

## **IMPLICATIONS OF THE CANCELLATION OF THE BELT AND ROAD INITIATIVE (BRI) FOR THE BILATERAL RELATIONS BETWEEN AUSTRALIA AND CHINA**

**Abharina Nasution**

Faculty of Social and Political Sciences, Universitas Kristen Indonesia  
Coreponding author: arienhoeve@gmail.com

### **ABSTRACT**

*China is a country that is very ambitious to improve its economy through economic cooperation with other countries under the giant Belt and Road Initiative (BRI) idea. The China-Australia Free Trade Agreement (ChAFTA) is a bilateral cooperation between China and Australia that was formed on December 20<sup>th</sup> 2015. Even though it benefited both parties, this cooperation was canceled due to China being threatened by Australia's initiative which proposed an investigation into the origin of COVID-19. -19. Therefore, this article analyzes the impact of BRI Cancellation further. This research uses a qualitative methodology with secondary data collection techniques obtained through a literature study. the author uses the concept of international cooperation and trade war as analytical tools. From this research, the authors found that the cancellation of this cooperation resulted in a loss of export and import markets for both countries. however, this cancellation did not have a significant impact on the economies of the two countries because China and Australia respectively managed to find a replacement market as an alternative to offset losses from this cancellation.*

**Keywords:** China-Australia, Belt and Road Initiative (BRI), Economy Cooperation

### **INTRODUCTION**

State development is a really serious national interest for the state as a rational actor in international relations. The country's development certainly can not be separated from the economic progress that must be achieved by the country with various efforts, one of which is to take advantage of its bilateral relations with other countries to carry out international economic cooperation such as trade agreements which become the rules for contracts between countries regarding their trade relations. This trade agreement can be bilateral or multilateral. This trade agreement is vital because it can resolve several unilateral barriers such as tariffs, non-tariff barriers, and economic prohibitions by cooperation to open access for the parties to work together to benefit from increased trade.

China is a country that is ambitious to enter into trade agreements and increase economic cooperation with various countries. One of China's ambitions can be seen in the ambitious Belt and Road Initiative (BRI) policy. BRI is a policy issued by China in the first year of Xi Jinping's leadership as President. BRI policies are of particular interest in the study of international relations because of Xi Jinping's ambition to link the Eurasian economy with infrastructure, trade, and investment. BRI has two main aspects, namely the Silk Road Economic Belt which is a land route infrastructure that aims to connect lagging provinces in the western part of China with Europe by passing through the Central Asia region, then the aspect of the 21st Century Maritime Silk Road which is the initiation of a sea route which aims to become The link between the province located on the coast of China and the Southeast Asian to African regions

will be initiated through ports and railroads. Xi Jinping's initiative to connect China with various regions is a form of Xi Jinping's plan to build a silk road for China to make it easier to fulfill China's various interests, especially in the economic sector. As a giant project whose realization will cross three continents, namely Asia, Europe, and Africa, BRI's prospects are an attraction for other countries to carry out economic cooperation with China, one of which is Australia (Anam and Ristiyan 2018).

Relations between China and Australia began with diplomatic relations carried out in 1972 with the establishment of the Australian embassy in Beijing in 1973. The Australia-China bilateral relationship is based on mutually fulfilling strong economic and trade interests. The cooperation between the two countries has been mutually beneficial so in 2014, the Prime Minister of Australia and the President of China agreed to define their bilateral relationship as a comprehensive strategic partnership.

China is Australia's largest two-way trade partner in the export-import of goods and services. To strengthen bilateral relations in the economic sector, China and Australia then agreed to form a trade agreement. The China-Australia Free Trade Agreement (ChAFTA) or what is known as the free trade agreement between China and Australia entered into force on December 20<sup>th</sup> 2015. ChAFTA is a form of cooperation between China and Australia that provides great benefits for Australia in increasing its competitive position in the Chinese market, encouraging growth economy, and creating jobs (Government n.d.). The China–Australia Free Trade Agreement (ChAFTA), which entered into force in December 2015, paved the way for the next phase of Australia's economic relationship with China. The agreement opens up significant opportunities for Australia in China, which is Australia's largest export market for goods and services, accounting for nearly a third of total exports, and a growing source of foreign investment.

