BEYOND THE TARIFF
A DECADE OF ChAFTA AND THE NEW RULES OF ENGAGEMENT

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Flags of Australia and the PRC on a table (VUTUK DESIGN AND MEDIA / Shutterstock)

Executive summary

The China-Australia Free Trade Agreement (ChAFTA) marks the 10th anniversary of its entry into force on December 20 2025. Over its first decade, ChAFTA has kept trade and investment flowing through a 'golden age' of expansion (2015 to 2019), a period of geopolitical shock and stress testing (2020 to 2022) and the current phase of reconfiguration (2023 to present). Yet the way in which the agreement operates and how firms navigate it has changed.

This report assesses the first 10 years of ChAFTA, tracing how its impact has shifted beyond tariffs at the business level. Drawing on 40 in-depth interviews with industry stakeholders across sectors including resources, healthcare and technology, it shows that the tariff dividends of the early years have largely reached their limits. The relationship is now defined by a 'compliance high wall' driven by geopolitical tension and regulatory tightening in both Australia and the People's Republic of China (PRC), meaning that businesses must move from a strategy based on financial power and market access to one grounded in capability and systemic resilience if they are to survive the next decade.

Key findings:

- There have been three major structural shifts in the Australia-PRC bilateral economic relationship over the decade:

  (1) *From tariff focus to systemic resilience.* ChAFTA's value is no longer primarily about tariff cuts but about providing a rules-based framework and a 'confidence premium' in a volatile geopolitical climate.

  (2) *The rise of the 'compliance high wall'.* Firms now face a dense web of non-tariff barriers, including politicised national security reviews, stringent data localisation laws, and rigorous tax (per the significant global entity (SGE) concept) and environmental, social and governance (ESG) standards.

  (3) *Geopolitics as a core business risk.* The bilateral relationship is now inextricably linked to geopolitics. The 2020 to 2022 shock period in which formal and informal trade restrictions were placed by Beijing on around $20 billion worth of Australian products showed that political disputes can swiftly override trade agreements.

- These shifts, in turn, require firms in both countries to rethink three core business logics:

  (1) *Competition logic.* For PRC enterprises in Australia, the era of relying on capital scale for market entry is over. Success now depends on capability, in particular, the ability to navigate complex compliance landscapes, including tax, data and labour, and integrate locally.

  (2) *Investment logic.* There has been a distinct shift from state-owned enterprises (SOEs) acquiring strategic resources to private capital investing in consumption-based and knowledge-based sectors. The model has moved from seeking 100 percent ownership to forming joint ventures (JVs) and strategic partnerships, often involving third-country investors to mitigate political risk.

  (3) *Trade logic.* For Australian enterprises, the 'set and forget' trade model based purely on comparative advantage has been replaced by 'managed connectivity'. While core commodities like iron ore remained resilient due to mutual dependence, sectors such as wine suffered from over-reliance on a single market, highlighting the new reality of geopolitical vulnerability and host country political unpredictability.

- Success in the next decade will be determined by a new set of rules centred on building resilience and managing systemic risk. Firms will need to develop three core strategic capabilities:

  (1) *Compliance capability.* The capacity not just to meet but to navigate and, where possible, shape complex regulatory requirements across multiple jurisdictions. Compliance must be treated as a core competency, not a legal cost.

  (2) *Geopolitical intelligence.* The ability to sense, interpret and anticipate political risks and policy shifts in both home and host countries. Firms must integrate geopolitical risk assessment into their core strategy.

  (3) *Operational resilience.* The capacity to maintain business continuity through volatile conditions via diversified supply chains, adaptive organisational structures and robust contingency planning.

- In addition, trust-building and localisation apply in both directions. Cultural exchanges and business-to-business and people-to-people dialogues are the soft infrastructure of cooperation and trust. Sustainable competitive advantage will require deep localisation of talent, partners and operating models. For PRC firms in Australia, this means deep localisation, investment in local management, supply chains and community engagement, and turning compliance costs into certification capital for global markets. For Australian firms in the PRC, it requires market diversification, strong government and consumer relationships, and agility in managing regulatory volatility, underpinned by strong local teams, trusted PRC partners and governance structures that align with both Australian and PRC regulatory expectations.

- ChAFTA's first decade shows that the paradigm for corporate success has shifted from competing on price and cost to competing on compliance and resilience.

- The path forward is not about restoring a frictionless past but about jointly building a resilient symbiotic system. As such, the priorities for a ChAFTA 2.0 must be to: manage cooperation amidst disagreement, creating firewalls between economic and political disputes; seek alignment on new rules in green energy, digital trade and third-party market cooperation (i.e., Australia plus the PRC plus X); and create certainty amidst uncertainty by deepening sub-national and industry-level dialogue.

A cargo terminal with two shipping containers depicting the flags of Australia and the PRC (Lightboxx / Shutterstock)

Introduction

When Tasmanian cherries reach a consumer's table in the People's Republic of China (PRC) within 48 hours of picking via livestream e-commerce,[1] and when consumption milestones such as '100,000 bottles of Penfolds wine selling out in five minutes' become routine,[2] it is clear that the China-Australia Free Trade Agreement (ChAFTA) has quietly reshaped the operating logic of Australia-PRC economic engagement since entering into force in December 2015.

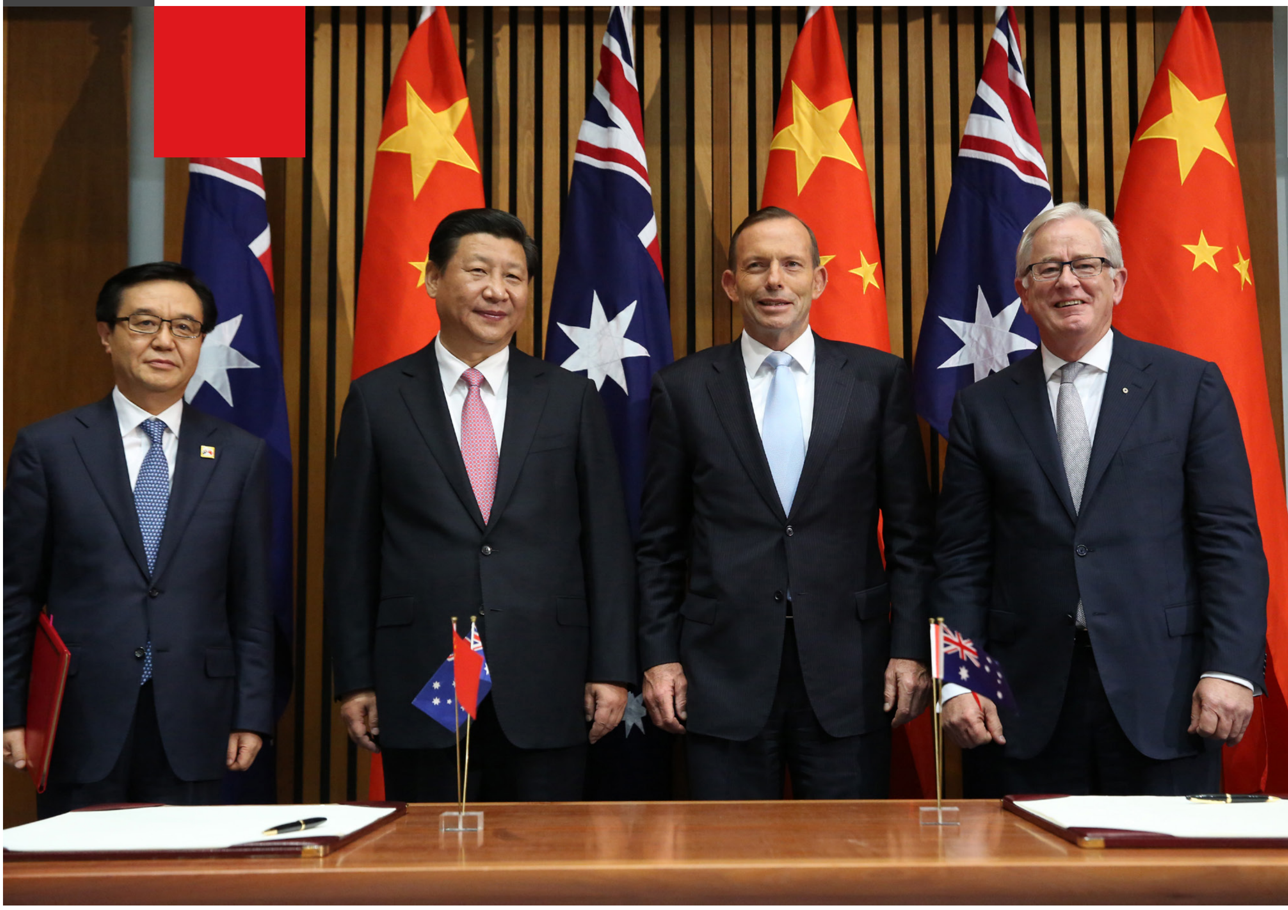
ChAFTA was initially conceived as a tariff-focused agreement, but its first decade shows that its deeper value lies in the stability it provided through a period of fluctuation, from the boom years of 2015 to 2019, the geopolitical and pandemic shocks of 2020 to 2022 through to the cautious rebuilding from 2023 onwards.

