BUSINESS I Issue No. 4 I ***Free Trade Agreements***

November 2014

Since the first round of negotiations began on 23 May 2005, the free trade agreement was finally concluded on 17 November 2014 after twenty-one rounds of negotiations between Australia and China. It is said to be the most comprehensive FTA that China has ever entered into with any country. The deal could be worth up to $18 billion to the Australian economy over the next few years.

With the explosive growth of the middle class in China, comes strong demand for Australian goods. However, high tariffs imposed by the Chinese government on Australian products have always been a negative factor to greater trade growth. The beauty of the FTA is that it eliminates tariffs of 10% to 25% within the next four to nine years for products such as dairy, beef, lamb, wine and live animal trade. The resources sector appears to be another big winner, with 92.9% of Australian resources and energy products exported to China to be duty free with immediate effect and the remaining tariffs removed within four years. This should give a big push to the Australian mining industry which has slowed considerably in recent years. However, not everyone will benefit from the FTA, with sectors such as rice, sugar, wheat and cotton left out in the cold.

In terms of our services market, the FTA has paved way for an easier access into China for Australian banks, insurers, securities and future companies, professional service suppliers, education services and businesses include health, aged care, construction, manufacturing and telecommunication services.

As a bait to secure the above package of goodies, Australian tariffs on resources, energy and manufactured goods will be removed. Also, for some products within the automotive, steel, aluminium, plastics, canned fruit, carpet, clothing and footwear sectors, the 5% Australian tariff will be removed within two to four years.

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China has also been granted greater access to invest in Australia. Investment in Australia's non-sensitive areas by private sector entities is expected to increase as Foreign Investment Review Board (FIRB) is uplifting the screening threshold from $248 million to $1,078 million, in line with the USA and New Zealand thresholds. In addition, FIRB screening thresholds for investment in agricultural land and agribusiness will be set at proposals over $15 million and $53 million, respectively. Under the FTA, inter-corporate employee transferees, contractual service providers, and business visitors can come to Australia with fewer restrictions and longer maximum stays.

To get a feel of where the FTA is taking our nation, lets take a look at our next door neighbour. When New Zealand signed its free trade deal with China in 2008, 10% of New Zealand's exports went to China. As of 2013, it accounted for 45%. Consequently, the existing annual trade of $150 billion between Australia and China is likely to mushroom, creating stronger business in Australia and more jobs for Australian workers.

Tony Hogarth
Partner
Mullins Lawyers
t +61 7 3224 0369
thogarth@mullinslaw.com.au