

# Australia–China Trade & Economic Framework

On 24 October 2003 Australian Trade Minister, Mark Vaile and Chinese Vice Minister for Commerce, Yu Guangzhou, signed the Australia-China Trade and Economic Framework agreement, following more than 12 months of formal negotiations. This Government-level framework will enable Australian exporters and investors to maximize the benefits from China's continuing economic reform and recent WTO accession.

The Framework boosts the economic relationship in three ways:

- by undertaking a joint feasibility study into a possible free trade agreement (FTA) between Australia and China. The study will examine the costs and benefits of an FTA and will allow both Governments to consider whether to proceed with FTA negotiations. The study will be completed by 31 October 2005.
- By promoting business cooperation in sectors that hold the best potential through targeted measures in key sectors such as energy and minerals, agriculture, services and investment. The Framework also refers to other bilateral issues including education, health, food safety, customs cooperation and intellectual property rights.
- Finally, the Framework will enhance economic dialogue by increasing high-level visits with an economic focus as well as strengthened dialogue among senior officials.

## ***Annex I of the Framework***

The key areas of cooperation under the Framework for industry are:

### **1. Energy and mining**

Whilst Australia and China are already engaged in a number of bilateral cooperative activities to develop trade and investment in the areas of mining and energy, this successful relationship will be further developed via a number of stipulated measures.

### **2. Textiles, Clothing and Footwear**

Australia and China believe the trade in textiles and clothing can be further promoted through the following measures:

- strengthen cooperation, integrating measures to improve conditions of trade and investment, and encouraging development of business links and contacts;
- hold regular trade fairs and exhibitions in Australia to strengthen promotion of Chinese products;
- encourage deeper bilateral cooperation in pre-processing of wool, waste water treatment, training, apparel design, fashion, marketing, etc; and
- support the formation of joint ventures or joint development of brands between the two countries' clothing and textiles firms to jointly open the world market.

### **3. Agriculture and Quarantine Inspection**

Australia and China, whilst already engaged in a number of bilateral cooperative activities in the areas of agricultural trade and investment, will build on this area of work via a number of stipulated measures.

### **4. Investment**

Australia and China already are important investment partners for each other, and both welcome the trend of growing investment. This process will be enhanced through: cooperating and exchanging information; and taking action to build institutional linkages between Australian and Chinese agencies with a view to promoting visits, conferences and other activities.

### **5. Services**

Australia-China services cooperation and trade is expanding rapidly. Work will be undertaken to expand cooperation in education and training. (An Arrangement on Higher Education Qualifications Recognition between the Government of Australia and the Government of the People's Republic of China has been suggested.) Further:

- China hopes to enhance cooperation with Australia for labour services, especially in agriculture, horticulture, manufacturing, medical treatment and public welfare agencies.
- Australia and China hope to complement each other in engineering projects and enhance cooperation in such projects in China, Australia or third countries.
- Australia and China will explore the possibility of Chinese firms investing under contract in Australian resources and mining development projects, further deepening bilateral cooperation in these fields.

## 6. Customs Cooperation

Australia and China already work closely together on customs issues, reflecting the importance of those issues in the expansion and facilitation of trade and commercial relations. This will be enhanced in the following ways:

- working toward concluding an MOU on customs cooperation and mutual assistance;
- building communications and understanding between customs and business on both sides to simplify and facilitate business compliance;
- continuing to promote electronic commerce strategies and drive the development of paperless trading;
- jointly raising standards of clean government; and
- stepping up cooperation in law enforcement.

## 7. Intellectual Property Rights

Australia and China will work cooperatively on matters related to intellectual property rights, which are an important component of business activity, research and development. IP protection is key to success in higher technology sectors and services.

## 8. Food Safety

Australia and China are committed to providing strong scientific and technological support for food safety and will enhance their cooperation by concluding a Memorandum of Understanding on Scientific and Technological Cooperation in Food Safety.

## 9. Technical Barriers to Trade

In order to facilitate trade and ensure that technical regulations and standards do not become unnecessary obstacles to trade, Australia and China will seek to develop work plans and mechanisms devoted to promoting further cooperative activities in related areas. These will include: inspection and quarantine procedures; standards, quantification, certification and accreditation issues, particularly with regard to wool; mutual recognition of certification of each other's mechanical and electronic products.

## 10. Work and Business Visas

Australia and China will endeavour to simplify application procedures for business visas, shorten processing times and facilitate personnel engaged in normal business activities, ensuring that delegations and individuals are able to meet their schedules. The provision of long-term work visas for business people carrying out long-term commercial activities should also be facilitated.

## 11. Anti-dumping

The Parties will set up bilateral government mechanisms for anti-dumping notification and consultation, resolve differences through dialogue and consultation and, to the maximum extent, reduce the impact of anti-dumping actions on normal trade.

### ***The Trade Relationship***

Two-way trade has grown from \$113 million in 1973 to \$21.2 billion in calendar year 2002. Exports to China totaled \$8.4 billion and imports totaled 12.8 billion. China is currently ranked as our third largest trading partner, and Australia as China's eleventh largest bilateral trading partner.

Around two-thirds of Australian merchandise exports to China are primary products - principally wool, wheat, sugar, barley, cotton, iron ore, copper ores, alumina and coal. In recent years there

has been an increase in manufactured exports such as electrical machinery and appliances and telecommunications equipment.

China is Australia's third largest source of imports, our principal source of clothing and footwear, and a significant source of Australia's textile imports. Other major imports from China include sporting goods, toys, games and computers.

### ***The Investment Relationship***

Total Chinese investment in Australia as at June 2001 was \$3.4 billion, making China the 12<sup>th</sup> largest investor in Australia. Australian investment in China totaled \$1.6 billion at November 2001, making Australian the 14<sup>th</sup> largest investor in China.

### ***China's WTO Accession***

China's entry to the World Trade Organization is an important milestone in its 25-year reform journey. Not only is China further lowering its trade and investment barriers, generating immediate opportunities for exporters and investors, but its WTO entry package reinforces the reform program that will generate broader and deeper change beyond freer trade and investment. By further scaling back the role of the state sector, opening and restructuring the financial sector, strengthening the legal system and gradually leveling the playing field for private and foreign firms, China should improve its business environment and maintain strong growth. Change will not be rapid and significant challenges must be overcome to accomplish the WTO reform programs.

### ***Opportunities in Manufacturing and Infrastructure***

China's infrastructure sector is struggling to maintain sufficient supply and quality in the face of the country's rapid economic growth, creating opportunities for foreign suppliers. WTO entry will ease restrictions on foreign participation in several major infrastructure sectors, including airports and ports. Together with ongoing regulatory reform and strong economic growth, these developments represent opportunities for Australian infrastructure equipment and services providers.