

# Looking back and looking forward: What to expect in Australia-PRC relations in 2025

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This UTS:ACRI Analysis overviews the relationship between Australia and the People's Republic of China (PRC) in 2024 before looking ahead to 2025 and the critical issues the two nations will likely need to navigate. The focus of the latter is trade and critical minerals; developments in AUKUS and the Australia-US alliance; and increasing tensions in the South China Sea.

## Key takeaways

- Policy decisions undertaken by the incoming Trump administration in Washington and the results of the upcoming Australian federal election will play important roles in shaping the tenor and trajectory of relations between Australia and the People's Re-public of China (PRC) in 2025.
- An intensification of economic warfare between the US and the PRC could heighten contradictions between Australia's security alliance with the US and economic interdependence with the PRC, with Australia's most lucrative commodity exports to the latter playing a critical role in great power competition.
- While US-PRC tech wars could fuel a further securitisation of Australia's critical minerals sector, or even Canberra's participation in a US-led, PRC-decoupled tech supply chain, a decision by the Trump administration to walk away from the green energy transition could reduce security pressures on PRC imports of Australian lithium.
- The combination of intensifying US-PRC security tensions and growing concerns in Beijing in relation to Pillar II of the AUKUS security pact could place greater pressure on Australia-PRC ties. Conversely, a decision by Washington to reset the terms of the AUKUS agreement could delay or even derail the implementation of the pact.
- Beijing's growing maritime aggression in the South China Sea and against the Philippines in particular, and a potential decision by the Trump administration to directly intervene in dangerous engagements involving its allies, could see Canberra entrapped in an escalation spiral or even enter into a kinetic conflict against PRC forces.
- On the domestic political front, should the Australian Labor Party retain government in the 2025 federal election, a likely adherence to its policy of stabilisation will be tested, not only by a President Trump but also by Beijing pushing for more out of the relationship. A Coalition victory may see some changes to tone and strategy with respect to Australia's PRC policy, with more of an intensive focus on defence.

## Looking back: An overview of 2024

2024 saw the relationship between Australia and the People's Republic of China (PRC) consolidate a process of stabilisation that had followed the election of the Anthony Albanese-led Labor government in 2022.

Live rock lobster exports resumed on December 20, marking the long-awaited conclusion of Beijing's campaign of economic coercion against Australia,<sup>1</sup> waged in earnest over 2020 and 2021 when Australia-PRC relations were at their lowest ebb in recent history.<sup>2</sup> In the two weeks or so since the restriction was lifted, approximately 515,000kg of Australian rock lobsters were sent to the PRC.<sup>3</sup>

Anti-dumping and countervailing duties targeting Australian wine exports ceased in March<sup>4</sup> and the remaining suspensions on two Australian meat processing establishments were lifted at the beginning of December, allowing for the full resumption of beef exports.<sup>5</sup> Around the same time, Australia's Anti-Dumping Commission terminated anti-dumping measures on deep drawn stainless steel sinks from the PRC.<sup>6</sup>

In November, Beijing extended visa-free travel rights for Australians to 30 days,<sup>7</sup> following the inclusion of Australia in a list of countries eligible for 15-day visa-free travel in June.<sup>8</sup>

High-level bilateral engagements picked up pace. PRC Foreign Minister Wang Yi visited Australia in March<sup>9</sup> and met Australia's Foreign Minister Penny Wong on the sidelines of the United Nations General Assembly in New York in the second half of the year.<sup>10</sup> PRC Premier Li Qiang visited Australia in June, travelling to Adelaide, Canberra and Perth.<sup>11</sup> In September, Treasurer Jim Chalmers travelled to Beijing, the first visit by an Australian Treasurer to the PRC in seven years,<sup>12</sup> while October saw the first Australian cross-parliamentary delegation visit to the PRC in five years.<sup>13</sup> In mid-November, Albanese met Xi Jinping on the sidelines of the G20 summit in Rio de Janeiro – the third bilateral meeting between the two leaders.<sup>14</sup>

During these visits and throughout the year more broadly, Australian and PRC ministers and senior officials participated in key dialogues on foreign affairs, business, economics and defence, including the seventh

