



April 2005

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## China: Market Economy Status

The Australian Services Roundtable is strongly supportive of and would welcome announcement by the Prime Minister next week of a decision to recognise China as a 'market economy' for the purposes of anti-dumping administration.

Such an announcement will overcome the threshold obstacle to commencing negotiations on an Australia-China FTA. The Roundtable

is keen to see negotiations commence as soon as possible and to be closely involved in devising strategies to deal effectively with services trade and investment issues in China.

The "market economy" matter was considered by Cabinet on April 12.

In addressing the National Press Club on April 13, the Trade Minister Mark Vaile did not disclose the Cabinet decisions. Mr Vaile stated clearly, however : " I believe the time is right to move into FTA negotiations with China. Australia must be at the front of the queue".

The Australian Services Roundtable agrees with Mr Vaile's position.

Our understanding is that the Government intends to amend Customs Regulation 182 to add China to the list of countries in Schedule 1B which can not be treated as an 'economy in transition".

The Australian Services Roundtable will welcome such a move. After a detailed investigation, the Australian Services Roundtable does not believe that claims that delisting the

PRC as an 'economy in transition' will deprive Australian producers and manufacturers of adequate remedies in the event of any future dumped imports can be sustained.

Following Cabinet consideration this week, the proposal is expected to go to Executive Council early next month and to come into effect as soon as it is signed by the Governor-General.

The addition of China to Customs Schedule 1 B is expected to be accompanied by an associated series of changes to clarify the Customs Manual.

The Australian Services Roundtable wrote twice to the Customs Department during March to emphasise our detailed perspectives on the manner in which we consider the various proposed changes to anti-dumping administration should best be implemented.

**Meet the NZ /China FTA negotiators who will be visiting Australia in May. Invitations will be issued shortly.**



Join an Australian  
Services Roundtable  
delegation to the

## Shanghai Services Forum

9-10 June 2005

### Services Trade Show

(run by the new Shanghai  
Services Federation)

### International Policy Discussions

WTO Doha Negotiations  
Regional Cooperation  
New Trends in

- IT and Financial Services  
Innovation
- Shipping and Logistics
- Out-sourcing
- Distribution Services
- Cultural services
- Education

### Roundtable Conference

"Better City, Better Life"  
to prepare for the 2010  
Shanghai World Expo

### Networking opportunities

## FTA with the UAE

The first round of the FTA negotiations with the UAE took place in Canberra on March 16. Round 2 will take place in Abu Dhabi in the first week of June and Round 3 on the Gold Coast in Australia during August/September.

Two Negotiating Sub Groups have been formed. One, under the lead on the Australian side of Rhonda Piggott, will cover the chapters on Services, Intellectual Property, Investment, People Movement, Financial Services, Telecoms and the legal structure of the Agreement including Dispute Settlement. The other group, led by Milton Church, will cover Agriculture, Manufacturing, Rules of Origin and Government Procurement.

The Government is conducting an in house study on the likely impact of the FTA on the Australian economy. The study, due at the end of May, is expected to be qualitative rather than quantitative in nature and to focus on the potential benefits in the services

sector. The lead negotiator Stephen Deady is currently undertaking consultations with the States.

Investment and trade in services will figure importantly in these negotiations. The Australia Services Roundtable will make a detailed submission.

Services sectors which have potential for expansion under an FTA include education, financial services, health services, building and construction and infrastructure, business services and telecoms.

The UAE currently limits foreign ownership to 49 per cent and obliges importers, via the Agency Law, to tie themselves to exclusive and permanent agency arrangements with UAE nationals. Foreign professional services providers can only be employed via sponsorship arrangements with UAE nationals.

In embarking on strategic bilateral free trade negotiations, with both the United States and with Australia, the UAE would seem to be sending a signal that it may be ready to



accept a degree of external pressure as a spur to domestic regulatory reform. The UAE has long been a regional business hub and the economy is shifting rapidly to a more diversified, capital and knowledge-based services economy.

To facilitate private sector consultations at the UAE end, a new Australian Business Group has been established within the Abu Dhabi Chamber of Commerce & Industry.

In 2004 bilateral trade with the UAE reached A\$2 b from only A\$700 m a decade ago. Over the same period, the number of Australian companies based in the UAE has risen from only 2 companies to over 100 and the number of Australian citizens living in the UAE has risen from merely 200 to 6000. Austrade estimates around 600 Australian companies currently export into the UAE market.

## Negotiations with ASEAN

The first round of FTA negotiations between Australia-AEAN-NZ was held

in Melbourne 21-22 February. Further rounds of negotiations will take place roughly every two months, alternating between Australia, ASEAN and NZ.

The negotiations will be complex and time consuming given the diversity of levels of development among the ASEAN members. There will be challenges associated with negotiating with a grouping, some of the members of which are least developed economies and not yet in the WTO.

The expectation is that CER will not be the basis of the proposed deal – ie at least as far as the market access chapter is concerned, there will be two resulting FTA agreements, not one.

## Services aspects

ASEAN accounts for 15 % of our services exports ie on a par with the US and more important than Japan or China.

Although the ASEAN members have committed to addressing trade in goods comprehensively, there is a big diversity of preparedness

within ASEAN to handle services and investment.

Australia's and NZ's desire to avoid a lowest common denominator outcome on services means these negotiations might actually therefore result in a network of as many as 20 separate bilateral deals, each of which differing in some respects from every other.

For some ASEAN member countries, a positive list approach to services and investment commitments might have to be adopted, while others will hopefully accept a more liberalising thrust through a negative list approach.

## Malaysia

The recently released Australian scoping study on the proposed FTA with Malaysia found solid economic benefits for Australia and even stronger benefits for Malaysia. The study suggests the FTA could be worth nearly A\$2 b to the Australian economy and increase Malaysia's GDP by around A\$6.5 b.

The two countries agreed, during the Malaysian Prime



Minister's visit to Australia in April, that FTA negotiations will now commence.

### **Indonesia**

In the lead up to the recent visit of the Indonesian President to Australia, the Indonesian Trade Minister called for a bilateral FTA. No agreement has yet been reached to go ahead.

In responding to questions at the National Press Club on April 13, Mr Vaile indicated that Australia's dance card, on the FTA front, was full.

Mr Vaile indicated that it might be possible to move towards an FTA with Indonesia in due course but that there was a need for preparatory work.

It seems the Government considers that Indonesia must first demonstrate its commitment to greater liberalisation on the tariff front generally, including eg on automobiles.

### **Coming next....**

**The May deadline for revised GATS offers approaches.....**

**Indonesia submits a GATS offer.....**

**Services is a priority for Hong Kong as it prepares to host a WTO Mini - Ministerial Meeting in Paris in May....**

**Should GATS offers be "benchmarked" and if so how.....?**

**Is the revised Australian negotiating offer (currently under consultation with the State Governments) up to scratch..... ?**

**Global Services Network to visit the WTO during the June cluster of Services negotiations.....**

See our next Newsletter for a run down on the state of play in the services negotiations in the WTO.

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