

Beyond tariffs: managing geopolitical risk, data governance and compliance in the next decade

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30 March 2026

Executive summary

ChAFTA’s first decade was a tariff story—and it worked. Two-way trade more than doubled from AUD 151.2 billion at entry into force to AUD 311.7 billion in 2024.

Over ChAFTA’s first decade, trade is changing in composition. Australia’s merchandise imports from China rose from A\$61.8 billion in 2015 to A\$110.4 billion in 2024, yet the share of the broader traditional consumer-goods basket fell from 29.1 per cent to 23.3 per cent over the same period. The import mix is shifting toward higher-value, technology-enabled goods—including the ‘new three’ (electric vehicles, lithium-ion batteries, and solar panels)—which requires new mechanisms.

The next decade will be defined less by tariffs and more by operating frictions: geopolitical risk, data governance, and compliance costs. These frictions are now shaping trade and investment decisions in ways ChAFTA was not designed to manage.

To remain fit-for-purpose, ChAFTA 2.0 should be treated less as a tariff schedule and more as an operating system for the modern economy: rules and cooperation mechanisms for data, green industrial inputs, and AI-embedded products.

This submission draws on a UTS:ACRI report based on 40 in-depth interviews with stakeholders in Australia–China trade and investment conducted in 2025.

Key recommendations for the General Review

1. Establish a ChAFTA work program on digital trade and data governance for connected products (EVs, industrial equipment, consumer IoT), including predictable pathways for data localisation, security assurance, auditability, and incident reporting.
2. Build a practical ‘green supply-chain rules’ pillar: interoperable carbon accounting, baseline ESG disclosure expectations, and mutual recognition pathways where standards are genuinely comparable.

3. Add an emerging-technology safety cooperation track covering AI-embedded products (autonomous driving stacks, industrial AI, service robotics): safety certification principles, algorithmic transparency expectations, and liability clarity.
4. Strengthen non-tariff barrier (NTB) resolution and transparency mechanisms to reduce ad hoc restrictions and improve business predictability, including clearer guidance on regulatory thresholds and consultation processes.
5. Map overlaps and gaps between ChAFTA and newer frameworks (e.g., RCEP) to minimise duplication and use the General Review to streamline rules of origin, trade facilitation, and standards cooperation.

1. What ChAFTA delivered—and what has changed

ChAFTA was negotiated for a world in which the main gains were tariff reductions and conventional market access. Those gains were real and material. The agreement lowered costs for exporters and importers, helped scale two-way trade, and provided a stable legal frame during periods of political volatility.

However, the commercial environment has shifted. Over the past decade, Australia’s trade with China has become simultaneously larger and more complex: more digital, more regulated, and more exposed to geopolitics. The trade numbers now sit alongside a changing composition of what Australia imports from China—and why those imports matter.

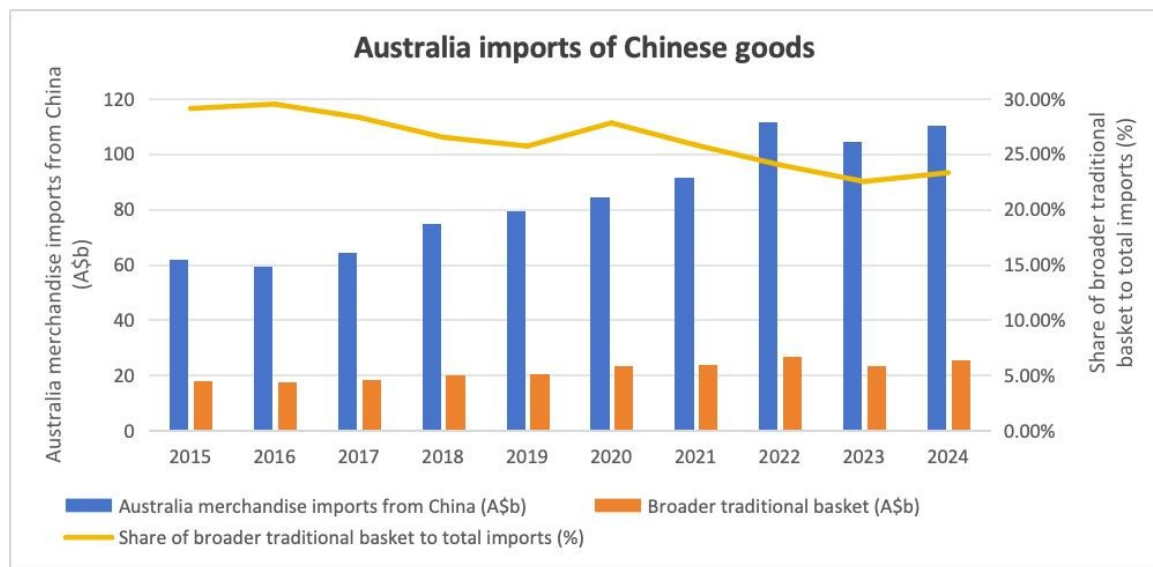


Figure 1. Australia’s imports from China (2015–2024)

