



Australia/China FTA Negotiations: ASR Members Update

10 November 2007

The tenth round of the Australia-China FTA negotiations was held in Canberra on 22-26 October. There were no major breakthroughs; none could be expected. The Australian Government is in caretaker mode. & the Chinese Party Congress has yet to select a new Trade Minister, which is not expected to take place before next April. The negotiations are proceeding cautiously at best.

Services

Discussions were workmanlike. Outcomes were limited. There was agreement to consider a single consolidated text on cross border trade in services, agreement to explore MRAs in engineering, architecture & construction & some clarification of regulatory arrangements & barriers in other sectors.

*Architecture & Engineering

China signalled a preparedness to consider an MRA or MRAs in architecture & engineering. China also indicated that it might be willing to ease up on residency requirements for foreign personnel employed by

foreign-invested construction companies.

China raised a number of barriers it perceives in the Australian market: including temporary entry issues & uncertainty with respect to the registration process for architects & engineers at federal & state level.

The Australian government is consulting closely with domestic stakeholders including architectural & engineering firms as well as the Royal Australian Institute of Architects & Engineers Australia which have established an Architecture & Engineering reference group for this purpose.

*Financial services

China remains reluctant to go beyond its WTO commitments. China's financial services regulators did, however, engage on difficult issues. China showed some flexibility in identifying ways to address Australia's pension fund barriers, & clarified regulatory arrangements relating to the allocation of foreign debt quotas affecting Australian banks.

A group of Chinese financial services journalists visited Australia from 11 - 19 Aug; this resulted in good press coverage in China of how

China could profit from Australia's advanced financial services sector.

*Legal services

Discussions took place with the Chinese Ministry of Justice on Australia's proposals on developing a framework for commercial association between Chinese & Australian law firms. China remains unconvinced that this is the best way forward but is open to further discussions.

*Education & Training

Australia proposed a scoping study on recognition of qualifications in vocational education & training & in higher education, but China was not yet ready to respond. Officials from the Chinese Ministry of Labour & Social Security visited from 26 Aug to 2 Sept.

*Transport & logistics

China confirmed that while there were no specific capitalisation or scale requirements set out in regulatory arrangements at the central level for foreign-invested trucking companies, certain 'internal procedures' did apply. This lack of transparency is likely to remain a major impediment for Australian firms though China claims it is still considering the requests Australia has tabled.



*Air Transport

China's General Administration of Civil Aviation participated in this round, enabling some useful clarification of regulatory issues & good progress on the development of text & definitions relating to air transport services.

*Other Services

Useful discussions took place on regulatory issues affecting **telecommunications, tourism & traditional Chinese medicine**. Australia agreed to provide a checklist to China on the classification of new **environmental services** before the next round. Australia organised a seminar in Beijing on telecommunications on 19 Sept at which Australian industry figures explained how the Chinese telecommunications sector could benefit from Australia's regulatory & industry strengths.

*Movement of People

This area is treated as highly sensitive by the Australian negotiators, despite strong interest in the Australian business community in opening up to relieve domestic skills shortages. Australian stake holders are also calling for professionals longer stays for visas for trainee Chinese architects.

Investment

Given a large delegation from the Chinese Ministry of L& Resources talks focused on mining investment issues such as the unpredictable approval process for exploration & mining licenses, the treatment of overlaps between minerals in the prohibited & permitted category & the highly prescriptive regulation of geological explorer qualifications.

China agreed that its exploration & mining regime had problems, but emphasised that the problems affected domestic & foreign investors alike. China agreed to consider Australia's proposal to reduce the risks in moving from the exploration to the mining stage by giving more certainty to Australian holders of exploration licences that overlap with a mineral in the prohibited category. Under Australia's proposal, the holder of the exploration licence would be able to negotiate an off-take agreement for the prohibited by-product, & maintain its exploration licence (rather than have its licence invalidated). China undertook to consider ways to deal with problems caused by overlaps with holders of petroleum tenements.

Intellectual Property

At China's request, no discussions on IP took place.

E Commerce

China has accepted the idea of a chapter, & seems to be able to accept a fair amount of the text, but is cautious about some aspects, as this is an area where China is still developing its regulatory regime.

Government Procurement

is a sensitive for China. China gives preference to domestic suppliers but will open its market to members of the WTO Government Procurement Agreement (GPA) after it joins next year. Australia does not belong to the GPA but wants to ensure equivalent treatment.

Goods

Market access negotiations on all goods remain on hold pending an improved offer by China. China refuses to commit to a timetable for tabling a revised offer.



Discussions were held, with officials from China's Ministry of Commerce & Ministry of Agriculture on products affected by tariff rate quotas, with the focus on production & consumption trends in wool & sugar & brief discussion on rice & corn.

China will consider a proposal from Australia to conduct joint studies of future demand & production of the commodities of interest to Australia & China to help inform the later market access negotiations. Australia hopes to use these studies to demonstrate that China's requirements for these products will increase. A seminar on grains will be held in Beijing on 22 Nov at which Australian industry will aim to convince Chinese stakeholders that Australian production will not threaten Chinese farmers. Australia is hoping the postponed Chinese sugar delegation will visit in mid-2008.

Rules of Origin

China has committed to begin detailed work on the origin schedules at the eleventh round in the first half of next year

Customs Procedures

China proposed some changes to the text, some of which

Australia accepted or offered compromised solutions.

Non-tariff Barriers

Chinese announced it had difficulties with the Australian text on import licensing tabled at the last round.

Australia continued its requests on a range of non-tariff measures. These include restrictions on the sale of kangaroo meat, mandatory retesting of wool, approval of Australian meat export establishments, issues pertaining to quarantine import permits, licensing of some Australian imports, quarantine testing of iron ore & the recognition of reports by Australian laboratories on compliance with Australian standards. Australia will provide more information to allow China to consider our requests further.

The services sector is mobilising

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