

China-Australia Geopolitical Game and the Transformation of Diplomatic Strategy in the Era of Economic Globalisation 3.0

Zhanrui Liu

Wuhan University, Wuhan, China
3329923007@qq.com

Abstract. This study carries out a systematic analysis on the process of evolution of geopolitical rivalry and diplomatic strategies between China and Australia during the 3rd stage of economic globalization. The study finds that China-Australia relations have evolved into a complex landscape characterised by a transition from economic complementarity to a coexistence of strategic competition and cooperation. Australia's relations with China are shaped by three main aspects: multilevel strategic concerns about China's rise, structural constraints due to the Australia-US alliance; and home-grown political forces shaping its relations with China. From the research, it is observed that new changes in economic globalization 3.0 like reorganization of global value chain, and growth of digital economy are having an immense impact on the interaction pattern between China and Australia. This article proposed policy suggestions on how to advance healthy Sino- Australian relations from three parts, which are strategic communication between China and Australia, Economic and Trade cooperation, People-to-People relationships. Also put forward some future research areas, like digital economy cooperation and economic and trade cooperation under RCEP framework etc. According to this study, it seems that if China and Australia can properly deal with their differences and innovate how they cooperate, they will be able to establish a more stable and mature bilateral relationship.

Keywords: China-Australia relations, Economic globalisation, geopolitical competition, Diplomatic strategy

1. Introduction

Throughout the continuous evolution of economic globalisation, we are currently at the 3.0 era in which digital technologies are deeply integrated, emerging economies are rising and the global industrial chain and supply chain are being restructured. When compared to the former version of globalization, the 3.0 era of economic globalization presents a more complicated and varied scenario: the rapid development of digital technology enables immediate transmission of data across borders, dramatically bringing down transaction costs, and encouraging a fresh kind of worldwide trading and investment. Emerging economies are becoming louder in the global economic landscape. The world was previously dominated by developed countries, but this has changed,

thanks to emerging economy voices, helping to form a new global economic order. The global industrial chain supply chains are also being reorganized to fit in with the new economies and politics.

Recently, the geopolitical game play between China and Australia is getting more popular, thus bringing many uncertainties toward the relationship of the two countries. When it comes to foreign policies, Australia is often affected by the US and has an opposite stance compared with China toward some worldwide affairs. On the South China Sea issue, it follows the United States and makes impertinent remarks about the South China Sea issue, and interferes in the internal Asian affairs of Asia and Oceania; In terms of trade, Australia levies various tariffs on certain Chinese products, and sets up trade walls. It leads to the worsening trade friction between China and Australia. Australia has imposed tariffs on some goods from China and trade barriers which has led to mounting trade friction between China and Australia. These geopolitical games will affect the economic cooperation between these two countries and will also affect the region's peace and stability [1].

Through in-depth study of the geopolitical game between China and Australia, this paper can better understand the political, economic and strategic interactions between countries in the context of economic globalisation, provide reference for China and Australia to formulate reasonable foreign policies, and promote the healthy and stable development of relations between the two countries. In the era of economic globalisation 3.0, the co-operation between China and Australia is crucial to the stability and development of the global economy. By studying the geopolitical game and the transformation of diplomatic strategies between the two countries, we can find an effective way to alleviate the conflicts and enhance the co-operation, so as to realise the mutual benefits and win-win situation, and to make contributions to the peace and development of the region and the world [2].

2. Manifestations and roots of the geopolitical game between China and Australia

2.1. Specific manifestations of the geopolitical game between China and Australia in the era of economic globalisation 3.0

The South China Sea issue. Australia's position in the beginning was relatively neutral, but later changed from being in line with the US to counter and check China. With the impetus from the US "Indo-Pacific strategy", Australia has gradually abandoned its middle position and is intervening in the South China Sea affairs under the banner of so-called "freedom of navigation" to consolidate its alliance with the US. In July 2020, Australia, following the U.S., made a statement to the UN regarding the legal standing of China's territorial claims in the South China Sea, revealing its intention to counterbalance China[3]; In May 2022, the Australian Defence Ministry made groundless allegations, accusing China's military planes of "unacceptably intercepting" Australian reconnaissance patrols; in May 2024, the U.S. seized the Australian destroyer Hobart to enhance its allyship towards China. This intervention will have a lot of influence on the relationship between China and Australia In politics, China has strongly opposed Australia's actions, resulting in a deep breakdown of the two countries' political trust, disruption of high-level dialogue and cooperation mechanisms, and a sharp decrease in willingness to cooperate on global issues, such as climate change, transnational crime, etc. in the economy, the poor atmosphere has been passed on to the economic and trade fields — bilateral trade projects are suspended due to political risks, and the import of wine and other agricultural products and beef from China to Australia has dropped sharply[4].