Based on 40 in-depth interviews across sectors including resources, healthcare and technology, this report shows that the tariff gains of the early years have largely been realised. Today, the operating environment is more strongly defined by a 'compliance high wall', an environment shaped by regulatory tightening and strategic rivalry in both Australia and the PRC. Firms must therefore move from strategies focused primarily on market access and scale to strategies centred on capability, compliance and resilience.

The 10th anniversary of ChAFTA marks an inflection point. As global trade becomes more contested and more heavily regulated, ChAFTA has shifted from a primarily market-opening mechanism to the regulatory foundation underpinning Australia-PRC commerce. Understanding how businesses have adapted to this evolution, and how they can navigate the next decade of uncertainty, requires close attention to firm-level competence in integration, compliance and risk management. This report examines those capabilities and the strategies needed in a more demanding environment.

This report complements the quantitative analysis published by the Australia-China Relations Institute at the University of Technology Sydney (UTS:ACRI) in April 2025, *ChAFTA: An Australian Assessment of Core Outcomes a Decade On*.[3] It extends that macroeconomic assessment by adding a firm-level perspective, analysing how ChAFTA has shaped business behaviour and commercial decision-making.

The report first considers the evolution of PRC enterprises operating in Australia under ChAFTA (Section 1). Section 2 examines how Australian enterprises have developed and adapted in the PRC market. Section 3 explores the changing investment landscape and the shift from capital flows to value co-creation. Section 4 then discusses the emerging rules of engagement and the capabilities required for the next decade, distilling the main lessons from ChAFTA's first 10 years and outlining priorities for a ChAFTA 2.0.



Australian Prime Minister Tony Abbott (2013 to 2015) and Trade and Investment Minister Andrew Robb (2013 to 2016) and PRC President Xi Jinping and Commerce Minister Gao Hucheng (2013 to 2017) conclude negotiations on the China-Australia Free Trade Agreement on November 17 2014 (Australian Minister for Trade and Investment / Wikimedia Commons)

01

Breaking barriers and building roots: The evolution of PRC enterprises in Australia

Summary

The decade for PRC enterprises in Australia has been an evolutionary history from competing on financial power to competing on capability. The path to success is clear: whether it is building social trust through deep localisation, using high standards as a global springboard or agilely entering the market with business model innovations, the core lies in shifting from a PRC-centric mindset to a global mindset plus localised operation. The primary obstacles are no longer just market entry, but a 'compliance high wall', including more stringent Foreign Investment Review Board (FIRB) reviews, complex significant global entity (SGE) tax rules and local operational hurdles. Capability, including compliance, community integration and strategic patience, has replaced capital scale as the new cornerstone for success in the Australian market.

Case studies

Case X – Resource investors. Deep localisation, community integration and building a social license to operate.

Case Y – Electric vehicles. Using Australia's high standards as a springboard to convert compliance costs into certification capital for global markets.

Case Z – Emerging e-commerce platforms. 'Asset-light' e-commerce market entry, challenging traditional retail with new business models.

ChAFTA has supported significant growth in Australia-PRC bilateral trade. Bilateral trade in goods and services was approximately $128 billion in 2014, prior to the agreement.[4] By 2023, it had exceeded $325 billion and then eased back to $312 billion in 2024. This represented a rise of 150 percent over a decade, with the PRC remaining Australia's largest trading partner throughout.[5]

ChAFTA's core impact, however, lies in helping translate economic complementarity into sustained, tangible benefits and in driving the optimisation and upgrading of the trade structure. For PRC enterprises, ChAFTA facilitated entry into Australia via non-traditional entry modes and business models. But their path has not always been smooth; success has depended on the practical work of navigating market rules, geopolitical constraints and localisation.

This section examines three case studies in the resources, electric vehicle and e-commerce sectors to illustrate effective practices and to identify how firms have overcome key challenges.

1.1 From resources M&A to value co-creation

Interviews with representatives of a leading PRC resources company suggest that a change in its operating model has been crucial to its success in Australia. Earlier PRC investment was often perceived as narrowly focused on acquiring strategic assets, such as mineral deposits or agricultural land. In contrast, the case examined here (Case X) highlights a more sustainable model based on localisation and value co-creation with local communities.

This model moves beyond simple asset acquisition. After the company acquired abandoned coal-mine assets from a leading Australian mining firm, one interviewee put it this way:

> *Case X, in its acquisition, retained over 90 percent of the Australian local management and technical teams, ensuring operational continuity and compliance. At the same time, it introduced China's advanced mining technology, achieving a two-way technology empowerment... This was not just resource extraction; it involved genuine technological synergy.*

According to interviewees, Case X introduced advanced PRC automation in mining, reducing production costs by 18 percent, while simultaneously applying Australian strata-control technology in its mines back in the PRC.

This decision ensured continuity, supported local compliance and contributed to building trust with regulators and communities.

One interviewee characterised Case X in the following manner:

> *Case X, a Chinese-owned coal miner, has become one of Australia's largest employers in the resources sector, supporting 3,000 local jobs and contributing over $3 billion in taxes since 2012.*

The case suggests that a key determinant of success has been the development of a social licence to operate by embedding itself in Australia's socio-economic fabric.

This approach shows that compliance and community engagement are among the most effective risk-hedging strategies. As one investor in Case X observed:

> *Case X's experience proves that success in Australia does not stem from the scale of capital, but from transforming oneself from a 'foreign owner' into a 'local stakeholder'.*

However, the Case X model may be difficult to replicate. Overseas mergers and acquisitions (M&A) were once a primary pathway for PRC firms to enter Australia's resources sector. Today, these transactions face markedly more significant regulatory challenges. The Foreign Investment Review Board (FIRB) review is the first hurdle, marked by high uncertainty, long timelines and policies that shift with the political climate. One interviewee commented:

> *The approval threshold for sensitive sectors like critical minerals is now $0, meaning every transaction requires FIRB approval.*

Other interviewees confirmed that national security has become a common reason for rejection, covering broad areas such as power, ports and critical minerals. Even after acquisitions are approved, they note, integration remains fraught with risk.

Focused close-up of an electric vehicle (EV) plugged in with an EV charger device (Summit Art Creations / Shutterstock)

1.2 Converting compliance costs into certification capital

For globalising PRC technology firms, Australia's value lies not only in its market, but also in its role as a springboard into broader Western markets. Case Y, a major PRC electric vehicle (EV) brand, illustrates this dynamic.

Australia imposes strict data-security laws, requiring EV data to be stored locally, and maintains high vehicle-safety standards. Rather than treating these as primarily obstacles, Case Y incorporated compliance with these regimes into its global strategy. One Case Y representative noted:

> *By storing user data locally and adhering to FIRB rules, we obtained certifications recognised in Western markets.*

This approach, summarised by one executive as 'test in Australia, expand globally', converted compliance costs into certification capital with global recognition.