- 1 Anthony Albanese, Penny Wong, Don Farrell and Julie Collins, 'Effective immediately - live rock lobster to China to restart', media release, December 20 2024 <<https://www.foreignminister.gov.au/minister/penny-wong/media-release/effective-immediately-live-rock-lobster-china-restart>>.
- 2 See, e.g., Elena Collinson and Thomas Pantle, 'Australia-PRC trade and investment developments: A timeline', Australia-China Relations Institute, University of Technology Sydney, November 8 2021 <<https://www.uts.edu.au/acri/research-and-opinion/factsheets/australia-prc-trade-and-investment-developments-timeline>>.
- 3 Anthony Albanese, Catherine King and Luke Gosling, press conference, Mount Isa, January 8 2025 <<https://www.pm.gov.au/media/press-conference-mount-isa>>.
- 4 Anthony Albanese, Penny Wong, Don Farrell, Murray Watt, 'Resolution of wine dispute with China', media release, March 28 2024 <<https://www.trademinister.gov.au/minister/don-farrell/media-release/resolution-wine-dispute-china>>.
- 5 Anthony Albanese, Penny Wong, Don Farrell, Julie Collins, 'Final Chinese trade impediments on red meat establishments lifted', media release, December 3 2024 <<https://www.trademinister.gov.au/minister/don-farrell/media-release/final-chinese-trade-impediments-red-meat-establishments-lifted>>.
- 6 Anti-Dumping Commission, Australian Government Department of Industry, Science and Resources, *Report no 652: Review of anti-dumping measures on deep drawn stainless steel sinks exported to Australia from the People's Republic of China*, December 4 2024 <[https://www.industry.gov.au/sites/default/files/adc/public-record/2024-12/652\\_-\\_13\\_-\\_report\\_-\\_final\\_report\\_-\\_rep\\_652.pdf](https://www.industry.gov.au/sites/default/files/adc/public-record/2024-12/652_-_13_-_report_-_final_report_-_rep_652.pdf)>. See also, Andrew Tillett, 'Cheaper kitchen sinks as Canberra dismantles tariff barrier to China', *The Australian Financial Review*, July 10 2024 <<https://www.afr.com/politics/federal/cheaper-kitchen-sinks-as-canberra-dismantles-tariff-barrier-to-china-20240710-p5jsgz>>.
- 7 Embassy of the People's Republic of China in the Commonwealth of Australia, 'Notice on more favorable visa-free policy to ordinary passport holders of Australia', November 25 2024 <[http://au.china-embassy.gov.cn/eng/tzgg/202411/t20241125\\_11532461.htm](http://au.china-embassy.gov.cn/eng/tzgg/202411/t20241125_11532461.htm)>.
- 8 Xinhua, 'China's visa-free policy widens opportunities for personnel exchanges with New Zealand, Australia', State Council of the People's Republic of China, June 19 2024 <[https://english.www.gov.cn/news/202406/19/content\\_WS6672bea8c6d0868f4e8e8525.html](https://english.www.gov.cn/news/202406/19/content_WS6672bea8c6d0868f4e8e8525.html)>.
- 9 Penny Wong, 'Visit of China's Foreign Minister and Director of the Office of the Central Commission for Foreign Affairs Wang Yi', media release, March 19 2024 <<https://www.foreignminister.gov.au/minister/penny-wong/media-release/visit-chinas-foreign-minister-and-director-office-central-commission-foreign-affairs-wang-yi>>.
- 10 Xinhua, 'Wang Yi: China-Australia ties seeing positive progress', *China Daily (Hong Kong)*, September 25 2024 <<https://www.chinadailyhk.com/hk/article/593816>>.
- 11 Anthony Albanese, 'Visit by Premier of the People's Republic of China', media release, June 11 2024 <<https://www.pm.gov.au/media/visit-premier-peoples-republic-china>>.
- 12 Jim Chalmers, 'Meeting with Chinese counterparts in Beijing', media release, September 26 2024 <<https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/meeting-chinese-counterparts-beijing>>.
- 13 Sue Lines, 'Senate president to lead first parliamentary delegation to China in five years', Australian Embassy China, October 10 2024 <<https://china.embassy.gov.au/bjng/parliamentarydelegationtochina.html>>.
- 14 Anthony Albanese, 'Opening remarks – Bilateral meeting', Rio de Janeiro, Brazil, November 18 2024 <<https://www.pm.gov.au/media/opening-remarks-bilateral-meeting-rio-de-janeiro-brazil>>.

Australia-China Foreign and Strategic Dialogue in March,<sup>15</sup> the second China-Australia Free Trade Agreement Joint Committee meeting<sup>16</sup> and the 17<sup>th</sup> Joint Minister Economic Commission meeting in April,<sup>17</sup> the seventh China-Australia CEO Roundtable Meeting in June,<sup>18</sup> the eighth Australia-China Ministerial Dialogue on Climate Change in August,<sup>19</sup> the fourth China-Australia Strategic Economic Dialogue in September<sup>20</sup> and the Australia-China Defence Coordination Dialogue in October.<sup>21</sup> Canberra and Beijing further agreed to convene a bilateral maritime affairs dialogue.<sup>22</sup>

2024 also saw the return of the first Australian correspondent in the PRC since August 2020.<sup>23</sup>

It was, nonetheless, not all smooth sailing. In February 2024, the Beijing No. 2 Intermediate People's Court handed down a suspended death sentence to Australian citizen Yang Jun. Foreign Minister Wong stated that the Australian government was 'appalled' by the decision,<sup>24</sup> telling her PRC counterpart that Australians were 'shocked' at the sentence.<sup>25</sup>

The PRC was also the focus of publicly voiced concerns by Australia's intelligence head about espionage and foreign interference activities.<sup>26</sup> Indeed, the first sentence for foreign interference in Australia was handed down in February to a businessperson found guilty of covertly working for the Chinese Communist Party.<sup>27</sup>

Malicious cyber activities orchestrated by Beijing were likewise a key point of attention, with Australia joining the UK and other partners in expressing 'serious concerns' about PRC state-sponsored actors 'targeting UK democratic institutions and parliamentarians' in March,<sup>28</sup> and releasing a joint advisory with international partners outlining the threat to Australian networks from a PRC state-sponsored cyber group in July.<sup>29</sup> The PRC Foreign Ministry decried each statement as an attempt to 'smear' the PRC.<sup>30</sup>

A dangerous maneuver in the Yellow Sea in May, in which a PRC fighter jet dropped flares in the flight path of an Australian navy helicopter,<sup>31</sup> was labeled 'unacceptable' by Albanese, with Canberra lodging diplomatic

