

**MEMORANDUM OF UNDERSTANDING BETWEEN  
THE DEPARTMENT OF FOREIGN AFFAIRS AND TRADE OF AUSTRALIA  
AND THE MINISTRY OF COMMERCE  
OF THE PEOPLE'S REPUBLIC OF CHINA  
ON THE RECOGNITION OF CHINA'S  
FULL MARKET ECONOMY STATUS  
AND THE COMMENCEMENT OF NEGOTIATION OF A  
FREE TRADE AGREEMENT BETWEEN  
AUSTRALIA AND THE PEOPLE'S REPUBLIC OF CHINA**

The Department of Foreign Affairs and Trade of Australia and the Ministry of Commerce of the People's Republic of China ('the Parties'):

Acknowledging the long-term stability and rapid growth of the bilateral economic and trade cooperation since the establishment of diplomatic relations between Australia and China in 1972;

Desiring to strengthen the long-term friendly and cooperative relationship and to develop a healthy, stable partnership into the twenty-first century;

Reaffirming the Parties' commitment to strengthen vigorously the multilateral trading system as embodied in the World Trade Organization (WTO), and to promote regional economic development through cooperation in APEC;

Noting that, under paragraph 8 of the *Trade and Economic Framework between Australia and the People's Republic of China* ('the Framework') signed in 2003, the Parties have undertaken a joint feasibility study into a possible bilateral Free Trade Agreement (FTA) negotiation in accordance with the terms of reference set out in Annex II of the Framework, as an expression of the will of the two countries to build an even stronger economic and trade relationship;

Have arrived at the following understandings:

**-Paragraph 1-**

The joint feasibility study into a possible FTA has now been completed. The Parties note that, the recommendation of the study is that an Australia-China FTA is feasible and, on balance, would substantially benefit both countries. The text of the study will be released by both parties.

**-Paragraph 2-**

Recognising that Australia and China should negotiate on an equal basis, Australia acknowledges China as an equal WTO trading partner by recognising China's full market economy status by permanently not seeking recourse to sections 15 and 16 of the *Protocol of Accession of the People's Republic of China to the WTO* and paragraph 242 of the *WTO Report of the Working Party on the Accession of China*.

**-Paragraph 3-**

The Parties have taken a joint decision to begin negotiation of an FTA as soon as possible, on the basis that products across all sectors would be negotiable, involving liberalisation and facilitation of goods and services, and the issue of investment flows would also be addressed, with a view to achieving a balanced outcome through a single undertaking.

Done in duplicate at Beijing on the Eighteenth day of April in the year Two Thousand and Five in the English and Chinese languages. Both texts are equally authentic.

H.E. Dr Alan Thomas  
Australian Ambassador  
to the People's Republic of China

H.E. Bo Xilai  
Minister of Commerce  
of the People's Republic of China