



By: Tomorrow's Affairs Staff

# Does Australia gain or lose by balancing trade and defence?



Australian Prime Minister Anthony Albanese begins a six-day **visit** to China today, including Shanghai, Beijing, and Chengdu. The aim of the trip is to maintain and deepen economic cooperation while maintaining the strategic alliance with the United States through the AUKUS framework (security partnership between Australia, the United Kingdom, and the United States).

In Shanghai, a delegation of 14 business leaders—including Rio Tinto, BHP, and Fortescue—will present key Australian export sectors and proposals to expand investment in green energy and agriculture to Chinese partners.

Australia has recently emerged from the **period** of trade barriers worth around 20 billion Australian dollars, which has significantly increased exports of minerals and agricultural products.

This will be followed by meetings with President Xi Jinping and Premier Li Qiang in Beijing to **discuss** the revision of the Australia-China Free Trade Agreement (ChAFTA) and the possible inclusion of new chapters on artificial intelligence, the digital economy, and green industry.

The Australian delegation points out that it will endeavour to continue to reduce trade barriers while insisting on controlling critical investments, particularly in the **Port of Darwin**.

Meetings are planned in Chengdu, with representatives from research centres and universities involved in the development of new technologies and climate solutions.

## Path between Beijing and AUKUS

The diplomacy is taking place against the backdrop of the Talisman Sabre military **exercise** with over 30,000 military personnel from 19 countries. China has deployed Dongdiao-class surveillance ships to monitor these activities within Australia's exclusive

economic zone, indicating that any **changes** to the security framework will be closely tracked.

There are two sides to the internal debate in Canberra.

Opposition MP Barnaby Joyce **warns** that any concession to Chinese investment in ports and mining capacity could weaken the alliance with the US under AUKUS.

On the other hand, former Australian diplomat and analyst Richard Maude **believes** that an open dialogue with China is necessary to avoid misunderstandings and maintain stability in the region.

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At the same time, the need for market **diversification** is becoming increasingly clear. According to the Australian Department of Foreign Affairs and Trade (DFAT), China **accounted** for 32.5% of Australia's total exports, with a value of \$219 billion.

The Australian Bureau of Statistics (ABS) reported that China's share of Australia's total goods exports was approximately 26%, with **exports** totalling \$212.7 billion. Diversification measures are already in place, but there is a need to strengthen co-operation with countries such as India, South Korea, and ASEAN (Association of Southeast Asian Nations).

Trade Minister Don Farrell **announced** that the Government of **Canada** will support critical minerals projects, which would increase energy security and create new jobs in the high-tech sector.

The ASX200 (a key performance benchmark for the Australian share market) **rose** by 0.8%, demonstrating investor confidence in the government's ability to balance economic interests and security commitments.

In her speech to investors, the Governor of the Reserve Bank of Australia (RBA), Michele Bullock, recommended a cautious **policy** of adjusting interest rates while maintaining the flexibility of monetary policy.

## Balancing geopolitical demands with economic priorities

At the ChAFTA **talks**, Beijing proposed to expand the agreement to include artificial intelligence, the digital economy, and green industry.

Ambassador Xiao Qian stressed that Beijing expects concrete **steps** to be taken to establish joint innovation centres. Canberra replied that they will not consider any proposal until they receive guarantees on the protection of critical data and transparency of investments.



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The possible scenarios for further development differ in the degree of willingness to compromise.

In an optimistic scenario, China lifts all barriers and accepts investment controls, while Australia formalises partnerships in AI and green energy while respecting the AUKUS principles. In a compromise scenario, occasional disagreements do not slow down trade.

The worst-case scenario occurs if Beijing insists on lifting control over critical

infrastructure, which Canberra refuses to do, and trade relations enter a new phase of tensions.

Crucial to success is Canberra's ability to demonstrate that it can have an equal dialogue with China without jeopardising the defence framework.

If Prime Minister Albanese reaffirms the importance of the AUKUS alliance while ensuring continued export growth and investment attractiveness, Australia will demonstrate the ability to balance geopolitical demands with economic priorities. Otherwise, there is a risk of over-dependence on China and an erosion of trust among American partners.