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The Hon Jim Chalmers MP

Treasurer

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TELIVISION INTERVIEW

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SUBJECTS: US tariffs on Australia, Australia-China trade relations, AUKUS review.

JIM SCIUTTO, HOST: I sat down with Australian Treasurer Jim Chalmers earlier and asked him how the trade war was affecting his country's economy.

JIM CHALMERS, TREASURER: Australia's interests are best served by more trade, not more trade barriers. We've made that clear. We see tariffs as ultimately self-defeating. Australians are by nature and by history, by inclination, very pro-trade. We've got a lot to gain from free and open and fair markets for our goods and services.

We've done a lot of economic modelling following Liberation Day here in the US on the effect on Australia. We've actually got the lowest tariff rate of any country in the world, ten per cent in the general sphere. And our exposure to the American market is not the biggest part of our trade offering. We're faring relatively well. But our concerns are about the broader system and as a middle sized, trade exposed country, we want to see those markets free and open and fair as much as they can be.

SCIUTTO: You've said before just how the whole system effectively has been transformed in such a short period of time. What does that do to Australia's relationship with the US? You're close allies, both in terms of trade, but also national security.

CHALMERS: This is really the fourth big economic shock in the last decade and a half. You know, we've sort of become accustomed to going from economic shock to economic shock in that period. Australia has fared relatively well in the context of those economic shocks. Now, when it comes to the relationship with the United States, this is a relationship of mutual economic benefit, but in security terms as well. We're very close with the Americans and we work through the issues as they arise. Our Prime Minister will be here meeting with President Trump next week in Washington, D.C. and we deal with all of the uncertainty in the world by working very closely with our partners. And that'll be the case for the US as well.

SCIUTTO: Given that rare earths and specifically China's restrictions on rare earths exports have become a central front in the US-China trade war. Is there a path forward for Australia to fill some of that gap, perhaps?

CHALMERS: Critical minerals are an enormous opportunity for Australia. We've got so much to offer the world when it comes to critical minerals and rare earths. And that relies on there being markets which are reliable and robust for our critical minerals. And so, we will work with our partners around the world, including here in the United States, to make sure that we maximise that opportunity for Australia, that we become a reliable supplier of critical minerals into robust markets. Now, I think anyone here would understand that the markets for critical minerals have from time to time been distorted, which is the point that the Americans have made. We will work closely with the Americans and with anyone who has an interest in our critical minerals, and in most of all those markets for our critical minerals being the right kind of markets.

SCIUTTO: Australia's relationship with China has been through some tough periods, followed by brief periods of détente almost, and then followed by more rough periods. Where does it stand today? And do you see a path forward, or is the new normal a less friendly trading relationship between the two?

CHALMERS: Australia's economic relationship with China is full of opportunity, but not short of complexity. It's a complex relationship and we're very proud to be able to say that over the course of the last three years or so in office, we have been able to stabilise the relationship with China. We've seen the removal of tens of billions of dollars worth of trade restrictions, for example, and that's good for our workers and our businesses and our investors back home. But we understand that that's a relationship that requires ongoing attention. There is a lot of complexity in that relationship, but it's a very important one for Australia. It warrants and receives a lot of our time and attention for that reason.

SCIUTTO: Is it going to get better over time? I mean, this is a fundamental question for my own country as well, right. I mean, can they reach some sort of truce or is confrontation the new normal?

CHALMERS: Clearly the relationship between the US and China, the tensions have escalated this week because of developments in the trade sphere. And so, the whole world is watching that very carefully. And obviously, Australia is very exposed to the Chinese market, very close to the Americans. For us, that's something we monitor very closely. But our own relationship with China is better now than it was three years ago. There are still issues at play there, there are still areas that we disagree. But overwhelmingly, the economic relationship is a positive one for us, and we'll continue to tend to it in that light.

SCIUTTO: On an issue that is to some degree both a trade and a national security issue, and that is the AUKUS agreement. As you know, the Trump Administration is reviewing that agreement. Do you believe it will survive?

CHALMERS: We haven't had any indications to the contrary, but we respect the process that the Americans are going through. It's not unusual for new or newish administrations to review those kinds of arrangements. We saw it in the UK as well, and we're seeing it in the US now. We're respectful about that process. We're not pre-empting the outcomes of it, but what we are really confident about is we are really confident that the AUKUS agreement is in the national interest of all three participants in the AUKUS arrangements. For Australia, it's a very big industrial opportunity, as well as it is for the other two countries. We'll wait and see what the review says. But confident it's in everybody's interests. And from an Australian point of view, we're looking forward to moving ahead.

SCIUTTO: It might be trade that wins the day, given that's central to so much of Donald Trump's decision making.

Finally, before we go, Australia just announced a new tax agreement with Ukraine. Part of the path, I imagine, going forward to help Ukraine to be able to recover economically - to rebuild whenever this war, you know, hopefully comes to an end. What role does Australia hope to play?

CHALMERS: I had another good conversation with my counterpart, Sergii Marchenko - Minister Marchenko from Ukraine. I was able to convey to him Australia's support for the extraordinary bravery and courage of the Ukrainian people in the face of this Russian aggression. But also, the tax treaty, our efforts with the European Bank of Reconstruction and Development. We are ready and willing and able to play a helpful role in the reconstruction of Ukraine whenever that is necessary. But for the time being, the war continues and the Ukrainian people are under extraordinary pressure. And so, we are big supporters, militarily and with this tax treaty that that we signed today. We are also big supporters economically of what needs to happen in Ukraine to rebuild, to do justice to the sacrifices that the Ukrainian people have made.

SCIUTTO: No question, continue to make. Jim Chalmers, thanks so much for joining us.

CHALMERS: Thanks so much.

SCIUTTO: Appreciate it.

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