

ACTION ALERT AA15-5: CHINA-AUSTRALIA FREE TRADE AGREEMENT

This Alert gives a brief outline of the Agreement signed by the two Governments in June 2015, some commentary on its implications, and the process of examination of it by two Parliamentary Committees.

Background

After ten years of negotiations, on 17 June 2015 in Canberra, the Free Trade Agreement between China and Australia was signed on behalf of the two Governments. It is now subject to approval by the Parliament. The Joint Standing Committee on Treaties (JSCOT) and the Senate Foreign Affairs, Defence and Trade References Committee are both examining the Treaty. The Treaties Committee is empowered by its resolution of appointment to inquire into and report on 'matters arising from treaties and related National Interest Analysis and proposed treaty actions presented or deemed to be presented to the Parliament.' It welcomes submissions until 24 July 2015. The website is www.aph.gov.au/Parliamentary_Business/Committees/Joint/Treaties/

The Senate committee is focusing on the impact of the Agreement on (a) economy and trade, (b) domestic labour market testing obligations, (c) investment, and (d) social, cultural and environmental policies. Submissions to this enquiry are possible until 28 August 2015. The website is www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/

The Agreement

The Department of Foreign Affairs and Trade has outlined the major features of the Agreement: www.dfat.gov.au/trade/agreements/chafta/fact-sheets

It builds on the large commercial relationship with China by securing markets and providing Australians with better access for goods, services and investment. For Agriculture, tariffs will be removed immediately on some products (e.g. barley, sorghum), very shortly on seafood, sheep meat, pork and horticulture, and later on dairy, beef, wine, and wool exports to China. In manufacturing and resources, over 90% of exports to China (iron ore, coal, copper, aluminium, zinc, nickel, titanium, pharmaceuticals, and car parts) will become free of tariffs, and the rest within four years.

The Agreement provides better access for Australian services of many kinds (e.g. legal, education, telecommunications, finance, tourism, health and aged care). Investors in both countries will gain better opportunities to invest in the other country. There is an Investor-State Dispute Resolution mechanism that includes safeguards to protect the power of each government to regulate public health, safety and the environment in the public interest. There will be reduced barriers to labour mobility through improved temporary entry access within the existing immigration and employment policies.

Commentary

Jeffrey Wilson who is in the Asia Research Centre of Murdoch University (*The Drum*, 19 June 2015) said that the agreement was more about picking winners than extending free trade. He distinguishes between the 'negative list' approach - under which government liberalise all forms of trade protection and negotiate a list of products for exclusion – and the 'positive list' approach that focuses on what will be included, starting from nothing and building up a list. The 'negative list' way tends toward broader and deeper liberalization, because a government has to justify an exclusion; the 'positive list' way leads to shallower and narrower agreements. He identifies agriculture, services and mining as the winners, and even then the degree of liberalization is limited in many cases by existing trade barriers imposed by China, and to existing exporters. Losers include the sugar and rice industries.

Peter Martin (*The Sydney Morning Herald*, 22 June 2015) saw the agreement as more favourable to Chinese than Australian investors. He drew attention to a detailed analysis of the agreement by the Australian Fair Trade and Investment Network, which showed that Chinese companies could bring in Chinese nationals to work in Australia much more easily than Australians could work in China. Prohibition of discrimination against Chinese investments by Australia was a general provision, whereas discrimination against Australian investment in China was forbidden for certain industries only (e.g. transport, tourism, hospital, education). The Invest-State Dispute Settlement mechanism did not require documents to be made public, and was subject to review in three years. The analysis showed the appearance of a rushed process to conclude the agreement.

Chloe Taylor (*HC On-Line*, 22 June 2015) wrote of concern that the agreement would grant Chinese migrants the ability to work in Australia for four years or longer as 'contractual service suppliers' (e.g. chefs, language tutors, Chinese medicine practitioners). Chinese companies with large infrastructure projects will be able to bring in machinery installers and equipment providers. One legal adviser suggested that Australian employers accessing the scheme should ensure there is transparent compliance with Australian law. The ACTU president Ged Kearney said the agreement would need strong regulations to ensure that local jobs are protected. CEO of the Australian Industry Group, Innes Willox, said the agreement was both a threat and an opportunity.

Responses

Quakers may wish to take up their concerns via submissions to the Parliamentary committees – by 24 July (Treaties) and 28 August (Senate). The Treaties Committee is chaired by Wyatt Roy MP (Liberal Qld), and Deputy Chair Kelvin Thomson (ALP Vic); the Senate committee is chaired by Senator Alex Gallacher (ALP SA) and Deputy Chair Senator Chris Back (Liberal WA).

Otherwise, direct approaches can be made to the relevant Minister and Shadow Ministers. Andrew Robb MP is the Minister for Trade, and Senator Penny Wong is the Shadow Minister. Senator Peter Whish-Wilson is the Australian Greens spokesman on Trade.

Canberra.
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