

What will ChAFTA do for Australia?

ChAFTA will enhance the growing trade and investment ties between two highly complementary economies, laying the foundation for the next phase of the Australia-China economic relationship.

The Agreement reflects the diversity of the Australian economy while positioning our economy to capture the benefits of China's ongoing economic reform.

- › Tariff elimination will increase opportunities for Australian business in a wide range of sectors including agriculture, processed foods, resources and energy.
- › ChAFTA removes tariffs on many of Australia's key agricultural exports such as meat, dairy and horticulture, better positioning exporters to meet China's demand for high-quality food.
- › ChAFTA provides new or significantly improved market access for a range of services sector suppliers: Australian banks, insurers, securities and futures companies, law firms, professional services suppliers and education services exporters.
- › ChAFTA makes Australia a more attractive destination for Chinese investment, creating Australian jobs and increasing productivity.

Australian households and businesses will benefit from the elimination of import tariffs from China including for clothing and footwear, consumer appliances and home furnishings.

ChAFTA includes a commitment to review the Agreement regularly with a view to deepening liberalisation and expanding market access.

'The conclusion of the China FTA off the back of the Korea and Japan agreements sets up Australia to broaden its exports to high wage, high skill services and drive growth as the mining investment boom wanes.'

James Bond | President, Australian Services Roundtable

(Nov 2014)

ChAFTA at a glance – benefits of ChAFTA

- › Australia is one of only a handful of developed countries to have concluded an FTA with China, the world's **second-largest** economy. On entry into force, ChAFTA will provide **Australian businesses** with significant **advantages** over international competitors.
- › **95 per cent** of Australia's goods exports (by value) to China will enter **duty-free** on full implementation of the Agreement.
- › ChAFTA will improve the **competitiveness** of Australian agricultural exports to China, our **largest agricultural export market**, eliminating tariffs on meat, dairy and wine.
- › Nearly all of **Australia's resources, energy and manufacturing** exports will enter China duty-free within four years of the agreement.
- › ChAFTA will give Australian **consumers and businesses** access to **cheaper** and more **diverse** goods and services
- › ChAFTA delivers China's **best-ever services** commitments, giving Australian services providers a significant leg-up in the **largest sector** of China's economy.
- › ChAFTA will promote Chinese **investment** in Australia, fuelling **future economic growth** by lifting the screening threshold for private Chinese investments in non-sensitive sectors.
- › ChAFTA's built-in agenda provides a platform to **deepen commitments** and **expand market access** to take advantage of China's future economic reforms.

Information and contacts

For more information on ChAFTA | www.dfat.gov.au/fta/chافتا

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CHINA-AUSTRALIA

FREE TRADE AGREEMENT

The China-Australia Free Trade Agreement (ChAFTA) will enhance Australia's trade and investment with our largest trading partner, generating benefits for years to come.

ChAFTA completes a trifecta of trade agreements with Australia's top three export markets, China, Japan and Korea. It gives Australian business unprecedented access to the Chinese market, unlocking significant commercial opportunities for Australia.

'ChAFTA is a transformative moment for the Australian economy. It puts many of our most important sectors on a more competitive footing internationally, and gives Australian companies enormous scope to boost trade and create jobs.'

Jennifer Westacott | Chief Executive,
Business Council of Australia

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Why China?

With a population of over 1.3 billion people, China is the world's second-largest economy and one of the world's fastest growing. As a trading nation, trade and investment with China is vital to Australia's prosperity.

China is Australia's largest trading partner, with two-way trade valued at almost \$153 billion in 2014, almost a quarter of Australia's total trade. Merchandise trade between Australia and China has grown at an average of 18 per cent every year over the past decade, the fastest rate of any of our major trading partners. Services trade grew at an average of 10 per cent per annum over the same period.

Australia's investment relationship with China is also growing. The stock of Chinese investment in Australia reached \$65 billion in 2014, up from just \$2 billion in 2004, making China Australia's eighth-largest source of investment.

ChAFTA will provide Australian business with significant new opportunities, with Australian products and services to enjoy a competitive advantage in the large and growing Chinese market. Businesses and consumers will also benefit from the removal of tariffs on imports from China.



Case Study: Pactum Dairy Group

Pactum Dairy Group has a state-of-the-art production facility in Shepparton, Victoria. Pactum uses cutting edge technology to produce nutritious, quality liquid milk in UHT packages under customer's own brands.

China is Australia's largest dairy market with exports almost doubling in the last year to \$443 million.

