



Submission for Australia-Hong Kong Free Trade Agreement

Submission to the Joint Standing Committee on Treaties
(JSCOT)

August 23, 2019

Recommendations:

1. Australia's ratification of the Australia-Hong Kong Free Trade Agreement should occur as soon as possible.
2. The Australian Government should undertake independent economic analysis prior to, then regularly during the course of the Australia-Hong Kong Free Trade Agreement.
3. The Australian Government should rationalise its multiple Free Trade Agreements covering the same markets.
4. Australia and its trading partners should explore pathways towards a goal of complementarity between the China-Australia Free Trade Agreement and the Australia-Hong Kong Free Trade Agreement, especially in relation to the transshipment of goods through Hong Kong under the China-Australia Free Trade Agreement.

Introduction

The Australian Chamber of Commerce and Industry welcomes the conclusion of negotiations for the Australia-Hong Kong Free Trade Agreement (AHKFTA), and calls for its swift ratification by the Australian Parliament.

Hong Kong is Australia's seventh-largest services export market. The AHKFTA agreement represents an opportunity for the Australian service sector to gain greater market access for insurance, banking, fintech, and electronic payment providers, as well as encouraging the reduction of red tape through the streamlining of regulatory and administrative barriers to services.

We also note that the agreement "locks in" Australia's duty-free access on goods, improving certainty for Australian goods exporters in a changing region.

While providing support to the AHKFTA agreement, we would like to make the following specific comments on the agreement for the consideration of the Committee.

Important benefits including improved access for services:

The Australia-Hong Kong FTA strengthens the relationship between Australia and Hong Kong, offering unique new opportunities such as:

- Reciprocal elimination of import tariffs , locking in Hong Kong's present duty-free entry;
- Streamlined wine labelling requirements;
- Enhanced collaboration between regulators, particularly around reducing risk that consignments of perishable goods are delayed at the border;
- Guaranteed access for Australian suppliers of financial, professional accounting, engineering and construction, education, transport and logistics services;
- Guaranteed access for Australian lawyers to provide legal advice on Australian and international law on a cross-border basis;
- Streamlined establishment requirements for Australian banks seeking to establish in Hong Kong as fully incorporated banks;
- Mechanisms to work towards mutual recognition of professional qualifications and registration;
- Enhanced cooperation between educational institutions and relevant government agencies in the areas of quality assurance, recognition of qualifications, online education, distance education and blended learning models;
- Guaranteed temporary entry to Hong Kong for Australian professionals including intra-corporate transferees (and their spouses and dependants), installers and servicers and business visitors.

We applaud the negotiators of the AHKFTA for achieving the above outcomes in such a short space of time, with formal negotiations only commencing in May 2017.

We support initiatives in the AHKFTA that aim to improve cooperation between Australia and Hong Kong, including recognising standards, qualifications, professional registrations, and collaboration between regulators, as this will improve the conditions of conducting business between both economies.

Economic assessment:

As with all of Australian trade agreements, the Australian Chamber continues to call for independent economic assessment of the outcomes of the final deal in order for the parliament and the Australian public to have confidence that the final agreement will provide economy-wide benefits as is expected.

JSCOT and other parliamentary committees have consistently recommended this step be undertaken. We look forward to such an assessment being undertaken during the course of this inquiry, and we also recommend regular such economic assessments during the life of the agreement.

Noodle Bowl:

The Australian Chamber has informed the Government of the issues associated with the overlaying complex trade agreements across the same markets. Our surveys of members over the past five years all show that our members – and the businesses they represent – struggle to understand these agreements in their technical detail. This means that agreements might not be used by Australian businesses to their full potential. The Australian Chamber would like to work with government to support Australian firms to take full advantage of trade agreements and maximise the benefit they can deliver to all Australians.

Many Australian firms targeting mainland China (with whom we have the China-Australia Free Trade Agreement - ChAFTA), and other regional markets, tranship their goods via Hong Kong, and China is also part of negotiations for the Regional Comprehensive Economic Partnership (RCEP), which builds on the earlier Australia, ASEAN, NZ Free trade Agreement (AANZFTA).

If the RCEP enters into force, Australian business will have access to at least three agreements covering the economies in the region (AANZFTA, ChAFTA, AHKFTA, and RCEP) and so we repeat our call for rationalisation of the agreements in order to remove the “red tape” associated with compliance with these agreements and their differential terms.

We applaud the Australian negotiator’s efforts to adopt our previous recommendations for rationalising agreements, in that there has been agreement to grandfather the historic bilateral investment treaty with Hong Kong, in favour of the contemporary investment support within the bilateral AHKFTA.

Transshipment in the China-Australia FTA and Australia-Hong Kong FTA:

Businesses will need to be informed that goods entering Hong Kong under AHKFTA may not be eligible to also qualify for market access into mainland China, or other regional markets, due to inconsistent rules and compliance regimes. Presently under ChAFTA, the Australian Department of Foreign Affairs and Trade advises Australian exporters:

Question: My goods are being transhipped through Singapore or Hong Kong on their way to China. Do I need any more documentation to support my claim for preferential treatment?

China may require specific additional documentation on customs control (and non-manipulation) for transhipped goods. China has set out its requirements in Articles 14 and 15 of its Customs Decree 228, and announcements 57 and 60. Announcement 57 provides advice on streamlined arrangements for FTA transshipment through third countries (excluding Hong Kong or Macau). This applies to instances where the good is supported by a single shipping document, issued by international courier services, civil aviation transportation companies, international shipping contractors and their agents, that shows both the point of origin in Australia and the destination in China.

China has also released an announcement (no. 60 of 2015) to help implement direct consignment through Hong Kong and Macau. Related to this, the Hong Kong Customs and Excise Department has established a China Free Trade Agreement Transshipment Facilitation Scheme to help implement China’s transshipment arrangements.

We encourage the Australian Government to work with our trading partners to harmonise the transshipment arrangements through Hong Kong, both in goods shipments from mainland China to Australia, and in relation to Australian goods being transhipped to mainland China via Hong Kong.

We believe this will assist Australian businesses, whose trading partner is in mainland China, to tranship their goods through Hong Kong, and reduce confusion over their compliance with the trade agreements.



About the Australian Chamber

The Australian Chamber of Commerce and Industry speaks on behalf of Australian Businesses at home and abroad.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, making us Australia's most representative business organisation.

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