As Figure 1 shows, Australia’s merchandise imports from China rose from A\$61.8 billion in 2015 to A\$110.4 billion in 2024 (peaking at A\$111.8 billion in 2022). Over the same period, the broader traditional basket grew in nominal value (from A\$18.0 billion to A\$25.7 billion), but its share of imports from China fell from 29.1 per cent to 23.3 per cent. In other words, traditional

consumer goods remain important, but they account for a shrinking slice of a larger import relationship.

Figure 2 shows the mirror image: the non-traditional basket increased from 70.9 per cent of Australia’s imports from China in 2015 to 76.7 per cent in 2024 (and 77.5 per cent in 2023). A growing share of this non-traditional basket is the ‘new three’—electric vehicles (EVs), lithium-ion batteries, and solar panels—alongside other machinery, electronics, and industrial inputs. These are not just manufactured goods; they embed software, connectivity, and data flows. As a result, trade liberalisation and trade regulation are now inseparable from digital governance, standards, and safety.

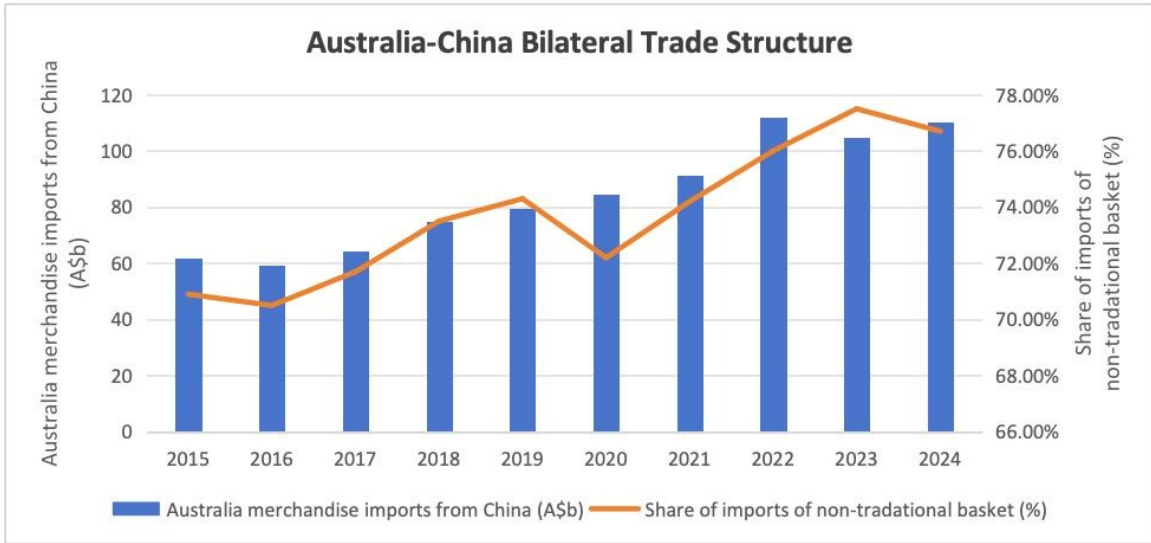


Figure 2. Australia’s non-traditional basket imports from China (2015-2024)

This shift matters for ChAFTA’s modernisation because the fastest-growing traded goods are increasingly data-rich and standards-sensitive—bringing privacy, cyber assurance, product safety and compliance into what was once treated as a tariff discussion.

