

CHINA-AUSTRALIA

FREE
TRADE
AGREEMENT

OUTCOMES AT A GLANCE

China is Australia's largest trading partner. It buys almost a third of all Australian exports, valued at nearly \$108 billion in 2013-14, and is our top overseas market for agriculture, resources and services exports. Chinese investment in Australia has been growing strongly in recent years, reaching almost \$65 billion in 2014.

The China-Australia Free Trade Agreement (ChAFTA) builds on Australia's large and successful commercial relationship with China, by securing markets and providing Australians with even better access to China across a range of our key business interests, including goods, services and investment. Trade and investment with China is central to Australia's future prosperity.

FOR AUSTRALIAN GOODS EXPORTERS

Over 85 per cent of Australia's goods exports to China (by value in 2013) will enter duty free when ChAFTA enters into force, rising to 93 per cent after four years and 95 per cent when ChAFTA is fully implemented.

China buys more of Australia's **agricultural produce** than any other country. In 2013-14, this market was worth \$9 billion to Australian farmers and the broader agricultural sector. ChAFTA provides Australia with an advantage over our major agricultural competitors, including the United States, Canada and the European Union. It also counters the advantages Chile and New Zealand currently enjoy through their FTAs with China.

For **agriculture**, the Australian Government has secured elimination of tariffs on entry into force for barley and sorghum, and rapid tariff reduction on other agriculture exports, including seafood, sheepmeat, pork and a variety of horticulture. Other key agriculture outcomes include:

- **dairy:** tariffs up to 20 per cent eliminated within 4 to 11 years.
- **beef:** tariffs of 12 to 25 per cent eliminated over 9 years.
- **wine:** tariffs of 14 to 20 per cent eliminated over 4 years.
- **wool:** a new Australia-only duty free quota, in addition to continued access to China's WTO quota.

China is by far Australia's largest market for resources and energy products. In 2013-14, Australia exported over \$90 billion worth of **resources, energy and manufactured products** to China. On entry into force of the Agreement, 92.9 per cent of China's imports of these products from Australia will enter duty free, with most remaining tariffs removed within four years. On full implementation of the Agreement, 99.9 per cent of Australia's **resources, energy and manufacturing** exports will enjoy duty free entry into China.

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Key outcomes include:

- **Iron ore, gold, crude petroleum oils and liquefied natural gas (LNG):** ChAFTA locks-in existing zero tariffs on these major exports providing greater certainty for Australian exporters.
- **Coking coal:** tariffs of 3 per cent eliminated on entry into force.
- **Thermal coal:** tariffs of 6 per cent eliminated over 2 years.
- **Refined copper and alloys (unwrought), aluminium oxide (alumina), unwrought zinc, unwrought aluminium, unwrought nickel and titanium dioxide:** tariffs of up to 10 per cent eliminated, many on entry into force.
- **Pharmaceuticals, including vitamins and health products:** elimination of tariffs up to 10 per cent, either immediately on entry into force or within 4 years.
- **Car parts and engines, plastic products, opals and other precious stones:** elimination of tariffs on these and some other manufactured products will take place within 4 years of entry into force.

FOR AUSTRALIAN SERVICES SUPPLIERS

China is Australia's largest services market, with exports in services valued at \$7.5 billion in 2013-14.

In ChAFTA, China has offered Australia its best-ever services commitments in an FTA (other than China's agreements with Hong Kong and Macau). Most valuably, this includes new or significantly improved market access for Australian banks, insurers, securities and futures companies, law firms and professional services suppliers, education services exporters, as well as health, aged care, construction, manufacturing and telecommunications services businesses in China.

The agreement also includes a Most-Favoured Nation (MFN) clause, under which Australia's competitive position into the future will be protected if China extends any more beneficial treatment to other trade partners in the sectors of education, tourism and travel-related services, construction, engineering, securities, environmental services, services relating to forestry, computer and related services, and certain scientific and consulting services.

Key outcomes include:

- **Legal services:** Guaranteed market access for Australian law firms to establish commercial associations with Chinese law firms in the Shanghai Free Trade Zone (SFTZ).
- **Education services:** Within one year of entry into force, China will list on a key Ministry of Education website 77 Australian private higher education institutions registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).

