



MINERALS COUNCIL OF AUSTRALIA

SUBMISSION TO THE REVIEW OF THE CHINA-AUSTRALIA FREE TRADE AGREEMENT

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1. EXECUTIVE SUMMARY

The China–Australia Free Trade Agreement (ChAFTA) has underpinned a decade of growth, stability and scale in Australia’s mining and resources trade with China. Since its entry into force in December 2015, the agreement has secured near-complete tariff elimination for resources exports and locked in Australia’s competitive position in China’s industrial supply chains.

However, the operating environment in 2026 differs fundamentally from the era that shaped ChAFTA’s original design. China’s industrial transition, Australia’s emergence as a major supplier of critical minerals, shifts in global investment patterns, increasing reliance on foreign capital for large-scale projects and heightened geopolitical volatility have materially changed the nature of trade and investment flows.

This submission provides an assessment of ChAFTA’s performance across the resources sector - goods, services, and investment - setting out challenges encountered including the 2020-2023 trade restrictions period. It then sets out priorities and recommendations to ensure the agreement remains fit for purpose in its second decade.

2. THE RESOURCES SECTOR CONTEXT AND EVOLUTION (2015-2026)

From Australia's resources sector's perspective, the central challenge for the ChAFTA review is not tariffs – which are largely resolved – but predictability in:

- market access
- regulatory treatment
- investment settings.

A modernised ChAFTA should operate as a practical economic stabilisation instrument: supporting Australia's largest resources export relationship, enabling foreign investment aligned with national interests and managing geopolitical risks through clear, enforceable and rules-based disciplines.

Locking in access at scale

At entry into force, Australia's resources exports to China were already dominant. 92.8 per cent of China's imports of Australian resources, energy and manufacturing products entered duty-free since December 2015, with 99.9 per cent scheduled to be duty-free by 2029. ChAFTA therefore primarily locked in access at scale rather than creating new tariff-driven trade.¹

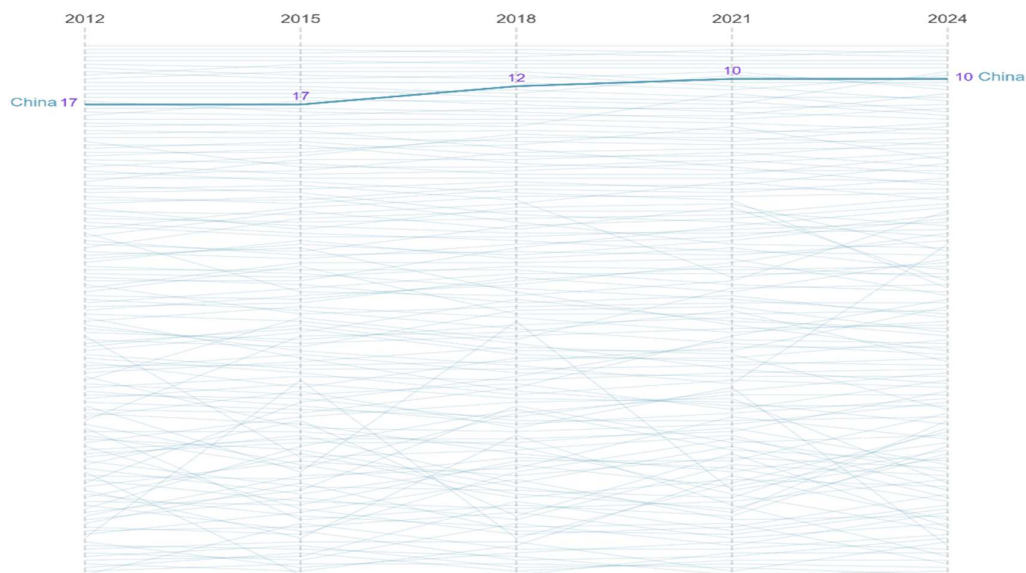
In the decade since, several structural shifts have reshaped the sector.

