, needs to invest in long-term industrial resilience and innovation capabilities while ensuring short-term fiscal revenue, to avoid falling into the path dependence of the "resource curse." Under the current global situation, although trade between China and Australia is smooth, China has always maintained a trade deficit. Given the high interdependence and complementarity between the two sides, Australia holds a relatively stronger position. Whether in terms of trade upstream or economic asymmetry, China should more actively optimize its industries and build more resilient industrial chains. For Australia, the trade relationship with China has entered a new dynamic development phase, and how to balance short-term revenue with building long-term industrial resilience has become a new proposition.

2 Trade Iteration in the Era of Digital Economy

Digital technology not only empowers cross-border e-commerce but also provides new insights into the value distribution logic of China-Australia trade. With the continuous advancement of technology, new forms of trade are constantly evolving. Cross-border e-commerce and digital trade have gradually replaced traditional trade methods, becoming the new mainstream of global trade transactions. More young people are using cross-border e-commerce platforms for shopping, and digital technology has given rise to a new golden opportunity period for trade. However, the accompanying issues cannot be overlooked. With the development of the internet, the establishment of robust online information systems, the security of cross-border user information, and the intensified commodity inspection systems by customs authorities worldwide, it is evident that cross-border e-commerce has become an emerging field in trade. Australia, leveraging its unique advantages in production chains—such as locally produced health products—has performed remarkably well in the fields of cross-border e-commerce and electronic trade. Its domestic brands have built a strong reputation among Chinese customers, fostering a virtuous cycle in trade. Currently, we are in a transitional period of pain as traditional trade shifts to electronic trade, with many countries' traditional trade industries facing challenges. The success of Australian health products in China also demonstrates that, compared to bulk commodity trade, digital channels are more effective in enhancing the high added value of goods. The Australian government should seize this opportunity to actively develop new trade channels and build new trading platforms.

Australia's e-commerce market has formed a perfect alignment with China's vast digital consumer base. Amid the global cross-border e-commerce boom, Australia is becoming a hot target for cross-border e-commerce sellers due to its high-net-worth users with strong purchasing power, open government policies, and relatively well-developed local logistics and cargo containers. It can be said that the Australian government is fully aware of the abundant opportunities in this blue ocean of cross-border e-commerce. According to incomplete statistics, Australia's e-commerce market is expected to exceed 90 billion Australian dollars by 2025, with an annual growth rate of over 15%. Beyond 2025, historical transaction data can be used to infer that the scale of the e-commerce market is expanding year by year. Additionally, Australia's trade demand has undergone structural changes, shifting from bulk commodities to individual consumer goods. This trend not only aligns with mainstream consumption patterns but also provides more opportunities for small and medium-sized businesses to enter the market. For these businesses, the opportunity to directly participate in international trade can better diversify trade risks, thereby enriching the content of bilateral trade relations.

Customer demand has given rise to industries, and Australia's high-net-worth consumer demographic has established a high demand and urgency for user privacy protection in the Australian market. This has led to a series of data management and privacy protection regulations, national-level cybersecurity pro-

tections, as well as dual standards and requirements for privacy protection from customers themselves, positioning the Australian government at the forefront in privacy laws and cross-border data transmission protection. Information sharing not only facilitates smooth trade flows but also introduces risks. Therefore, the Australian government continuously iterates in technology and has enacted the Privacy Act, which stipulates mandatory requirements for enterprises when handling personal information: collecting only necessary user data, avoiding excessive collection, and prominently displaying privacy policies when users log into platforms to obtain explicit consent. Simultaneously, it ensures transparency in data usage and implements strict, standardized data protection measures. Additionally, cross-border data transmission must comply with GDPR standards, with special attention required for processing EU user data. In cross-border data transmission, China also places great emphasis on data security, having issued a newly revised Cybersecurity Law in 2025. Today, Chinese companies are actively expanding overseas platforms to establish new business chains. Beyond being highly sensitive to policy changes in various countries, China also enforces stringent regulations on such platforms, placing significant importance on the protection of identity information and related data. For bilateral trade, a key prerequisite for building trust is that both sides demonstrate sufficient commitment to sensitive areas and recognize the urgency of establishing rules.