- 15 Penny Wong, 'Visit of China's Foreign Minister and Director of the Office of the Central Commission for Foreign Affairs Wang Yi', media release, March 19 2024 <<https://www.foreignminister.gov.au/minister/penny-wong/media-release/visit-chinas-foreign-minister-and-director-office-central-commission-foreign-affairs-wang-yi>>.
- 16 Australian Government Department of Foreign Affairs and Trade, 'ChAFTA Committee meetings', accessed January 9 2025 <<https://www.dfat.gov.au/trade/agreements/in-force/chafta/news/implementation/chafta-committee-meetings>>.
- 17 Don Farrell, '17<sup>th</sup> Joint Ministerial Economic Commission meeting between Australia and China', media release, April 30 2024 <<https://www.trademinister.gov.au/minister/don-farrell/media-release/17th-joint-ministerial-economic-commission-meeting-between-australia-and-china>>.
- 18 Anthony Albanese, '7th Australia-China CEO roundtable', Perth, June 18 2024 <<https://www.pm.gov.au/media/7th-australia-china-ceo-roundtable>>.
- 19 Australian Government Department of Climate Change, Energy, the Environment and Water, 'Strengthening climate change and environment collaboration with China', media release, August 30 2024 <<https://www.dcceew.gov.au/about/news/strengthening-climate-change-environment-collaboration-with-china>>.
- 20 Australian Government Treasury, 'The Fourth Strategic Economic Dialogue between the People's Republic of China and Australia is successfully convened in Beijing', media release, September 27 2024 <<https://treasury.gov.au/media-release/fourth-strategic-economic-dialogue-between-peoples-republic-china-and-australia>>.
- 21 Australian Government Department of Defence, '2024 Australia-China Defence Coordination Dialogue', media release, October 17 2024 <<https://www.defence.gov.au/news-events/releases/2024-10-17/2024-australia-china-defence-coordination-dialogue>>.
- 22 Anthony Albanese and Li Qiang, 'Statement on joint outcomes of the Australia-China Annual Leaders' Meeting', June 17 2024 <<https://www.pm.gov.au/media/statement-joint-outcomes-australia-china-annual-leaders-meeting>>.
- 23 'The Australian returns to Beijing', *The Australian*, August 26 2024 <<https://www.theaustralian.com.au/commentary/editorials/the-australian-returns-to-beijing/news-story/1b0923398fd0ad050610399cfe36f40d>>.
- 24 Penny Wong, 'Sentencing of Dr Yang Jun', media release, February 5 2024 <<https://www.foreignminister.gov.au/minister/penny-wong/media-release/sentencing-dr-yang-jun>>.
- 25 Daniel Hurst, 'Australians 'shocked' at death sentence imposed on Yang Hengjun, Penny Wong tells Chinese counterpart', *The Guardian*, March 20 2024 <<https://www.theguardian.com/australia-news/2024/mar/20/australia-writer-yang-hengjun-china-death-sentence-penny-wong>>.
- 26 Mike Burgess, *Director-General's Annual Threat Assessment 2024*, Australian Security Intelligence Organisation, Australian Government, February 28 2024 <<https://www.asio.gov.au/director-generals-annual-threat-assessment-2024>>.
- 27 Australian Federal Police, 'First sentence for foreign interference handed down', media release, February 29 2024 <<https://www.afp.gov.au/news-centre/media-release/first-sentence-foreign-interference-handed-down>>.
- 28 Penny Wong and Clare O'Neil, 'Cyber targeting of UK democratic institutions', media release, March 26 2024 <<https://www.foreignminister.gov.au/minister/penny-wong/media-release/cyber-targeting-uk-democratic-institutions>>.
- 29 Australian Signals Directorate, 'APT 40 advisory: PRC MSS tradecraft in action', July 9 2024 <<https://www.cyber.gov.au/about-us/view-all-content/alerts-and-advisories/apt40-advisory-pro-mss-tradecraft-in-action/>>.
- 30 Simon Fraser, 'China hits out at US and UK over cyber hack claims', *BBC*, March 26 2024 <<https://www.bbc.com/news/world-asia-china-68655786>>; Agence France-Presse, 'Australia sounds warning over state-backed Chinese hackers 'repeatedly' targeting its networks', *The Straits Times*, July 9 2024 <<https://www.straitstimes.com/asia/australianz/australia-sounds-warning-over-state-backed-chinese-hackers>>.
- 31 Australian Government Department of Defence, 'Statement on unsafe and unprofessional interaction with PLA-Air Force', media release, May 6 2024 <<https://www.defence.gov.au/news-events/releases/2024-05-06/statement-unsafe-and-unprofessional-interaction-pla-air-force>>.

protests with Beijing.<sup>32</sup> The PRC Foreign Ministry accused Australia of ‘provocative’ behavior, subsequently shifting its position to claim Australia had been spying on the PRC’s military exercises in the region.<sup>33</sup>

PRC state press throughout the year continued to voice criticism against AUKUS<sup>34</sup> and the Quad,<sup>35</sup> as well as Australia’s engagement in joint military exercises in the South China Sea<sup>36</sup> and its procurement of Tomahawk missiles from the US.<sup>37</sup>

Yet while each of these concerns caused friction, none derailed the overall trajectory of a gradual improvement in bilateral ties.

Entering 2025, however, the Australia-PRC relationship continues to face growing uncertainties. Many of these intersect with two political known-unknowns: the result of Australia’s federal election, which could see the return of a Coalition government with a chequered history of managing relations with Beijing; and the policy decisions of the mercurial Trump administration, which could heighten contradictions between Australia’s security alliance with the US and economic interdependence with the PRC.

While there are a number of contenders for the shortlist of factors that could have the most significant impact on bilateral ties, three areas stand out: (1) trade and critical minerals; (2) developments in AUKUS and the Australia-US alliance; and (3) increasing tensions in the South China Sea.

## Looking forward: What to expect in 2025

### Trade and critical minerals

Canberra’s navigation of its major security and trade relationships is set to become more challenging as the new administration in Washington looks set to be locked into what former Trump advisor Steve Bannon has called ‘economic warfare’ against the PRC.<sup>38</sup> The first salvo of a new stage in trade tensions has arguably been fired, with President-elect Trump having pledged on November 25 to impose ‘an additional 10 percent tariff, above any additional tariffs’ on imports from the PRC,<sup>39</sup> having earlier undertaken to impose across-the-board tariffs in excess of 60 percent on PRC imports and end the PRC’s most-favoured-nation trading status with the US while on the presidential campaign trail.<sup>40</sup>

While Australia continues to place enormous weight on its security partnership with the US, and while, in the wake of a concerted campaign of trade disruptions, the PRC’s championing of free trade is viewed with more than some irony, Canberra may find itself dovetailing with Beijing’s position on some of its security ally’s trade measures.

32 Kirsty Needham, ‘Australian PM Albanese says China military air incident unacceptable’, *Reuters*, May 7 2024 <<https://www.reuters.com/world/asia-pacific/australian-pm-albanese-says-china-military-air-incident-unacceptable-2024-05-07/>>.

