

An Analysis of the Significance of the China-Australia Free Trade Agreement

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Abstract: China-Australia Free Trade Agreement (ChAFTA) is the agreement signed by China and Australia after nearly 10 years of negotiations. Due to its broad scope, advanced systems of trade and investment, the agreement is one of the deepest regional integration agreements relating to China since the Free Trade Agreement signed in 2002 with ASEAN. Therefore, its signing and implementation have a great significance to deepen Sino-Australia bilateral trade, investment, and to bring the benefits of both sides, the stability and security of the Asia-Pacific region.

Key words: China-Australia Free Trade Agreement, significance, trade and investment

Introduction

Following over a decade of negotiations, the China Australia Free Trade Agreement (ChAFTA) was signed on 17 June, 2015. The ChAFTA came into force on 20 December 2015. It lays an historic foundation for the next phase of Australia's economic relationship with China. The agreement unlocks significant opportunities for Australia in China which is Australia's largest export market for both goods and services, accounting for nearly a third of total exports, and a growing source of foreign investment. Therefore, it has the great significances in terms of Sino-Australian relations, economic development and legal meanings.

1. The main contents of the ChAFTA and its Significance to Sino-Australian relations

The ChAFTA includes the text and four annexes. In addition to the preamble, there are 17 articles in the text, namely, the initial articles and definitions, trade in goods, rules of origin and enforcement procedures, customs procedures and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, trade remedies, trade in services, investment, Natural Person Movement, Intellectual Property Rights, Electronic Commerce, Transparency, Mechanisms Clauses, Dispute Resolution, General Terms and Exceptions, Final Clauses.

In addition to the text of the Agreement and the Annex, the Sino-Australia FTA negotiations package includes two Memorandums of Understanding on investment facilitation arrangements and the Holiday Work Visa Arrangement, as well as an exchange of notes on Chinese medicine services. These three documents are signed at the same time as the agreement.

1). Matters related to the ChAFTA text

(1) The law and tax assessment in Australia and China. The two countries have each conducted a legal assessment of this text, and in line with ChFTA's principle of maximizing corporate interests, Australia and China have agreed to assess bilateral tax arrangements, including the lifting of double taxation. It also enhances the transparency of non-tariff measures, ensures that these measures do not create unnecessary obstacles to bilateral trade, and establish special mechanisms for the progressive review and resolution of non-tariff measures.

(2) ChAFTA will promote the further growth and diversification of China's investment flows to Australia, such as for the non-sensitive sectors identified by The Foreign Investment Review Board (the Board), which will allow China's private sector investment exemptions to be waived from Au \$ 252 million to Au \$ 1,094 million. However, the Australian Government has set strict thresholds for sensitive sectors of China's investment retention, including media, telecommunications, and defense-related industries. At the same time, Australia maintains a review of foreign investment in agricultural land and agribusiness investment proposals for over \$ 15 million in agricultural land and over \$ 5.3 million in agribusiness. All investments in Chinese SOEs will be reviewed irrespective of the size of the transaction.

2). The Significance of ChAFTA to Sino - Australia Relations

ChAFTA has achieved a comprehensive, high-quality and balanced interests of the target, which is of great significance. Firstly, ChAFTA is China's important decision to implement the strategy of opening to the outside world, and it is an important and solid step in the implementation of the Third Plenary Session of the 18th CPC Central Committee, the construction of a new open economy system

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and the construction of a high-standard free trade area network step. The signing of the agreement fully demonstrates China's confidence and ability to establish closer trade relations with its trading partners, and will continue to unswervingly deepen reform and promote opening to the outside world. Secondly, ChAFTA will comprehensively enhance the economic and trade relations between China and Australia to further promote the flow of capital, resources and personnel between the two countries and promote the complementary and lasting development of the economic advantages of the two countries so that both producers and consumers Benefit. According to the Australian Center for International Economic Research preliminary forecast, ChAFTA will drive the Australian GDP growth of 0.7 percentage points, boosting China's GDP growth by 0.1 percentage points. Finally, China and Australia, both major economies in the Asia-Pacific region and the world's major economies, reached a free trade agreement will be the 2015 APEC Economic Leaders 22nd informal decision to start the Asia-Pacific Free Trade Area process to provide a solid pedal for the Asia-Pacific Regional pragmatic advance economic integration process, to achieve lasting stability and prosperity to play a positive role in promoting.