The China-Australia trade agreement has greatly promoted the development of bilateral trade between China and Australia. Both countries recognize that there is still room for deeper cooperation and communication in digital products and data security. Through the China-Australia trade agreement memorandum signed this year, a new cooperation framework has been established in the fields of digital trade and e-commerce. Australia's market is relatively open, with transparent and well-developed policies, allowing Chinese enterprises to seek more cooperation opportunities in Australia through platforms and to build a good reputation for their products and brands, thereby boosting sales. Meanwhile, Australian enterprises can enjoy more favorable prices and convenient measures when exploring and expanding the Chinese market through this agreement. The digital economy has made it easier for small and medium-sized businesses to enter the market, and cross-border trade has become more convenient due to the development of the internet. Small and medium-sized businesses generally adopt a volume-based sales model, and compared to large enterprises, their operations are more fragmented. In cross-border trade, they often involve different countries and regions, and due to varying tax requirements between countries, there may be situations of double taxation on legitimate income, which not only discourages merchants but also leads to trade stagnation. Therefore, China and Australia have stipulated income tax and service tax provisions through the trade agreement, maximizing the protection of merchants' rights and promoting the healthy development of consumption. Furthermore, tax compliance has driven the standardization of goods. With tax regulations being so transparent, each item is subject to taxation upon

customs clearance. This means that if the return rate increases, merchants will face unnecessary losses. Consequently, improving product quality to meet customs entry requirements has become a common choice for businesses. This not only eliminates unethical practices in the market and fosters a healthier trade environment but also safeguards consumer rights.

In addition, digital technology cooperation has become a growth pole independent of commodity trade. In the era of the digital economy, beyond trade itself, the digital technology market has also brought new revenue growth to Australia. By 2025, Australia's digital technology market is showing strong growth momentum, with China accounting for a significant share. The areas of digital technology cooperation between China and Australia mainly focus on artificial intelligence and big data, where continuously evolving technologies can undoubtedly empower the e-commerce market. To address the challenges of digital technology, the Australian Technology and Information Industry Association has facilitated cooperation between China and Australia in quantum encryption technology, leveraging Australia's advantages in quantum computing and China's application needs to drive technological innovation and industrialization. At the same time, the association also strongly supports Chinese enterprises in establishing R&D centers in Australia, enabling both sides to build markets based on technology and better adapt to the digital transformation environment in commerce. Digital technology innovation has not only brought close collaboration between China and Australia in technology but also, through the application of algorithms and artificial intelligence, allows platforms to more accurately analyze user preferences via data and create more vertical traffic preview and push mechanisms. It also provides more practical solutions to digital payment challenges, effectively boosting transaction volume growth.

3 The Future Direction of China-Australia Trade in the International Situation

In March 2025, the U.S. government announced tariff policies against Australia, which was a real pressure test. Agricultural products and mineral resources are a very important part of Australia's total exports. However, under the U.S. global tariff policy, Australia's trade in agricultural products and mineral resources has been subject to substantial tariffs imposed by the U.S., which will undoubtedly have a certain impact on Australia's trade situation. As of 2024, the total value of China's exports to Australia has slightly declined, but the two countries remain important trading partners for China. Especially in the digital economy environment, the potential for cross-border e-commerce between the two countries is considerable. This indicates that the future trade prospects between China and Australia will be very broad.

Australia has numerous industries, and its tariff policies are not targeted at a single commodity. Taking the pharmaceutical industry as an example, on September 25, 2025, Trump announced via social media platforms that starting from October 1, the United States would impose tariffs of up to 100%

on imported brand-name and patented drugs. This move is expected to have a significant impact on the global pharmaceutical industry, and the new tariff policy has caused a notable shock to Australia's pharmaceutical sector. Australia's pharmaceutical industry exports approximately 20.7 billion Australian dollars to the United States annually, making it one of the country's key economic pillars. Following the announcement of the policy, Australian healthcare stocks generally fell, and stock prices can affect market confidence in investing in Australia's industries, thereby impacting a nation's GDP. Against the backdrop of the United States imposing high tariffs on imported drugs, China's response was extremely swift. The measures taken by China were not direct statements or confrontational actions targeting the pharmaceutical industry itself, but rather a series of sustained and established economic and trade strategies to provide the impacted Australian pharmaceutical industry with more attractive alternative markets and cooperation opportunities. Under the influence of the U.S. "Indo-Pacific Strategy," Australia once attempted to decouple from China's economy and establish a new trade system with the UK. However, compared to China's vast market, it still could not fully compensate for the loss of market share in China. Therefore, even as geopolitical conflicts intensify and political issues increasingly extend into the economic sphere, for Australia, the Chinese market remains irreplaceable, and the idea of completely decoupling from China's economy is unrealistic. Thus, in the future, Australia and China will continue to strengthen bilateral trade ties. China's market regulatory authorities have demonstrated higher efficiency in the import approval process for Australian pharmaceuticals, health products, and vitamins. By optimizing the process, more Australian medical products can enter the China market, directly offsetting their losses in the U.S. market. Moreover, China actively expands its import share. With the growing demand for high-quality health products among China's middle-income group, Australian brands continue to see rising sales in the China market. Meanwhile, the ongoing deepening implementation of the China-Australia Free Trade Agreement provides tariff advantages for Australian products, making them more price-competitive in the China market compared to similar products from other countries. Therefore, it can be seen that under the premise of geopolitical fluctuations, solid economic exchanges themselves can serve as a stabilizer.