However, the good and potential relations between China and Australia experienced a rift when Australia urged World Health Organization (WHO) to investigate China regarding the origin of the virus that caused the COVID-19 pandemic. A year after Canberra called for an independent investigation into the origins of COVID-19, Australia unilaterally canceled its trade agreement with China and strengthened its position by threatening China that Australia would soon end its ownership of Chinese infrastructure in Australia. This unilateral cancellation was also reinforced by the Minister for Foreign Affairs of Australia, Marise Payne, that the One Belt One Road initiative in China's BRI was no longer in line with Australia's foreign policy and harmed Australia's foreign relations. Australia's decision is thought to be related to trade attacks from China in the form of tariffs and bans on Australian imports, including coal, wine, lamb, beef, coal, lobster, and timber.

Therefore, this article aims to explain how the impact of the cancellation of China's Belt Road Initiative (BRI) agreement with Australia impact both countries? This study uses a qualitative methodology in a case study model and the concept of international cooperation and trade war. This article is divided into six sections, starting from the introduction, literature review, methodology, conceptual framework, result and discussion, and closing with a conclusion.

## **LITERATURE REVIEW**

The title that the authors chose in this study was "Implikasi Pembatalan Belt and Road Initiative (BRI) Cina dengan Australia". The discussion on this research topic then has a connection with the problems that have existed in previous studies in the form of research, publications, and scientific articles. As the main reference in this writing, I have three kinds of literature.

The first piece of literature that I will develop is an article entitled "Dinamika Persaingan Kekuatan Ekonomi Australia dan Cina di Kawasan Asia Pasifik" written by Chairul Aftah. In this paper, the author provides an overview of Australia and China in their position as two countries in the Asia Pacific that have high economic growth in the world. The economic growth of these two countries also affects the economy in the Asia Pacific region. Australia and China have different ideologies, in which Australia adheres to liberalism and China adheres to communist ideology. This paper is a research conducted to answer the comparison of strength between Australia and China in the economic field. To answer the formulation of the problem, we can see how Chairul Aftah as a writer applies the theory of rivalry in interdependence using descriptive methods and qualitative approaches.

In his writings, Chairul Aftah explained the view of realism in the economic field, that the process towards economic progress is one of the triggers for conflicts between countries. This is in line with the opinion of the figure of Realism, Hans J Morgenthau that realism sees politics as an arena related to the desire of the state to always gain power, including economic control. Meanwhile, according to Chalmers Johnson, regional institutions that are supposed to ensure security in the Asia Pacific region will be formed if they are based on interdependence among the major countries in the region, such as Australia and China. In his discussion, the author describes how important the role of industry and investment is in a dynamic economic cycle in a country. This investment and industrial progress must of course be supported by infrastructure development (Aftah n.d.). From this research, I found several things that could contribute to my research, namely in the form of a collection of Australian and Chinese investment data, and an overview of China and Australia's economic relations that have relevance in the impact of the cancellation of the Australia-China trade agreement.

The second piece of literature is an article by Xunpeng Shi, Tsun Se Cheong, and Michael Zhou entitled "Economic and Emission Impact of Australia-China Trade Disruption: Implications for Regional Economic Integration". This paper examines the debate about supply chain resilience and the impact on the economy and emissions from changing supply chain routes in Australian and Chinese trade. The results of the study show that, in the case of exports and imports, a trade embargo between Australia and China will result in a loss of gross domestic product and an increase in emissions for both countries even though alternative supply chains have been attempted. Through this research, it is estimated that ASEAN will also be affected by the Australia-China trade embargo.