2. Significance of ChAFTA trade rules for the economic development of two sides

(1) From both sides of the economy, the ChAFTA will help to expand trade between China and Australia, the scale of investment and increase the welfare of both peoples. ChAFTA covers mainly goods, services trade and investment. For China, exports of goods, including agricultural products and bulk commodities, which have comparative advantages in Australia, can make up for the shortage of Chinese resources and meet people's demand for high-quality food. At the same time, China's current encourage enterprises Going out to carry out overseas investment strategy.

(2) For Australia, the benefits are obvious. As the Australian Department of Foreign Trade and Investment has said: ChAFTA builds on Australia's large and successful commercial relationship with China, by securing markets and providing Australians with even better access to China across a range of Australia's key business interests, including goods, services and investment. Trade and investment with China is central to Australia's future prosperity.

Consistent with Australia's other bilateral trade agreements, remaining Australian tariffs on Chinese imports will be eliminated progressively. This includes removal of the five per cent tariff on Chinese manufacturing exports, electronics and white goods, with consumers and businesses to benefit from lower prices and greater availability of Chinese products. It is based on the following facts: for Australian goods exporters: More than 85 per cent of Australia's goods exports to China, more than 85 per cent of Australia's goods exports to China (by value in 2015) now enter duty free or at

preferential rates thanks to ChAFTA, and this percentage will rise to 93 per cent by 1 January 2019 and 97.9 per cent when ChAFTA is fully implemented (1 January 2029). China buys more of Australia's agricultural produce than any other country. In 2014-15, this market was worth \$9 billion to Australian farmers and the broader agricultural sector. Especially in dairy: tariffs up to 20 per cent eliminated by 1 January 2026; Beef: tariffs of 12 to 25 per cent eliminated by 1 January 2024; Wine: tariffs of 14 to 20 per cent eliminated by 1 January 2019; Wool: a new Australia-only duty free quota (commencing 1 January 2016), in addition to continued access to China's WTO quota.

The resources and energy products are the one of the Australia's export largest market to China. In 2014-15, Australia exported more than \$70 billion worth of resources, energy and manufactured products to China Starting from 20 December 2015, 92.8 per cent of China's imports of these products from Australia now enter duty free, with most remaining tariffs to be removed by 1 January 2019. On full implementation of the Agreement (1 January 2029), 99.9 per cent of Australia's resources, energy and manufacturing exports will enjoy duty free entry into China. Iron ore, gold, crude petroleum oils and liquefied natural gas: ChAFTA locks-in existing zero tariffs on these major exports providing greater certainty for Australian exporters : Coking coal: tariff of 3 per cent was completely eliminated on 20 December 2015; Thermal coal: tariff of 6 per cent was reduced to 4 per cent on 20 December 2015, fell to 2 per cent on 1 January 2016 and will be completely eliminated on 1 January 2017; Refined copper and alloys (unwrought), aluminium oxide (alumina), unwrought zinc, unwrought aluminium, unwrought nickel and titanium dioxide: tariffs of up to 10 per cent eliminated, many on 20 December 2015 Pharmaceuticals, including vitamins and health products: elimination of tariffs up to 10 per cent, either on 20 December 2015 or progressively by 1 January 2019 ; Car parts and engines, plastic products, opals and other precious stones: elimination of tariffs on these and some other manufactured products will take place by 1 January 2019.

In addition to the above-mentioned trade in goods, trade in services is also a profitable sector for Australian exports to China: China is Australia's largest services market, with exports in services valued at \$8.8 billion in 2014-15. China offers Australia its best-ever services commitments in an FTA, most valuably, this includes new or significantly improved market access for Australian banks, insurers, securities and futures companies, law firms and professional services suppliers, education services exporters, as well as health, aged care, construction, manufacturing and telecommunications services businesses in China. The agreement also includes a Most-Favoured Nation (MFN) clause.