2.2. Deep-rooted causes of the geopolitical game between China and Australia

China's rise in economic and military aspects has caused Australia to feel very worried about it [5]. Economically, China has become the second largest economy in the world thanks to its complete manufacturing system and the high tech industry advantages, it has even surpassed the world in fields like 5G communication and new energy vehicles. As for Australia, it has only one kind of economic structure and they rely heavily on exporting items like Iron Ore and Coal. As China begins to hold more voice in the global industrial chain, Australia fears its own economic standing will be marginalized. For example, after the technological upgrading of China's iron and steel industry, its bargaining power over iron ore has increased significantly, directly compressing Australia's resource export profit margins. Militarily, China's defence modernization is speeding up, the addition of high-tech weapons and equipment and the improvement of war fighting abilities are making Australian ones unhappy. Australia, being an ally of the US, was influenced by the US-led Asia Pacific military alliances, which has overestimated China's normal military development from a security perspective. This anxiety made Australia increase armament purchases and often participate in U.S.-led military exercises to balance the influence of Chinese military forces.

3. History and drivers of the shift in China's diplomatic strategies

3.1. The trajectory of transformation of China-Australia diplomatic strategies in the era of economic globalisation 3.0

In the era of globalization 3.0, Australia's policy towards China has undergone three important periods of change; the first period from 2008 - 2016 was an era of balancing. Australia went about following a two-pronged approach relying on China for economic development and the US for security. On the one hand, it strengthened its economic and trade relations with China; but at the same time, it also maintained its alliance with the United States[6]. This balance enabled Australia to reap enormous economic benefits. The second stage (2017 - 2021) is a stage of strategic adjustment: Amidst growing rivalry between China and the U.S., Australia is slowly shifting towards the U.S. In 2017, the Turnbull Government released the "Pacific Escalation" plan, which was designed to offset China's expanding influence in the South Pacific area, and in 2020, the Morrison Government agreed to the U. S request to take harsh steps against China regarding tracing the Xi-jian epidemic and dealing with the issue of Huawei's 5G technology. The third phase (2022 - now) is a period of only partial détente. Albanese went to power after showing a bit more flexible approach in his policy regarding China. In November 2022, Chinese and Australian leaders held their first face-to-face meeting in six years. Since 2023, both countries started gradually resuming top-level talks and lifting some trade bans [7].

When it comes to diplomacy toward Australia, China, while upholding its independent and peaceful foreign policy, has also made corresponding adjustments as per the changing situation: First Phase (2008 – 2016), This time is a cooperation period. China sees Australia as a very important economic and trading partner and a part of the region it cooperates with, and fully pushes for relations with Australia. It takes an active stance when it comes to negotiating FTA and being humane. The second phase (2017 - 2021) is a counteract limited phase. As a reply to a series of unfriendly actions taken by Australia towards China, China adopted a "precision strike" strategy, and after 2020, China would impose trade restrictive measures on Australian barley, wine, coal and other goods and reduce its investment in Australia. The third phase (2022-present) is one of cautious engagement. China keeps policy coherence as it responds positively for signs of rapprochement

from Australia. It has started to restore some dialogue mechanisms at the highest level, and it's cautiously easing the import restrictions on Australian products, showing a bit of practical and adaptable diplomacy.

3.2. Drivers of the shift in sino-executive diplomatic strategy

Economic interests have always been a ballast and wind vane for Sino-Australian relations. Speaking about trade data, China has long been sitting at the top of Australia's list as their number one trade partner, the trade between China and Australia was AU\$287billion in 2022, 28% of Australia's overall foreign trade and the exports of the Australian resource products like iron ore and coal are also essential parts of Australia's economy. However, it is also the risk of relying too much on the Chinese market that has made Australia consider how to diversify its exports from 2015 to 2020, the share of Australia's exports to China rose from 32% to 39%, making Australians think too much about China, which made Australia consider the balance between economic benefits and security issues when adjusting its approach to China.

Strategic competition between the US and China is the key external factor impacting Sino-Australian relations, America defined China as a 'strategic competitor' in 2017 & Australia was placed under mounting pressure to join sides, the establishment of the AUKUS alliance in 2021 & progress on the Indo-Pacific Economic Framework in 2022 have strengthened Australian involvement within the US-led strategy aimed at China. Regional cooperation mechanisms is also under development, such as the signing of RCEP between China and ASEAN countries (2020), and the signing of a security agreement with the Solomon Islands (2022) have forced Australia to rethink its position in the region.

Australia's change of political party directly impacts the direction of China Policy. Liberal National Party alliance, as the U.S. Australia, alliance strengthens Labour Party, focus on economic pragmatism, the issue of "Chinese interference", is politicized before and after the 2019 election, resulting in policy firming-up toward China. China maintains policy continuity but also makes corresponding adjustments according to the attitude of Australia. Australia takes unfriendly moves, China replies with economic measures; when the Australian side shows signals of moderation, China responds positively too. It is both principled and flexible.