China's industrial transition

China has shifted away from construction-led growth toward advanced manufacturing, electrification and technology-intensive production. As this transition has progressed, China's economic complexity has increased (see Figure 1).

While demand for bulk commodities such as iron ore and coal remains substantial, incremental growth is increasingly concentrated in minerals and materials required for batteries, electronics and industrial technology upgrading.²

Figure 1: China's economy is now ranked 10th on the Economic Complexity Index



Source: Atlas of Economic Complexity, Harvard Growth Lab, accessed March 2026.

¹ Department of Foreign Affairs and Trade (DFAT) (n.d.), China–Australia Free Trade Agreement (ChAFTA): Resources, energy and manufacturing fact sheet, Australian Government, accessed March 2026.

² Harvard Growth Lab (2024), *Atlas of Economic Complexity: Trade over time (China)*, Harvard University, accessed March 2026.

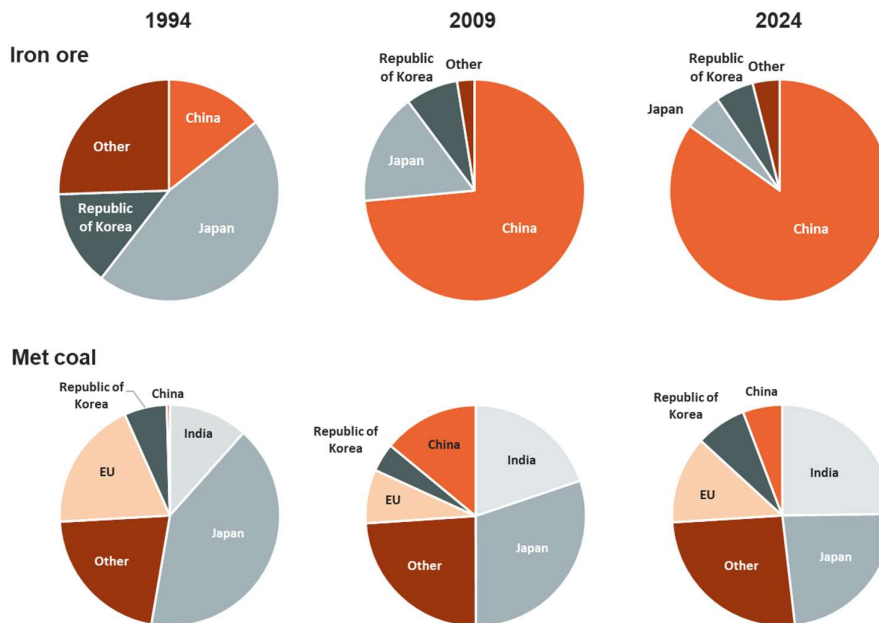
Australia's changing export profile

Iron ore remains Australia's number one export, with China the principal market. China's share of Australia's iron ore exports have increased alongside its steel production growth, while Japan's share has stabilised at around 50 Mt per year.

By contrast, Australia's metallurgical coal exports are more diversified. Strong demand from Japan and India accounts for around half of exports, reducing exposure to single market disruption compared with iron ore (Figure 2).

China is nevertheless reliant on Australian iron ore due to limited cost, volume and quality alternatives.

Figure 2: Australia's iron ore trade is concentrated in China, but steel-making coal is diversified



Source: DISR, *March REQ*, 2025

Australia has strengthened its position not only as a supplier of bulk commodities but also of lithium, rare earths and other strategic minerals. This shift has increased the importance of:

- processed and semi-processed exports
- long-term offtake arrangements
- stable, predictable policy settings to encourage investment in capital-intensive projects.³

Capital intensity and investment horizons

Resources projects in Australia are increasingly capital-intensive, long-dated and complex in their financing structures, often requiring multi-billion-dollar upfront investment, extended development timeframes and long-term offtake certainty. Australia continues to welcome foreign investment into its mining sector as a critical source of capital, expertise, technology and market access. For prospective investors under ChAFTA, decisions are shaped more by confidence in Australia's regulatory stability, foreign investment settings and management of geopolitical risk over the life of a project.

