



ChAFTA Review: Crisis Management, Economic Resilience and Trade Continuity

Submission to the General Review of the China-Australia Free Trade Agreement

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1. Introduction

After a decade of operation, the China–Australia Free Trade Agreement (ChAFTA) has delivered substantial and measurable trade benefits for Australia. However, it has also exposed structural constraints that have become more pronounced as the bilateral relationship has come under geopolitical pressure.

AustChina Institute (ACI) has undertaken a review of ChAFTA and its performance over the past decade. This review was published in December 2025 and is available at: https://www.aci.org.au/publications/article_decade-of-australia-china-relations. Drawing on the empirical findings of that review, the following sections set out ACI's recommendations for consideration as part of the Australian Government's [General Review of ChAFTA](#).

2. About AustChina Institute

AustChina Institute (ACI) is an independent, not-for-profit think tank, dedicated to research and analysis that supports informed decision-making by policymakers, businesses, investors and the Australian public on issues relating to the Australia-China relationship.

ACI operates independently of government and foreign state influence. Its activities are funded through public donations and corporate sponsorships, enabling the Institute to engage rigorously and independently with complex policy issues, including trade, investment, diplomacy, technology and regional strategic developments.

ACI's interest in the General Review of ChAFTA is to support the effective operation of the Agreement in the public interest, and to help ensure that policy and institutional settings facilitate – rather than impede – the economic benefits of bilateral trade and investment.

3. Context

ChAFTA's first decade has delivered solid trade outcomes for Australia. From the financial year 2015 through to 2025, total bilateral trade grew by 113% to reach AUD \$308.7 billion, and Australian exports to China grew by 121%. ChAFTA utilisation rates for eligible Australian exports to China reached approximately 90%, demonstrating that the Agreement's tariff benefits translated into real commercial practice.



Figure 1: Australia-China Trade Snapshot across the first decade of ChAFTA.

That decade also revealed structural constraints in ChAFTA's institutional design, reflecting the Agreement's original focus on tariff liberalisation and market access – rather than on the management of politically driven trade disruption. This is not surprising, given that the Agreement was established in a very different strategic environment, one that predates the escalation of Australia-China diplomatic tensions, the imposition of politically motivated trade restrictions and the emergence of a more contested Indo-Pacific strategic landscape.

In particular, the Agreement was negotiated before the commercial costs of bilateral trade disruption were fully understood, and before it became clear that tariff liberalisation alone might not be sufficient to protect trade flows when the broader bilateral relationship comes under stress.

As most tariff reductions under ChAFTA have now been implemented, the Agreement's future effectiveness will increasingly depend on its capacity to preserve trade continuity and manage stress during periods of bilateral tension, rather than on further market liberalisation alone. This submission responds to this challenge by recommending a dedicated crisis management framework designed to enhance the Agreement's capacity to manage trade stress arising from geopolitical developments.

4. Crisis Management and Economic Resilience

4.1 The Lessons from the Trade Disruptions of the 2020–2022 Period

The 2020–2022 period demonstrated both the vulnerability and the residual resilience of the Australia-China commercial relationship under geopolitical stress. China imposed anti-dumping duties exceeding 200% on Australian wine and an 80.5% tariff on barley, along with restrictions on beef, coal and lobsters, affecting approximately \$20 billion in Australian exports.

Despite the scale of these restrictions, ChAFTA's scheduled tariff reduction programme continued to be implemented by both parties throughout the period, maintaining a degree of commercial continuity even as broader trade flows were disrupted. The recovery was nonetheless protracted: barley restrictions were lifted 9 months after bilateral engagement resumed, wine duties 16 months later, and live lobster exports did not fully resume until 49 months after the initial restrictions were imposed. These timelines illustrate both the material commercial costs of the disruption and the extended period required to restore normal trading conditions once they are lost.

The trade disruptions during the 2020–2022 period also highlighted the limitations of ChAFTA with respect to crisis management. While ChAFTA's Article 15.4 designates contact points for formal dispute proceedings, these arrangements were not intended to:

- Prevent or slow the rapid imposition of politically motivated trade-restrictive measures;
- Trigger prior consultation before such measures take effect, outside formal disputes; or
- Provide structured and agile pathways for resolution when political dialogue has broken down.

While ChAFTA contains a formal dispute settlement mechanism under Chapter 15, that framework is inherently reactive and legalistic. It was not designed to operate as a preventive or de-escalatory tool during periods of emerging trade stress.

4.2 Proposed Framework

The trade restrictions of the 2020–2022 period were preceded by measurable shifts in bilateral engagement patterns – including reduced official-level contact and growing administrative friction – by approximately 12 to 36 months. This lag indicates that trade disruption is rarely sudden, and that structured early engagement mechanisms could meaningfully reduce escalation risks.

A dedicated crisis management framework, operating at officials' level and independent of the broader bilateral relationship, could include the following elements:

- An early warning mechanism requiring advance notification and a consultation period, on a without-prejudice basis, before significant trade-restrictive measures take effect.
- Designated economic crisis contacts at senior-official level in both DFAT and the Chinese Ministry of Commerce, with a standing mandate to maintain proactive communication during periods of trade stress, distinct from the formal dispute contact points under Article 15.4.
- A supply chain and energy security dialogue to identify critical bilateral dependencies, assess disruption vulnerabilities and recommend contingency measures to relevant industry sectors.

The proposed framework would introduce an operational layer to ChAFTA, enhancing the Agreement's capacity to manage stress without altering its core legal or market-access architecture. In practical terms, such a framework could strengthen ChAFTA's

role as a stabilising instrument by enabling more active management of trade disruption when it occurs. This, in turn, would support greater confidence and resilience among Australian exporters, importers, investors and industry partners.

5. Conclusion

ChAFTA has proven to be more resilient than many anticipated. Its tariff architecture remained intact during the near three-year diplomatic freeze, with both parties continuing to implement their scheduled obligations even as high-level bilateral engagement ceased entirely.

The reform proposed in this submission does not require renegotiating ChAFTA's core legal or market-access architecture. Rather, it builds on what the 2020–2022 period demonstrated was already possible: that commercial channels can be maintained and trade continuity preserved, even under significant bilateral stress. The proposal is to make that outcome a matter of institutional design rather than an ad hoc or contingent outcome.

ACI's [empirical review](#) provides a rigorous evidentiary foundation for this recommendation, drawing on comprehensive diplomatic engagement records and bilateral trade data spanning ChAFTA's first decade of operation. The recovery timelines documented in that review demonstrate that the costs of unmanaged trade disruption are real, measurable and long-lasting. A General Review that addresses this gap would strengthen ChAFTA's capacity to support trade continuity and economic resilience for Australia in the decade ahead.

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