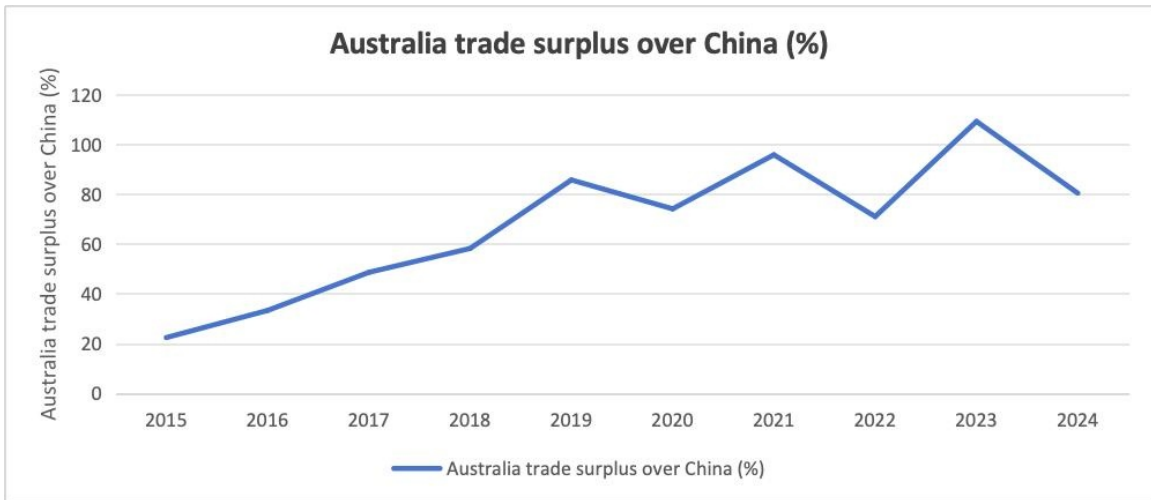


Figure 3. Australia’s merchandise trade surplus with China (2015-2024)

Figure 3 highlights a second structural feature: Australia continues to run a large trade surplus with China. The surplus rose from A\$22.4 billion in 2015 to A\$80.4 billion in 2024, peaking at A\$109.2 billion in 2023. This underscores two realities that should inform the General Review. First, the bilateral relationship still matters economically even when politics deteriorate. Second, the next wave of trade growth is likely to come from green and technology-enabled goods, where non-tariff issues—standards, data, safety, and compliance—are decisive.

2. The new risk triangle shaping trade and investment

The core policy challenge is that ChAFTA's tariff architecture is being overlaid by a new operating reality. What now defines the Australia–China economic relationship is not tariffs, but risk management—and not a single risk, but a triangle made up of geopolitical uncertainty, data governance, and compliance costs.

2.1 Geopolitical uncertainty

Investment decisions once treated as purely commercial are now assessed through a national security lens. Australia's 2018 decision to exclude Huawei from the 5G network is a case in point: it was framed less as a narrow technical judgment than as a call about risk, alignment, and trust in a contested strategic environment. In hindsight, keeping non-allied suppliers out of core infrastructure looks prudent, because the costs of diminished sovereign control over critical infrastructure, technologies, and supply chains can be consequential.

Since then, this logic has widened. Foreign investment screening is no longer only about competition, jobs, and capital inflows; it is increasingly about whether ownership structures, technology pathways, and supply chains align with allied strategic objectives.

In October 2025, Australia and the United States signed a bilateral framework on critical minerals designed explicitly to strengthen allied supply chains and reduce strategic exposure. In practice, the message to investors is clear: in sensitive areas, as one interviewee put it bluntly, 'national security now trumps purely commercial considerations.'

For Chinese firms, the uncertainty is structural and multidirectional. The Darwin Port saga illustrates why. Landbridge Group's 99-year lease in 2015 was widely understood at the time as a commercial transaction. A decade later, both major Australian parties have pledged to buy the port back on national security grounds. China's ambassador has publicly warned of consequences; Australian strategists argue the move is overdue. Whatever one's view, the case points to a deeper reality: when the investor is Chinese, even assets that serve host-country interests can face continuing political risk long after the contract is signed.

This is not only an Australia story. Global capital is increasingly being re-sorted by alignment. Research suggests the geopolitical distance of greenfield FDI announcements has fallen markedly in recent years—capital is flowing more within blocs and less across strategic fault lines.

2.2 Data governance

The second side of the triangle is less visible but increasingly consequential: who writes the rules for how data is collected, stored, and used in cross-border commerce.

This is not just ‘data in the cloud’—social platforms, AI models, and digital services. It is also data in steel: connected electric vehicles, smart devices, industrial equipment, and—soon—humanoid robotics.

Australia is already confronting these issues through the EV transition. Chinese brands entering the Australian market have had to engage with privacy and consumer expectations. BYD, for example, has publicly stated that Australian customer personal information is stored on Australian servers in compliance with local privacy requirements, and it has invested heavily in local retail and servicing capacity. The broader lesson is that market access in advanced economies increasingly depends on governance credibility as much as price-performance.

