**Introduction**

Australia and China have extensive and strong business connections. It takes in almost a third of all Australian exports and is the biggest international market for many Australian products and services.

There are many opportunities for bilateral commerce and investment because of the two countries' significant interconnectedness. Resources and energy make up the majority of Australia's exports to China, with iron ore and natural gas leading the pack, and the most Australia’s minerals import from China is refined petroleum.

**Bilateral trade and its importance**

China ranked ninth in terms of Australian investment in 2021, up 14.5% from the year before.

**Figure 1. Top 5 Australia’s minerals and fuels exported to China**

According to the Department of Foreign Affairs and Trade (DFAT) data, bilateral trade in minerals and fuels between the two nations was A$124.49 million in 2022, down 15% compared to 2021 (Figure 1). Iron ore and concentrates is the most exported minerals resource which is approximately A$103.5 million in 2022.

Many Australian exports, including iron ores and coal, still mostly go to China which bring several advantages for minerals and fuels sector. 70.1% of all Chinese investment inflows were made in the mining sector, and renewable energy received 3.2% (AUD 25 million) of the total AUD 778.2 million.

According to the Minerals Council of Australia (MCA) (2017), this sector is responsible for about 50% of all Australian exports. Moreover, this industry attracts significant foreign investment which further supports its development. As stated by the MCA (2017), "the importance of iron ore, copper ores, and coal gas cannot be overstated," since they serve as the cornerstones of both industrial production and energy generation. These resources are essential for producing energy through thermal power plants, which depend heavily on coal gas to function properly. Iron ore is also used to make steel - the foundation of several sectors like construction and the automobile industry.

**Figure 2. Top 5 Australia’s minerals and fuels imported from China**

In Figure 2, it can be seen clearly that from 2014 to 2022, refined petroleum had the largest flows of minerals exported from Australia. It brought Australia around A$124.5 million in 2022. Moreover, in DFAT data, there was no data of crude petroleum recorded in 2007, 2008 and from 2012 to 2022. Even that, comparing the other years, the most minerals exported from Australia to China is still refined petroleum.

China's imports of refined petroleum have considerably benefited Australia's minerals and fuels industry by supplying consistent and reasonably priced fuel supplies for the nation's transportation sector. These imported fuels have lessened Australia's reliance on domestic production while assisting it in meeting its energy needs.

By creating jobs and raising the GDP, these natural resources have also made a significant contribution to the nation's economic development. Despite geopolitical concerns, the two nations' economic and commercial cooperation has been expanding steadily over the previous two years.

**The factors influence the trade flows between Australia and China**

Trade flows between China and Australia can be impacted by changes in tariffs, quotas, and subsidies. These policy tools will continue to be essential for determining the nature of bilateral trade relations as both countries pursue protectionist policies meant to shield home sectors from foreign competition while fostering exports abroad.

I believe the strength of the Australian dollar and the Chinese yuan is quite important. Currency fluctuations can have an impact on trade balances by changing the cost of exports, which changes demand and has an impact on supply chains. These currency swings may also have a significant impact on investment choices made by multinational firms looking to launch new operations or expand current ones.

**Conclusion**

Due to their high demand globally, natural resources are currently advantageous economically, but it is important to keep in mind that they are limited and that extracting them will become more expensive as time goes on. This will encourage the development of alternative sources of income generation in Australia. Nevertheless, these minerals will continue to be important resources that support Australia's thriving economy today not just monetarily but also by fostering international trade links.

**Reference**

Data: <https://www.dfat.gov.au/sites/default/files/country-sitc-pivot-table-calendar-years.xlsx>

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