

## Conclusion

### Introduction

- 6.1 China is currently Australia's largest trading partner with two-way trade worth \$160 billion in 2013-14. It is both Australia's largest export market and its largest source of imports. On entry into force of China Australia Free Trade Agreement (ChAFTA), more than 85 per cent of Australia's trade to China will have tariffs reduced to zero and, on full implementation, 95 per cent of trade will enter China duty-free. The Agreement is expected to promote closer economic integration and further enhance this significant bilateral economic relationship.
- 6.2 In theory, inclusive multilateral trade agreements are the preferred route to trade liberalisation and economic growth. However, bilateral, plurilateral and regional trade agreements are often a more practical way to achieve results. Australia is losing market share in the burgeoning Chinese economy because of existing preferential trade agreements with some of Australia's major competitors such as New Zealand, Chile and ASEAN. The negotiation of a preferential trade agreement with China appears the most realistic option to combat Australia's growing competitive disadvantage.
- 6.3 There has been considerable public debate on the advantages and disadvantages of entering into preferential trade agreements. Such agreements involve negotiations and compromise; inevitably some sectors of the economy gain and some lose. ChAFTA has proved more controversial than previous agreements, particularly regarding the provisions for labour mobility.

## Labour mobility

- 6.4 The Committee acknowledges the extent of the public concern generated by the labour mobility provisions in ChAFTA and the underlying fear that Australian jobs are threatened. However, promoting temporary entry access to facilitate labour mobility – within the context of robust immigration and employment frameworks – is considered essential to support increased trade and investment.
- 6.5 The Committee recognises that increasing labour mobility comes with risks but is confident that, providing the relevant monitoring organisations are adequately resourced, those risks can be mitigated.
- 6.6 The Committee understands that the classification changes provided in ChAFTA will open up access to temporary entry to a broader range of workers. However, there is no ‘right of entry’ to Australia for Chinese workers. Safeguards remain in place to ensure strict entry criteria are adhered to and enforced.
- 6.7 No immigration system can entirely prevent deliberate unlawful activity. However, Australia’s system for ensuring compliance – including the Fair Work Ombudsman, corporate regulation and the Department of Immigration and Border Protection (DIBP) – can manage and contain these breaches. The Committee reiterates that it is essential to adequately resource all government organisations with responsibility for curbing unlawful immigration activity and recommends that the Government ensure that sufficient funding is provided for this purpose.

### Recommendation 1

- 6.8 **The Committee recommends that all government departments and agencies responsible for curbing unlawful immigration activity, particularly the Department of Immigration and Border Protection, are adequately resourced to carry out their functions effectively and efficiently.**

## Skills assessment

- 6.9 The Committee is satisfied that the administrative changes to the skills assessment process contained in the side letters to ChAFTA do not remove the need for skills assessment for affected occupations. Although the timing of skills assessment has been shifted, licence and regulatory

requirements must be met before applicants can commence work in Australia.

## Access and utilisation

6.10 If the full economic potential of the Agreement is to be achieved, the negotiation and implementation of ChAFTA is only the starting point. The Committee remains concerned that FTAs in general are underutilised and Australian business and industry are not accessing the new opportunities. According to recent research, only 19 per cent of Australian exporters make use of Australia's existing FTAs.<sup>1</sup> To take full advantage of ChAFTA, and the other FTAs Australia has negotiated, Australian business and industry must be provided with the education and support required to understand, navigate and comply with the FTAs' complexities.

6.11 Many small businesses, in particular, have neither the time nor resources to dedicate to untangling the requirements of FTAs.<sup>2</sup> Asked to identify the reason for the lack of utilisation of FTAs, HopgoodGanim lawyers said that there is a knowledge-gap that needs to be addressed:

We find that the main barrier is information and knowledge. A lot of clients do not actually know how to avail themselves of the benefits of those free trade agreements. To be honest, the process itself is not difficult, but it is a process of education, I believe.<sup>3</sup>

6.12 In this regard, the Committee notes the work being undertaken by DFAT through the development of the FTA Dashboard and the continuing rollout of the FTA Seminars.