According to the Case Y representative, Australia has effectively served as a 'rehearsal' market for PRC EV brands entering more demanding jurisdictions. This was illustrated by the launch of a plug-in hybrid ute model by Case Y. Australia's large and mature ute market, traditionally dominated by diesel models such as the Ford Ranger and Toyota HiLux, allowed Case Y to test consumer acceptance and pricing strategies. By introducing a plug-in hybrid model, Case Y offered a differentiated product that aligned with emerging demand for high performance, lower running costs and cleaner vehicles.

Australia's relatively small but sophisticated consumer base allowed Case Y to refine this product before scaling globally. The introduction of Australia's New Vehicle Efficiency Standard (NVES) in 2025 reinforced this strategy by creating a policy environment closer to Europe's, one that rewards manufacturers of low-emission vehicles. Australia thus became a live laboratory for Case Y to deploy and validate both its plug-in hybrid technology and pure battery-electric models under regulatory conditions that mirror, on a smaller scale, those of Europe.

Case Y also used the Australian market to stress-test its operational capabilities, including production scheduling, export logistics and inventory management, in order to gain relevant experience for a future European launch, where supply chains span multiple jurisdictions and volume expectations are even higher. The lessons learned in convincing Australian ute buyers are transferable to the bigger challenge of winning over European consumers.

The Case Y interviewee said:

> *The launch delivered immediate and granular feedback on performance, features, pricing and after-sales expectations, helping Case Y prioritise improvements for subsequent iterations. In this sense, the Australian market has functioned as a strategic rehearsal space where Case Y can finetune its products, operations and market strategy before entering larger, more tightly regulated Western markets.*

This case shows how ChAFTA can help PRC firms move from 'Made in China' to 'Australia-certified Chinese products for the global market'. The Case Y representative concluded:

> *For Case Y, Australia is not just a sales market, but a 'global certification centre' and 'strategic springboard'. Its value lies in helping the company adapt to Western market rules and turn compliance into a competitive advantage.*

1.3 The agile business model of e-commerce

PRC cross-border e-commerce platforms represent a new class of market entrant. Rather than relying on traditional agent-based models to import PRC goods, particularly consumer goods such as clothing, footwear and construction and home renovation materials, to the Australian market, they use e-commerce channels, data-driven marketing (often informed by demand in trends in markets such as the US) and the PRC's mature supply chains to serve Australian consumers directly. This approach allows rapid, relatively 'asset-light' market penetration.

One firm (Case Z1) uses an 'ultra-fast fashion plus social marketing' model, while another (Case Z2) employs an 'extreme value plus gamified shopping' strategy, which have quickly attracted young users and challenged traditional retail giants.

One interviewee noted:

> *Case Z2 has challenged Australia's traditional retail giants, such as Bunnings.*

These platforms are also experimenting with creative ways to engage younger consumers. For example, Case Z1, a fast-fashion platform, has integrated pop-up stores into its strategy, converting online traffic into offline engagement. Case Z2's gamified shopping and social-sharing strategies have, according to the interviewee, 'filled a gap in Australia's low-cost e-commerce market.' The interviewee continued:

> *Case Z2's 'culture-to-commerce' strategy is reshaping Australia's e-commerce landscape by tapping into the diaspora's homesickness economy.*

Australia's geography also presents a pronounced logistical bottleneck, as another interviewee commented:

> *Australia's vast and sparsely populated geography leads to high last-mile delivery costs and time.*

To address this challenge, these platforms are also implementing new operational strategies, such as building local warehouses and establishing end-to-end logistic networks to improve service quality for Australian customers.

At the same time, these new firms face tightening regulatory demands, requiring adaptation to heightened data-privacy standards. One interviewee noted:

> *The ACCC [Australian Competition and Consumer Commission] is tightening data-privacy regulations, which is adding compliance costs for these platforms.*

Finally, a key strategic challenge is expanding beyond diaspora users and integrating into the mainstream consumer market. As one interviewee remarked:

> *To penetrate the mainstream Australian market, Chinese e-commerce platforms must strike a balance between localisation and maintaining their Chinese business model advantages.*

1.4 Emerging challenges

1.4.1 Geopolitical high walls

The expansion of PRC firms in Australia has not been straightforward. In critical infrastructure, the main challenge for PRC enterprises globally, and particularly in Australia, has shifted from commercial competition to a complex set of political-economic risks centred on national security reviews. In 2018, citing concern about 'extrajudicial directions from a foreign government', the Australian government banned Huawei from participating in 5G mobile network construction.[6] The decision was not based on publicly demonstrated technical vulnerabilities in Huawei's equipment, but on broader security concerns.

The ban led to a substantial contraction in Huawei's Australian operations. According to one interviewee, the company's headcount fell from about 1,200 to fewer than 200, with roughly 1,000 high-skill jobs lost and some $100 million in planned research and development (R&D) investment terminated.

The period from 2020 to 2022 constituted a stress test for the bilateral relationship. The COVID-19 pandemic, global supply chain disruptions and a sharp deterioration in political relations placed unprecedented stress on ChAFTA. Beijing imposed formal and informal trade restrictions on around $20 billion worth of Australian products, including wine, barley and coal, while FIRB tightened national security scrutiny of PRC investment in Australia.[7] Some sectors were heavily affected. Australian wine exports to the PRC, for example, fell to near zero as competitors moved into the market. Businesses were forced either to diversify their markets or contract operations in the face of heightened uncertainty.

Interview evidence highlights specific challenges that are not visible in aggregate data. Firms face not only tariff barriers but also growing 'trust barriers' embedded in a complex, politicised regulatory environment. A professional services provider put it bluntly:

> *Chinese investors have encountered mounting obstacles... This has led to greater uncertainty for Chinese investors, dampening their enthusiasm.*

While Australian law does not explicitly discriminate by country of origin, several interviewees argued that in practice, especially since the 2020 FIRB reforms, policy implementation has become significantly more political. This has contributed to de facto differential treatment based on a 'risk presumption by country of origin.' One interviewee said that, in their experience, investments from the PRC, particularly in sectors defined as 'sensitive' or 'critical' (such as infrastructure, critical minerals, advanced manufacturing and defence) face a stricter, longer and more uncertain review process than those from partner nations such as South Korea, as one interviewee noted.

Regulatory pressure has also driven changes in investment structures. Multiple interviewees observed that securing approval for a 100 percent PRC-owned has become very difficult. In contrast, joint ventures or partnerships with third party international capital (particularly from the US or Europe) are more likely to be approved, reflecting concerns about fully PRC-backed entities. One interviewee said:

> *The tightened approval reveals the root issue: national security now trumps purely commercial considerations. Investment from other countries (for example, South Korea) in the mining sector tends to be seen as commercially driven, whereas Chinese capital is presumed to serve state strategy and thus to pose a potential threat to Australia's national security and economic sovereignty.*

This pattern is consistent with recent McKinsey research indicating that the 'geopolitical distance', measured using United Nations (UN) voting patterns, of foreign direct investment (FDI) has shortened by about 20 percent since 2017, a sharper shift than in trade flows.[8] Investment has increasingly circulated among economies with similar political alignments (for example, the US attracting more Japanese and Korean capital), while FDI into the PRC has fallen by nearly 70 percent. The PRC has, in turn, shifted from a net FDI recipient to a net outward investor, expanding its investments in Europe, Latin America and the Middle East.

OTC Satellite Earth Station at Carnarvon, Western Australia (trabantos / Shutterstock)

The ‘discrimination’ felt by investors from the PRC is therefore better understood as a systemic regulatory stringency anchored in geopolitical alignment and strategic risk assessment, rather than simple protectionism. FIRB’s discretionary powers play a central role in this process, intensifying the difficulty for PRC capital to operate in certain critical sectors. From a firm perspective, this trend suggests that some of ChAFTA’s investment facilitation promise has been constrained by broader economic nationalism and security concerns.

