



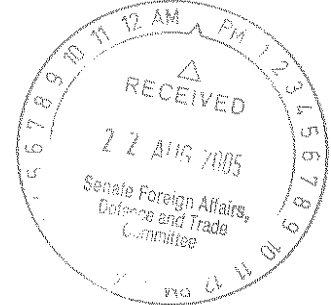
Queensland
Government

Premier of Queensland
and Minister for Trade

Please quote: *PM17/IGR*

15 AUG 2005

Senator the Honourable Steve Hutchins
Chairman
Foreign Affairs, Defence and Trade References Committee
Australian Senate
Parliament House
CANBERRA ACT 2600




Dear Senator Hutchins

I wrote to you on 21 January 2005 with regard to the Committee's Inquiry into Australia's relations with China. In this letter I noted that I wished to consider the Commonwealth Government's feasibility study into a potential free trade agreement with China and the economic modelling that had been commissioned before Queensland provided a detailed submission into the inquiry.

The Queensland Government has received and reviewed this information, and is now in a position to provide a submission to the Committee's Inquiry into Australia's relations with China. This submission is attached.

I trust that the information provided in this submission will be of use to you. However, should you require any further information please contact Cherie Morrison, Director, Intergovernmental Relations, Department of the Premier and Cabinet, on (07) 3224 6834 or at cherie.morrison@premiers.qld.gov.au.

Yours sincerely

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Bilateral Relationship between Queensland and the People's Republic of China

August 2005

The Queensland Government has, through a range of mechanisms, developed a strong relationship with China and will continue its focus on strengthening this relationship. The various mechanisms are outlined in this submission.

The Queensland Government is mindful of China's emergence as a dominant economic force in the Asia-Pacific region. China's negotiation of free trade agreements with a number of countries and particularly with trading blocs in the region, including the Association of Southeast Asian Nations (ASEAN), present a risk of displacing Australia's current exports and diverting investment.

The Queensland Government acknowledges consequently that Australia must take responsible measures to deepen its relationship with China.

Queensland's trade relationship with China

China was Queensland's third largest export destination in 2005, and its third largest source of imports. In 2004-05, Queensland's total trade flows with China were A\$3.9 billion. Exports constituted A\$1.8 billion and imports A\$2.1 billion.

Queensland's key merchandise exports to China in 2004-05 included coal, metalliferous ores, non ferrous metals, textiles specialised machinery, electrical machinery and meat. Queensland's primary import commodities from China include textiles, clothing and footwear, petroleum and petroleum products, industrial and electrical machinery, manufactures of metals, furniture and telecommunications equipment.

In this period exports of coal, coke and briquettes to China totalled approximately \$390.3 million, and represented 79.9% of Australia's exports of these products. Exports of metalliferous ores and metal scrap totalled approximately \$379.4 million (representing 7.5% of the Australian total) and Queensland's exports of non-ferrous metals totalled approximately \$106.5 million (representing 16.9% of the Australian total).

The potential Australia-China Free Trade Agreement

The Queensland Government supports free trade negotiations that result in a meaningful and comprehensive free trade agreement (FTA). Export development is considered a crucial element to the continued growth of the Queensland economy, and Australia's trade relationship with China will play an increasingly important role in this regard.

Economic modelling commissioned by the Commonwealth Government suggests that Queensland is expected to benefit from the expansion of the agriculture, food, mining, and non-ferrous metals industries. Queensland is Australia's largest sugar producer, second largest producer of minerals (after Western Australia), and one of the largest producers of non-ferrous metals. The benefits from these expanding industries following the removal of border protection on merchandise trade are slightly offset by an expected contraction in the clothing industry.

The modelling also predicts gains for Queensland from services trade liberalisation and investment facilitation. In total, Queensland is predicted to enjoy an increase to output (relative to baseline) of approximately \$660 million in 2015.

While the modelling predicts long term benefits for the Queensland economy from increased market access and investment flows as a result of a comprehensive FTA, exporter and investor confidence is highly dependent upon reform of "behind the border" difficulties associated with some of China's institutional arrangements. The Commonwealth Government has been urged to address these matters in the negotiations in order for the full economic benefits to be realised.

