

The China-Australia Chamber of Commerce
(AustCham Beijing)



Submission to the Senate Foreign Affairs,
Defence and Trade References Committee on the
inquiry into the proposed China – Australia Free
Trade Agreement

Date: 30th August 2015

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2 Letter to the Committee Secretary

28th August 2015

Foreign Affairs, Defence and Trade Committee
Department of the Senate
PO Box 6100 Parliament House
Canberra ACT 2600



Dear Committee Secretary,

The China-Australia Chamber of Commerce (AustCham Beijing), is pleased to present our submission to the Senate Foreign Affairs, Defence and Trade References Committee inquiry into the proposed China-Australia Free Trade Agreement.

AustCham Beijing is the peak industry body representing a wide range of Australian businesses operating in China. As a non-for-profit, member driven organisation, a core component is the Industry Specific Working Groups that are utilised to engage our stakeholders, solicit feedback and develop strategic priorities for the Chamber. Currently we have working groups in the Industry areas of Education, Energy, Financial Services, Food & Agribusiness, Retail & E-commerce and Small-Medium Enterprises.

Outlined in the sections below are the key implications of the ChAFTA agreement submitted to the Chamber from each of these industry working groups. The implications raised by the working groups can be divided into the following key points.

ChAFTA enables:

- Tariff reductions that will be hugely beneficial to Australian exporters
- Improved access to the Chinese market for Australian companies
- Simplified and streamlined approvals processes for subsidiaries of Australian businesses operating in China

As a result of feedback from these groups on the agreement, AustCham Beijing strongly supports the Free Trade Agreement with China signed by the Australian Minister for Trade and Investment Andrew Robb AO MP, and the Chinese Commerce Minister, Mr Gao Hucheng in June 2015.

Despite imperfections in the agreement, the Chamber is confident that our institutions and systems will appropriately mitigate any potential issues that have been raised. Accordingly, we strongly urge the committee to appreciate the broader positive implications of the agreement and support its timely ratification. Any additional delays in the agreement will only serve to damage the relationship with our largest and most strategically important trading partner.

Moreover, the China-Australia agreement will serve as a template to rest of the world of how to successfully negotiate a FTA with China. The committee should be acutely aware of the perspective that ratification of the agreement will be a landmark moment for Australia on the global stage. As such, the Senate Foreign Affairs, Defence and Trade References Committee should endorse the agreement without delays.

For further information on this submission please contact:

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3 Submission from the AustCham Beijing Working Groups

3.1 Education Working Group

Key implications of the ChAFTA for the Education industry include:

- The Australian and Chinese Governments have agreed to work together to increase the marketing and recruitment opportunities for Australian education institutions in China. We expect for this agreement to generate more opportunities for Australian education providers with regards to student recruitment.
- Australia and China will work to increase student and teacher exchanges, providing Australians with the language and cultural skills to more meaningfully engage with China. As such, breaking down these cross-cultural and language barriers will lead to long term opportunities for businesses, education and people-to-people links.
- ChAFTA allows Australian more education providers to be added to the JSJ list, a government website which is the primary channel for students to choose an education provider for studying abroad and is highly trusted. An additional 77 institutions will be added to the existing 105 Australian institutions on the list. Almost 90% of Chinese students studying in Australia used a provider listed on the Ministry's website. It is expected that this will provide increased exposure and student demand to Australian education providers.
- There are further opportunities for investment in the student accommodation market to allow an increased flow of Chinese students into Australia.



3.2 Energy Working Group

Working Group Chair: Mr. Glenn Corrie – Managing Director, Sino Gas & Energy

Phasing out of tariffs on Australian energy & resources exported to China

China is one of Australia's largest trading partners, with energy exports accounting for approximately 5% of the Australian economy. The reduction and eventual elimination of tariffs on key energy and resource exports is an important step in maintaining Australia's competitiveness. It is estimated that approximately 92.8% of China's imports of Australia's energy, resources and manufactured products will enter duty

free upon ratification of the agreement, with the majority of the remaining tariffs to be phased out within 4-years. With a number of other energy and resource exporting countries already signed FTAs or already in discussions and with China, it is of vital importance for Australia to maintain its competitive advantage with Chinese importers, in order to underpin the viability and long term future of major resource exporting projects. Such agreements already signed include Indonesia, New Zealand and Chile.