Setbacks for PRC firms in critical infrastructure, including networks, data centres, ports and mines, show that even where commercial compliance is strong, projects may still be blocked by political decisions beyond the control of individual companies. Firms therefore need to recognise that such investments sit partly outside a purely commercial domain and must treat geopolitical risk assessment as a core strategic consideration. Huawei’s experience illustrated that when operating in high-tech and critical infrastructure abroad, enterprises face not only market and technical competition but a complex international political landscape. One interviewee observed:

> *In the critical infrastructure field, geopolitical considerations often override pure business logic. Enterprises must recognise that even with leading technology and favourable commercial terms, they can be thwarted by uncontrollable political factors. It is crucial to elevate political and compliance risk to a strategic level and conduct prudent, ex-ante judgment.*

1.4.2 Increasing compliance challenges

Beyond geopolitical high walls, PRC firms also face significant operational-compliance hurdles, particularly in taxation. Australia’s SGE framework,[9] which applies to companies with global revenues above $1 billion, subjects such firms to tighter scrutiny and higher penalties. While the framework is country-agnostic, it has important implications for rapidly growing PRC firms. One industry expert noted:

> *SGEs are subject to tighter scrutiny and higher penalties if infringing any regulatory rules. These SGEs are not just targeting Chinese firms, but most Chinese firms, though small at the beginning, grow fast and quickly fall into this category.*

This observation reflects a broader reality in that the success and scale of PRC firms quickly places them in Australia’s most heavily scrutinised regulatory categories. Another interviewee added:

> *Chinese firms grow fast and their reportable tax positions change quickly, but their initial settings didn’t consider this rapid expansion, and thus this rapid growth itself creates dynamic compliance challenges.*

1.4.3 Data challenges

E-commerce platforms, cloud vendors and EV manufacturers entering the Australian market face a combination of technical, compliance and competitive pressures. These include strict data localisation and privacy requirements. Australia’s Privacy Act imposes demanding standards on data encryption and cross-border transfers, with high penalties for violations. As a result, major PRC cloud vendors such as Alibaba and Huawei have not yet found a way to operate in the Australian cloud market. PRC e-commerce platforms and EV makers that do operate in Australia therefore have to invest heavily in storing data on local data centres, most of which are owned and controlled by US-headquartered providers such as AWS, Azure and Google, and in building local data compliance capabilities.

With the rapid growth of cross-border e-commerce, major economies are also tightening oversight of de minimis import regimes to close loopholes, protect domestic industries and increase tax revenue. The US Entry Type 86 program, which exempts parcels valued under US$800 from duties and taxes, is now under heightened scrutiny and may be revised. Similarly, the European Union (EU) is implementing significant changes to its trade and customs rules, with a strong focus on regulating the influx of low value imports from e-commerce platforms, especially those based in the PRC. The EU’s data privacy (GDPR) and value-added tax (VAT) frameworks place extensive responsibility on platforms for tax collection and compliance.

Australia similarly maintains strict quarantine, labelling and tax requirements for imported goods. Authorities and industry bodies are actively reviewing the self-assessed clearance (SAC) system to balance trade facilitation with tax compliance and border security, mirroring regulatory tightening in the US and the EU.

'This adds geopolitical uncertainty for our business,' one interviewee said.

The core challenge for enterprises is managing increasingly detailed and evolving regulatory rules across multiple jurisdictions, including customs declarations, data transparency, consumer protection and taxation.

These challenges point to a hard reality that digital trade is unlikely to be included in a ChAFTA 2.0. Major global markets are building denser customs and regulatory frameworks. Cross-border e-commerce will therefore need to shift from a 'loophole-seeking' mindset to a 'strong compliance' mindset, with forward-looking planning in logistics, customs clearance, taxation and data management. Over the longer term, firms also highlight the need for a clearer global framework governing data-driven e-commerce and e-services.

1.4.4 Human resources challenges

PRC investors also face substantial learning costs in adapting to Australia's workforce regulations, environmental standards and Indigenous relations frameworks. Attempts to replicate domestic PRC cost structures in Australia are generally not feasible, as cost bases differ significantly.

One professional services provider explained:

> *We have evolved from simple transaction executors to strategic navigators. We guide Chinese firms toward more approvable structures like joint ventures or international consortiums and help design not just tax structures to accommodate growing revenues, but also proposals that meet environmental guidelines and community expectations – turning compliance from a cost centre into a core competency.*

Human resources (HR) localisation is one of the most common and difficult challenges for all globalising enterprises, encompassing both legal compliance and cultural integration. This includes high labour costs and strict dismissal protections in many Western jurisdictions, which differ from practices PRC enterprises may be used to. For example, Australia's Fair Work Act stipulates one of the world's highest minimum wage standards and strict limits on working hours and overtime.

Moreover, dismissing an employee can be a complex process and compensation for unfair dismissal can be as high as six to 24 months' salary.

Strong union influence is another factor. Australian unions often participate in decisions affecting working conditions, including layoffs and wage negotiations. Inadequate consultation can lead to serious labour disputes. Cross-cultural management challenges also arise, given significant differences between the PRC and Australia in work styles, communication and management norms. Practices such as routine overtime and hierarchical decision-making, common in the PRC, may not be well received in Australian workplaces.

In conclusion

The cases and challenges in this section underscore the critical role of professional services firms, such as law firms, accounting firms and technology consultancies, in helping businesses navigate this environment. PRC firms now face a systemic 'compliance high wall' comprising stringent FIRB reviews, significant data governance obligations, heightened SGE-related tax risks and 'soft barriers' such as labour law, community expectations and shifting political priorities.

Wooden human puzzle pieces connected together in a pyramid structure (sommart sombutwanitkul / Shutterstock)

02

Seizing opportunities and navigating risks: The adaptation of Australian enterprises in the PRC market

Summary

The decade for Australian enterprises in the PRC market has been a study in opportunity, risk, and adaptation. Successes stemmed not only from tariff reductions but also from grasping channel transformation (e.g., e-commerce), adhering to brand value 'clean and green' and deep government relationships and localisation. However, the lessons are equally clear: the peak to trough collapse of the wine industry illustrates that over-reliance on a single market creates immense strategic vulnerability, and political relations are an indispensable foundation for economic ties.

Case studies

Case A – Iron ore miners. Aligning with the PRC's 'dual carbon' goals via a green steel strategy to move beyond supplier to partner.

Case B – Health products. Leveraging e-commerce and Australia's 'clean and green' brand value for rapid market penetration.

Case C – Wine. A peak to trough case study on the risks of over-reliance and geopolitical vulnerability.

Case D – White goods. An 'Australian design, PRC manufacturing: global sales' model of industrial chain symbiosis.

Over the past decade, ChAFTA's value for Australia has been reflected in a qualitative shift in the trade structure, which has helped a move beyond the simple pattern of 'Australia sells minerals, the PRC sells manufactured goods.' Australian exports to the PRC have diversified beyond traditional resources such as iron ore to premium agricultural products, including beef, wine and dairy, and high-value consumer goods, such as health supplements, vitamins and pet food.[10] At their peak, Australian wine exports to the PRC reached $1.3 billion in the 12 months to October 2020, making Australia the PRC's largest source of imported wine.[11]

Services trade has also expanded. Education, tourism and professional services have grown significantly, with the PRC becoming Australia's largest services export market at $14.7 billion in 2023, accounting for 12.9 percent of Australia's total services exports.[12]

For Australian enterprises, the PRC's large and complex market has consistently been a double-edged sword of opportunity and risk. This has been amplified by the ups and downs of the first decade of ChAFTA. On the one hand, ChAFTA has provided Australian firms with improved market access and tariff advantages. On the other hand, firms that lack a strong understanding of shifting PRC consumption patterns, that struggle with regulatory volatility, or that do not demonstrate agility and resilience in responding to periods of stress will find the PRC market particularly challenging.