The Queensland Government holds expectations that the negotiations will deliver significant reduction in China's tariffs across all products and will improve market access for service providers and fair treatment for firms wishing to establish a business presence in China.

Agriculture must remain fundamental to Australia's objectives in these negotiations. The treatment of sugar in the Australia-United States Free Trade Agreement was a major shortcoming. The Queensland Government holds concerns that this may have already signalled to China that this is an area where Australia is prepared to give ground and has urged the Commonwealth Government to participate in these negotiations with agriculture firmly on the table.

The Queensland Government has also raised concerns with the Commonwealth Government about the threat of additional imports and associated employment impacts in areas such as manufacturing and horticultural production. Any industries that bear the cost of a FTA with China would need to be appropriately compensated by the Commonwealth Government.

Aspects of the Queensland-China Government to Government Relationship

- The Queensland Government established a Government to Government (Sister-State) relationship with the Shanghai Municipal Government in 1989. The Seventh Memorandum of Agreed Cooperation (2005-2007) between the two governments was signed by the Honourable Peter Beattie MP, Premier of Queensland and Mayor Han Zheng in July 2004. The agreement is based on sustainable economic development, education, health, cultural and government relations.
- In July 2004, the Honourable Peter Beattie MP, Premier of Queensland and the Governor of Guangdong, Mr Huang Hua, signed a Memorandum of Understanding on Promoting Friendly Exchanges between Queensland and Guangdong Province. The agreement promotes cooperation in the areas of trade and investment, tourism, education and training, environment protection and urban planning, agriculture and other areas of mutual interest.
- The Queensland Government Trade and Investment Office (QGTIO) was established in Hong Kong 1992. A second QGTIO was opened in Shanghai in 1997.
- The Queensland China Council was established in October 1988 as a Queensland Government initiative to facilitate commercial, cultural, educational, scientific and technical interchanges.
- A key facilitator of Queensland's relationship with China is The Honourable Tom Burns AO. Mr Burns served for more than twenty years as a parliamentarian in the Queensland State Parliament and for over six years was Deputy Premier of Queensland. Throughout his political career, Mr Burns has promoted political, economic and trade exchanges between Australia and China. Early in the 1970s Mr Burns accompanied Gough Whitlam's Australian delegation on a first visit to China and since then has played a key role in diplomatic relations. Mr Burns is one of very few Australian political figures to have met four generations of Chinese leaders. In July 1999 the Queensland Government appointed Mr Burns as Chairman of the Queensland China Council.

- A Letter of Intent between the Queensland Government and the Municipal People's Government of Jiangmen City was signed in April 2004 by the Honourable Tom Burns AO, Queensland's Special Representative to China, and Mr Nie Dangquan, Acting Vice Mayor of Jiangmen City. Areas of cooperation include project development and planning, landscaping and construction.
- In August 2002, the Honourable Tom Burns AO, Chairman, Queensland China Council signed a Memorandum of Understanding with the Shandong Agricultural Delegation, led by Mr Liu Fang Yuan, to deepen and broaden areas for cooperation in agricultural trade and exchange.
- The Honourable Tom Burns AO, Chairman, Queensland China Council has been appointed an Overseas Council Member of the 8th Council Conference of the Guangdong Friendship Association. The Guangdong People's Association for Friendship with Foreign Countries (Guangdong Friendship Association) is a high profile association which promotes friendship between Guangdong and the people of the world.
- Mr Burns was also appointed an Honorary Chairman to the Jiangmen 5th People's Foreign Friendship Association in appreciation of the work he is conducting between Queensland and Jiangmen.

Additional bilateral arrangements

Investment

- In July 2004 the Honourable Peter Beattie MP, Premier of Queensland and His Excellency Mr Ma Kai, Chairman, China National Development Reform Commission (CNDRC) signed a framework agreement for investment cooperation between Queensland and China. This relationship was deepened in September 2004 through a senior CNDRC investment mission to Queensland.

