

# Year of the ‘known unknowns’? Australia-China relations in 2025

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2024 saw the Australia-China relationship consolidate a process of stabilisation that had followed the election of the Anthony Albanese-led Labor government in 2022.

The year saw the lifting of the final trade restrictions that formed part of Beijing’s campaign of economic coercion against Australia, with live rock lobster exports – the last commodity subject to punitive trade actions – [resuming](#) in mid-December.

High-level bilateral engagements also picked up the pace. China’s Foreign Minister Wang Yi [visited](#) Australia in March, and [met](#) Australia’s Foreign Minister Penny Wong on the sidelines of the United Nations General Assembly in New York in September. Chinese Premier Li Qiang [visited](#) Australia in June, while October saw the first Australian [cross-parliamentary delegation](#) visit to China in five years. In mid-November Albanese [met](#) Xi Jinping on the sidelines of the G-20 summit in Rio de Janeiro – the third bilateral meeting between the two leaders. Interspersed between these meetings were key dialogues on [foreign affairs](#), [business](#), [economics](#), and defence.

It was, nonetheless, not all smooth sailing. Beginning early in the year, China was the focus of [publicly voiced concerns](#) by Australia’s intelligence head about espionage and foreign interference activities. A [dangerous manoeuvre](#) in the Yellow Sea in May, in which a Chinese fighter jet dropped flares in the flight path of an Australian navy helicopter, was labelled ‘unacceptable’ by Albanese. Chinese state press throughout the year continued to voice criticism against [AUKUS](#) and the [Quad](#), Australia’s [engagement](#) in joint military exercises in the South China Sea, and its [procurement](#) of Tomahawk missiles from the United States. Yet while each of these concerns caused friction, none derailed the overall trajectory of a gradual improvement in bilateral ties.

Entering 2025, however, the Australia-China relationship continues to face growing uncertainties. Many of these intersect with two political ‘known unknowns’: the result of Australia’s federal election, which could see the return of a Coalition government with a checkered history of managing relations with Beijing, and the policy decisions of the mercurial Trump administration, which could heighten contradictions between Australia’s security alliance with the US and economic interdependence with China.

While there are a number of contenders for the shortlist of factors that could have the most significant impact on bilateral ties, three areas stand out: (1) trade and critical minerals; (2) developments in AUKUS and the Australia-US alliance; and (3) increasing tensions in the South China Sea.

## Trade and critical minerals

Canberra's navigation of its major security and trade relationships is poised to become more challenging as the new administration in Washington appears to be locked into what former Trump adviser Steve Bannon has [called](#) 'economic warfare' against China. The first salvo of a new stage in trade tensions has arguably been fired, with President-elect Trump having [pledged](#) to impose across-the-board tariffs in excess of 60 percent on Chinese imports.

Australia continues to place enormous weight on its security partnership with the US, and, in the wake of a concerted campaign of trade disruptions, China's championing of free trade is viewed with more than some irony. Even so, Canberra may find itself dovetailing with Beijing's position on some of its security ally's trade measures.

Internal analysis by the Reserve Bank of Australia has already [forecast](#) a dire impact on the nation's finances should an 'extreme' trade war break out between the United States and China. [Others fear](#) US protectionism will deal broader damage to the global liberal trading order that has fuelled Australia's prosperity.

Also working against solidarity with Trump's proposed measures is the fact that Australia stands out among advanced nations as having a highly complementary trade relationship with China that helps deliver a [massive trade surplus](#). Australia has even arguably benefited from China's [manufacturing overcapacity](#) – the bane of most advanced economies – which has fed the continuing boom for Australia's resources sector, while posing less consequential competitive challenges to Australia's manufacturing-light economy. While there have been notable exceptions (i.e., the Huawei ban), Canberra also has a long history of overlooking [geoeconomic strategy](#), which is often invoked to back the protection of critical sectors, in favour of a *laissez-faire* approach to trade.

The challenge for Australia is that this approach has made it highly reliant on export revenue for China-bound commodities that have enormous strategic gravity in great power competition. One of the most significant of these is high-quality iron ore, which feeds China's burgeoning industrial and military might. In 2014 then-US President Barack Obama was [reported](#) to have asked then-Australian Prime Minister Tony Abbott to stop selling iron ore to China, a request the latter declined. With the value of China-bound iron ore exports having effectively doubled in value since that meeting (albeit with a forecast downturn ahead), Canberra in 2025 may respond in a similar manner.

Perhaps even more significant is Australia's trade in critical minerals – which, on the back of Canberra's decisions to block some Chinese investments in the domestic sector, has already become a source of bilateral tensions.

Australia is both a major producer of critical minerals and a member of the US-led, Western majority [Minerals Security Partnership](#), which aims to counter China's [dominance](#) in the critical minerals sector by developing 'diverse and sustainable critical energy minerals supply chains.' The current reality is that China, which [dominates](#) refinery and processing, remains the most important export market for Australian raw materials, and a still-important investor in mining capacity. This is particularly the case for Australia's almost AU\$12 billion lithium export sector, which [sells](#) 97 percent of this commodity to China, and which is funded by major investments from Chinese firms including Tianqi Lithium.

Which direction Australia will take will arguably be determined by whether policymakers in Canberra adopt a strategic approach to industry development, as well as being highly contingent on policy decisions undertaken by Washington.