(3) In terms of investments, China's commitments on investment in ChAFTA protect the competitive position of Australian businesses in China into the future. Increasing numbers of Australian

businesses are entering the Chinese market with great success, with banking and wealth management the leading sector of Australian direct investment in China. At the end of 2014, Australia's stock of investment in China totaled \$57.9 billion.

Investors for China, the benefits are obvious. Because ChAFTA has greatly reduced the threshold of bilateral trade and investment between China and Australia, it has established a more open, convenient and standardized institutional arrangement for the future development of bilateral economic and trade relations. It will help deepen the potential of bilateral cooperation, further promote the two-way flow of capital, resources and personnel, comprehensively promote and deepen bilateral economic and trade relations, enhance the level of cooperation, to enrich the comprehensive strategic partnership between the two countries to provide important content. Second, China and Australia have strong economic complementarities and have great potential for cooperation in the fields of energy, minerals, agricultural products and industrial products. The signing of the FTA between China and Australia will help to further close trade and investment relations between the two countries and achieve a win-win situation.

Firstly, in terms of investment: Australia is China's second largest overseas investment destination after Hong Kong. Chinese investment in Australia has been growing strongly in recent years - up from \$2 billion 10 years ago, to around \$65 billion at the end of 2014. ChAFTA will promote further growth of Chinese investment into Australia, in particular by liberalising the Foreign Investment Review Board (FIRB) screening threshold for private Chinese investors in non-sensitive sectors from \$252 million to \$1,094 million. Investment Facilitation Arrangement is made by the developed countries for the first time under the Chinese investment projects and technical staff to make special facilitation arrangements.

Secondly, Australia is the second country in the world to negotiate a FTA on "Holiday and Work Visas" in trade, in services and other areas. Australia is also the first country to make a commitment to trade in services on a negative list basis, and to professionals with Chinese characteristics to make a commitment to Australia, which is the developed country to give the relevant easy access in contrast to the largest number of developed countries.

Thirdly, in the area of trade in goods: ChAFTA reached a high level of liberalization in the area of goods. China 96.8% of the tax items will be liberalized, and the use of linear tax reduction is a simple and straightforward way to reduce taxes, of which 5 years to complete the tariff reduction ratio of 95% tax items, the remaining product tax transition period of not more than 15 years. All of Australia's products are fully tariff reductions in China, with the level of liberalization reaching 100%. 91.6% of the tariffs are reduced to zero at the time of entry into force. 6.9% of the tariff items are reduced to zero in the third year after the entry into force of the agreement. The last 1.5% Tariffs and tariffs shall be reduced to

zero at the fifth year after the entry into force of the Agreement.

From the perspective of trade, China's liberalization of imports of products from Australia accounted for 97% of total imports from Australia, which entered into force when the tariff is reduced to zero imports of products accounted for 85.4%, 5 years tariff reduced to zero Of the product imports accounted for 92.8%. When the Australian Agreement came into force, the import of products with zero tariffs was 85.4% of the total imports from China, and 98.4% of the tariffs were reduced to zero within three years. All products tariffs would be reduced to zero within five years.

To sum up, the signing of ChAFTA will further promote the development of economic relations between China and Australia, including trade and investment. More importantly, this further development will be guaranteed by the law. It can be predicted that in the future China-Australia economic and trade relations will be able to achieve a win-win situation based on the situation between China and Australia and ChAFTA.

3. The Legal Meaning of ChAFTA 's Rule Innovation

(1) One of the innovative aspects of the rules of the ChAFTA is to provide an important content for the development of a comprehensive strategic partnership between the two countries. Because ChAFTA both sides are important countries in the Asia-Pacific region: Australia is the world's GDP ranked the world's 12th developed Western economies, OECD and the Group of Twenty important members, it has a mature market economy and match Of the legal system and governance model in the Asia Pacific region and the world have an important influence. China is the world's second largest economy, is working hard to participate in the international economic and trade system. The signing of the ChAFTA has greatly reduced the threshold for bilateral trade and investment and set up a more open, convenient and standardized institutional arrangement for the future development of bilateral economic and trade relations. It will help deepen the potential of bilateral cooperation, further promote the two-way flow of capital, resources and personnel, comprehensively promote and deepen bilateral economic and trade relations, enhance the level of cooperation, to enrich the comprehensive strategic partnership between the two countries to provide important content.