³ Ibid.

In practice, uncertainty around foreign investment screening, policy direction and broader strategic tensions now weigh more heavily on inward Chinese investment decisions. This is particularly pronounced for critical minerals projects, where commercial returns intersect with national interest considerations and the strategic objective of building diversified, trusted partner supply chains.

Australia’s approach balances openness to investment in mining and processing with limits on Chinese investment in critical minerals mining and processing to align with the supply-chain resilience objectives of Australia and its strategic partners. Greater clarity on lower risk, non-sensitive commodities and processing capability may provide a platform for Chinese investment in Australian resources mining and processing sector.

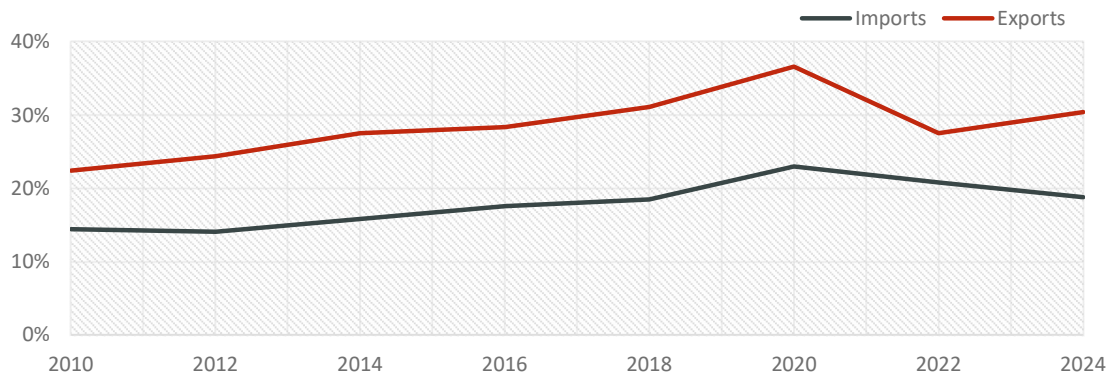
3. TRADE AND INVESTMENT OUTCOMES UNDER CHAFTA

Overall trade performance

Between 2015 and 2025, two-way trade between Australia and China grew strongly, outpacing growth with the rest of the world. ChAFTA has delivered substantial economic benefits despite trade disruptions and geopolitical tensions.

Australia’s trade with China grew from \$144.8 billion to \$325.5 billion, representing a 124.8 percent increase and outpacing our trade growth with the rest of the world.⁴

Figure 3: China’s share of Australia trade in goods and services (2010 – 2024)



Source: DFAT, Australia’s direction of goods and services trade, updated November 2025

ChAFTA has delivered substantial economic benefits to Australia despite a range of challenges including behind-the-border trade restrictions and geopolitical tensions. The Chinese market has outperformed the rest of the world across both exports and imports in almost all broad categories of goods and services.⁵

China’s share of Australia’s goods and services trade rose steadily to its peak in 2020, driven primarily by exports. A breakdown in diplomatic relations and cessation of ministerial engagement between 2020 and 2023 significantly constrained Australian exports to China. Resources trade exports have since partially recovered to pre-restriction levels and China remains Australia’s largest trading partner.

