

The lesser-known benefits of trade with China

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With tensions between the two governments increasing, there are growing concerns that Australia is over-dependent on China. The [latest data](#) confirm Australia's significant trade exposure to China. In 2018-19, Australia's trade with China reached \$235 billion, about 30 percent of Australia's total exports, and goods from China accounted for 24.5 percent of Australia's total imports.

While some [researchers disagree](#), many commentators and strategic analysts [argue](#) that the Australian government should diversify its trade ties away from China.

To them, the decoupling of the Australian and Chinese economies seems even more justifiable [given](#) China's barley tariffs, abattoir blacklisting, travel, and its [warning](#) to Chinese students about Australia. The repeated warnings that China might [ban](#) imports of Australian coal is another salient example.

While some benefits of Sino-Australia trade have been well examined in this often rather heated discussion, its environmental benefits have not gotten the attention they deserve.

Unlike China's trade with some other partners, Sino-Australian trade is highly complementary and has a distinct emissions impact. For example, China's iron ore is less readily accessible and of lower quality than Australia's. Consequently, iron ore mining in China uses more energy and thus produces more emissions than in Australia. Therefore, China can reduce its emissions by importing iron ore from Australia rather than mining its own.

Previous [studies](#) have shown the power of this phenomenon overall, noting the positive effect on global emissions from China importing Australian primary products instead of producing them in a less energy efficient way. This alone should be a reason to be wary of moving trade away from China.

This is in sharp contrast with China's bilateral trade with other countries, such as with the [United Kingdom](#) and the [United States](#), both of which contribute substantially to increased global carbon emissions.

[One recent paper](#) confirms that the Australian-China bilateral trade has helped Australia and the world reduce emissions. Its results show China has been a net carbon exporter during 1990 to 2015 in its trade with Australia.

Accumulated net exported carbon emissions from China to Australia were 284.8 Mt from 1990 to 2015. In contrast, Australia's net emissions for the year to March 2020 are estimated to be **528.7 million** metric tonnes (Mt).

It also found that if there were no trade between China and Australia, accumulated global emissions in the same period would have been roughly 282 Mt more than it was with that trade. Without trade barriers, high-emissions products are regularly produced by the country with lower emission intensity between Australia and China. The paper estimated with further completely free trade, global emissions could be reduced by as much as 315.49 Mt, and policymakers must take note of these trends.

Moreover, trade can result in a transfer of technologies that can improve energy efficiency, leading to lower embodied emissions in production. This alone could enable a further 55.5 percent reduction in net emissions produced by China's exports to Australia in 2020 and a 1.3 percent reduction in Australia's exports to China. Importantly though, this does suggest China will benefit more from such technology transfers than Australia.

Still, reducing emissions is a global goal, and both countries should do what they can to chip in. An increase in Australia-China trade would not only promote economic growth, but also contribute to global emissions reduction. This is yet another reason that leaders and policymakers should steer clear of rising trade protectionism between the two countries.

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