6.13 The Committee notes that ChAFTA Article 2.10.2 should also encourage utilisation and access of the Agreement:

In accordance with Article VIII of GATT 1994, neither Party shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation, which is easily rectified and obviously made without fraudulent

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1 The Economist Intelligence Unit (EIU), *FTAs: fantastic, fine or futile? Business views on trade agreements in Asia*, <[https://globalconnections.hsbc.com/downloads/ftas\\_fantastic\\_fine\\_or\\_futile.pdf](https://globalconnections.hsbc.com/downloads/ftas_fantastic_fine_or_futile.pdf)> viewed 19 September 2015.

2 Australia China Business Council (ACBC), *Submission 26*; Freight & Trade Alliance and Hunt & Hunt Lawyers, *Submission 73*, p. 5.

3 Mr Lea Fua, Senior Associate, HopgoodGanim, *Committee Hansard*, Brisbane, 27 July 2015, p. 17.

intent or gross negligence, shall be greater than necessary to serve merely as a warning.<sup>4</sup>

- 6.14 The Committee concurs with the Export Council of Australia (ECA) that, in accord with the spirit of this provision, the Department of Immigration and Border Protection (DIBP) should exercise leniency when dealing with minor or inadvertent compliance errors.<sup>5</sup>

## Business initiatives

- 6.15 The Committee is encouraged by the initiatives instigated by the business community to inform and educate stakeholders. HopgoodGanim hosts regular information events and have structured processes in place to alert their clients to the opportunities available through FTAs.<sup>6</sup> The Australia China Business Council organises approximately 200 events annually around Australia, including business-to-business briefings and roundtables, to disseminate information.<sup>7</sup>

- 6.16 ThomsonAdsett have had a long association with the Asian and Chinese markets and, some time ago, developed a professional tour education service, SAGE (Studying and Advancing Global Eldercare). The program provides an opportunity for professionals in the aged care sector to experience the market firsthand:

The purpose of [SAGE] was to gather together professionals and senior leaders in the industry and travel to different countries to look at what they do in their marketplaces. We have now been to China four times ... and in that process we have developed a very strong relationship with the China National Committee on Ageing, which is one of their peak bodies; it represents and develops policy for China in this space.<sup>8</sup>

- 6.17 The ECA has developed an online FTA Tool designed to assist the trading community to understand the basics of FTAs.<sup>9</sup>

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4 *Free Trade Agreement between the Government of Australia and the Government of the People's Republic of China (ChAFTA)*, Article 2.10: Administration of Trade Regulations.

5 Export Council of Australia (ECA), *Submission 61*, p. 9.

6 Mr Fua, HopgoodGanim, *Committee Hansard*, Brisbane, 27 July 2015, pp. 17-18.

7 Ms Martine Letts, National Chief Executive Officer, Australia China Business Council (ACBC), *Committee Hansard*, Melbourne, 28 August 2015, p. 7.

8 Mr David Keith Lane, Chairman, ThomsonAdsett, *Committee Hansard*, Brisbane, 27 July 2015, p. 23.

9 ECA, *Submission 61*, p. 6.

## Austrade

- 6.18 The Committee acknowledges the work currently being done by Austrade to educate business and industry regarding FTAs. The Committee received positive feedback on Austrade's relationship with business and industry and its existing initiatives. For example, ANZ singled out Austrade's report on *E-commerce in China – a guide for Australian business* for special mention as it provides a guide to preparing, selling and distributing a product for the Chinese market as well as explaining Chinese regulation.<sup>10</sup>
- 6.19 Businesses indicated Austrade's pivotal role in promoting the Australian brand in foreign markets:
- Austrade is principally used ... as a vehicle for marketing these programs in countries like China, Korea and Japan. They do a good job of branding Australian education as a high quality provider, which I think is one of the reasons why Australia punches above its weight internationally. So my personal opinion and my experience with them is that they are easy to engage with and do a good job.<sup>11</sup>
- 6.20 However, there is some concern that the demands imposed by Australia's growing FTA commitments is putting strain on Austrade's ability to provide targeted, sector specific information. ThomsonAdsett praised Austrade's role in assisting the company in the past but warned that more will need to be done to ensure that frontline staff have the skills and knowledge to be useful in the complex Chinese market:
- ... increasingly Austrade cycles staff through its offices quite regularly. I have more knowledge than almost all the staff and I have been telling them where to go rather than the reverse ... the government should ensure that, through Austrade, trade offices are appropriately skilled and knowledgeable in the aged-care and healthcare services sector and understand clearly the different roles and responsibilities of facility operators and professional advisors.<sup>12</sup>
- 6.21 The Committee recognises the central role that Austrade plays in both facilitating access to markets for Australian exporters and promoting the Australian brand in those markets. The Committee recommends that Austrade is sufficiently resourced to support dedicated officers, with the

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10 ANZ, *Submission 16*.