2.1 Iron ore: The importance of government relations

The mining sector is unequivocally the lifeline of Australia's economy. Iron ore is the nation's single largest export, with export earnings of $116 billion in 2024-25.[13] Mining royalties account for more than a quarter of the Western Australian state government's revenue, with iron ore royalties providing the bulk of that income in FY24.[14] The broader mining and resources sector is also a vital source of federal tax revenue, contributing over half of total corporate tax paid by large companies in 2023-24, approximately $40 billion.[15] Australian bank Westpac estimates that the mining sector contributed more than half (approximately 55 per cent) of the improvement in Australia's living standards in the first two decades of this century.[16]

Interviews with industry veterans familiar with both Australia and the PRC show that iron ore producers have adopted distinct strategies in engaging with the PRC. Case A1, a long-established producer with a lengthy presence in the PRC, initially sought to support upstream exploration in the country to secure resources and deepen ties, but encountered policy barriers linked to Beijing's tight control over strategic mineral exploration rights. Case A2 adopted a more project-specific approach, partnering with large PRC steelmakers to develop assets such as an African iron ore mine, thereby sharing risks and returns and building more stable partnerships.

Loader loading a semi trailer with iron ore (Aussie Family Living / Shutterstock)

Case A3, a later entrant, recognised that to differentiate itself from incumbents it would need to adopt smart non-market toolkit beyond pure commercial negotiation and competition-oriented strategy. Its strategy centred around understanding and responding to the PRC's macro-development objectives. For example, Case A3 championed green steel, actively aligning with Beijing's 'dual carbon' goals and investing heavily in R&D for low-carbon technologies such as green hydrogen, with the aim of supporting emissions reduction in the PRC's steel industry. This repositioned the company from a supplier of raw materials to a partner in helping achieve the PRC's national objectives.

Case A3 has also pursued supply chain integration by sourcing significant quantities of heavy mining equipment, railway stock and port machinery from PRC manufacturers. This lowered operating costs while reflecting the practical appeal of available PRC products, signalling strong confidence in 'Made in the PRC' and 'Built by the PRC for the global market'. This has been perceived by Beijing as helping to build a tight community of interest along the supply chain and reinforcing PRC-centred supply chains globally.

2.2 Health products: Brand dividends

Australia has a strong reputation for 'clean and green' health and dairy products, as well as pet food. ChAFTA's tariff cuts amplified this advantage, making such products attractive to the PRC's growing middle class. This success was built on a new paradigm. The disruptive power of e-commerce allowed health brands, Cases B1, B2 and B3, to reach PRC consumers directly via cross-border platforms, including Taobao and JD.com, bypassing traditional, longer distribution chains. For Case B1, the e-commerce penetration rate reached as high as 24 percent, representing one of the most successful ChAFTA-era market-entry examples.

This performance was reinforced by a country-of-origin brand dividend. The 'Made in Australia' label carries a trust premium in the PRC. As one interviewee put it:

> *Chinese consumers directly equate Australian infant formula with food safety and top quality. This brand equity is an intangible but critical competitive advantage.*

However, companies have also faced serious challenges and real-world difficulties. The PRC's regulatory environment can change rapidly and without long transition periods. One interviewee described the common predicament faced by many Australian firms:

> *A few years ago, China introduced new standards requiring all manufacturers to reprocess their ingredients and resubmit them for approval. Due to tensions in the bilateral relationship, Australian applications are often placed last in the review queue... As a result, Australian infant formula exports have been halted for 12 months.*

This account shows that, even with ChAFTA in place, the broader political relationship can directly affect the speed of market access, generating enormous uncertainty for firms dependent on the PRC market. Concentration of exports to the PRC is a double-edged sword as during periods of political tension, reliance can quickly become vulnerability, forcing companies into a reactive scramble to find alternative markets.

At the same time, a pet food exporter (Case B3) spoke of the difficulties of operating amid macro-political and economic volatility. Case B3's experience adds an important footnote to this otherwise positive picture, revealing how fragile some business models remain in the face of geopolitical shocks and policy shifts.

Despite these challenges, some Australian companies in health products have adopted the view that working with PRC partners can offer practical advantages. An executive from a large health products company (Case B2) expressed this perspective, framing it as part of the strategic thinking that has supported their success:

> *Our company is a prime example of the benefits of international collaboration. We employ 250 people in Australia and 2,000 in China, fostering incredible synergy between our teams... This demonstrates the advantages of international free trade agreements.*

Powdered infant formula scooped from a can (New Africa / Shutterstock)

This statement captures ChAFTA's role in supporting employment and deep industrial integration, and points to the mutual economic benefits that can arise from such arrangements.

2.3 Wine: A profound lesson from peak to trough

Australian wine provides the most striking illustration of both ChAFTA's dividends and its exposure to geopolitical risk. During the expansion period from 2015 to 2019, ChAFTA helped propel industry growth: the wine tariff fell from 14 percent to zero. Coupled with strong brand marketing (Case C1) and PRC capital acquiring wineries via the Significant Investor Visa (SIV) scheme, Australia overtook France in 2019 to become the PRC's largest source of imported wine, with annual exports reaching around $1.3 billion, according to one interviewee.[17]

This growth was followed by what one interviewee termed the 'darkest hour' 2020 to 2023, when anti-dumping and related measures severely reduced market access. A winemaker recalled:

> *The anti-dumping measures imposed by China severely impacted us... We adapted by exporting bulk wine for bottling in China but faced further restrictions.*

The winemaker's account highlights both the scale of the shock and the complexity of the strategic adjustments required simply to stay in business.

The market gap was rapidly filled by competitors from Chile, France and other producers. As another interviewee commented:

> *Australian wine was swiftly replaced by brands from other wine-producing nations.*

Even after bilateral relations stabilised and tariffs were removed, new PRC regulations limiting banquets in the public sector reduced demand for imported wine.

These events illustrate a broader reality of global competition. Once market share is lost, regaining it is costly and uncertain. Heavy reliance on a single market leaves exports exposed to the policy decisions made in that jurisdiction.

Grapes harvested for wine production at a vineyard (Nuva Frames / Shutterstock)

2.4 White goods: Deep integration of industrial chains

The relationship between a major Shandong-based white goods manufacturer (Case D1) and an Australian brand (Case D2) shows how ChAFTA has enabled a shift from straightforward commodity trade to deeper industrial chain integration. The partnership has moved beyond an original equipment manufacturing (OEM) arrangement. Cooperation between the two companies is no longer simply 'Australian branding, PRC manufacturing'. Through capital ties, most notably Case D1's acquisition of Case D2, the two sides have formed a model that can be characterised as 'Australian design, PRC manufacturing, global sales'.

Under this model, Australian teams provide market-driven design, R&D and brand management, while PRC manufacturing provides high supply-chain efficiency, large-scale production and cost control. This structure maximises the comparative advantages of both sides, strengthens their global competitiveness and represents a new phase of value co-creation in the Australia-PRC economic relationship. As one interviewee observed:

> *This model can become a template for combining Australian technology and Chinese manufacturing in other areas, including clean energy technologies.*

In conclusion

While Australian firms have benefited from ChAFTA, they also face heightened exposure to regulatory and geopolitical risk. To navigate the 'new normal' of Australia-PRC economic relations, they will need stronger risk management capabilities and greater market diversification.

03

The new investment landscape: From capital flow to value co-creation

Summary

The Australia-PRC investment relationship has completed a significant transformation over the past decade. For PRC investment in Australia, it has evolved in three key ways:

(1) Entities: from being dominated by state-owned enterprises (SOEs) to being driven by more diverse private enterprises and investment migrants;

(2) Sectors: from a narrow focus on resources to a broad range of consumption-based and knowledge-based industries; and

(3) Models: from pursuing ownership control to embracing value co-creation, such as joint ventures and technology licensing.

This contrasts with the more cautious, de-risking posture of Australian direct investment in the PRC, highlighting a structural shift in bilateral capital flows.

From 2015 to 2019, two-way trade and investment expanded rapidly. As tariffs were reduced, bilateral trade boomed and ChAFTA generated a confidence effect that spilled over into capital flows in both directions.

Against the backdrop of rising geopolitical tensions and shifting industrial policies, however, FDI has undergone a structural change. Since the stabilisation of Australia-PRC relations in 2023, investment has increasingly moved beyond asset acquisition to involve knowledge spillovers, management learning and the development of production capacity in both markets, signalling a more mature phase in the economic relationship.

