

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry, Tourism and Resources Portfolio  
2006-07 Additional Budget Estimates Hearing  
15 & 16 February 2007

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**AGENCY/DEPARTMENT:** INDUSTRY, TOURISM AND RESOURCES

**TOPIC:** *Free Trade Agreement with China*

**REFERENCE:** Hansard 16/2/07, Page E17-E18

**QUESTION No.** AI-24

(Hansard 16/2/07, Page E17-E18)

**Senator JOYCE asked:**—What impediments are in place for any manufacturing goods going to China?

**Mr Paterson**—That is a very broad question. I am happy to take it on notice. There are both tariff barriers in relation to some goods classes and there are some behind the border issues in relation to investment and intellectual property, which are all matters that are being considered as part of those negotiations. To ask what are the barriers is a very broad question.

**Senator JOYCE**—As a broad question, what are the major impediments that we have in dealing with China? What are the major impediments that we have in dealing with China now?

**CHAIR**—This is really cross-portfolio information that I do not think Mr Paterson can provide. He can probably provide some answers. Some of this is foreign affairs and some is agriculture. Perhaps Mr Paterson can take on notice what his department can answer.

**Mr Paterson**—The primary carriage for the negotiations in relation to free trade agreements rests with the Department of Foreign Affairs and Trade. The Australian government's position in relation to those negotiations is articulated within that portfolio. We are obviously consulted and engaged in that process, but you are asking very broad questions and I do not think we can easily comprehend an answer, either in these hearings or even being sensible in terms of responding more broadly if we were to take it on notice.

## **ANSWER**

The Free Trade Agreement (FTA) negotiations are conducted on a whole-of-government basis with primary carriage resting with the Department of Foreign Affairs and Trade (DFAT).

The following are the major impediments identified by Australian manufacturers in submissions and consultations on the Australia-China FTA negotiations.

### Tariffs and non-tariff barriers

- *Tariff rates:* while China's customs duties have been reduced following its accession to the World Trade Organization (WTO), tariffs on many items remain relatively high, for example:
  - 25% tariffs apply to imports of passenger motor vehicles
  - 10 to 25% tariffs apply to imports of vehicle parts
  - 14 to 20% tariffs apply to imports of clothing

- 8.6% tariffs apply to imports of some plastics
  - 3 to 8% tariffs apply to imports of steel products
  - 9.7% tariffs apply to imports of some specialised machinery
  - up to 20% tariffs apply to imports of jewelry items
  - up to 24.5% tariffs apply to imports of electric motors and parts.
- *Customs valuation and administration*: exporters have expressed concerns about inconsistent and non-transparent customs valuation methods and administration and ensuring customs practices follow the rules of the WTO Valuation Agreement.
  - *Import licensing*: industry has reported that China's opaque administration of its import licensing arrangements can impede trade.
  - *Standards and technical regulations*: China does not accept standards as equivalent to its own. It also only accepts testing within China by China-accredited laboratories. Its regime would be more open if it were to accept others' standards as equivalent to China's and/or accepted conformity testing by competent foreign certifiers.

#### Other issues

- *Intellectual property(IP)*: companies and individuals have encountered problems with China's IP regime including: insufficient penalties for deterrence; delays in cases involving foreign companies and complex technologies; inconsistent application of IP laws across provinces; and inconsistencies between the Australian and Chinese patent law regimes.
- *Investment*: industry and individuals have expressed concerns about repatriation of funds, joint venture restrictions, high registered capital requirements and China's opaque foreign investment approvals system.
- *Competing for access in China*: some manufacturers have expressed concern about losing Chinese markets to foreign competitors as China negotiates FTAs with other countries.