In his article, the author writes that the two recent developments regarding the US-China trade war and the COVID-19 pandemic have made the stability of the global supply chain in China even more vulnerable to disruption. The US-China trade war, which was initially motivated in large part by then-US President Trump's ambition to reverse a continuing bilateral trade deficit with China, has reflected a wider range of concerns, particularly in the security domain. The US argues, for example, that China's supply chain for telecommunications poses a threat to cybersecurity and pressures allies to exclude Chinese firms such as Huawei (Shi, Cheong and Zhou 2021). The trade war as a whole has generated considerable uncertainty around China-based supply chains, particularly for those dealing with high technology. This research can contribute to the writing of my scientific paper because it contains how China and Australia are interdependent in the supply chain process reviewed in the Global Value Chain (GVC) study. Apart from that, this research also looks at economic developments after the COVID-19 outbreak broke out. Where COVID-19 is a new phenomenon that is quite affecting the international economy.

The third piece of literature is written by Johni R. V. Korwa entitled "The China-Australia Free Trade Agreement (ChAFTA): Its Implications for Australia-United States Relations". This paper raises the issue of how Australia is currently faced with strategic and economic dilemmas regarding its interactions with China and the United States (US). Where

Australia must continue to maintain and strengthen its strategic relationship with America as an ally to stem the rise of China, however, Australia also needs to ensure its economic growth by establishing cooperative relations in trade with China.

This paper aims to answer the implications of the China-Australia Free Trade Agreement (ChAFTA) for the Australia-US alliance (ANZUS). By implementing ChAFTA, the two countries can potentially increase trade and share profits. According to data from DFAT, nearly all of Australia's resource, energy, and manufacturing exports will enter China duty-free within four years of the agreement. ChAFTA is expected to increase the competitiveness of Australian agricultural exports to China, eliminating tariffs on meat, dairy, and wine. It is believed that Australian consumers and businesses will have access to cheaper and more diverse Chinese goods and services. ChAFTA will provide Australian service providers with a significant boost in the Chinese economy. ChAFTA will also promote Chinese investment in Australia, fostering future economic growth by lifting the screening threshold for Chinese private investment in non-sensitive sectors. In comparison, many observers believe the Australia-US Free Trade Agreement (AUSFTA) offers Australia fewer benefits (Korwa 2019).

Through the results of this research, several things were found that were relevant to me as material for research development such as the three basic assumptions of this paper. First, there has been a fundamental change in the way Australia views China now where Australia is now highly integrated economically into the Asia Pacific economic region, particularly China's economic development. Australia has understood that integrating itself into the Asia Pacific region will ensure its future both economically and politically. Second, Australia may perceive that ChAFTA is more economically advantageous than AUSFTA. As discussed, although AUSFTA has been in existence since early 2004, it does not appear to have delivered the economic benefits Australia had hoped for. Third, even though ChAFTA brings great economic benefits to Australia, Australia will not risk its national security at the expense of ChAFTA. The Australia-US relationship is paternalistic. This means that the US is irreplaceable in Australia's national interests, while China remains a major threat to Australia's security. Trade is very important to Australia, but the country's safety always comes first.

## **METHODOLOGY**

In scientific writing, such as theses, research methodology is one of the things that must be considered because it will reflect how the research works and ensure that scientific writing is organized academically so that it can be accounted for and utilized in the academic world, in this case, International Relations. Research methodology is a method used to find out the results of a problem that is a more specific research question. Philosophically, research methodology is part of science that studies how to work procedures to seek truth through scientific studies called epistemology.

The research methodology discusses the theoretical concepts of various methods including their strengths and weaknesses. International Relations as a social science family offers several research methodologies, however, the basis of some of these choices is the quantitative and qualitative research methods that have developed since the 1960s.

In the process of writing this scientific paper, I chose to use a qualitative descriptive method. The descriptive method is a method used in the process of researching a group of people, objects, conditions, phenomena, or even a system that aims to describe the findings in a descriptive, factual, and accurate manner based on facts, characteristics, relationships between phenomena which are then combined scientifically (Nazir 1998).

Qualitative methodology is a research method based on the post-positivism philosophy which is used to examine the natural condition of objects. I chose qualitative a research method

because the analysis is narrative in nature and the research results emphasize meaning rather than generalization. Through qualitative research methods, I can better understand the phenomenon of relations between China and Russia so that it can help me understand what is experienced by the object of research, such as perceptions, motivations, and policies descriptively.