33 Stephen Dziedzic, ‘China changes story on military confrontation, accuses Australia of spying’, *ABC News*, May 8 2024 <<https://www.abc.net.au/news/2024-05-08/beijing-shifts-story-chinese-australian-forces-confrontation/103820684>>.

34 See, e.g., ‘AUKUS distorts deterrence into aggression: China Daily editorial’, *China Daily*, August 15 2024 <<https://www.chinadaily.com.cn/a/202408/15/WS66bdf2ea3104e74fddb320.html>>.

35 See, e.g., ‘The Quad taking China as a target is destined not to go far: Global Times editorial’, *Global Times*, September 23 2024 <<https://www.globaltimes.cn/page/202409/1320174.shtml>>.

36 ‘Ao-Fei zai Nanhai lianhe junyan, Ao fangzhang you chaozuo, Ao zai Nanhaiyou anquan liyi’ 澳菲在南海联合军演，澳防长又炒作：澳在南海有安全利益 [Australia-Philippines undertake joint military exercises in the South China Sea, Australia’s head of defence yet again hypes Australia’s security interests in the South China Sea], *Global Times Military*, August 25 2023 <<https://mil.huanqiu.com/article/4EGkyoohEAf>>.

37 ‘Yexin yao jingti! Aodaliya chengwei disange chenggong shishe zhe zhong daodan de guojia’ 野心要警惕！澳大利亚成为第三个成功试射这种导弹的国家 [Be wary of hubris! Australia has become the third nation to test-fire this missile], *China Radio International Online*, December 14 2024 <<https://news.cri.cn/20241214/4b67d8ce-82f4-f4fe-e83c-633f86414672.html>>.

38 Sasha Gong, ‘Steve Bannon, two Chinese military officers and the book that made him a China hawk’, *South China Morning Post*, October 4 2018 <<https://www.scmp.com/news/china/diplomacy/article/2166982/steve-bannon-two-chinese-military-officers-and-book-made-him>>.

39 Costas Pitas, ‘Trump vows new Canada, Mexico, China tariffs that threaten global trade’, *Reuters*, November 26 2024 <<https://www.reuters.com/world/us/trump-promises-25-tariff-products-mexico-canada-2024-11-25/>>.

40 Antoni Slodkowski, James Pomfret and Laurie Chen, ‘Ready or not? How China scrambled to counter the second Trump shock’, *Reuters*, November 8 2024 <<https://www.reuters.com/world/ready-or-not-how-china-scrambled-counter-second-trump-shock-2024-11-08/>>.

Internal analysis by the Reserve Bank of Australia has already forecast a dire impact on the nation's finances should an 'extreme' trade war break out between the US and the PRC.<sup>41</sup> Others fear US protectionism will deal broader damage to the global liberal trading order that has fueled Australia's prosperity.<sup>42</sup> Also working against solidarity with Trump's proposed measures is the fact that Australia stands out among advanced nations as having a highly complementary trade relationship with the PRC that helps deliver a trade surplus.<sup>43</sup> Australia has even arguably benefited from the PRC's manufacturing overcapacity – the bane of most advanced economies – which has fed the continuing boom for Australia's resources sector, while posing less consequential competitive challenges to Australia's manufacturing-light economy.

Both the Australian government and opposition have expressed an ambition to further grow two-way trade with the PRC, with Trade Minister Don Farrell stating, '[Australia-PRC trade] was \$327 billion last year. Why can't it be \$400 billion?',<sup>44</sup> and Opposition Leader Peter Dutton noting that he wanted to see an 'increase' in Australia-PRC trade<sup>45</sup> and would 'love to see the trading relationship increase two-fold'.<sup>46</sup>

While there have been notable exceptions (i.e., the Huawei ban), Canberra also has a long history of overlooking geo-economic strategy, which is often invoked to back the protection of critical sectors, in favor of a *laissez-faire* approach to trade.<sup>47</sup>

The challenge for Australia is that this approach has made it highly reliant on export revenue for PRC-bound commodities that have enormous strategic gravity in great power competition. One of the most significant of these is high-quality iron ore, which feeds the latter's burgeoning industrial and military might. In 2014, then-US President Barack Obama was reported to have asked then-Australian Prime Minister Tony Abbott to stop selling iron ore to the PRC, which the latter declined.<sup>48</sup> With the value of PRC-bound iron ore exports having effectively doubled in value since that meeting (albeit with a forecast downturn ahead), Canberra in 2025 may respond in a similar manner.

Perhaps even more significant is Australia's trade in critical minerals – which, on the back of Canberra's decisions to block some PRC investments in the domestic sector,<sup>49</sup> has already become a source of bilateral tensions.

Australia is both a major producer of critical minerals and a member of the US-led, Western-dominant Minerals Security Partnership, which aims to counter the PRC's dominance in the critical minerals sector by developing 'diverse and sustainable critical energy minerals supply chains'.<sup>50</sup> The current reality is that the PRC, which dominates refinery and processing,<sup>51</sup> remains the most important export market for Australian raw materials, and a still-important investor in mining capacity. This is particularly the case of Australia's almost

41 Michael Read and John Kehoe, "Extreme' Trump trade war would hit shares, growth and rates: RBA', *The Australian Financial Review*, November 25 2024 <<https://www.afr.com/policy/economy/extreme-trump-trade-war-would-hit-shares-growth-and-rates-rba-20241125-p5ktdt>>.

42 John Kehoe, 'Howard backs free trade and fossil fuels in Trump era', *The Australian Financial Review*, January 1 2025 <<https://www.afr.com/policy/economy/howard-backs-free-trade-and-fossil-fuels-in-trump-era-20241213-p5ky42>>.

43 Australian Government Department of Foreign Affairs and Trade, 'Dong business with China', accessed January 6 2025 <<https://www.dfat.gov.au/trade/agreements/in-force/chafta/doing-business-with-china/doing-business-with-china>>.

44 Will Glasgow, 'Chinese Commerce minister gives Don Farrell 'personal assurances' Australian beef, lobster bans to end', *The Australian*, November 4 2024 <<https://www.theaustralian.com.au/nation/chinese-commerce-minister-gives-don-farrell-personal-assurances-australian-beef-lobster-bans-to-end/news-story/df7020e8dd856f1d12a39deee1d252a2>>.