4. Policy recommendations for China-Australia relations in the era of economic globalisation

3.0

4.1. Strengthening strategic communication and building mutual trust

High-level dialogue is an important channel for strengthening top-level strategic dialogue and promoting mutual understanding. China and Australia need to set up regular high-level dialogue mechanisms like yearly leader meetings and diplomatic and strategic dialogues. through such exchanges of visits at high level, the leaders of both sides can express their viewpoints about major problems existing in international and regional fields, cooperate and point out the way forward for the development of relations between the two countries. high-level dialogues can also give political support and guidance to cooperation between different sectors on both sides, and facilitate the smooth implementation of cooperation projects on both sides in the fields of economy and trade, science and technology, and education. Besides the high-level talks, set up an all-round mutual trust mechanism: On the government level, departments and institutions of the two countries can conduct exchanges and cooperation, establish a regular working meeting to inform and exchange policy

information on an immediate basis, and solve the problem of cooperation. The military field, the two countries can carry out military defense and security negotiations to strengthen their military and mutual trust relations and prevent misjudgment and miscalculation. Encourage the exchange of cooperation and thoughts between research institutions in both countries, scholars, and media to promote the people's understanding and trust of each other.

4.2. Deepening economic and trade co-operation and integration of interests

China and Australia have strong complementarities in the economic and trade fields. In addition to traditional trade in minerals and agricultural products, the two sides should actively expand new areas of co-operation. In the field of digital economy, Australia has certain advantages in information technology and e-commerce, while China is a world leader in the fields of 5G communications, artificial intelligence and big data. The two sides can strengthen cooperation in these areas and jointly promote the development of the digital economy. In the field of green economy, with the global emphasis on environmental protection and sustainable development, China and Australia can strengthen cooperation in the fields of clean energy, energy conservation and environmental protection. China has made remarkable achievements in renewable energy technologies such as solar energy and wind energy, and Australia has abundant renewable energy resources, so the two sides can carry out co-operation in technology research and development, project investment, etc., and work together to address the challenges of climate change. The two sides can strengthen exchanges and cooperation in education service trade, tourism cooperation, financial cooperation and other aspects to achieve mutual benefits and win-win results.

5. Conclusion

The China-Australia relationship has evolved from a purely complementary economic and trade relationship to a complex relationship of strategic competition and cooperation. Australia's strategic anxiety about China's rise stems from three main dimensions: economically, it is worried about over-dependence on the Chinese market; security-wise, it is wary of China's expansion of influence in the Pacific region; and politically, it has difficulty in balancing the strategic needs of the two major powers, the U.S. and China. This multi-dimensional anxiety has led to an apparent ambivalence in Australia's policy towards China. Second, the U.S. factor plays a key role in China-Australia relations, and the U.S.-Australia alliance has formed structural constraints on Australia's China policy, especially in the security and strategic fields, where the U.S. Indo-Pacific strategy has put Australia in an alliance dilemma, forcing Australia to balance the maintenance of economic and trade relations with China and the fulfilment of alliance obligations. Thirdly, the influence of domestic political factors on the diplomatic strategies of the two countries is becoming more and more obvious. In Australia, the change of political parties, the game of interest groups and the change of public opinion jointly shape the direction of the policy towards China; in China, the policy formulation is characterised by a combination of principle and flexibility, which not only maintains the strategic certainty, but also adjusts the tactics in accordance with the change of the situation.

References

- [1] Han. (2022). New changes in geopolitical competition among major powers: the cases of hybrid warfare and the gray zone. *Teaching and Research*, 56(2), 71-82.

- [2] Sansika Nadeena, Sandumini Raveesha, Kariyawasam Chamathka, Bandara Tharushi, Wisenthige Krishantha & Jayathilaka Ruwan. (2023). Impact of economic globalisation on value-added agriculture, globally. . PloS one, 18(7), e0289128-e0289128.
- [3] Naoise McDonagh & Sascha-Dominik Dov Bachmann. (2025). Economic Coercion and Grey Zone Competition: Reassessing the China-Australia Case. *Pacific Affairs*, 98 (1), 53-77.
- [4] Izotov Vladimir S. & Obydenkova Anastassia V. (2021). Geopolitical games in Eurasian regionalism: ideational interactions and regional international organisations. *Post-Communist Economies*, 33 (2-3), 150-174.
- [5] Stewart Firth. (2020). *Australia in International Politics: An introduction to Australian foreign policy*. doi:10.4324/9781003114918.
- [6] Centre for Business History Department of Management, Politics and Philosophy, Copenhagen Business School Frederiksberg Denmark, Lloyd Greif Center for Entrepreneurial Studies Marshall School of Business, University of Southern California Los Angeles California & Eberhardt School of Business University of the Pacific Los Angeles California. (2020). Geopolitical jockeying: Economic nationalism and multinational strategy in historical perspective. *Strategic Management Journal*, 41 (3), 400-421.
- [7] Corridors of Power; Envoy Nebenzya: Russia concerned by OPCW becoming geopolitical game tool [J]. *Interfax : Russia & CIS Military Daily*.