Some of the advantages of qualitative methods are using samples with a smaller scale than quantitative ones, so the results can be more specific. Qualitative methods are also more applicable to develop specific insights, where these methods are suitable for understanding state decisions and actors in international relations which are very complex. This supports my research because it can help me see the reasons for the termination of economic relations between China and Australia, as well as being able to help me analyze the impact of the termination of economic cooperation between the two countries (Moleong 2018). Even so, this method has some drawbacks such as requiring a longer time to understand the data that has been collected and does not provide a statistical representation as offered by the quantitative method (Hayati 2022).

When a researcher has decided to conduct research using a particular method, the next step that needs to be taken is to choose a data collection technique that will be processed and interpreted. In the research process "Implications of China's Belt and Road Initiative (BRI) Cancellation with Australia", the author chose to use content analysis. Data collection techniques through content analysis are research techniques for making conclusions through verifiable and valid analysis of the text (or other important material) to the context of its use. As a data collection technique, content analysis involves special procedures. It can be studied and separated from the personal authority of the researcher. As a research technique, the content analysis provides new insights, enhances the researcher's understanding of a particular phenomenon, or informs practical action. Research techniques must produce findings that can be replicated. That is, researchers working at different points in time and perhaps under different circumstances should achieve the same results when applying the same techniques to the same data. Scientific research must also produce valid results, in the sense that the research effort is open to scrutiny and the resulting claims can be upheld in the face of independently available evidence. Content analysis is a data collection technique by tracing written sources that have been written before to find theories that underlie the topic to be studied (Krippendorff 2004). Therefore researchers need to ensure that the writings that will be used as references are scientific and accurate writings, such as books by authors who have credibility in their fields, accredited scientific journals, and various forms of academic research results such as theses, theses, dissertations, or practicum reports. This is in line with the opinion of Muhammad Nazir in his book entitled Research Methods. Muhammad Nazir defines a data collection technique like this as a data collection technique that is carried out by conducting a review study of books, literature, notes, and reports that are related to the problem we will examine (Asti 2015).

To ensure the accuracy of this paper, the authors limit the writing that will be used as a priority reference, writing that was published a maximum of five years before this research was written. After successfully collecting data, the writer will present the research results descriptively through several chapters and conclusions.

## **CONCEPTUAL FRAMEWORK**

### **International Cooperation**

The phenomenon of globalization that has occurred has triggered an escalation in the need for countries to cooperate with other countries to fulfill their national interests. This can be seen from China's ambition to build its trade routes through cooperation with various countries in the fields of development, trade, and economy. One of the countries that China's

trading partners is Australia. The analysis of bilateral relations between the two countries in this paper will be analyzed through the theory of international cooperation which is studied through the perspective of liberalism, where the two cooperate because of the interests and benefits to be fulfilled. In international relations, cooperation must be more equitable so that there are no imbalances in its implementation.

As actors in international relations, countries carry out bilateral relations such as economic cooperation to achieve several interests such as helping accelerate economic growth, maximizing and developing the potential of the two countries, meeting the needs of the countries involved in cooperation, and improving the economies of both countries so that they can reduce poverty, promote trade to create prosperity for both countries by reducing some costs (Nopirin 1999).

Liberalist thinkers believe that in political relations, actors can also carry out economic cooperation with countries that have political relations. So that each country can benefit and fulfill its national interest. Good political relations can become good economic and trade relations, and vice versa bad political relations also have the potential to terminate economic cooperation, this can be seen through the cancellation of the ChAFTA by Australia and China.

This is in line with what Tim Dunne stated that the motivation of countries to cooperate is based on the belief in getting "absolute gains", rather than "relative gains". Relative gains are defined as a country that does not feel safe with the potential for fraud to be committed by other countries in cooperating, while absolute gains are the belief that cooperation will benefit both parties who cooperate (Dunne 2001).