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- **Telecommunications services:** Guaranteed market access for Australian companies investing in specified value-added telecommunications services in the Shanghai Free Trade Zone (SFTZ), providing greater certainty for Australian telecommunications investments in the SFTZ.
- **Financial services:** China has committed to deliver new or improved market access to Australian financial services providers in the banking, insurance, funds management, securities, securitisation and futures sectors.
- **Tourism and travel-related services:** China has guaranteed that Australian services suppliers will be able to construct, renovate and operate wholly Australian-owned hotels and restaurants in China.
- **Health and aged care services:** China will permit Australian service suppliers to establish profit-making aged care institutions throughout China, and wholly Australian-owned hospitals in certain provinces. This will greatly expand the Australian private health sector's offering of medical services through East Asia.

FOR INVESTORS

The China-Australia Free Trade Agreement (ChAFTA) improves opportunities for investors in both countries.

China's commitments on investment in ChAFTA will protect the competitive position of Australian businesses in China into the future. Increasing numbers of Australian businesses are entering the Chinese market with great success, with banking and wealth management the leading sector of Australian direct investment in China. At the end of 2014, Australia's stock of investment in China totaled \$57.9 billion.

The investment obligations in ChAFTA can be enforced directly by Australian and Chinese investors through an Investor-State Dispute Settlement (ISDS) mechanism. The ISDS mechanism includes safeguards to protect governments' ability to regulate in the public interest and pursue legitimate public welfare objectives such as public health, safety and the environment.

Chinese investment in Australia has been growing strongly in recent years - up from \$2 billion 10 years ago, to around \$65 billion as at the end of 2014. ChAFTA will promote further growth of Chinese investment into Australia, in particular by liberalising the Foreign Investment Review Board (FIRB) screening threshold for private Chinese investors in non-sensitive sectors from \$252 million to \$1,094 million. The Government has retained the ability to screen Chinese investments at lower thresholds for agricultural land and agribusiness, and sensitive sectors, including media, telecommunications and defence-related industries.

Moreover, FIRB will continue to screen all investment by Chinese state-owned enterprises, regardless of the transaction size. ChAFTA does not change these arrangements in any way, consistent with the Government's practice in other FTAs.

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FOR AUSTRALIAN CONSUMERS AND BUSINESSES

Consistent with Australia's other bilateral trade agreements, remaining Australian tariffs on Chinese imports will be eliminated progressively. This includes removing the five per cent tariff on Chinese manufacturing exports, electronics and white goods, with consumers and businesses to benefit from lower prices and greater availability of Chinese products.

BUSINESS AND SKILLED WORKER MOBILITY

ChAFTA will support increased trade and investment between the two countries by reducing barriers to labour mobility and improving temporary entry access within the context of each country's existing immigration and employment frameworks and safeguards.

ChAFTA will provide improved access for a range of Australian and Chinese skilled service providers, investors and business visitors, supporting investment and providing business with greater certainty. Innovative new Investment Facilitation Arrangements (IFAs), which will operate within the framework of Australia's existing visa system, will also provide greater flexibilities for companies to respond to unique economic and labour market challenges. IFAs will be available for large infrastructure projects above \$150 million, strengthening investment in this key area and leading to the creation of jobs and increased economic prosperity for all Australians.

OTHER OUTCOMES

ChAFTA includes additional commitments which:

- Provide a framework for the growth of **electronic commerce** between Australia and China.
- Reaffirm existing international **intellectual property** obligations and provide a framework for future cooperation.
- Promote cooperation and coordination between relevant agencies on **competition policy**.
- Provide for future negotiations on access to China's government procurement market.
- Facilitate trade through streamlined **customs processes**.

WORK AND HOLIDAY ARRANGEMENT

Alongside ChAFTA, Australia and China have also completed negotiations on a Work and Holiday Arrangement (WHA) under which Australia will grant visas for up to 5,000 Chinese work and holiday makers annually. The WHA will increase demand for tourism services and support the development of Australia's tourism sector, particularly in rural Australia.