In an environment of greater geopolitical uncertainty, FDI announcements and flows provide insight into how multinational companies respond to geopolitical pressure, reconfigure value chains and adjust their exposure to different jurisdictions.

3.1 PRC investment in Australia

3.1.1 Diversification of investment entities

In earlier stages, PRC investment in Australia was often associated with large-scale acquisitions in resources and infrastructure by state-owned enterprises (SOEs). Over the past decade, however, private enterprises and investment migrants have become increasingly important actors.

A 2020 study of 100 PRC entrepreneurs found that 68 percent operated high-growth enterprises (defined as achieving turnover increases of 20 percent or more annually over five years).[18] These entrepreneurs, many of whom arrived initially as students and were educated at Australian universities, represent a distinct form of PRC economic engagement with Australia, building businesses that bridge both markets.[19]

One prominent example is the wave of winery acquisitions. In South Australia's Barossa Valley, a wine industry executive reported that at one point 32 out of 47 wineries had been acquired by investors from the PRC. The executive commented:

> *This was not a state strategy, but rather the choice of private capital based on commercial logic and family planning. Investors saw the dual attributes of the wineries: they were both profitable agricultural assets and a compliant pathway to meeting Australia's Significant Investor Visa (SIV) requirements. Their typical operating structure was a 'family trust holding plus local team management plus Asian channel distribution', reflecting the flexibility and market orientation of private enterprise.*

This diversification of investment entities has made aspects of the Australia-PRC investment relationship more grounded and resilient, as it is deeply tied to individual careers, families and wealth planning. Its success relies more on healthy market operation than on macro-economic and political fluctuations. As the interviewee summarised:

> *Through deep-rooted local connections and distribution channels, this group of Chinese entrepreneurs orchestrated the market entry of Australian wine into a market where other foreign brands were already well established. In many ways, there is a strong correlation between the number of Chinese immigrants buying into Australian wineries and the booming sales of Australian wine in China. A good example is Chengdu, a city famous for its locally made liquor, where at one stage the consumption of Australian wine was the highest of any Chinese city.*

3.1.2 Expansion of investment fields

The shift in investment fields reflects both structural changes in the PRC's economy and an evolution in its outward investment strategy under its 'going global' policy. Over the ChAFTA decade, PRC investment has expanded into higher value-added sectors. Consumption-oriented industries such as agri-food, health supplements and tourism have become investment hotspots.

Investment has also extended into knowledge-based industries such as R&D and technological innovation. Australia's regulatory system and research capabilities have made it a key node for medical R&D. One interviewee noted that 'over 80 Chinese clinical trial projects have entered Australia'.

By partnering with Australian institutions, PRC firms can combine their R&D capabilities with Australian clinical standards and international alignment, jointly developing products for the global market. As the interviewee commented, this marks a shift in investment from 'acquiring existing resources' to 'jointly creating new value.'

3.1.3 Diversifying ownership structures

Faced with a more complex regulatory and commercial environment, PRC investors have increasingly moved away from seeking absolute control towards more flexible and sustainable cooperation models. This change reflects both regulatory pressures and commercial learning. Stricter FIRB scrutiny of acquisitions in sensitive sectors has made 100 percent ownership much more difficult to secure, while investors have recognised the risks associated with operating independently in an unfamiliar market. As one interviewee observed:

> *M&A deals face greater political and bilateral scrutiny... More importantly, joint ventures are becoming a preferred investment model.*

Focused close-up of test tubes with different coloured chemicals standing on a tray in a laboratory (Gorodenkoff / Shutterstock)

The interviewee continued:

> *Successful models share common characteristics. JVs and consortia, formed with local enterprises or third-party international capital, can effectively reduce political sensitivity and leverage partners' local knowledge and resources. For example, Beijing Energy International chose to cooperate with local enterprises when developing solar and wind farms in Australia, as one interviewee noted.*

Technological synergy and reverse learning have also become significant. Investment is no longer a one-way process of technology export. As Case X demonstrated, PRC automation technology has been introduced into Australian mining operations, while Australian strata-control technology has been integrated into its PRC operations, forming a two-way knowledge exchange.

Finally, localisation and social licence remain central. The most successful investments have all prioritised local engagement. Case X illustrates the insight that, per one interviewee, 'Community engagement is critical for business success in Australia.'

3.1.4 Partnering with locals: Cracking the local auto finance market

A core challenge for PRC EV brands in Australia, beyond regulatory compliance, is mastering the last mile of auto sales: consumer financing. The Australian market is highly reliant on credit, but new brands have struggled to build the necessary financial infrastructure.

This challenge is twofold. First, PRC state-owned banks in Australia, such as the Bank of China and China Construction Bank, focus primarily on corporate and trade finance rather than consumer auto loans. Australian consumers, meanwhile, are more accustomed to sourcing finance either from familiar local banks or from established, industry-specific financiers. Second, building a manufacturer-backed, or 'captive', finance arm – an option South Korean brands like Hyundai took decades to build – is capital-intensive and subject to rigorous regulation, and many new PRC brands are not yet positioned to do so.

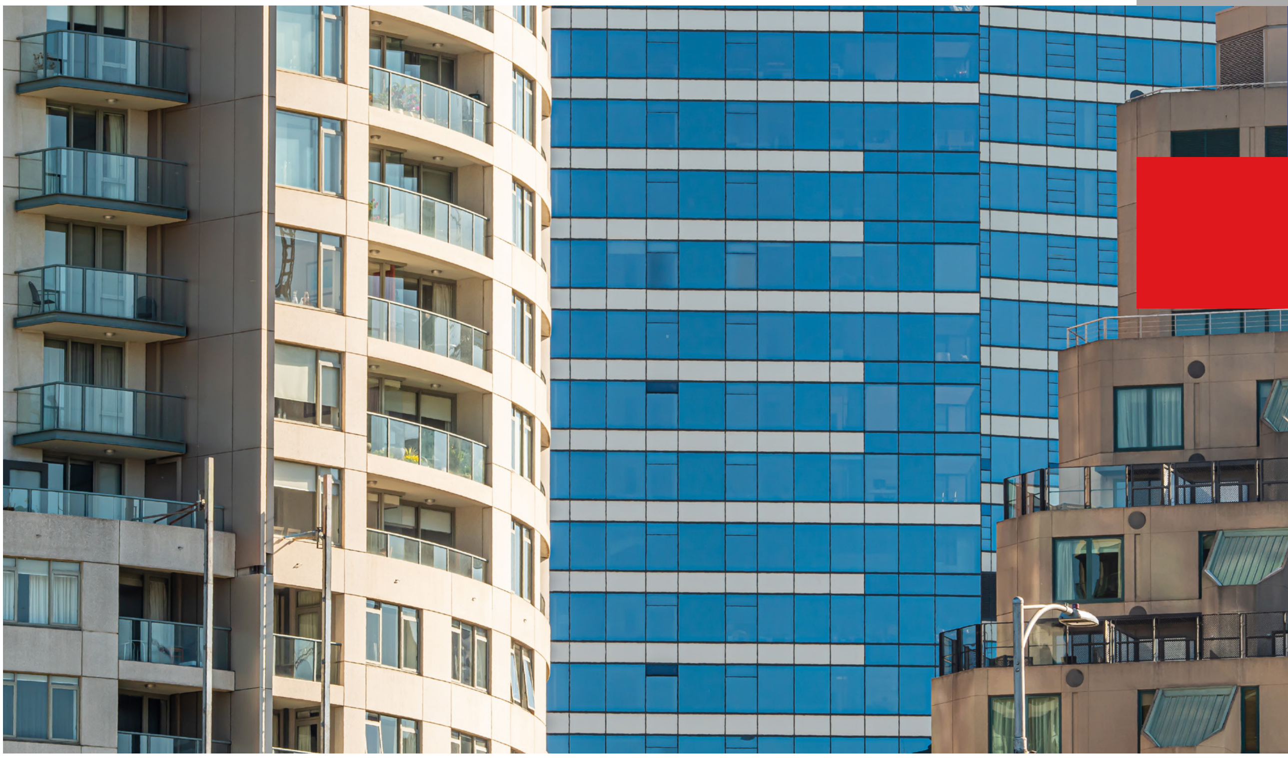
Lenders also face a significant trust and risk barrier, that of residual value uncertainty. Loan underwriting relies on forecasts of asset values at three to five years, but there is limited historical data for new PRC brands. This is compounded by a highly fragmented market flooded with new entrants, leading some industry observers to predict a 'consolidation and collapse'. Lenders are wary of being left with 'orphaned' assets from brands that exit the market. Aggressive price discounting by some new entrants can also depresses resale values, increasing caution among financiers.