In doing this writing, I have focused on liberalism according to Robert Jackson and George Sorensen. The two IR scientists formulate liberalism in cooperation through three basic assumptions. The first basic assumption is that liberalism views human nature optimistically, which is different from realism, which views human nature pessimistically as opposites of one another. The second assumption is that liberalism believes in international relations that can be carried out cooperatively, which is different from realism which views international relations as conflictual relations in which each state is an enemy to another. The third assumption is that liberalism believes in cooperation that will bring progress to society *society* (Jackson and Sorensen 2009).

## Trade War

The state is not always able to meet its needs. Therefore, cooperation is one of the choices of countries because they need each other to meet their needs. One of the countries efforts to meet their needs through cooperation is through international trade which also has a major impact on the economic growth of cooperating countries through income for the country, increasing production effectiveness, employment, and other economic opportunities. To liberalize international trade, an organization that regulates international trade was established, namely the World Trade Organization (WTO). The World Trade Organization (WTO) is the only global international organization that deals with trade rules between countries. The formation of the WTO was negotiated and signed by most of the world's trading countries and ratified in the parliaments of these countries to ensure that the flow of international trade is smooth, predictable, and as free as possible (World Trade Organization n.d.).

Even though the WTO has existed as an organization that regulates issues in the course of international trade, this economic relationship still has problems that are usually triggered by differences in interests and positions between countries involved in international trade, such as the ongoing trade war between Australia and China. A trade war is a condition in international economic cooperation when one of the cooperation actors increases tariffs between countries, causing trade conflict. This increase in tariffs is used to protect domestic production and also serves to attract income for countries that apply it.

A trade war which is a conflict between countries regarding an increase in trade tariffs between one another is defined by The Law Dictionary as an economic conflict that occurs between two or more countries by involving trade tariffs with one another. This trade war generally occurs when a country imposes or increases tariffs or policies that hinder other trades in response to trade barriers set by other parties, or the emergence of issues that are felt to threaten their country (The Law Dictionary n.d.). There are three important points from the occurrence of a trade war, the first is the economic conflict between countries. Second, the increase in import duty rates imposed on imported goods. And third, the parties involved will reciprocate the increase in import duty rates (Anggraeni 2019).

## **RESULT AND DISCUSSION**

As a rational actor, the state has a strategy in realizing its national interest through its foreign policy. However, it is not uncommon for countries to experience a dilemma in the decision-making process related to their foreign policy, this dilemma can be seen in the relationship between Australia and China in the Asia Pacific region. This dilemma is experienced by Australia because it sees the rise of China which has the potential to become a major partner in economic activities, especially trade. However, on the other hand, Australia sees China's potential to become a new economic power in the region. The rise of China, which was initially predicted by Australia as a potential cooperation partner, then turned into a new threat to Australia.

According to data obtained from the official website belonging to the Australian Parliament, it is stated that the bilateral relationship between Australia and China is a bilateral relationship with great potential. China's growth since the 1970s has led to urbanization, growth in manufacturing, and investment in infrastructure. This then increases the demand for building materials, energy for electricity and transportation, as well as raw materials for manufacturing. To meet these needs, China has established bilateral relations with Australia and is a ready market for Chinese manufactured goods. Since then, the bilateral relationship between China and Australia has become a potential relationship. China is Australia's largest trading partner, both in terms of imports and exports. Meanwhile, Australia is China's sixth largest trading partner. 25% of Australia's manufactured imports come from China; 13% of its exports are coal. As China moves into the next phase of development, Chinese demand is shifting from raw materials to manufacturing, services, and expertise. Australia has several potential advantages in supplying this demand (Holmes 2020).

Given China's prospects as a trading partner and boosting the economy, Australia and China ratified their trade agreement through ChAFTA (China-Australia Free Trade Agreement). The China–Australia Free Trade Agreement (ChAFTA) entered into force on December 20<sup>th</sup> 2015. ChAFTA is a historic agreement that has provided great benefits to Australia, enhanced Australia's competitive position in the Chinese market, boosted economic growth, and created jobs.