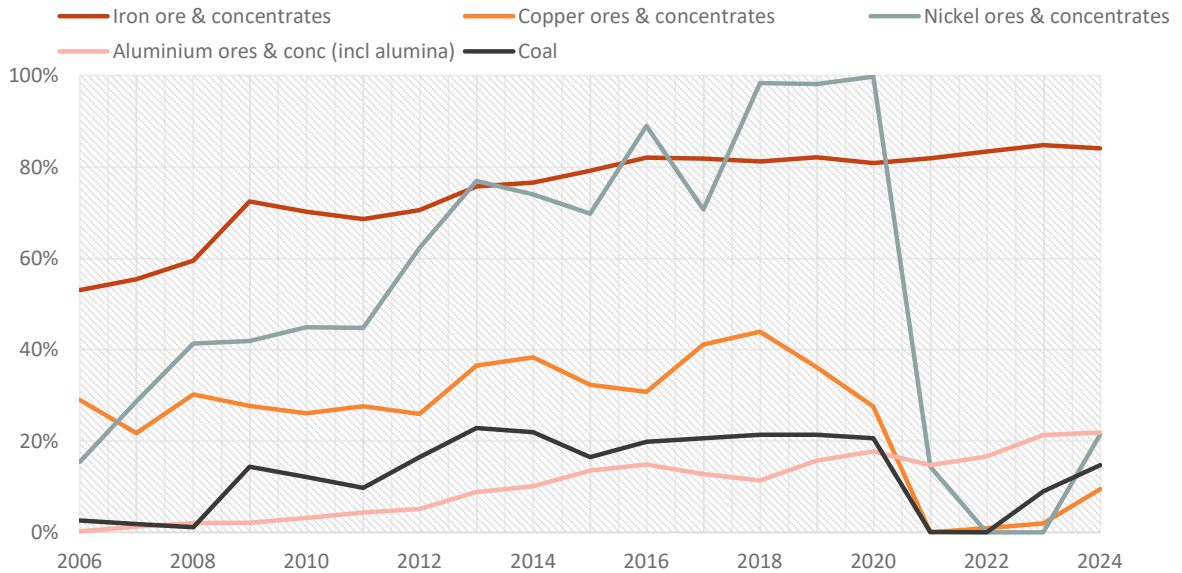
The resources sector experienced significant disruption during the 2020-2023 trade restrictions period (see Figure 4). The bulk of these disruptions targeted areas where China could pivot to alternative supply with limited cost and availability impacts. Most affected were coal and base metals. Exports of

⁴ Department of Trade and Foreign Affairs, *Country and commodity pivot table 2006 to 2024*, accessed March 2026.

⁵ University of Technology Sydney, *The China–Australia Free Trade Agreement (ChAFTA): An Australian assessment of core outcomes a decade on*, released April 2025.

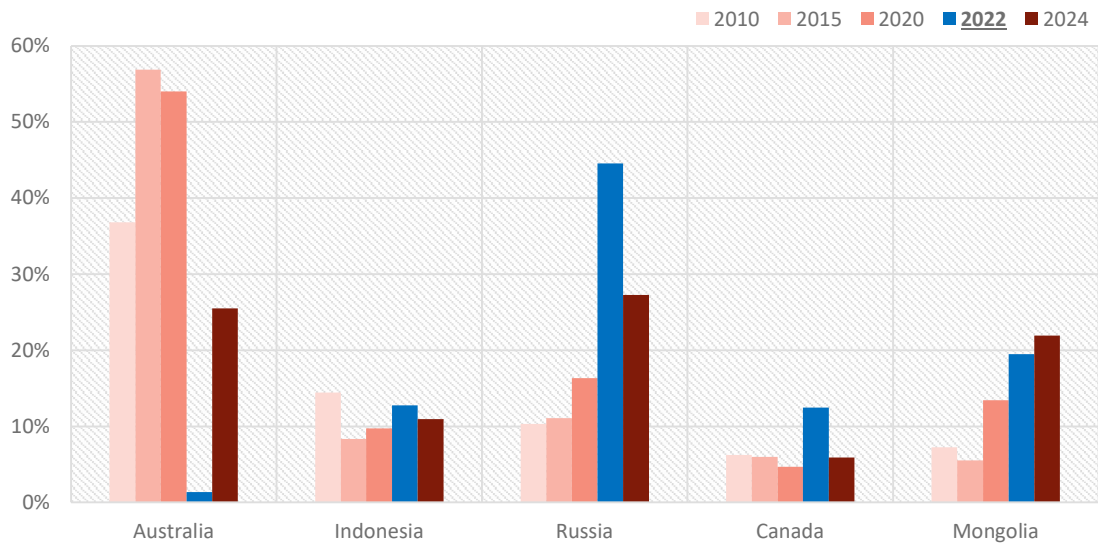
these commodities have since recovered but continue to be threatened by newer, low-cost mines in Indonesia. In contrast, iron ore and aluminium exports were resilient during this period.