45 Peter Dutton, interview, *2GB*, June 11 2024 <<https://www.peterdutton.com.au/leader-of-the-opposition-transcript-interview-with-chris-okeefe-2gb-3/>>.

46 Peter Dutton, interview, *Sky News Australia*, June 16 2024 <<https://www.peterdutton.com.au/leader-of-the-opposition-transcript-interview-with-andrew-clennell-sky-news-6/>>.

47 See, e.g., James Bowen, 'Adaption challenge: Australia and the new geo economics', *Disruptive Asia 2019*, Asia Society Australia, <<https://disruptiveasia.asiasociety.org/adaption-challenge-australia-and-the-new-geo-economic>>.

48 'The 'hypocritical' trade demand Obama asked of Australia', *Sky News Australia*, April 10 2022 <<https://www.skynews.com.au/australia-news/politics/the-hypocritical-trade-demand-obama-asked-of-australia/video/a26e682a4c27cec1cf27156113750b22>>.

49 Kirsty Needham, 'Australia blocks Chinese investment in rare earths firm citing national interest – executive', *Reuters*, February 28 2023 <<https://www.reuters.com/article/technology/australia-blocks-chinese-investment-in-rare-earth-firm-citing-national-interest-idUSL4N358130/>>; Kirsty Needham and Lewis Jackson, 'Australia blocks acquisition of lithium mine by China-linked firm', *Reuters*, July 21 2023 <<https://www.reuters.com/article/business/energy/australia-blocks-acquisition-of-lithium-mine-by-china-linked-firm-idUSL4N3970IG/>>. See also Alys Marshall, 'Federal treasurer orders Chinese-linked investors to offload shares in Australian rare earths mine', *ABC News*, June 3 2024 <<https://www.abc.net.au/news/2024-06-03/northern-minerals-jim-chalmers-yuxiao-fund-investors/103927762>>.

50 US Department of State, 'Minerals Security Partnership', accessed January 5 2025 <<https://www.state.gov/minerals-security-partnership/>>.

51 Keith Bradsher, 'China tightens its hold on minerals needed to make computer chips', *New York Times*, October 26 2024 <<https://www.nytimes.com/2024/10/26/business/china-critical-minerals-semiconductors.html>>.

\$12 billion lithium export sector, which sells 97 percent of this commodity to the PRC,<sup>52</sup> and which is funded by major investments from PRC firms including Tianqi Lithium. A number of analysts have pointed out that ‘a viable alternative to Chinese investments’ in the sector is continuing to be ‘hard to find.’<sup>53</sup>

Which direction Australia will take will arguably be determined by whether policymakers in Canberra adopt a strategic approach to industry development, as well as being contingent on policy decisions undertaken by Washington.

In relation to the former, Canberra has expressed concerns about PRC dumping practices aimed at obliterating competitors, particularly in regard to nickel,<sup>54</sup> while there have been accusations that PRC influence operations in Africa have forced Australian miners to relinquish overseas assets.<sup>55</sup> An even greater PRC concentration in refinery and raw resource ownership could increase the PRC’s power to dictate pricing by further eroding market plurality – although this would be an argument for what appears to be Canberra’s current strategy of selling raw materials to the PRC while limiting PRC investment and ownership in Australian mines. Another factor working against PRC investment are recent decisions by Beijing to restrict the sharing of refinery and processing technologies<sup>56</sup> – which works against Australia’s aspirations for its critical mineral partners to help it migrate up the value chain.

The policy of the new administration in Washington is also critical. On the back of announcing concessions to Australian critical mineral firms under the protectionist Inflation Reduction Act (IRA) in 2023, in August 2024, the US’ Export Import Bank announced a team-up with Export Finance Australia to allow firms from both nations to ‘receive streamlined access to both agencies’ financing support.<sup>57</sup> Yet it is uncertain whether an ‘America-first’ Trump administration will continue down the road of balancing sovereign capacity concerns with an attempt to build a multilateral as opposed to purely national critical minerals industry ecology.

With Australia’s critical minerals industry profiting largely from the electric vehicle/green energy sector, as opposed to semiconductors and other critical technologies, the conundrum of a zero-sum game of the PRC or US/allied trade could be alleviated for Canberra if Trump goes through with his decision to dump the IRA and abandon the current Joe Biden administration’s green energy policies – something that may tie in with the impact on Trump of his most high-profile supporter, and the owner of the Tesla brand, Elon Musk.

## **AUKUS and the US alliance under Trump**

The security front also presents potential challenges.

While the Albanese’ government’s active participation in the AUKUS security partnership has not hitherto derailed Canberra-Beijing ties, intensifying concerns on the pact in PRC state press indicates that it could become a bigger wedge in bilateral relations.

Beijing’s disquiet around AUKUS has heated up in the wake of US Deputy Secretary of State Kurt Campbell’s remark in April 2024 that AUKUS nuclear-powered submarines would be an important asset in the event of a conflict in the Taiwan Strait.<sup>58</sup> In January 2025, Republican Congressman Michael McCaul, who until recently chaired the House Foreign Affairs Committee, described Australia as ‘the beachhead to counter China’,

52 Australian Bureau of Statistics, ‘Insights into Australian exports of lithium’, August 4 2022 <<https://www.abs.gov.au/articles/insights-australian-exports-lithium>>.

53 ‘Australia’s critical minerals strategy amid US-China geopolitical rivalry’, Royal United Services Institute, April 22 2024 <<https://www.rusi.org/explore-our-research/publications/commentary/australias-critical-minerals-strategy-amid-us-china-geopolitical-rivalry>>.

54 Andrew Tillett, ‘Wong sounds alarm over China-led nickel collapse’, *The Australian Financial Review*, March 20 2024 <<https://www.afr.com/politics/federal/australians-were-shocked-by-yang-sentence-wong-tells-wang-20240320-p5fdtd>>.