Natural Resources, Mines and Energy

- The Queensland Government has entered into two agreements with China to address mine safety. In January 2005 the Safety in Mines Testing and Research Station (SIMTARS) within the Queensland Department of Natural Resources and Mines signed a Memorandum of Understanding with the State Administration of Work Safety (SAWS) to supply China with safety technology designed to prevent underground mine disasters. SIMTARS has also signed an agreement with the China Coal Research Institute with similar objectives.
- The Queensland Department of Natural Resources and Mines has also entered into a Cooperation Agreement on Mine Safety Education and Training Cooperation with the Shandong Coal Mine Safety Education and Training Centre in China. The objective of the agreement is to develop, conduct and support strategic cooperation projects in key areas of mining safety education and training.
- On 8 July 2005 the Queensland Department of Natural Resources and Mines signed a Memorandum of Understanding with the Ministry of Land and Resources, People's Republic of China for more collaborative arrangements regarding mining technology, mining safety, land management and water issues, between the two governments.
- In August 2004, the Queensland Department of Natural Resources and Mines signed a five-year contract with China's Ministry of Land and Resources to assist Chinese bureaucrats with training in land administration and registration.

- A framework agreement for investment cooperation between China and Queensland was signed by His Excellency Mr Ma Kai, Chairman, *China National Development Reform Commission (CNDRC)*, and the Honourable Peter Beattie MP, Premier of Queensland, in July 2004.

Education and Training

- The Queensland Department of Education, Queensland Education and Training International and TAFE Queensland have active and specialised programs in China to further increase numbers of students studying in Queensland, as well as providing training requirements for Chinese government and industry sectors. China is now the largest source market for international students in Queensland.
- Vocational education is also a growing area of interaction between Queensland and China. More than 1000 Chinese students in Shanghai and Jiangsu are studying vocational curriculum delivered by Queensland vocational education teachers.
- In January 2005, the Jiangsu Education Commission signed a Memorandum of Understanding with the Department of Employment and Training. As a result of this Memorandum of Understanding Brisbane North Institute of TAFE and Changzhou Institute of Light Industry have developed a twinning agreement for course delivery and assessment.
- A Memorandum of Understanding on Education Cooperation between the Department of Education, Queensland and the Shanghai Municipal Education Commission, Shanghai Municipality was signed in October 2003 for the period 2004-2005. The Memorandum of Understanding aims to establish collaborative projects of mutual interest in schools and other education institutions in order to further mutual understanding and co-operation between the parties.
- A similar Memorandum of Understanding on Education Cooperation between the Queensland Department of Education and the Hubei Provincial Department of Education, Hubei Province was signed in March 2004 and commenced in January 2004.
- Under the 2005-2007 Sister State Agreement with Shanghai, the Queensland Cup, an English language competition open to Chinese students in Shanghai is held among schools, colleges and universities that have a connection to Queensland. The Queensland Cup is organised and facilitated by the Queensland Government Trade and Investment Offices in China in collaboration with the Office of Higher Education in the Department of Education and the Arts.
- A Shanghai Cup Chinese Language Competition has also been established to raise the profile of the state of Queensland in Shanghai and to build on the extensive goodwill that exists between the sister states. The inaugural competition was held in Brisbane in July 2005, and was open to Queensland students of Chinese language in years 11 and 12 as well as tertiary students.
- Education Queensland International plays a significant role in educating students in China through two programs of study:
 - *Year 10 Offshore Program*, which prepares students for senior schooling studies in Queensland and is delivered in Nantong, Jinan, Xi'an and Shanghai; and
 - *Unilearn – University Foundation Program*, which prepares students for tertiary education in Australia, is delivered in Beijing and Nanjing.
- In November 2004, Griffith University signed Memoranda of Understanding on academic collaboration with the Shanghai Second Medical University, China Academy of Science, the Chinese University of International Business and Economics and the Beijing Suicide Research and Prevention Center.