Figure 4: China's share of Australia trade in goods and services (2010 – 2024)



Source: DFAT, Country and commodity pivot table 2006 to 2024, accessed March 2026.

Figure 5: Shares of China's import markets for black coal (2010-2024)



Source: UN Comtrade Database, accessed March 2026

Stress testing ChAFTA: 2020-2023 restrictions

From late 2020, a range of unofficial bans and heightened border measures / trade in coal, wine, barley, timber and other products. Exports of targeted goods fell sharply, while iron ore and LNG remained largely unaffected.

Trade resumed gradually from early 2023 following restoration of high-level dialogue, highlighting both the stabilising role (and limitations) of ChAFTA during periods of political tension.

Box 1: Interrupted coal exports to China affected Australia’s resource industry

Background to the unofficial ban

China placed an unofficial ban on Australian coal in October 2020 along with other commodities such as barley, beef and lamb, wine, cotton, lobsters and timber. Australia’s coal exports to China fell in the months prior to the ban as cargoes were stranded with ships held at anchor for long periods of time. Coal sales and volumes were redirected to Indian, Japanese and South Korean markets as the Chinese import bans shifted buyer and seller market preferences.

The coal ban applied for about two years before being lifted in January 2023.

Chart 1: Volumes Australian quarterly coal exports



Source: DISR, *REQ Dec 2024*

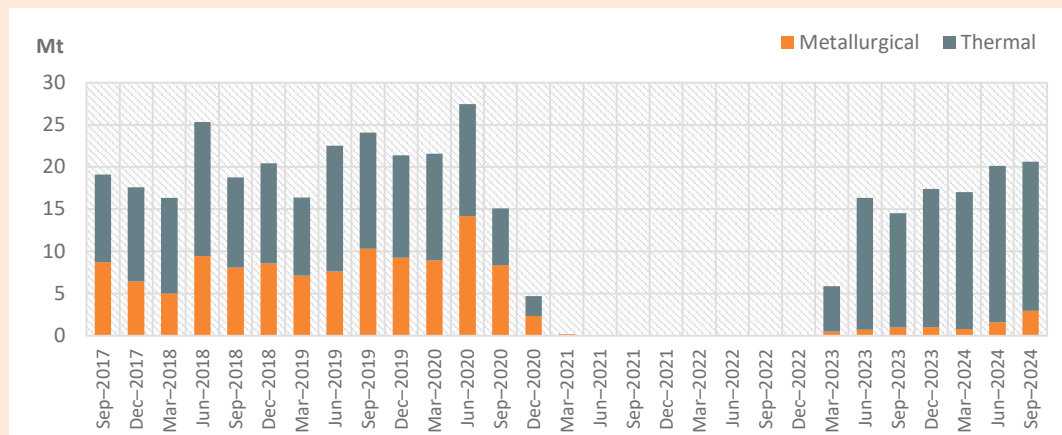
Coal exports to China have almost returned to previous levels

China’s ban on Australian coal was placed at a time when the average value of trade was about \$1 billion per month (\$10.7 billion over the year to October 2020). Chinese power plants and steel makers began importing Australian coal again in February 2023. The value of exports has returned to about 80 per cent of the previous level.

But the post-ban trade mix is chiefly thermal coal

The mix of Australia’s coal exports to China in the years before the unofficial ban was about 40 per cent metallurgical and 60 per cent thermal. Since trade began again, 95 per cent of the coal exports are thermal (Chart 2).