If that sounds abstract, consider where technology is heading next. As humanoid robots and other embodied AI systems move toward deployment—in manufacturing, logistics, and aged care—Australia will face the same governance questions it now confronts with connected vehicles: where is the data stored, who controls model updates, and under whose regulatory framework do these systems operate?

2.3 Compliance costs

The third side of the triangle is the most underappreciated—and the most operational. For Chinese firms in Australia, compliance is not a one-off legal hurdle. It is a multi-layered, continuously evolving operating environment shaped by tax obligations, workplace regulation, privacy and cyber expectations, and fast-hardening ESG requirements that increasingly function as conditions of approval rather than soft disclosure exercises.

Two features make this especially challenging. First, compliance is cumulative. It is built through systems, staff, reporting lines, audit practices, supplier due diligence, and board-level governance. Firms that treat Australia as a short-term sales market often underinvest in these foundations—and then pay later.

Second, there is a timing mismatch. Rapid expansion in Australia can push a firm into new tax or reporting categories before its internal governance has adapted. A company may cross thresholds quickly while still operating with governance structures designed for a much smaller footprint. Thus, growth itself becomes a source of regulatory exposure.

In consumer-facing sectors such as EVs, firms have discovered that the real challenge is not selling cars. It is building financing relationships with Australian banks, navigating strata rules for apartment-charger installations, running local service and parts networks, and maintaining public trust in data handling and safety. In an era in which geopolitical headwinds make every Chinese investment more visible and scrutinised, the firms that build deep local roots will be better placed to absorb political turbulence. Social licence becomes the shock absorber that mitigates such risks.

3. What this means for ChAFTA modernisation ('ChAFTA 2.0')

Facing these new risks, the General Review should treat ChAFTA 2.0 less like a traditional tariff-and-market-access agreement and more like an operating system—a framework for managing the flows that define the modern economy: data, green industrial inputs, and AI-embedded products.

3.1 Data flows and digital governance

As Chinese EVs, digital platforms, and industrial systems expand into Australia, Australia needs clearer bilateral understandings that balance openness with security—rather than ad hoc restrictions that amplify uncertainty for both sides. Practically, this could take the form of agreed principles for: (i) data localisation and storage options; (ii) security assurance, audit and incident reporting; and (iii) transparent pathways for regulatory compliance when connected products are updated over-the-air.

3.2 Green trade and supply chains

The energy transition has created a new interdependence. ChAFTA 2.0 should put practical rules around green supply chains—carbon accounting approaches, ESG-related disclosure baselines, and pathways for mutual recognition of certifications where standards are genuinely comparable. The goal is not to weaken standards, but to reduce duplication and improve predictability for firms operating across both markets.

3.3 AI and emerging-technology safety

The next wave of products entering Australian markets will be AI-embedded: autonomous driving stacks, industrial AI systems, and, eventually, service robotics. Australia needs workable frameworks for algorithmic transparency, safety certification, auditing, and liability—before these products arrive at scale, not after. A ChAFTA cooperation track can help by promoting baseline safety convergence, data-handling assurance, and common incident-reporting expectations, while preserving the ability to manage genuinely high-risk nodes.

3.4 Strengthening trade facilitation and NTB handling

Even where tariffs are low, trade frictions can be decisive. The General Review should strengthen mechanisms for identifying, escalating, and resolving non-tariff barriers, including clearer communication channels for sector-specific issues (technical standards, conformity assessment, customs administration, and services licensing). Predictability matters: firms can plan for higher standards; they cannot plan for ambiguous ones.

4. Conclusion

The goal is not to restore a frictionless past. It is to build resilient symbiosis: a relationship that can absorb shocks, manage disagreement, and still create value for both sides. In the next decade, trade growth will increasingly come from green and digital goods. That makes ChAFTA's modernisation less about tariffs and more about rules, trust, and institutional capacity.

The firms that thrive will be those that understand Beijing’s industrial ambition, Washington’s security logic, and Canberra’s regulatory evolution—and can navigate all three simultaneously. A well-designed ChAFTA 2.0 can reduce unnecessary friction while protecting legitimate national interests.

Sources

Zhang, M.Y. [Beyond the Tariff: A decade of ChAFTA and the New Rules of Engagement](#). UTS: ACRI, December 12, 2025.

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