55 Ian Satchwell, ‘China’s control and coercion in critical minerals’, *The Strategist*, Australian Strategic Policy Institute, June 7 2024 <<https://www.aspistrategist.org.au/chinas-control-and-coercion-in-critical-minerals/>>.

56 Siyi Liu and Dominique Patton, ‘China bans export of rare earths processing tech over national security’, *Reuters*, December 22 2023 <<https://www.reuters.com/markets/commodities/china-bans-export-rare-earths-processing-technologies-2023-12-21/>>.

57 Export Finance Australia, Australian Government, ‘Export Finance Australia and Export-Import Bank of the United States single point of entry ‘open for business’’, media release, August 29 2024 <<https://www.exportfinance.gov.au/newsroom/export-finance-australia-and-export-import-bank-of-the-united-states-single-point-of-entry-open-for-business/>>.

58 Richard Fontaine and Kurt Campbell, ‘AUKUS: Securing the Indo-Pacific, a conversation with Kurt Campbell’, Center for a New American Security, April 3 2024 <<https://www.cnas.org/publications/transcript/aukus-securing-the-indo-pacific-a-conversation-with-kurt-campbell>>.

stating it was ‘the key country, continent to counter the malign influence of China, and that’s why AUKUS is so important.’ He added, ‘Australia, in my view, is the power in the Pacific that we need to fortify and work with. If we don’t do this, if we didn’t do AUKUS, chairman Xi would just get that much more emboldened and empowered’.<sup>59</sup>

While Beijing’s focus has thus far mainly centered on AUKUS Pillar I, the nuclear-powered submarines component of the pact, concern is growing in the PRC about Pillar II, which involves cooperation in cutting-edge military and dual-use technology.

For example, a commentary piece in the *Shanghai Observer*, stated that Pillar II ‘poses the greater potential threat’ to the PRC’s vision of regional security<sup>60</sup> by advancing what the *Global Times* has called ‘NATO’s Asia-Pacificisation’ under ‘the banner of technology cooperation.’<sup>61</sup>

Associated with this has been a narrative in Beijing that the transfer of defense capabilities from the US to Australia is, according to *China Radio International*, feeding Canberra’s ‘ever-increasing’ or even ‘unprecedented’ military ambitions.<sup>62</sup> This includes accusations in PRC state press that Australia’s acquisition of US Tomahawk missiles ‘is a dangerous development’ that made it ‘quite likely that Australia’s navy, following the lead of the US navy, would in the future intervene or participate in naval strike military actions targeting a third party country’ or even ‘undertake ‘pre-emptive’ actions’ against a potential adversary.<sup>63</sup>

The impact of AUKUS on Australia-PRC relations is, again, contingent upon whether great power tensions escalate during President-elect Trump’s second term as well as on decisions made by Washington in relation to the sustainability of the program. US shipbuilding constraints<sup>64</sup> and submarine program shortfalls<sup>65</sup> are becoming a deep matter of concern among some Republicans, contributing to doubts about the continued viability of the submarine pact. Added to this are fears that Trump’s propensity to put ‘America first’ could see Washington wind back plans to share sensitive technology or reset negotiations for both pillars and push new terms which Canberra may be less amenable to. While the US’ nominated secretary of state Marco Rubio vocalised support for AUKUS at a US Senate committee on January 16 2025, Trump is yet to endorse the deal.<sup>66</sup> Alternatively, Trump may seek to leverage the benefits of American technology transfer to consolidate US dominance of alliance command structures – stoking PRC accusations of Australia being subservient to US strategic interests and increasing Australia’s exposure to escalating tensions between the two powers.

## South China Sea

Beijing’s increasingly aggressive efforts to enforce its expansive territorial claims in and beyond the South China Sea will remain a significant challenge for Canberra.

59 Michael Koziol, ‘For America, AUKUS is the vehicle to ‘fortify’ Australia against China’, *Sydney Morning Herald*, January 15 2025 <<https://www.smh.com.au/world/north-america/for-america-aukus-is-the-vehicle-to-fortify-australia-against-china-20250115-p5l4ec.html>>.

60 “Aokusi” Lundun kai fangzhang hui, gei Aozhou zao keqianting jia bali? “奥库斯”伦敦开防长会，给澳洲造核潜艇加把力? [London hosts Aukus defence head meeting, will increase efforts to build nuclear [powered] submarines for Australia?], *Shanghai Observer*, September 26 2024 <<https://www.jfdaily.com/statics/res/html/web/newsDetail.html?id=801082>>.

61 ‘Xiang Haoyu: NATO ‘turn towards the Asia-Pacific’ increases difficulties for the alliance’ 项昊宇：北约“亚太转向”加剧联盟困境 [Xiang Haoyu: NATO ‘turn towards the Asia-Pacific’ increases difficulties for the alliance], *Global Times*, July 9 2024 <<https://m.huanqiu.com/article/4IX7j7QU0IT>>.

62 ‘Yexin yao jingt! Aodaliya chengwei disange chenggong shishe zhe zhong daodan de guojia’ 野心要警惕！澳大利亚成为第三个成功试射这种导弹的国家 [Be wary of hubris! Australia has become the third nation to test-fire this missile], *China Radio International Online*, December 14 2024 <<https://news.cri.cn/20241214/4b67d8ce-82f4-f4fe-e83c-633f86414672.html>>; ‘Yexin pengzhang? Wujikeshi? Wei jian heqianting Aodaliya jing cong ‘wawa’ zhuaqi’ 野心膨胀？无计可施？为建核潜艇澳大利亚竟从“娃娃”抓起 [Inflated ambition? At a loss as to what to do? Australia is small children], *China Radio International Online*, January 4 2025 <<https://baijiahao.baidu.com/s?id=1820304243005437788>>.