Chart 2: Composition of Australian quarterly coal exports to China



Source: DISR, *REQ Dec 2024*

Non-tariff and behind-the-border barriers

As tariff barriers under ChAFTA have receded, non-tariff and behind-the-border measures have become the dominant source of trade friction affecting commercial outcomes. While these measures may not formally restrict market access, they can materially influence pricing, volumes, contracting certainty and risk allocation, particularly for bulk commodities and capital-intensive resource projects. Key issues include:

- regulatory opacity and inconsistent application, where requirements are applied in a discretionary or non-transparent manner
- customs administration practices and clearance delays, disrupting supply chains and increasing compliance costs
- product classification, licensing and permitting uncertainty, undermining predictability for exporters and investors
- constraints on trade-related services, including logistics, technical and project-related services critical to resources supply chains
- state-directed market behaviour that influences commercial negotiations, distort market signals and limit the effectiveness of tariff-free access.

For Australia's resources sector, addressing non-tariff and behind-the-border barriers - through stronger transparency obligations, clearer administrative disciplines and more effective consultation and dispute-resolution mechanisms - should be a central focus of the ChAFTA review to ensure that agreed market-access commitments operate in practice, not only in principle.

Investment outcomes

While ChAFTA increased foreign investment screening thresholds for private Chinese investment, particularly in non-sensitive sectors, investment flows into Australia have not kept pace with the growth in bilateral goods trade. By 2024, Chinese investment accounted for a relatively small share of total foreign investment in Australia, reflecting a combination of commercial caution, policy uncertainty and broader strategic factors that extend beyond the scope of tariff liberalisation.

In recent years, heightened scrutiny of foreign investment, expanded national security assessments and increasing geopolitical sensitivities have contributed to greater uncertainty for prospective investors. This has been particularly evident in sectors such as resources and critical minerals, where investments are capital-intensive, long-dated and closely linked to sovereign capability, supply chain resilience and industrial policy objectives. While Australia continues to welcome foreign investment that supports domestic mining and processing capacity, the evolving risk environment has increased the importance of clear, transparent and predictable investment decision-making processes.

Within this context, the July 2025 Memorandum of Understanding signals a renewed bilateral commitment to improving investment facilitation and dialogue as part of the ChAFTA 10-year review. The MoU provides an opportunity to clarify expectations, strengthen communication around investment screening and reinforce confidence that investment settings are stable, rules-based and applied consistently. Progress in this area would assist in rebuilding investor confidence and ensuring that ChAFTA delivers more balanced outcomes across both trade and investment dimensions of the bilateral economic relationship.

Geopolitical context: managing risk through rules

Australia's resources sector is deeply exposed to geopolitical dynamics, particularly intensifying US-China strategic competition. An either/or economic posture would heighten trade concentration risk, constrain capital access and weaken supply-chain resilience.

ChAFTA should be viewed as a risk-management and stabilisation tool, reinforcing the principle that strong economic engagement with China is compatible with Australia's national security interests when governed by clear, enforceable rules.

4. STRATEGIC CHALLENGES FOR CHAFTA'S NEXT DECADE

As ChAFTA enters its second decade, the operating environment for the bilateral economic relationship should be shaped by a focus on regulatory complexity, policy discretion and heightened geopolitical risk.

A range of structural and systemic challenges will now determine whether the agreement delivers its intended commercial outcomes over the next decade.