"Elimination of the 15 per cent tariff on liquid milk over the next 9 years with no volume restrictions for our products under ChAFTA will make us even more competitive in China. This should mean increased demand and less volatile pricing for our dairy farmers, a win-win situation," said Michael Auld, Director, Pactum Dairy Group.

(Nov 2014)

Case Study: Leading Age Services Australia

Leading Age Services Australia (LASA) is the peak industry body in age services, representing private and not-for-profit aged care providers across all sectors including, homecare, residential and retirement living.

The age services industry in Australia is well established and can offer China considerable expertise in the development and operation of age services, a growth industry as China's population ages.

"ChAFTA will facilitate a greater range of services to Chinese companies from Australian age services providers, boosting links already made by our members," said Patrick Reid CEO of LASA.

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Case Study: AMP

AMP is Australia's leading wealth management company, with a China presence since 1997.

AMP has a strategic partnership and a joint venture in funds management with the China Life Group, which includes the world's largest listed life insurance company. AMP is also a strategic shareholder in China Life Pension Company, the largest pension company in what is expected to become the world's largest pension market.

Under ChAFTA, Australian financial services companies, such as AMP, will benefit from new and improved market access in key services sectors, including funds management. The increase in offshore RMB-denominated flows into mainland Chinese securities will allow for increased collaboration in direct equity investments.

"We believe that ChAFTA will further strengthen the ties between financial services companies in China and Australia, leading to new opportunities for wealth management service providers," said Craig Meller, Chief Executive Officer, AMP.

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AUSTRALIA'S TRADE AND INVESTMENT WITH CHINA IN 2014

TOP 5 EXPORTS TO CHINA

- 1 Iron ores and concentrates – \$50.6b
- 2 Coal – \$8.3b
- 3 Gold – \$7.0b
- 4 Education-related services* – \$4.4b
- 5 Crude petroleum** – \$2.3b

AUSTRALIA-CHINA TRADE***

- > TOTAL EXPORTS – \$98.3b
- > TOTAL IMPORTS – \$54.3b
- > TOTAL TWO-WAY TRADE – \$152.5b
- > SHARE OF AUSTRALIA'S TOTAL TRADE – 23.0%

TOP 5 IMPORTS FROM CHINA

- 1 Telecommunications equipment and parts – \$5.6b
- 2 Clothing – \$5.0b
- 3 Computers – \$4.9b
- 4 Furniture, mattresses and cushions – \$2.3b
- 5 Prams, toys, games and sporting goods – \$2.0b

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AUSTRALIA-CHINA INVESTMENT

- > Australia's investment (stock) in China: \$57.9b
- > China was the 6th largest destination for Australian investment (stock) abroad in 2014
- > China's investment (stock) in Australia: \$64.5b
- > China was the 7th largest source of investment (stock) in Australia in 2014

* Defined by the ABS as 'Education-related personal travel'

** Includes the cost of insurance and freight – China Customs data

*** Includes unpublished data

All data is based on ABS data

Case Study: International College of Hotel Management

International College of Hotel Management (ICHM) is a private higher education provider based in Adelaide. Since commencing operations in 1993, around 2,500 students from more than 80 countries have graduated from ICHM.

China maintains a list of 'preferred overseas education providers' where students are advised to enrol, known as the 'JSJ List'. Close to 90 per cent of Chinese students follow Chinese Government advice and enrol at these institutions. There are currently no private providers on the 'JSJ List' and unless an institution is included, a Chinese university cannot enter a Memorandum of Understanding or Joint Venture.

"ChAFTA will mean that ICHM and other Australian higher education providers are added to the 'JSJ List'. This will increase opportunities to attract Chinese students and will also allow joint ventures between ICHM and Chinese universities," said Gerald Lipman, CEO, ICHM.

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Case Study: Fletcher International Exports

Fletcher's is one of Australia's largest processors and exporters of lamb, sheep meat, sheep skins and co-products. Exporting to over 100 countries and employing over 1,200 people, Fletcher's is also the largest exporter of Australian sheep meat and skins to China.

Under ChAFTA, the import duty (as high as 23 per cent) will be phased out over an eight year period. This will see Australian sheep meat and skins maintain competitiveness with New Zealand suppliers, which are already benefiting from tariff reductions.

"ChAFTA is an integral part of strengthening the long term business between Australia and China. The elimination of the tariff will also increase returns to Australian farmers, giving them confidence and security in the future of the sheep meat industry," said Roger Fletcher, Managing Director, Fletcher's.

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'The landmark agreement will see the elimination of tariffs on Australian lamb, beef, horticulture and dairy products to China. It's an enormous achievement that will deliver increased options and improved returns for Australian farmers.'

Mr Brent Finlay | President, National Farmers' Federation

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