

# Submission on the Implementation and Future Enhancement of the China–Australia Free Trade Agreement (ChAFTA)

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## I. Executive Overview

Since its entry into force in 2015, the China–Australia Free Trade Agreement (ChAFTA) has played a significant role in deepening bilateral economic integration. It has facilitated trade expansion, reduced tariff barriers, strengthened investment linkages, and provided institutional predictability during periods of geopolitical uncertainty.

However, the international environment has changed substantially. Political frictions between the two countries in 2020–2022, rising economic securitization, supply chain reconfiguration, and the outbreak of recent regional conflicts have reshaped global trade governance. In this context, ChAFTA should evolve into a modern, resilient, and financially integrated strategic economic framework.

## II. Positive Achievements Since Entry into Force

ChAFTA has delivered measurable economic benefits. Bilateral trade volumes increased significantly following tariff elimination on key sectors such as minerals, liquefied natural gas, and agricultural products. The agreement improved transparency in investment regulations and expanded screening thresholds for private investors. Sectors such as education, tourism, and financial services benefited from improved mobility arrangements and market entry commitments. Importantly, even during the political tensions and trade restrictions of 2020–2022, ChAFTA functioned as a stabilizing institutional anchor.

## III. Structural Challenges and Emerging Risks

Despite its achievements, several limitations have emerged. The imposition of trade restrictions during diplomatic tensions revealed vulnerability to political dynamics. Heightened national security scrutiny has increased uncertainty for cross-border investors. Financial services commitments remain relatively shallow compared to newer-generation trade agreements. The agreement also lacks comprehensive provisions on digital trade, cross-border data flows, and diversified currency settlement mechanisms.

## IV. Addressing Barriers Through Agreement Enhancement

To strengthen ChAFTA's functionality, targeted upgrades are recommended. First, modernize the financial services chapter by establishing mutual recognition mechanisms for selected financial licenses, expanding access for asset management and pension services, and creating a regular financial regulatory dialogue platform.

Second, promote diversified currency settlement. Expanding the use of Renminbi in bilateral trade, while preserving U.S. dollar and euro settlement options, would enhance systemic resilience. The objective is not currency replacement but currency pluralism.

Third, establish a dedicated green and sustainable finance cooperation mechanism, including joint sustainable finance taxonomies, cooperation in carbon markets, climate investment funds, and ESG disclosure alignment.

Fourth, introduce a digital trade chapter addressing cross-border data governance, e-payment interoperability, fintech collaboration, and cybersecurity standards.

## V. Market Opportunities in China

China's evolving economic structure presents significant opportunities. These include participation in green energy and carbon markets, cooperation in wealth management and pension reform, infrastructure collaboration under Belt and Road frameworks, and agricultural value chain finance development.

## VI. Overlap and Complementarity with Other Trade Agreements

ChAFTA operates within a broader regional architecture, including RCEP and standards reflected in CPTPP. While tariff reductions may overlap, ChAFTA remains more flexible and bilateral. However, modernization aligning selected provisions with higher-standard regional norms would prevent regulatory fragmentation and reinforce regional economic integration.

## VII. Strategic Recommendations

Short-term priorities include improving transparency in investment review processes and establishing annual financial regulatory consultations.

Medium-term objectives involve introducing digital trade and green finance chapters and expanding local currency settlement arrangements.

Long-term strategy should position ChAFTA as a resilience-oriented strategic economic framework, promote a multipolar settlement architecture based on RMB, USD, and EUR coexistence, and encourage third-market cooperation under sustainable development principles.

Last want to say

ChAFTA has demonstrated its value as a stabilizing economic institution amid political fluctuations and global uncertainty. To remain relevant in an era marked by geopolitical tension and economic securitization, it must evolve. A modernized ChAFTA grounded in financial integration, sustainable development, digital governance, and diversified currency cooperation would deepen bilateral prosperity and contribute to a more balanced and resilient global economic order.