(2) The significance of ChAFTA's international regional economic integration: The 22nd APEC Informal Meeting of APEC decided to start the Asia-Pacific Free Trade Area (APTA) process, and ChAFTA could become the Asia-Pacific Free Trade Area in the Asia-Pacific region, which will help promote the process of Asia-Pacific economic integration and promote the deep integration and common development of Asia-Pacific economies.

(3) ChAFTA's liberalization of trade rules for goods is at the highest level on both sides. Such as China 96.8% of the tax items will be liberalized, and the use of linear tax reduction is a simple and

straightforward way to reduce taxes, including 5 years to complete the tariff reduction ratio of 95% tax items, the remaining product tax transition period of not more than 15 year. All of Australia's products are fully tariff reductions in China, with the level of liberalization reaching 100%. 91.6% of the tariffs are reduced to zero at the time of entry into force. 6.9% of the tariff items are reduced to zero in the third year after the entry into force of the agreement. The last 1.5% Tariffs and tariffs shall be reduced to zero at the fifth year after the entry into force of the Agreement. From the perspective of trade, China's liberalization of imports of products from Australia accounted for 97% of total imports from Australia, which entered into force when the tariff is reduced to zero imports of products accounted for 85.4%, 5 years tariff reduced to zero Of the product imports accounted for 92.8%. When the Australian Agreement came into force, the import of products with zero tariffs was 85.4% of the total imports from China, and 98.4% of the tariffs were reduced to zero within three years. All products tariffs would be reduced to zero within five years. Compared with the Australia-Korea-Australia-Japan FTA, Australia's liberalization arrangements for Chinese products are superior to those for Japan and South Korea, mainly due to the five-year tax cut for Chinese products in Australia. The tariff reduction period for Japan and South Korea products are up to 8 years; in Australia through the tariff reduction period of tariff reduction products, the Australian tax cut in China for 3 years the proportion of tax items higher than similar products in Australia and Japan Australia and South Korea FTA in the proportion. The above is not only beneficial to both sides, but also for the further implementation of the liberalization of the international trading system is also of great significance.

(4) ChAFTA is the first high level of free trade agreements signed by China with one of the major developed countries, and one important sign is the two sides reached a high level of service in the field of negotiations results. Australia's level of openness to China's services is higher than the newly reached Australia-Japan-Australia-Korea FTA. Namely in the regional economic integration service trade system breakthrough, specifically in the following four aspects:

Firstly, ChAFTA is the first trade partner to "negative list" of China's trade in services made an open commitment to the agreement. Australia has agreed to open the service sector on a negative list to become the first country in the world to make a commitment to trade in services on a negative list basis. Based on China's WTO commitments, the Chinese side promised to open some service sectors to the Australian side in a positive way.

Secondly, personnel exchanges between the two sides to achieve a major breakthrough. The Australian side agreed to establish an investment facilitation mechanism to facilitate the opening of "Green Corridor" for Chinese enterprises to apply for Australian visas and work permits for engineering and technical

personnel under Chinese investment. This mechanism is the first time that developed countries have made special facilitation arrangements for China in this field. The Australian side will provide a "Holiday Work Visa Scheme" to provide Chinese youths with a visa for 5,000 people a year to promote youth exchanges between the two countries. Australia also provides entry allowances for 1,800 professionals each year to professionals with Chinese characteristics (Chinese medicine practitioners, Chinese teachers, Chinese chefs and martial arts coaches).

Thirdly, to prepare to "upgrade" both sides of trade in services. The two sides agreed to implement the FTA, the two sides agreed in the future time to conduct a negative list of trade in services negotiations, to promote a higher level of mutual openness. In addition, the two sides reached a series of important agreements on cooperation in such key service areas as finance, education, law and Chinese medicine. China's commitment level is also higher than other free trade agreements China has signed (except CEPA and ECFA).