Guaranteeing no future tariff increases on key Australian energy exports

Not only does the agreement move to phase out existing tariffs, but it also broadens the scope of commodities that will not be subject to the imposition of future trade barriers. These include major Australian exports such as iron ore, gold, crude petroleum oils and liquefied natural gas (these products are already duty free). With the recent weakness and uncertainty in global energy markets, it is important that Australia has such safeguards in place to stay competitive both internationally and against low-cost Chinese domestic energy sources.

Increased opportunities in China for Australian expertise and services

The FTA not only benefits Australian producers, but also permits them increased access to the Chinese market to share their world-class expertise. This is particularly true for unconventional gas resources, which are being heavily promoted by the Central Government to meet its environmental targets. Coal bed methane and shale gas are specific areas which will be opened up to Australian technical consulting and field services. Furthermore, China is also opening access for consulting services related to exploiting oil and gas resources, as well as iron, copper and manganese resources in cooperation with Chinese partners. There are a number of Australia-Sino projects, such as Sino Gas & Energy in Shanxi and PetroChina in Queensland, for which easing of these restrictions will serve to further boost knowledge sharing and cooperation between the two countries.

Barriers for skilled labour to be lowered

The FTA will also benefit Australian based energy and resource projects through a lowering of the barriers for labour mobility and improving access for Chinese skilled service providers, investors and business visitors. This will help spur Chinese investment in Australia energy and resource projects as it will provide greater certainty

in workforce planning for major projects and ensure that local labour shortages will not create delays to or increase the cost base of such projects.

3.3 Financial Services Working Group

Working Group Chair: Zhongmin Zha – General Manager Beijing Branch & Head of Financial Institutions China, Westpac Banking Corporation



Key implications of the ChAFTA for the financial services industry include:

- Simplification and streamlining of the approvals procedure for various banking related licenses.
- Removal the minimum RMB100 million working capital requirements for branches of Australian banks operating as subsidiaries in China, facilitating faster growth and new business opportunities.
- Fostering a stronger culture of win-win between Chinese and Australian banks.
- Allocation of a RMB 50 billion quota to Australia under China's RMB Qualified Foreign Institutional Investor (RQFII) allowing for Australia domiciled fund managers to purchase equities and bonds directly from Shanghai and Shenzhen securities exchanges.
- Promotion of the importance of Sydney as a RMB offshore clearing centre through a Memorandum of Understanding (MoU) signed between the Reserve Bank of Australia (RBA) and the Peoples Bank of China (PBoC).
- Expanded opportunities to explore the development of innovative banking products, services & business models for both Australian and Chinese banks.

3.4 Food & Agribusiness Working Group

Working Group Co Chairs: Michael Finucan – Meat & Livestock Australia, Michael Boddington – Asian Agribusiness Consulting, Dave Garnier – Mort & Co.

Key implications of the ChAFTA for the food & agribusiness industry include:

- Given that China is Australia's largest agricultural export market, worth approximately \$10 billion to the Australian economy, AustCham Beijing expects ChAFTA to boost Australian food and agribusiness exports significantly with

improved market access on a wide range of products, including beef, dairy, wine, hides and skins, barley, horticulture and seafood.