In response, a practical strategy for PRC EV brands has been to rely on local marketing and service networks. This is not only a sales tactic but a core business approach. By partnering with large, established Australian distributors, PRC automakers are able to access the distributors' existing relationships with panels of banks and finance providers, effectively 'bolting on' to trusted financing channels. This dependence on local partners to address the finance challenge again underscores the importance of deep localisation for market success.

3.1.5 Navigating local rules: Aligning PRC shared-charging models with Australian governance

A second, more subtle challenge for PRC EV-related firms concerns the transfer of business models developed in the PRC to the Australian context. High-density apartment shared-charging networks, common in cities such as Shenzhen, appear well suited to addressing similar issues faced by apartment dwellers in Sydney and Melbourne. However, attempts to replicate this model show that the main obstacles are socio-legal and cultural rather than technological.

In the PRC, providers may deal primarily with a single property management entity. In Australia, they must work with owners' corporations (bodies corporate). These bodies function as a 'small parliament' comprised of all property owners and changes to common property, such as installing shared chargers, often require formal motions, debate and voting.



Close-ups of modern multi-dwelling buildings with balconies (Javier Catano Gonzalez / Shutterstock)

One interviewee said:

> *In Australia, installing a shared charging station in an apartment building requires the consent of owners' corporations, building managers and sometimes local councils – even the installation is subsidised by government programs.*

Success therefore depends less on technical capability and more on what the interviewee described as acting as a 'community politician'. Providers must navigate local council building codes, electrical safety standards and, in some cases, heritage overlays. They must also build trust by addressing owner concerns regarding safety, insurance liability, cost-sharing and long-term maintenance, rather than relying on purely commercial arguments.

3.2 Australian investment in the PRC

While PRC investment in Australia has been extensive and diverse, Australian direct investment in the PRC has been smaller in scale and more cautious in recent years, shaped in part by strategic de-risking responses to geopolitical tensions.

3.2.1 Structural changes and de-risking in action

As of 2024, Australia's investment stock in the PRC stood at approximately $58 billion. This represents a modest 5.6 percent increase from $54.9 billion in 2023 but remains well below the 2019 peak of $85.3 billion.[20] Australian investment in the PRC accounts for about 1.3 percent of total outbound FDI, compared with 36 percent to the US and 16 percent to the UK.[21]

This trajectory reflects a period of strategic adjustment. After the 2019 peak, investment saw a phased contraction, initially due to COVID-19 and diplomatic tensions, and more recently due to active portfolio rebalancing. For many Australian investors, geopolitical considerations and the search for alternative markets in Southeast Asia and India have begun to temper purely economic calculations. Stricter investment screening regimes in both directions since 2019 have also contributed to deterring new flows.

3.2.2 Sectoral transformation

Despite the overall slowdown, the sectoral composition of Australian investment in the PRC has evolved. Traditional strongholds such as banking and wealth management remain important. At the same time, new areas of targeted investment have emerged, including clean energy collaboration, healthcare, medical technology and professional services. These sectors maintain a steady presence, according to an interviewee:

> *In these areas, Australian investors are increasingly focused on building partnerships, joint ventures and service platforms rather than solely on wholly owned subsidiaries. This mirrors the broader shift described earlier – from capital flows aimed at securing assets to value co-creation based on knowledge, services and long-term relationships.*

In conclusion

These cases suggest that an optimal state of cross-border investment would resemble a symbiotic ecosystem of mutual interdependence and trust, in which both sides benefit from their respective comparative advantages. Capital flows would support employment, technological exchange and management integration, contributing to a tighter economic linkage between the two economies.

The evolution of PRC FDI in Australia, from digging minerals to buying brands and knowledge, marks a qualitative change. It reflects both the restructuring of the PRC's domestic economy and the increasing sophistication of PRC capital in seeking long-term, value-creating opportunities.

This stands in contrast to the more cautious, de-risking posture of Australian direct investment in the PRC, highlighting the increasingly complex geopolitical and policy landscape in which Australian investors operate.

04

The next decade: Moving towards resilient symbiosis amid rule restructuring

Summary

ChAFTA's next chapter will be a decade of finding certainty amid rule restructuring. The old model of capitalising on tariff dividends is being replaced by a new imperative to build systemic resilience. Success will no longer depend merely on cost and efficiency, but on compliance capability, geopolitical intelligence and navigating sustainable development standards. The central thesis is that resilient symbiosis is far more in line with both nations' long-term interests than a fragile decoupling.

ChAFTA's first decade has been characterised by the integration of Australia and the PRC's economies based on complementarity. Over this period, its most fundamental role has been an 'institutional operating system' that underpins bilateral economic engagement. This system has provided a rules-based framework and degree of 'confidence premium', while the case studies in this report reveal realities that extend beyond tariff schedules.

Looking ahead, major changes in the global landscape are giving the Australia-PRC economic relationship new meaning and new constraints. The next phase of cooperation will extend beyond traditional trade in goods and services to include more complex forms of engagement. The central question is how to move towards 'resilient symbiosis' amid powerful trends in supply-chain restructuring, technological change and climate action, balancing opportunities with rising risks.

4.1 Core opportunities in ChAFTA 2.0: New avenues for cooperation

The main opportunities for the next decade arise from potential areas of alignment between the two countries in three areas: the green transition, the digital economy and engagement with regional markets.

4.1.1 Green transition alliance: A strategic coupling of technology and resources

Australia has both the ambition and the natural resource base to become a 'renewable energy superpower', while the PRC possesses advanced technologies and manufacturing capabilities in solar, wind and other clean-energy technologies, along with a large domestic market. This combination offers a foundation for cooperation, supporting global efforts to tackle climate change.

Spodumene ore held in two hands (BJP7images / Shutterstock)

Critical minerals and processing. Australia is a key supplier of critical minerals such as lithium, cobalt and rare earths, while the PRC refines the majority of the world's critical minerals. The two sides could move beyond a simple buyer-seller relationship by jointly investing in low-carbon refining and processing projects in Australia and in third countries, including in Southeast Asia. This would help build a more resilient and higher value-added supply chains for the clean-energy transition.

Hydrogen industry chain. There is scope to combine Australian and PRC capabilities in technology, capital and markets across the green-hydrogen value chain, including production, storage and transport.

4.1.2 Digital trade and innovation: A new growth pole

The boom in the digital economy, accelerated by artificial intelligence (AI), presents an additional area of potential cooperation. Realising this potential, however, would require reducing regulatory frictions.

Rule coordination. One possible avenue is to explore Australia-PRC digital trade guidelines in areas such as cross-border data flows, mutual recognition of digital identities and consumer privacy protection. Even partial alignment could give firms clearer expectations and enable collaboration in areas such as AI, fintech and health technology.

4.1.3 Third-party market cooperation: 'Australia plus the PRC plus X'

A further opportunity lies in cooperation in third-country markets. The PRC's large-scale engineering and manufacturing capabilities could be combined with Australia's strengths in professional services and project management to co-develop projects such as smart cities and digital infrastructure in the Indo-Pacific. This 'Australia plus the PRC plus X' model could create new platforms that diversify risk and deepen collaboration, provided that projects are aligned with host country governance and transparency requirements.