63 ‘Yexin yao jingt! Aodaliya chengwei disange chenggong shishe zhe zhong daodan de guojia’ 野心要警惕！澳大利亚成为第三个成功试射这种导弹的国家 [Be wary of hubris! Australia has become the third nation to test-fire this missile], *China Radio International Online*, December 14 2024 <<https://news.cri.cn/20241214/4b67d8ce-82f4-f4fe-e83c-633f86414672.html>>.

64 Andrew Greene, ‘US admiral issues blunt warning on building Australian submarines in overstretched shipyards’, *ABC News*, September 1 2022 <<https://www.abc.net.au/news/2022-09-01/us-admiral-issues-blunt-warning-on-building-aus-subs/101394250>>.

65 Andrew Greene, ‘Emergency funding plea for Virginia-class submarines sparks fresh AUKUS concerns’, *ABC News*, November 29 2024 <<https://www.abc.net.au/news/2024-11-29/aukus-emergency-funding-for-virginia-class-submarines-biden/104662236>>.

66 Evelyn Manfield, ‘Trump administration will back AUKUS submarines deal, says Rubio’, *ABC News*, January 16 2025 <<https://www.abc.net.au/news/2025-01-16/trump-administration-will-back-aukus-submarines-deal/104823424>>.

2024 saw a series of dangerous engagements in the South China Sea which approached a new threshold. These included a number of collisions involving PRC coast guard ships which damaged Philippine vessels,<sup>67</sup> the PRC coast guard's use of potentially lethal high pressure water cannons,<sup>68</sup> as well as its use of bladed weapons to destroy inflatable boats and equipment<sup>69</sup> – the latter of which resulted in an injury to a Philippine sailor.<sup>70</sup> In mid-December, the PRC's Ministry of National Defence, in line with the tenor of previous comments from the PRC's Ministry of Foreign Affairs<sup>71</sup> and state press,<sup>72</sup> berated Manila for 'undermining peace and stability in the South China Sea' and seeking support from the US and its allies, adding, 'More provocations lead to stronger countermeasures... China will never back down.'<sup>73</sup>

While Australia does not share a mutual defence treaty with the Philippines, it has expanded military ties with the Southeast Asian nation and has over the last two years participated in a significant number of joint bilateral/multilateral patrols and military exercises with Philippines forces – raising the risk of becoming entangled in potentially lethal clashes involving the PRC military or coast guard assets. It should be noted on this front that the People's Liberation Army (PLA) has not shied away from measures that have posed potential threats to the safety of Australian defence personnel in the recent past, including the aforementioned Yellow Sea 'flare incident' in April 2024, and an incident reported in November 2023 in which a PLA Navy ship used its sonar 'in a manner that posed a risk to the safety of the Australian divers.'<sup>74</sup>

A decision by the Trump administration to veer away from the Biden administration's preferred mode of response to PRC acts of aggression in the South China Sea – that is, via verbal criticism<sup>75</sup> and post-factum exercises/patrols<sup>76</sup> – and directly intervene in dangerous engagements with PRC coast guard vessels, could also heighten the prospects of Australian forces being entangled in an escalation spiral.

## Other issues

Sitting alongside the above are other factors that also merit close observation in 2025, including, but not limited to: the downward trajectory of research collaboration, particularly in science and technology; cyber attacks, espionage and foreign interference by Beijing; and how Canberra navigates the PRC and Taiwan's accession bids to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as it assumes the chairing role of the CPTPP Commission.<sup>77</sup> The Albanese government has not opposed the PRC's bid to join the trade pact, neither has it endorsed it. There is, moreover, support within the government for Taiwan's bid. In February 2022, Australian Parliament's Joint Standing Committee on Foreign Affairs, Defence and Trade recommended the government 'encourage and facilitate the accession of Taiwan to the CPTPP'.<sup>78</sup>

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- 67 Associated Press, 'Chinese and Philippine ships collide again in disputed waters, and the countries are trading blame', *ABC News*, August 19 2024 <<https://www.abc.net.au/news/2024-08-19/china-philippines-boat-collision/104244402>>.
- 68 Reuters/Associated Press/ABC, 'China hits Philippine boat with water cannon in disputed South China Sea for second time this month', *ABC News*, March 23 2024 <<https://www.abc.net.au/news/2024-03-23/china-hits-philippine-boat-with-water-cannon-in-south-china-sea/103624718>>.
- 69 Nectar Gan and Kathleen Magramo, 'Only pirates do this': Philippines accuses China of using bladed weapons in major South China Sea escalation', *CNN*, June 20 2024 <<https://edition.cnn.com/2024/06/20/asia/philippines-footage-south-china-sea-clash-china-intl-hnk/index.html>>.
- 70 Rebeca Ratcliffe and agencies, 'Philippines accuses Chinese coastguards of piracy after violent confrontation', *The Guardian*, June 19 2024 <<https://www.theguardian.com/world/article/2024/jun/19/philippines-china-clash-south-sea-navy-injuries-coast-guard-second-thomas-shoal-severe-thumb>>.
- 71 'Feilvbin zai Nanhai pinfan tiaoxin, Wang Yi: gebie yuwai Guojia daochu jiaoju shi zuida pohuai yinsu' 菲律宾在南海频繁挑衅，王毅：个别域外国家到处搅局是最大破坏性因素 [Frequent provocations from the Philippines in the South China Sea, Wang Yi: Trouble-making from a few countries from outside the region is the biggest destabilising factor], *China Report*, August 14 2024 <<https://baijiahao.baidu.com/s?id=1807433329431429956>>.
- 72 Ding Duo, 'Feilvbin bu ying zai Nanhai wentishang yicuozaicuo' 菲律宾不应在南海问题上错再错 [The Philippines shouldn't keep repeating the same mistake in relation to South China Sea issues], *People.cn*, December 9 2024 <<https://baijiahao.baidu.com/s?id=1817911414013438262>>.
- 73 Xinhua, 'More provocations lead to stronger countermeasures: Chinese defense ministry', *China Daily*, December 13 2024 <<https://www.chinadaily.com.cn/a/202412/13/WS675bedc2a310f1265a1d2d18.html>>.
- 74 Richard Marles, 'Unsafe and unprofessional interaction with PLA-N', media release, November 18 2023 <<https://www.minister.defence.gov.au/media-releases/2023-11-18/unsafe-and-unprofessional-interaction-pla-n>>.
- 75 Jeff Mason, Trevor Hunnicutt and Michael Martina, 'U.S., Japan, Philippines condemn Beijing's South China Sea moves in summit', *Reuters*, April 12 2024 <<https://www.reuters.com/world/biden-warn-beijings-south-china-sea-moves-philippines-japan-summit-2024-04-11/>>.
- 76 'Philippines holds drills with allies after South China Sea confrontation', *Reuters*, December 6 2024 <<https://www.reuters.com/world/united-states-japan-philippine-conduct-maritime-exercises-south-china-sea-2024-12-06/>>.
- 77 Australian Government Department of Foreign Affairs and Trade, 'Eighth CPTPP Commission Meeting', November 29 2024 <<https://www.dfat.gov.au/trade/agreements/in-force/cptpp/commission-meetings>>.
- 78 Joint Standing Committee on Foreign Affairs, Defence and Trade, Parliament of Australia, *Expanding the Membership of the Comprehensive and Progressive Trans-Pacific Partnership*, February 2022 <[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Foreign\\_Affairs\\_Defence\\_and\\_Trade/CPTPPMembership/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/CPTPPMembership/Report)>.