In relation to the former, Canberra has expressed concerns about Chinese dumping practices aimed at obliterating competitors, particularly in regard to [nickel](#), while there have been [accusations](#) that Chinese influence operations in Africa have forced Australian miners to relinquish overseas assets. Another factor working against Chinese investment is recent decisions by Beijing to [restrict](#) the sharing of refinery and

processing technologies – which works against Australia’s aspirations for its critical mineral partners to help it migrate up the value chain.

The policy of the new administration in Washington is also critical. On the back of announcing concessions to Australian critical mineral firms under the protectionist Inflation Reduction Act (IRA) in 2023, in September 2024 the US Export Import Bank [announced](#) a team-up with Export Finance Australia to allow firms from both nations to ‘receive streamlined access to both agencies’ financing support.’ Yet it is uncertain whether an ‘America First’ Trump administration will continue down the road of balancing sovereign capacity concerns with an attempt to build a multilateral as opposed to purely national critical minerals industry ecology.

With Australia’s critical minerals industry profiting largely from the electric vehicle/green energy sector, as opposed to semiconductors and other critical technologies, the conundrum of a zero-sum game of China or US/allied trade could be alleviated for Canberra if Trump goes through with his decision to dump the IRA and abandon the current Joe Biden administration’s green energy policies – something that may tie in with the impact on Trump of his most high profile supporter, and the owner of the Tesla brand, Elon Musk.

### **AUKUS and the US alliance under Trump**

The security front also presents potential challenges.

While the Albanese government’s active participation in the AUKUS security partnership has not hitherto derailed Canberra-Beijing ties, intensifying concerns over the pact in Chinese state press indicate that it could become a bigger wedge in bilateral relations.

Beijing’s disquiet around AUKUS has heated up in the wake of US Deputy Secretary of State Kurt Campbell’s [remark](#) that AUKUS nuclear-powered submarines would be an important asset in the event of a conflict in the Taiwan Strait.

While Beijing’s focus has thus far mainly centred on AUKUS Pillar I, the nuclear-powered submarines component of the pact, concern is growing in China about Pillar II, which involves cooperation in cutting-edge military and dual-use technology.

For example, a [commentary piece](#) in the Shanghai Observer stated that Pillar II ‘poses the greater potential threat’ to China’s vision of regional security by advancing what the Global Times has [called](#) ‘NATO’s Asia-Pacificisation’ under ‘the banner of technology cooperation.’

Associated with this has been a [narrative](#) in Beijing that the transfer of defence capabilities from the United States to Australia is, according to China Radio International, feeding Canberra’s ‘[ever-increasing](#)’ or even ‘[unprecedented](#)’ military ambitions.

The impact of AUKUS on Australia-China relations is, again, contingent upon whether great power tensions escalate during Trump’s second term. On the other hand, US [shipbuilding constraints](#) and [submarine program shortfalls](#) are becoming a deep matter of concern among some Republicans, contributing to doubts about the continued viability of the submarine pact. Added to this are fears that Trump’s propensity to put ‘America First’ could see Washington wind back plans to share sensitive technology or reset negotiations for both pillars and push new terms that Canberra may be less amenable to.

Alternatively, Trump may seek to leverage the benefits of US technology transfer to consolidate US dominance of alliance command structures – stoking Chinese accusations of Australia being subservient to US strategic interests and increasing Australia’s exposure to escalating tensions between the two powers.

### **South China Sea**

Beijing’s increasingly aggressive efforts to enforce its expansive territorial claims in and beyond the South China Sea will remain a significant challenge for Canberra.

2024 saw dangerous engagements in the South China Sea approach a new threshold. This included a number of [collisions](#) involving China Coast Guard ships that damaged Philippine vessels, the China Coast Guard's use of potentially lethal [high pressure water cannons](#), as well as its use of [bladed weapons](#) to destroy inflatable boats and equipment – the latter of which resulted in an [injury to a Philippine sailor](#).

In mid-December a spokesperson for China's Ministry of National Defence, in line with the tenor of previous comments from [China's Ministry of Foreign Affairs](#) and [state press](#), [berated](#) Manila for 'undermining peace and stability in the South China Sea' and seeking support from the US and its allies. The spokesperson added, 'More provocations lead to stronger countermeasures... China will never back down.'

While Australia does not share a mutual defence treaty with the Philippines, it has expanded military ties with the Southeast Asian nation and has over the last two years participated in a significant number of joint bilateral/multilateral patrols and military exercises with Philippines forces. This raises the risk of Australia becoming entangled in potentially lethal clashes involving Chinese military or coast guard assets.

A decision by the Trump administration to veer away from the Biden administration's preferred mode of response to Chinese acts of aggression in the South China Sea – that is, via [verbal criticism](#) and [post-factum exercises or patrols](#) – and directly intervene in dangerous engagements with Chinese vessels could also heighten the prospects of Australian forces being entangled in an escalation spiral.

### **Other issues**

Other factors also merit close observation in 2025, including, but not limited to, the downward trajectory of research collaboration, particularly in science and technology; cyber attacks, espionage, and foreign interference by Beijing; the contest for influence in the South Pacific; and how Canberra navigates China and Taiwan's accession bids to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as it [assumes](#) the chairing role of the CPTPP Commission. Added to these is the perennial issue of a potential conflict breaking out across the Taiwan Strait.

Whatever 2025 holds, it is clear there is no room for complacency in the Australia-China relationship.

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