These challenges include:

- Non-tariff barriers and gaps between commitments and practice, where formal market-access provisions are undermined by informal measures, opaque regulatory processes or discretionary administrative actions that constrain trade despite tariff-free access
- Investment uncertainty and screening delays, particularly for long-dated, capital-intensive projects, where evolving foreign investment, national security and policy settings increase risk and complicate financing decisions
- Under-utilised services commitments, reflecting regulatory restrictions and licensing barriers. These limit practical access for trade-related services that are essential to supporting resources, infrastructure and supply-chain activity
- Heightened compliance burdens, including expanded documentation, permitting and reporting requirements that increase costs and reduce the agreement's expected efficiency gains
- Geopolitical considerations overriding trade rules, where strategic tensions, supply-chain security concerns and industrial policy objectives increasingly influence trade and investment outcomes beyond the scope of tariff commitments
- Limited use of built-in agenda and review mechanisms, reducing the agreement's ability to address emerging issues, update disciplines and respond to new forms of trade friction in a timely and effective manner.

Addressing these challenges will be critical if ChAFTA is to remain fit-for-purpose in a more contested global environment.

The 10-year review provides an opportunity to refocus the agreement on enforceability, transparency and practical outcomes, ensuring that ChAFTA continues to support trade, investment and supply-chain resilience consistent with contemporary economic and strategic realities.

5. RECOMMENDATIONS FOR A MODERNISED CHAFTA

ChAFTA has played an important role in supporting Australia's resources trade with China over the past decade, particularly through the progressive removal of tariffs on key commodities. However, the operating environment for the next decade has changed significantly. Trade and investment outcomes are now shaped less by tariff schedules and more by regulatory practice, investment certainty and geopolitical risk. The task of the review is to ensure ChAFTA continues to deliver stability, predictability and commercial confidence in a far more contested global environment.

To remain fit for purpose, the ChAFTA review should prioritise the following actions.

Stronger disciplines on behind-the-border measures

The review should strengthen disciplines addressing behind-the-border measures that undermine agreed market-access commitments in practice. Enhanced transparency, consultation and notification obligations should apply to regulatory and administrative practices that affect resources trade, including the introduction or modification of licensing, permitting, standards and other procedural requirements. Clearer disciplines would help narrow the gap between commitments and outcomes, reduce reliance on informal measures and reinforce the agreement's practical operation.

Improved customs predictability and consistency

Customs administration remains a critical determinant of trade efficiency, particularly for bulk commodities and capital-intensive supply chains. ChAFTA should reinforce commitments on predictable clearance timeframes, consistent documentation requirements and accessible administrative review processes. Greater certainty in customs practices would reduce compliance costs, improve supply-chain reliability and ensure access is not eroded by procedural delays.

Support for market-based trade and pricing mechanisms

A modernised ChAFTA should reaffirm a shared commitment to market-based trade principles and commercial price discovery. Competitive, transparent pricing mechanisms are essential to sustaining long-term investment in productive capacity and security of supply. Clear recognition that trade is governed by market-driven outcomes would help preserve confidence, limit market distortion risks and reinforce the integrity of tariff liberalisation.

Greater predictability in foreign investment screening

Given the scale and duration of resources investments, predictability in foreign investment screening has become as important as market access. The review should promote greater transparency around investment assessment processes, indicative timeframes and the application of conditions. Clear communication of policy and administrative practice would reduce uncertainty, support long-term capital formation and reinforce confidence that investment decisions are made on a stable, rules-based footing.

Facilitation of strategically aligned foreign investment

ChAFTA should explicitly recognise the ongoing role of foreign capital in sustaining Australia's resources production, employment and export capacity. At the same time, the agreement should reflect Australia's national interest safeguards, including the protection of sovereign capability, supply-chain resilience and domestic mining and processing capacity. Clarifying this balance would support investment that is commercially viable, strategically aligned and consistent with Australia's broader critical minerals and industrial policy objectives.

Ongoing implementation and review mechanisms

Finally, the effectiveness of ChAFTA will depend on ongoing implementation and adaptation. The review should strengthen standing monitoring arrangements, regular stakeholder engagement and structured review mechanisms to identify emerging trade and investment frictions early. A more active built-in agenda would help ensure the agreement evolves with changing commercial and strategic conditions, maintains reform momentum and continues to deliver tangible outcomes for both parties.