The contest for influence in the South Pacific is also set to continue in earnest, with Australia in the last days of 2024 concluding a treaty with Nauru which saw the provision of \$140 million in budget and security support from Australia in return for effective veto powers over Nauru's prospective agreements with other nations on security and infrastructure,<sup>79</sup> while a support package for Solomon Islands to increase the nation's police force through a \$190 million assistance package over four years was agreed on.<sup>80</sup> December 2024 also saw Australia's security agreement with Papua New Guinea entering into force.<sup>81</sup>

Added to these issues is the perennial issue of a potential conflict breaking out across the Taiwan Strait.

On the domestic political front, should the Australian Labor Party retain government in the 2025 federal election, a likely adherence to its policy of stabilisation will be tested, not only by a President Trump but also by Beijing pushing for more out of the relationship. A Coalition victory may see some changes to tone and strategy with respect to Australia's PRC policy, with more of an intensive focus on defence. Certainly, the Liberal Party appears to have been mindful over the past three years of the need, outlined in an internal party review, to '[rebuild] the party's relationship with the Chinese community' and 'be sensitive to the genuine concerns of the Chinese community' and 'ensure language used cannot be misinterpreted as insensitive', following its 2022 election defeat.<sup>82</sup> Dutton has markedly moderated rhetoric on the PRC during his time as Opposition Leader.<sup>83</sup> He also recently held his unofficial campaign launch in the electoral division of Chisholm, a marginal constituency with 28.9 percent of its population comprising Australians with Chinese ancestry.<sup>84</sup> At the same time, vestiges of confrontational rhetoric remain in the shadow ministry, with for example, Shadow Home Affairs and Cyber Security Minister James Paterson warning against 'capitulation' to the PRC<sup>85</sup> and calling for the effective ban of TikTok.<sup>86</sup> Shadow Defence Minister Andrew Hastie in August last year said the Coalition would significantly boost defence, accusing the Labor government of 'struggling with inertia'. He said, 'We've got gangsters making it a lot tougher for us and our allies. And we need to push back. It's the way to secure peace, through strength, not to be a pushover.'<sup>87</sup> These statements have not been contradicted by Dutton.

Whatever 2025 holds, it is clear there is no room for complacency in the Australia-PRC relationship.

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- 79 Stephen Dziedzic, 'Australia inks treaty with Nauru locking out growing Chinese influence', *ABC News*, December 9 2024 <<https://www.abc.net.au/news/2024-12-09/australia-nauru-treaty-locks-out-china/104702002>>.
- 80 Anthony Albanese and Jeremiah Manele, 'Royal Solomon Islands Police Force expansion', December 20 2024 <<https://www.pm.gov.au/media/royal-solomon-islands-police-force-expansion>>.
- 81 Anthony Albanese and James Marape, 'Entry into force of the Australia-Papua New Guinea bilateral security agreement', joint statement, December 12 2024 <<https://www.pm.gov.au/media/entry-force-australia-papua-new-guinea-bilateral-security-agreement>>.
- 82 Brian Loughnane and Jane Hume, *Review of the 2022 Federal Election*, Liberal Party of Australia <<https://www.sbs.com.au/news/article/chinese-australians-deserted-scott-morrison-liberals-over-anti-china-rhetoric-review-finds/njv9fnf7g>>.
- 83 See, e.g., James Laurenceson, 'Why Dutton is flying in the face of the China hawks', *The Australian Financial Review*, June 26 2024 <<https://www.afr.com/policy/foreign-affairs/why-dutton-is-flying-in-the-face-of-the-china-hawks-20240624-p5jo3n>>.
- 84 Australian Bureau of Statistics, 'Chisholm – 2021 Census – All persons – QuickStats', accessed January 15 2025 <<https://abs.gov.au/census/find-census-data/quickstats/2021/CED207>>.
- 85 Ben Packham, 'Don't hand China think tank win', warns James Paterson', *The Australian*, April 16 2024 <<https://www.theaustralian.com.au/nation/politics/dont-hand-china-think-tank-win-warns-james-paterson/news-story/30c03459aaf16d1de61c3585d6fbb10c>>.
- 86 Nick Bonyhady, 'Coalition urges Australia to follow US move to ban TikTok', *The Australian Financial Review*, March 14 2024 <<https://www.afr.com/technology/coalition-urges-australia-to-follow-us-tiktok-ban-20240314-p5fceq>>.
- 87 Andrew Tillett, 'Australia needs to arm up by late 2026: Hastie', *The Australian Financial Review*, August 12 2024 <<https://www.afr.com/politics/federal/australia-needs-to-arm-up-by-late-2026-hastie-20240802-p5jyym>>.

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