Fourthly, in terms of the structure of the agreement, it mainly includes service chapters, financial annex, natural person movement chapter, natural person movement specific commitment annex, Chinese specific commitment schedules, Australia side nonconforming measures negative list, five areas cooperation exchange notes and two memorandums of understanding. In terms of the contents of the agreement, the following points are highlighted: First, Australia has opened its service sector on a negative list, with the exception of a few areas, giving China the most MFN status; the other is that Australia specializes in engineering and technical personnel under Chinese investment. Australia has set up a new facilitation mechanism to facilitate Chinese enterprises to engage in investment activities in Australia. The mechanism is developed for the first time in China to make special arrangements to facilitate China to ease the Australian labor shortage and high labor costs and other pressures; Third, Australia unilaterally for the Chinese youth to Australia to provide 5,000 annual holiday work visa, (Chinese, Chinese language teachers, Chinese chefs and martial arts coaches), a total of 1,800 people a year of entry quotas in Australia for the first time to stay the longest period of time Up to 4 years, can be renewed after expiration; Fifth, at the request of the Chinese side, Australia promised to foreign bank branches of the liquidity coverage requirements from 100% to 40%, Chinese banks in Australia branch of the cost of capital Will be significantly reduced.

(5) ChAFTA provides institutional convenience for Chinese enterprises to invest abroad. Under the framework of the China-Australia FTA, China and Australia signed a Memorandum of Understanding (MOU) on Investment Facilitation Arrangements to provide certain visa facilitation arrangements for Chinese enterprises investing in Australia. Chinese personnel engaged in large-scale investment and construction projects in the fields of food and

agricultural enterprises, resources and energy, transportation, telecommunications, power supply and power generation, environment and tourism will enjoy convenient treatment in Macao. More importantly, in the future, Former national treatment plus a negative list of models to negotiate with the Australian side to further enhance the level of investment liberalization and facilitation, but also on banking, securities, anti-money laundering and other issues of common interest to carry out dialogue and cooperation. At the same time, Chinese organizations can provide payment services in Australia, on the basis of national treatment, as payment system members and payment system operators. These will create a favorable business environment for Chinese financial institutions to "go global". These will be China's investment, financial system, one of the important measures to promote reform.

(6) ChAFTA has breakthrough significance in more than a dozen FTAs signed in China: rules cover a wide range, and have the depth of regional depth integration. Including, inter alia, initial terms and definitions, trade in goods, rules of origin and enforcement procedures, customs procedures and trade facilitation, sanitary and phytosanitary measures, technical trade barriers, trade remedies, trade in services, investment, movement of natural persons, intellectual property, E-commerce, transparency, terms of the mechanism, dispute settlement, general terms and exceptions, final clauses and more. Especially in the ChAFTA into the investor (investor) and the host state (host state) dispute settlement mechanism (ISDS). This mechanism provides procedural and substantive rules for the settlement of investment disputes, and these detailed and explicit provisions establish effective mechanisms for resolving investment-related disputes. In the case of a dispute between the two parties, the mechanism will provide investors with adequate means of remedy and strong institutional guarantees to further enhance investor confidence. In addition to the investor-host dispute settlement mechanism described above, the FTA also provides detailed procedures and treatment for specific dispute settlement in the interpretation and application of the Agreement and,

in the event of a commitment to a dispute, to do its utmost to Consultation, seek common satisfaction solution. The scope of the agreement on the dispute, the venue for the settlement of disputes, consultation mechanism, the composition and functions of the tribunal, the implementation of arbitration reports to make clear. Compared with the dispute resolution section of FTA, which has been signed by China earlier, the dispute settlement section of this Agreement is more complete, disciplined and friendly.

Conclusion

In conclusion, the signing of the ChAFTA is of great economic importance for the two Parties, as well as for the economic integration in the Asia-Pacific region and for further reform in China. Therefore, the successful operation and implementation of the ChAFTA and the implementation of the ChAFTA rule benefits from it are the tasks of the two sides in the future. This is more to rely on China and Australia to comply with ChAFTA, to deepen the study of free trade rules, to further deepen cooperation in the field of trade and investment.

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