11 Mr Alexander Chevrolle, Member Institution Representative, Council of Private Higher Education Inc. (COPHE), *Committee Hansard*, Sydney, 31 July 2015, p. 7.

12 Mr Lane, ThomsonAdsett, *Committee Hansard*, Brisbane, 27 July 2015, p. 26.

sector specific expertise required to provide information and assistance to access the Chinese market.

## **Recommendation 2**

- 6.22 **The Committee recommends that Austrade is sufficiently resourced to support dedicated officers, with the specific expertise required to provide information and assistance to individual sectors to facilitate access to the Chinese market.**

## **Non-tariff barriers**

- 6.23 The Committee recognises that non-tariff barriers continue to present the biggest impediment for many sectors wishing to take advantage of ChAFTA. Although many of these barriers will require government-to-government negotiations and may take considerable time to address, the Committee is aware that some domestic issues can be directly addressed by the Australian government.
- 6.24 The Committee understands that the Department of Agriculture has an ongoing program in place to address non-tariff barriers including sanitary and phytosanitary (SPS) issues, as well as import protocols and export processor accreditation, and that delays are often determined by the priorities of foreign governments. Nonetheless, the Committee urges the Department to make every effort to expedite the negotiation of the required import protocols and export processor accreditation and the removal of SPS barriers.
- 6.25 The Committee recommends that the Department of Agriculture develop a set of performance indicators to measure the Department's progress in tackling non-tariff barriers and ensure external accountability. The Committee also recommends that both the Department of Agriculture and the relevant sections of DFAT are adequately resourced to ensure that work on reducing non-tariff barriers is prioritised and effective progress made as quickly as possible.

### Recommendation 3

6.26 The Committee recommends that:

- the Department of Agriculture develop a set of performance indicators to measure progress on the removal of non-tariff barriers; and
- the Department of Agriculture and the relevant sections of the Department of Foreign Affairs and Trade are adequately resourced to enable effective progress to be made in removing non-tariff barriers.

6.27 The Financial Services Council reiterated issues it has previously brought to the Committee's attention regarding the need for domestic regulatory reform to facilitate access to foreign markets.<sup>13</sup> The Committee recommends that the Government take steps to complete the implementation of the remaining recommendations of the 2010 Johnson Report and tax-related initiatives such as the development of a collective investment vehicle regime and the reduction of withholding tax rates.

### Recommendation 4

6.28 That the Australian Government prioritise implementation of the recommendations of the *Review of the Tax Arrangements Applying to Collective Investment Vehicles* report and *Australia as a Financial Centre – Building on our Strengths* (the Johnson Report) in order to achieve full utilisation of the China Australia Free Trade Agreement for Australian financial services.

## Antimicrobial resistance

6.29 The Committee has been alerted to the dangers presented to the health security of Australians by antimicrobial resistance. The Committee recognises the link between microbial resistance and Australia's current regulatory framework which enables Australia to control antibiotic use. The Committee is aware that this regulatory framework must not be

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13 See Joint Standing Committee on Treaties (JSCOT), *Report 142: Treaty tabled on 13 May 2014*, September 2014, p. 47.

threatened by Australia's commitments under FTAs and will be monitoring this area during its examination of future agreements.

## Framework for review

- 6.30 The Committee welcomes the framework for review built into ChAFTA and urges government, business and industry to fully utilise the framework to address the issues that have been raised during this inquiry. In particular, the Committee encourages government to ensure that comprehensive, structured consultation processes are in place to guarantee effective input from stakeholders.

## Conclusion

- 6.31 The Committee acknowledges the widespread community disquiet that has been generated by ChAFTA but considers that many of the concerns are unfounded. The Committee recognises that broad sections of Australian business and industry are expected to receive substantial benefit from greater access to one of the world's largest economies.
- 6.32 The Committee supports the Treaty and agrees that binding treaty action should be taken.

### Recommendation 5

- 6.33 **The Committee supports the *Free Trade Agreement between the Government of Australia and the Government of the People's Republic of China* and recommends that binding treaty action be taken.**

Mr Angus Taylor MP  
Chair  
15 October 2015