4.2 A path forward: ChAFTA 2.0

4.2.1 Non-market strategy as core capability

The findings of this report indicate that, for businesses engaged in cross-border trade and investment under ChAFTA, non-market strategy has shifted from being peripheral to being a core concern. In an environment marked by great power competition and economic statecraft, firms must develop and deploy political, social and regulatory strategies alongside commercial ones in both home and host countries.

Three emerging capabilities, compliance capability, geopolitical intelligence and operational resilience, are central components of this non-market strategy.

Compliance capability. The organisational capacity to understand, meet and proactively shape regulatory requirements across multiple jurisdictions with sometimes conflicting demands. This goes beyond basic legal compliance to include regulatory navigation, stakeholder management and institutional alignment.

Geopolitical intelligence. The ability to sense, interpret and anticipate political risks and opportunities, including policy shifts, regulatory trends and geopolitical dynamics that affect operations. This combines country-risk analysis with sector-specific political economy insight.

Operational resilience. The capacity to maintain continuity and flexibility under volatile political conditions through adaptive organisational design, diversified dependencies and robust contingency planning.

4.2.1.1 Compliance as core competence for PRC firms

The hurdles faced by PRC enterprises operating in Australia vividly illustrate a broader truth for ChAFTA's next decade: community engagement and 'regulatory navigation have become as important as technological and commercial capabilities. Firms that succeed are likely to be those that can align their advanced solutions with Australia's institutional and governance arrangements.

Focused close-up of a hand holding a mobile phone with the logo of the Australian Foreign Investment Review Board (FIRB) visible on the screen (T. Schneider / Shutterstock)

Despite the challenges, enterprises that have achieved deep localisation remain cautiously optimistic about future cooperation. Earlier cases in this report show that some PRC firms have already integrated effectively with local businesses and communities. The next phase will test whether they can manage systemic risks. PRC enterprises will need to treat FIRB scrutiny, data governance regimes (such as Australia's Consumer Data Right (CDR)) and ESG standards as core issues rather than peripheral legal matters.

This implies investing in local compliance teams, building long-term partnerships with leading law, accounting and consulting firms, and the adopting ownership, entry modes and tax structures that are more likely to be approved and sustainable. Firms that are able to embed compliance into their operating model will be better positioned to turn regulatory demands into a source of competitive advantage.

4.2.1.2 Surviving US-PRC competition: Implications for Australian firms

For Australian firms, the tension between Australia's role as a security ally of the US and as a major trading partner of the PRC will remain a structural feature of the environment.

Enterprises will need strong political judgement in their risk management, including the ability to build geopolitical awareness, conduct scenario planning and stress-test their exposure to possible shocks.

In non-sensitive sectors, one practical approach is a deliberate de-politicisation strategy: emphasising technical cooperation, job creation and local integration in both countries, so as to avoid becoming focal points of political contestation.

Trust can be damaged quickly, often unintentionally, when commercial activities are drawn into geopolitical disputes. Rebuilding trust typically requires sustained effort. Fora such as the Australia China Business Council's 'Canberra Networking Day' provide informal channels for dialogue among government, business and academia. Increased exchanges among students and scholars, as well as with members of other industries, including the arts, can help nurture the social foundations on which resilient economic cooperation ultimately rests.

In conclusion

ChAFTA's first decade is a remarkable story. It began with rational calculations of economic complementarity, was built on the practical efforts of countless enterprises turning institutional dividends into commercial success and endured the test of geopolitical storms. The decade has left more than impressive trade figures; it offers lessons on how to build sustainable cooperation in an era of uncertainty.

Looking ahead, ChAFTA's next phase is not about restoring a frictionless market; it is about jointly building a resilient symbiotic system. That requires both sides to apply pragmatic wisdom to upgrading this 'institutional operating system' to ChAFTA 2.0. The lessons from the past decade point towards three priorities:

Managing cooperation amidst disagreement. Acknowledge and manage differences in political systems and strategic interests and create a necessary 'risk firewall' between economic cooperation and political disputes.

Seeking alignment on rules. Promote standards harmonisation in emerging fields such as climate policy, digital trade and green finance to open space for the next round of cooperation. In third-country market projects, explore 'Australia plus the PRC plus X' common rules and project templates.

Creating certainty amidst uncertainty. Deepen sub-national cooperation and industry-level dialogue to build a broader and more stable social and interest-based foundation for the relationship, making it less vulnerable to fluctuations in high-level politics.

If these priorities can be advanced, ChAFTA's second decade may yet consolidate a form of resilient symbiosis, one that preserves space for constructive engagement even as geopolitical rivalry sharpens.

Methodology

This report complements the quantitative analysis published by the Australia-China Relations Institute at the University of Technology Sydney (UTS:ACRI) in April 2025, *ChAFTA: An Australian Assessment of Core Outcomes a Decade On*,[22] aiming to go beyond macroeconomic statistics to reveal the complex impacts of ChAFTA at the micro level on industries and businesses. This report is qualitative in nature, unfolding the nuanced processes behind success stories, capturing hidden challenges and identifying evolving opportunities, thereby answering the *how* and *why* questions in bilateral trade and investment.

Stakeholder analysis: Forty in-depth semi-structured interviews[23] were conducted with businesses, industry peak bodies, professional service providers, banks, investors, start-up founders, government officials and independent scholars, through one-on-one conversations (30 to 45 minutes each) and participation in industry and business events. These cases cover key sectors such as resources, automobiles, healthcare, professional services, infrastructure, clean energy, e-commerce and education.

Retrospective analysis: Rather than a standard cross-sectional snapshot, this study employs a retrospective framework. Participants were asked to reconstruct the situations and their strategic responses across three distinct periods. First, the 'golden age' of expansion (2015 to 2019); second, a period of geopolitical shock and stress testing (2020 to 2022); and third, the current phase of reconfiguration (2023 to present). This approach captures the evolution of corporate sentiment and strategy over the decade.

Open-ended questions guided respondents to reflect on their experiences and strategies across these stages.[24] All interview content was kept strictly confidential and is presented anonymously to ensure reliability and to comply with research ethics.

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The views expressed in this report are solely those of the author.

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About the Australia-China Relations Institute

The Australia-China Relations Institute (UTS:ACRI) is an independent, non-partisan research institute established in 2014 by the University of Technology Sydney. Chinese studies centres exist in other Australian universities. UTS:ACRI, however, is Australia's first and only research institute devoted to studying the relationship of these countries.

UTS:ACRI seeks to inform Australia's engagement with China through research, analysis and dialogue grounded in scholarly rigour.

Appendix: Interview participants

Participant	Number of interviews
Executive, Australian health supplement manufacturer	2
Winery owner and winemaker	1
Representative, Australian supermarket chain	1
Representative, Australian fresh produce exporter	2
Executive, Australian infant formula producer	1
Representatives, PRC state-owned carriers (Australia/Singapore)	2
Executives, PRC state-owned commercial banks (Sydney)	2
Former senior staff, PRC tech companies investing in Australia	2
Executives, PRC EV brands (Australia)	3
Executives/Former advisors/Retired executives, Australian iron miners	3
Representative, Australian EV charging station installer	1
Representative, Australian tertiary education provider	1
Representative, Australian pet food distributor	1
Management Team, Joint venture of Australia-PRC resources	1
Representatives, Global professional services companies (Australia)	3
Representative, Geostrategy and Partnerships Division, Australian Government	1
Representatives, Industry peak body	2
Retail analysts (Australia and the PRC)	2
Entrepreneurs, Biopharmaceutical/Biotechnology sector (Australia and the PRC)	2
Venture capital investor in Australia/PRC deep tech sector	1
Independent scholars (Australia and the PRC)	2
Representatives, E-commerce platforms (Australia and the PRC)	2
E-commerce sellers	2
TOTAL	**40**

Note: The interview participants were anonymised in accordance with research ethics, identified by their position or affiliated institution only.

Shopping cart box on Australia flag (sweet tomato / Shutterstock)

Endnotes

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23 The participant list is available in the Appendix.

24 Throughout this report, words and phrases in inverted commas are direct quotes from interviewees.

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