
The Parliament of the Commonwealth of Australia
Joint Standing Committee on Treaties

Report 154

Treaty tabled on 17 June 2015

Free Trade Agreement between the Government of Australia and the
Government of the People's Republic of China (Canberra 15 June 2015)

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Foreword

The China Australia Free Trade Agreement (ChAFTA) is the third trade agreement to come before the Committee in the 44th Parliament. Together, the agreements with China, Korea and Japan open up the major markets in Asia to Australian consumers and industry.

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 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. This Agreement is expected to promote closer economic integration between China and Australia and therefore enhance an already significant bilateral economic relationship.

As the Committee has observed before, in theory inclusive multilateral trade agreements may be 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 China's 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.

The Committee heard that ChAFTA is a 'transformative' agreement, a 'watershed' that is going to deliver significant commercial benefits to a wide range of sectors. We found that many industries, including dairy, beef and fishing, are expected to benefit substantially from the implementation of ChAFTA. The service industries too are set to capitalise on the opportunities presented by China's growing middle class and its ageing population.

The labour provisions in ChAFTA proved controversial but the Committee is satisfied that the safeguards within Australia's immigration and employment frameworks will mitigate the concerns raised, with the proviso that the

government organisations responsible for ensuring compliance are adequately resourced.

The Committee wants to ensure that the full benefit of ChAFTA is realised by Australian businesses and industry. We are well aware that only 19 per cent of Australian exporters make use of Australia's existing free trade agreements. To achieve the promised economic growth, more steps must be taken to increase uptake.


While much is being done by government and business there is room for improvement in a number of areas. Non-tariff barriers continue to be a major obstacle for many industries. Work on alleviating these barriers must continue at an accelerated pace. An area that was again brought to our attention is the hindrance posed by domestic regulation on some sectors. The Committee has recommended that specific steps be taken to address this issue in the financial services sector.

As well, Australian business and industry must be provided with education and support to facilitate understanding of free trade agreements and access requirements. To this end, the Committee has recommended that Austrade be sufficiently resourced to ensure specialised expertise is available for specific sectors.

Overall, the Committee expects that broad sections of Australian business and industry will receive substantial benefit from greater access to one of the world's largest economies. However, the Committee urges government, business and industry to make full use of the review framework built into ChAFTA to ensure that the issues that remain are addressed quickly and systematically.

Finally, I would like to thank the Committee Members, and the previous Chair, for their engagement and hard work during this inquiry.

Mr Angus Taylor MP
Chair



Membership of the Committee

Chair Mr Wyatt Roy MP *(to 12/10/15)*

Mr Angus Taylor MP *(from 15/10/15)*

Deputy Chair The Hon Kelvin Thomson MP

Members Mr Andrew Broad MP

Dr Dennis Jensen MP

Mr Ken O'Dowd MP

The Hon Melissa Parke MP

The Hon Dr Sharman Stone MP

Mr Tim Watts MP

Mr Brett Whiteley MP

Senator Chris Back

Senator David Fawcett

Senator the Hon David Johnston
(from 12/10/15)

Senator Sue Lines

Senator the Hon Joe Ludwig

Senator James McGrath *(to 12/10/15)*

Senator Glenn Sterle

Senator Peter Whish-Wilson

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Resolution of Appointment

The Resolution of Appointment of the Joint Standing Committee on Treaties allows it to inquire into and report on:

- a) matters arising from treaties and related National Interest Analyses and proposed treaty actions and related Explanatory Statements presented or deemed to be presented to the Parliament;
- b) any question relating to a treaty or other international instrument, whether or not negotiated to completion, referred to the committee by:
 - (i) either House of the Parliament;
 - (ii) a Minister; or
 - (iii) such other matters as may be referred to the committee by the Minister for Foreign Affairs and on such conditions as the Minister may prescribe.



List of abbreviations

ACBC	Australia China Business Council
ACCI	Australian Chamber of Commerce and Industry
ACTU	Australian Council of Trade Unions
ADF	Australian Dairy Farmers
ADI	Australian Dairy Industry
AFGC	Australian Food and Grocery Council
AFPA	Australian Forest Products Association
AFTINET	Australian Fair Trade and Investment Network
AGWA	Australian Grape and Wine Authority
AiG	Australian Industry Group
ALFA	Australian Lot Feeders' Association
AMR	Antimicrobial resistance
AMWU	Australian Manufacturing Workers' Union
ANIC	Australian Nut Industry Council
ANU	Australian National University
ANZCO	Australian and New Zealand Standard Classification of Occupations

APL	Australian Pork Limited
AQF	Australian Qualification Framework
ASEAN	Association of Southeast Asian Nations
BCA	Business Council of Australia
BRTAs	Bilateral and Regional Trade Agreements
CEPU	Communications Electrical Plumbing Union
CFMEU	Construction, Forestry, Manufacturing and Energy Union
ChAFTA	China Australia Free Trade Agreement
CHINCA	China International Contractors Association
COPHE	Council of Private Higher Education Inc.
DFAT	Department of Foreign Affairs and Trade
DIBP	Department of Immigration and Border Protection
ECA	Export Council of Australia
EIU	Economic Intelligence Unit (EIU)
EPBC (the EPBC Act)	The <i>Environment Protection and Biodiversity Conservation Act 1999</i>
ETU	Electrical Trades Union of Australia
EU	European Union
FIRB	Foreign Investment Review Board
FSC	Financial Services Council
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GIMAF	Grain Industry Market Access Forum
HS	Harmonized Item Description and Coding System

IFA	Investor Facilitation Arrangement
ILO	International Labour Organisation
IP	Intellectual Property
ISDS	Investor-state dispute settlement
JSCOT	Joint Standing Committee on Treaties
KAFTA	Korea-Australia Free Trade Agreement
MBA	Master Builders Australia
MCA	Migration Council of Australia
MCA	Minerals Council of Australia
MFN	Most favoured nation
MIA	Murrumbidgee Irrigation Area
MLA	Meat and Livestock Australia
MOU	Memorandum of Understanding
NECA	National Electrical and Communications Association
NFF	National Farmers' Federation
NIA	National Interest Analysis
PFTZ	Shanghai Pilot Free Trade Zone
RCEP	Regional Comprehensive Economic Partnership
RIS	Regulation Impact Statement
SAGE	Studying and Advancing Global Eldercare
SPS	Sanitary and phytosanitary
STAG	Seafood Trade Advisory Group
TFGA	Tasmanian Farmers and Graziers Association
TRA	Trades Recognition Australia

TRQ	Tariff Rate Quota
TSMIT	Temporary Skilled Migration Income Threshold
TWE	Treasury Wine Estates
UK	United Kingdom
USA	United States
WAFIC	Western Australian Fishing Industry Council
WFA	Winemakers' Federation of Australia
WHV	Work and Holiday Visa Arrangement
WTO	World Trade Organization
WWA	Wines of Western Australia



List of recommendations

6 Conclusion

Recommendation 1

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.

Recommendation 2

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.

Recommendation 3

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.

Recommendation 4

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.

Recommendation 5

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.