- The Queensland Department of Emergency Services through the Queensland Ambulance Services and Queensland University of Technology signed a Letter of Intent with the Emergency Medical Center (First Aid Station) Branch of the Chinese Hospital Association (EBCHA) on 16 July 2004. The Letter of Intent creates potential for the development and on-going delivery of joint Queensland Ambulance Services/Queensland University of Technology university award courses and other training programs for Chinese pre-hospital care staff. These programs will be jointly delivered by Queensland University of Technology and Queensland Ambulance Services in both Australia (international students) and in China.

Tourism

- With around 28 million Chinese travelling overseas each year, there is significant potential from this high-yielding market. China is already Queensland's highest growing market with a 115% increase in visitors between December 2003 and December 2004 – or an extra 70,820 visitors. (Source: Tourism Research Australia International Visitor Survey). Tourism Queensland and the Queensland tourism industry as a whole are focused on securing a bigger share of the rapidly-growing China tourism market.
- In December 2004, Tourism Queensland signed a Cooperative Letter of Intent with *HNA Group Company Ltd*, Hainan Province to develop air links between Queensland and China's Hainan Province.
- *The China-Australia Air Services Agreement* signed in July 2003 means over a 100% increase in available capacity for services from mainland China into Brisbane and other major Australian cities. *China Airlines* commenced two weekly services between Taipei and Brisbane on 18 September 2003. On 27 August 2004, *China Airlines* announced an increase of flight frequency on the Taipei-Brisbane route from two to three flights per week.
- There are currently no direct air services from mainland China to Queensland. The three mainland Chinese carriers are all running daily services to Sydney and some via, or to, Melbourne. *China Eastern Airlines* runs nine services per week. *Air China* will put up another two services starting from the end of the first quarter of 2005. However, these carriers are not flying to Queensland. *Qantas* is also re-launching its services between Shanghai / Sydney / Melbourne, with three flights a week. Tourism Queensland is currently working with the major airlines to establish non-stop services between China and Queensland.
- Tourism Queensland will increase its focus on the Chinese market in 2005-06. A key initiative has been the establishment of an Industry Advisory Group for China which met for the first time in early June. The group consists of key industry representatives and other stakeholders and will develop a medium term strategic plan for the China market.

Community links

- Queensland has a vibrant Chinese community. The Australian Bureau of Statistics reports that according to Census 2001, this includes 23,913 China-born people residing in Queensland. This included people from the Special Administrative Region of Hong Kong and Taiwan Province.
- The Queensland Government values cultural diversity and provides a range of initiatives to support community participation. Initiatives include interpreter and translation services, support services to small business start ups, programs to attract and support skilled migrants, and festivals such as Chinese New Year.

Senate Inquiry into Australia's Relations with China – Terms of Reference

The Chair of the Senate Foreign Affairs, Defence and Trade References Committee, Senator Steve Hutchins, to move that the following matter be referred to the Senate Foreign Affairs, Defence and Trade References Committee for inquiry and report to the Senate on or before 15 September 2005:

- (a) Australia's economic relationship with China with particular reference to:
 - i. Economic developments in China over the last decade and their implications for Australia and the East Asian region;
 - ii. Recent trends in trade between Australia and China;
 - iii. The Australia-China Trade and Economic Framework and possibility of a free trade agreement with China;
 - iv. Ongoing barriers and impediments to trade with China for Australian businesses;
 - v. Existing strengths of Australian business in China and the scope for improvement through assistance via Commonwealth agencies and Australian Government programs;
 - vi. Opportunities for strengthening and deepening commercial links with China in key export sectors;

- (b) Australia's political relationship with China with particular reference to:
 - i. China's emerging influence across East Asia and the South Pacific;
 - ii. Opportunities for strengthening the deepening political, social and cultural links between Australia and China;
 - iii. Political, social and cultural considerations that could impede the development of strong and mutually beneficial relationships between Australia and China; and

- (c) Australian responses to China's emergence as a regional power with particular reference to:
 - i. China's relationships in East Asia, including in particular the Korean Peninsula and Japan;
 - ii. the strategic consequences of a China-ASEAN free trade agreement;
 - iii. China's expanded activities across the South West Pacific.