The China–Australia Free Trade Agreement (ChAFTA), which entered into force in December 2015, paved the way for the next phase of Australia's economic relationship with China. The agreement opens up significant opportunities for Australia in China, which is Australia's largest export market for goods and services, accounting for nearly a third of total exports, and a growing source of foreign investment. ChAFTA later became a historic point because it was able to suppress potential threats from China against Australia, as well as opening opportunities for more potential economic benefits for the two countries. With the entry into force of ChAFTA, 7,289 Chinese individual tariffs were cut with details of 1,710 tariffs being completely abolished, and another 5,579 experiencing the first of several cuts. The second round of tariff cuts took place on January 1<sup>st</sup> 2016 and the third round of tariff cuts took

place on January 1<sup>st</sup> 2017. More tariffs will continue to be cut annually on January 1<sup>st</sup> (Australian Government: Department of Foreign Affairs and Trade 2018).

### ***Economic Growth through ChAFTA***

China is Australia's biggest trading partner. Trade and investment with China are central to Australia's future prosperity. Reporting to the official website of Australia's Department of Foreign Affairs and Trade, in 2017, China purchased \$116 billion of Australian exports, more than a quarter of Australia's total exports to the world, so China became Australia's main overseas market for agriculture, resources, and services. . In 2017, Chinese investment in Australia also reached \$65 billion.

The China-Australia Free Trade Agreement (ChAFTA), which entered into force on December 20<sup>th</sup> 2015, has built Australia's large and successful commercial relationship with China, by securing markets and giving Australians better access to China in key areas. Australia, like business interests, includes goods, services, and investments.

In the implementation of ChAFTA in the Australian goods exporter sector, almost all Australian export goods to China received import duty-free facilities. China is a market for Australian agricultural products. On agriculture, ChAFTA removed the remaining tariffs on agricultural and food exports, lamb, and various horticulture. Not only in the product export and import sector, but ChAFTA also provides opportunities to increase investment. ChAFTA enhances opportunities for investors in both countries through the Investor-State Dispute Settlement (ISDS) mechanism which includes safeguards to protect the government's ability to govern the public interest and pursue legitimate public welfare goals such as public health, safety, and the environment. Through this bilateral relationship, Chinese investment in Australia has increased from \$6 billion 10 years ago to around \$65 billion at the end of 2017 (Department of Foreign Affairs and Trade 2018).

### ***Cancellation of Trade Agreements and Trade Wars***

Since the cancellation of ChAFTA as China's BRI project by Australia, the two countries have been involved in a trade war which resulted in both countries experiencing economic consequences. This cancellation stems from Australia's protest over China's lack of transparency regarding the initial causes of the outbreak of COVID-19 to raise the issue of human rights violations committed by China. Meanwhile, China has also protested against Australia's actions in intervening in China's domestic affairs, spreading anti-China rhetoric, and blocking investment for irrational reasons. This political disagreement then had an impact on major sectors of the two economies.

In political and economic studies, a trade war is defined as an economic conflict between countries that results in the two countries imposing trade protectionist policies against each other in the form of trade barriers. These barriers can be imposed in several different ways, such as the application of tariffs, import quotas, domestic subsidies, currency devaluations, and embargoes. As each country imposes trade barriers, other countries will retaliate with other policies. This creates the concept of "fighting" (CFI Team 2019).

The trade war between China and Australia started when the two countries believed that each side was involved in unfair trade practices that harmed the country's market. To protect domestic industries, China and Australia imposed trade barriers, such as the imposition of tariffs on main products imported from China to Australia, and vice versa.

In response to the unstable political relationship, China has imposed serious restrictions on several key Australian industries which have subsequently caused certain industries to experience drastic reductions in revenue. Before 2019, China accounted for more than 40 percent of all Australian wine exports (including 50 percent of red wine exports) which have now fallen to near zero. Likewise, Australian lobster export sales also experienced a drastic

decline. Previously, China accounted for 96% of Australia's total lobster export sales. However, after the political tensions between the two countries, imports were stopped. This has an impact on the loss of Australian fishermen. A similar situation has existed in the beef and animal feed industries.