Historical experience shows that economic decoupling from China is costly and unrealistic for Australia. In August 2025, the Australian Prime Minister announced that China had removed all trade barriers against Australia, meaning that even under the current backdrop of U.S. tariffs, China's move has already given Australia a breathing space. As Australia's trading partner, China, with firm determination and full trust, abolished trade countermeasures and barriers against Australia, demonstrating the depth of the trade ties between China and Australia. In the same year, in terms of trade cooperation, China and Australia signed numerous relevant treaties based on the principle of trade protectionism, and the proportion of investment in related fields also increased significantly. This move is by no means a

rejection of diversification but rather a more rational and practical risk diversification strategy, acknowledging China's irreplaceability in trade. This is itself a strategic consideration for interest alignment. Although the Australian government expressed strong dissatisfaction with the tariff policy, it did not adopt countermeasures, partly due to political reasons and partly because the economic complementarity between Australia and the U.S. is not high. On the contrary, the economic complementarity between Australia and China is extremely high. The free trade agreement signed between Australia and China is a milestone for Australia, not only strengthening its market competitiveness in China, promoting economic development, and creating jobs, but also, with the development of network technology, more and more Chinese people have come to recognize Australian brands and products. Moreover, the complementarity between China and Australia has been repeatedly verified in multiple rounds of trade. Australia takes pride in its agricultural and mineral resources, which are heavily imported by China. Moreover, China has lifted multiple trade restrictions on Australia, making commodity trade smoother. Australia is also highly dependent on China's consumer market. With the development of new energy and the need for technological cooperation, the areas of cooperation between China and Australia have expanded from traditional trade to fields such as clean energy and electronics trade. The geopolitical environment is unpredictable, while a stable and predictable trade environment can effectively reduce political cycle fluctuations, serving as a ballast for bilateral relations.

Faced with technological barriers and geopolitical challenges, the future of China-Australia relations can no longer be confined to economic issues alone. The success of bilateral trade cooperation will increasingly depend on building broad strategic trust. This requires continued efforts in cross-border infrastructure collaboration, deepening trade and investment liberalization through free trade agreements, enhancing strategic alignment via platforms like the China International Fair for Trade in Services (CIF-TIS), advancing third-party market cooperation, increasing investments in new energy sectors, actively dismantling trade barriers, and promoting the integration of resources and markets.

4 Conclusion and Recommendations

China-Australia relations are undergoing a paradigm shift from resource-driven to innovation-technology driven. The new trade model between the two nations is characterized by traditional industries as the backbone, digital economy as the opportunity, and regulatory frameworks as the focus. Australia's trade policy adjustments reflect proactive adaptation to the evolving era. Despite short-term data declines, the country is entering a new phase of rapid development. Australia is seeking a new balance between building industrial resilience and securing long-term benefits. Economic digitalization emerges as a new variable, while resource endowments and technological cooperation are opening new trade frontiers. Against the backdrop of high tariffs, the political relationship between China and Australia has not

hindered economic cooperation but instead spurred active communication platforms in both political and economic spheres, gradually breaking down barriers. The high degree of economic complementarity between the two countries forms the fundamental driving force for risk resilience.

For the Chinese government and enterprises, the optimal strategy at present should be to take advantage of Australia's industrial transformation period by investing in emerging industries and actively participating in construction, thereby increasing their industrial share in the Australian market. In addition, high attention should be paid to rule dialogue and cooperation under digital trade. For the Australian government and enterprises, in the international situation, it is not only necessary to pursue trade diversification but also to maintain expectations for the development of the Chinese market, positioning China in an appropriate strategic partnership role. In terms of data privacy protection, Australia should leverage its rich experience to explore mutually recognized data protection solutions with China more deeply, while seizing the current green economy opportunities in China. In bilateral trade, the existing agreement review mechanism should be fully utilized, and economic and trade digitalization as well as green economic development standards should be timely incorporated into dialogue topics.

In conclusion, the future of China-Australia trade relations hinges on whether both sides can transcend traditional buyer-seller mindsets to jointly build a more dynamic strategic framework. The overall trend of policy adjustments in China-Australia trade is positive, with tightened regulations and rigorous scrutiny reflecting risk management strategies in the trade blue ocean – aiming to minimize risks while maximizing benefits. Against the backdrop of global tariffs and the digital economy, the prospects for balancing industrial upgrading and bilateral trade depend on sustained policy coordination. This requires effective risk and cost management during industrial chain transformation, collaborative efforts to counter tariff pressures while seeking new equilibrium points, and deepened advancement of digital and green economies. These measures will help carve out a mutually beneficial development path amid the uncertainties of the global landscape.

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Author Contributions

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Availability of Data and Materials

The authors confirm that all data generated or analyzed during this study are included in the published articles in the references.

Conflicts of Interest

The authors declare that they have no conflicts of interest to report regarding the present study.



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