- The Australian dairy sector will significantly benefit from the eventual elimination of tariffs currently applied to a wide range of milk and dairy products. ChAFTA will allow Australia's dairy exporters to more effectively compete with key competitors including New Zealand.
- Australia's more competitive position will provide incentives for Chinese investors to invest in the Australian agribusiness sector which is expected to build further capacity for the sector.
- Australian wine exporters are to see tariffs removed over four years from 14% on bottled wines and 20% on bulk wines. Australian wine exports to China are expected to become more competitive with the Chilean and New Zealand wine sectors.
- Australian beef exporters will benefit with the elimination of tariffs on beef imports (currently ranging from 12-25 per cent) within 9 years and the elimination of the 12 per cent tariff on beef offal within 4-7 years. ChAFTA is expected to deliver a competitive advantage to the Australian beef sector over other key competitors.



3.5 Retail & E-commerce Working Group

Working Group Chair: Timothy Coghlan – Associate Director, Luxury Retail, Savills

E-commerce is a booming sector in China and it has strong support from the Chinese Central Government to grow further and become a pillar industry for China's domestic and international economy.

Furthermore, led by Alibaba, Chinese e-commerce companies are now some of the biggest in the world. As part of these companies' strategies to build out their competitive advantage and further diversify their offerings, many are on a race to rapidly expand internationally. ChAFTA will enhance trade opportunities between China and Australia, entailing many exciting opportunities for Australian companies to be a part of this growth story.

Overall, ChAFTA will greatly increase Australian access to China's burgeoning e-commerce market. Key implications for the sector include:

- **Improved Market Access** - Australian companies from a wide variety of sectors are expected to benefit from ChAFTA as it will improve access to China's burgeoning domestic and cross border e-commerce industry
- **Increased oversight & protection** - ChAFTA's chapters on e-commerce are expected to give Australian brands, retailers and exporters a clearer structure to undertaking e-commerce operations with China and a mechanism to pursue IP protection,
- **Further exposure to products** - ChAFTA will benefit Australian consumers by granting access to a wider variety of products and price points from China available through e-commerce platforms that would normally not be available in Australia.



3.6 Small-Medium Enterprises (SME) Working Group

Working Group Chair: Kevin Zhang – CEO, Argyle Hotel Group

Australian Small and Medium Enterprises (SME) will be a major beneficiary of the free trade agreement with China, primarily through reduced trade barriers and better market access.

The agreement in particular will benefit the SMEs across the services sector as a whole. Specific examples include:

- **Health and aged care services providers** will be permitted to establish profit-making aged care institutions throughout China, and wholly Australian-owned hospitals in certain provinces. This presents significant opportunities to aged-care providers to develop property, export aged-care expertise, services and business models to the Chinese market.
- **Tourism and travel-related service providers** will benefit greatly from the guarantee that they will be able to construct, renovate and operate wholly Australian-owned hotels and restaurants in China. Additionally, Australian travel agencies/tour operators will be able to establish wholly Australian-owned subsidiaries in China to provide travel and hotel accommodation for domestic and foreign travellers, tours within China for both domestic and foreign travellers, and travellers' cheque cashing services.

- **Australian architectural and urban planning firms** will be able to establish in China, to obtain more expansive business license to undertake higher-value projects in China.



4 About AustCham Beijing

The China-Australia Chamber of Commerce, Beijing is the peak industry body representing Australian business operating in China. The Chamber was established in 1996 with the goal of advancing China-Australia business relationships, through the effective representation of its 250 members. The Chamber is also registered with the Chinese Ministry of Civil Affairs (MCA) and the Australian Chamber of Commerce and Industry (ACCI).



Championing Australian Business in China

AustCham functions as a platform to equip Australian organisations with the resources, information and contacts to assist with establishing and growing business in China. The Chamber does this by facilitating connections between our members and broader stakeholders in Australia and China, delivering effective advocacy programs and providing information through our business events and online presence.

Strength in our Network

The AustCham community consists of an extensive network including the AustCham Board of Directors, secretariat, our foundation and corporate members, the Australian Government, the Australia China Business Council, the Chinese Ministry of Commerce (MOFCOM) and other Chinese Government departments. With years of China-Australia experience, our network has an exhaustive knowledge of the business regulatory environment and is acutely aware of how recent changes in government policy can potentially impact the success of your organisation.