Australia's economic relationship with China is rapidly intensifying as China's economic growth is seen by Australia as potential, demonstrating that economic dependence on China has reached a level that can make Australia strategically and politically vulnerable.

Australia, which realized that the trade war with China was a new threat to its economy, then made efforts to release its economic dependence on China by strengthening its economic security. In terms of strategic initiatives related to Australia's economic security, several multilateral partnerships have been carried out by Australia, such as strengthening relations with India. In relations with India, which have strengthened in recent years, Prime Minister Morrison and Prime Minister Modi met online in June 2020, agreed to elevate bilateral relations to a comprehensive strategic partnership between the two countries, and agreed on bilateral trade and investment promotion and accelerated re-negotiation of the economic partnership agreement (Okano 2021).

The Southeast Asian region is also used by Australia as a new alternative target market to replace China. Considering a growing middle class and population of 600 million, Southeast Asia is becoming more attractive as a consumer market and is also becoming increasingly important in the supply chain as a destination for relocating manufacturing locations from China. In addition, industry groups and export support groups for each sector and goods also focus on developing markets, such as India and Southeast Asia.

### ***The impact of the trade war on Australia and China***

The relationship between Australia and China, which has been involved in a trade war since the end of 2019, was the peak of China's anger, which felt disturbed in its domestic sphere regarding Australia's request to investigate the origin of COVID-19, which certainly had an impact on the economies of the two countries. Not only in politics which throws accusations at each other about domestic issues but also in the economy. The disagreements and differences in the interests of the two countries involve large sectors of the two countries economies.

China is a big market for Australian commodities such as exports of beef, wine, and lobster which have contributed to Australia's economic prosperity. China's attitude of imposing serious restrictions on some of Australia's main industrial sectors caused Australia to experience a drastic decline in opinion. Before the imposition of tariff increases in 2019, China was a potential export market for Australia as it accounted for 40% of all Australian wine exports. But now these export activities have decreased drastically to almost zero. The same thing happened to lobster export sales which also fell drastically where previously China contributed 96% of all Australian lobster export sales. The conflict between China and Australia, which led to a trade war, caused imports to be stopped, which affected market prices in several industries, such as lobster and beef.

China, which has chosen to impose economic sanctions on several Australian industries such as imposing high tariffs on exports of Australian barley and wine as well as imposing barriers on other products such as wood, lobster, and bricks, has responded to Australia with several steps to maintain its economic strength and minimize the effects of China's economic sanctions. Analysis by Roland Rajah in his research with the Lowy Institute shows that China itself is experiencing difficulties in finding alternatives for importing iron ore and coal which are the main part of China's imports from Australia (Rajah 2021). The economic sanctions imposed by China have also encouraged Australia to diversify its country's trade business by diverting it to other markets. Because Australian products are highly competitive products in

the market, prices can almost stabilize so that Australia's losses due to the trade war with China can still be offset (Xue 2021).

In addition, in the political sector, Australia received political support from the United States under the leadership of Joe Biden where America considered that the alliance formed with Australia was a potential and strategic alliance. So it can be said that apart from China's pressure through increasing tariffs and other economic sanctions in several Australian sectors, Australia has managed to show considerable resilience in overcoming and minimizing the impact on the country's economy.

## **CONCLUSION**

Country development is a national interest that every country has as a rational international actor. National interest in the form of this interest can be fulfilled by cooperating with other countries. China is one of the countries whose economy continues to grow and rise, intensively conducting economic cooperation with other countries through the Belt Road Initiative (BRI) project which is very focused on building infrastructure for China's trade activities. Australia is a country that is China's trading partner. To strengthen economic cooperation and maximize profits, the two countries then agreed to ratify the China-Australia Free Trade Agreement (ChAFTA) trade agreement under China's BRI mega project.

However, amid its implementation, China and Australia's political relations experienced a decline, starting with Australia wanting to investigate the origins of the spread of COVID-19 which became a pandemic, then it was considered by China as Australia's intervention in China's domestic affairs. The termination of this cooperation relationship then had implications for the two countries and led to a trade war. To secure their respective economies and trade, China and Australia then seek new alternative markets for their trade.

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