

CHINA- AUSTRALIA

FREE TRADE AGREEMENT



Factsheet: Trade in Services

China is Australia's largest services export market, worth \$15.8 billion in 2017 (18.7 per cent of Australia's total services exports). The services sector is now a larger contributor to Chinese GDP than manufacturing, and a major driver of economic growth.

In this context, at entry into force on 20 December 2015, the China-Australia Free Trade Agreement (ChAFTA) delivered China's best-ever services commitments, including the provision of new or significantly improved market access not included in any of China's previous FTAs (other than China's agreements with Hong Kong and Macau). Beneficiaries include Australian banks, insurers, securities and futures companies, law firms and professional services suppliers, and education services exporters, as well as health, aged care, construction, manufacturing and telecommunications services businesses in China.

The FTA goes beyond China's existing commitments to Australia under the World Trade Organization, ensuring higher levels of market access for Australian services suppliers. ChAFTA includes a framework to advance mutual recognition of services qualifications, and to support mutual recognition initiatives by professional bodies in Australia and China.

Through its extensive Most-Favoured Nation (MFN) treatment provisions, China has committed to extend to Australia any more beneficial treatment it provides to other trade partners in the future in: education, tourism and travel-related services, construction, engineering, securities services, environmental services, services relating to forestry, computer and related services, and certain scientific and consulting services. In these key sectors, China's MFN commitments protect Australia's competitive position into the future.

In addition, both sides have agreed to a future work program to progressively liberalise measures affecting trade in services, ensuring that both sides continue to work to improve market access over time.

Legal services

ChAFTA is unique in securing China's first-ever treaty commitments on commercial association between law firms. In addition to guaranteeing existing access for Australian law firms in China, it also guarantees Australian law firms have the ability to establish commercial associations with Chinese law firms in the Shanghai Free Trade Zone (SFTZ). These commercial associations will be able to offer Australian, Chinese and international legal services, without restrictions on where clients are located.

Within such commercial associations:

- Australian qualified lawyers will be able to practise Australian and international law
- Legal practitioners qualified to practise law in other foreign countries will also be able to practise the laws of those countries
- Chinese qualified lawyers will be able to practise Chinese and international law without suspension of their Chinese practising certificates.



China and Australia have also agreed to promote increased mobility for Australian and Chinese lawyers, including the facilitation of professional secondments between law firms in Australia and China, and through cooperation between the peak legal professional bodies in each country.

Education services

China is already Australia's largest education services export market, worth \$10 billion in 2017. Under ChAFTA, Australian private higher education providers will benefit from improved profile with prospective Chinese students and employers, enabling them greater access to China's higher education market.

On the anniversary of entry into force of ChAFTA, China listed an additional 68 Australian private higher education institutions, registered with the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), on a key Ministry of Education overseas study website:

- This adds to the existing 105 Australian institutions on the website.
- The website is intended to provide Chinese students and employers with guidance on quality and fraud assurance issues for assessing choice of institution.
- The majority of Chinese higher education students studying in Australia have chosen to study at institutions listed on the website.
- China has agreed to ongoing discussions around listing additional Australian institutions on the website.

Alongside those FTA commitments, Australia and China's Education Ministers have signed MOUs to ensure improved higher education qualifications recognition in both countries, as well as enhanced mobility of students, researchers and academics at school, tertiary and research levels. The MOU is available [here](#).

The Chinese and Australian Governments have also agreed that Australia's Department of Education and Training and China's Ministry of Education will continue to discuss options to:

- Facilitate student and teacher exchanges between the two countries
- Increase marketing and recruitment opportunities for Australian education providers in China.

Elsewhere, China's participation in the Australian Government's New Colombo Plan from 2015 is strengthening university links and supporting a greater two-way flow of students. Under the program, Australian undergraduates are being encouraged to undertake study and internships in China and other countries across the Indo-Pacific region. China has been a highly sought-after destination by Australian universities and students.

Telecommunications services

China provided its most extensive telecommunications market access commitments in any Agreement, when ChAFTA entered into force, including guaranteeing market access for Australian companies investing in specified value-added telecommunications services in the SFTZ. These commitments provide greater certainty for Australian telecommunications investments in the SFTZ.

Australian telecommunications providers enjoy improved foreign equity limits, allowing for wholly Australian-owned enterprises to supply Chinese domestic multi-party communication services, application store services, store and forward services, and call centre services.

Australian-owned enterprises also enjoy guaranteed access to participate in joint ventures in the SFTZ to supply online data and transaction processing services, with increased equity participation of up to 55 per cent permitted.

China agreed to specific commitments addressing behind-the-border issues – such as licensing and transparency – affecting telecommunications providers, as well as commitments to consult with Australian industry participants in China. The Trade in Services Committee, established under the FTA, provides an avenue for Australian telecommunications companies to have their concerns voiced in the future.

Tourism and travel-related services

China guaranteed that Australian services suppliers are able to construct, renovate and operate wholly Australian-owned hotels and restaurants in China. Australian travel agencies and tour operators are able to establish wholly Australian-owned subsidiaries in China, providing:

- Travel and hotel accommodation for domestic and foreign travelers directly with transport and hotel operators in China
- Tours within China for both domestic and foreign travelers
- Travelers' cheque cashing services.

Health and aged care services

In China's best-ever commitments when ChAFTA entered into force, Australian medical service suppliers are able to establish wholly Australian-owned hospitals in China, including in Beijing, Tianjin and Shanghai, as well as in the provinces of Jiangsu, Fujian, Guangdong and Hainan.

China made its first ever commitment on aged care services in an FTA, allowing Australian medical service suppliers to establish wholly Australian-owned profit-making aged care institutions in China with no geographical restrictions.

Construction and engineering services

Under ChAFTA, China has guaranteed market access to Australian companies established in the SFTZ that are undertaking joint construction projects with Chinese counterparts in Shanghai. These Australian companies are exempted from business scope restrictions, allowing them to undertake a wider range of commercially meaningful projects.

Manufacturing services

China made its first ever FTA commitment on manufacturing services, guaranteeing access for wholly Australian-owned subsidiaries to provide contract manufacturing services covering a wide range of manufactured products. This provides certainty for Australian investors in China's manufacturing sector and ensures the competitiveness of Australian companies providing manufacturing services as part of emerging global value chains.

Mining services/extractive industries

Providing the best treatment under any of its FTAs when ChAFTA entered into force, China allows Australian services suppliers to provide technical consulting and field services in coal bed methane and shale gas extraction. Consistent with its best FTAs to date, China has also guaranteed access for Australian suppliers to provide a range of services related to exploiting oil and gas, iron, copper and manganese resources in cooperation with Chinese partners. Australian suppliers are also able to provide mineral resources exploitation services in the central and western regions of China.

Architecture and urban planning services

Providing the best treatment under any of its FTAs when ChAFTA entered into force, China now takes into account Australian experience in assessing applications for higher-level qualifications, allowing Australian architectural and urban planning firms already established in China to obtain more expansive business licenses to undertake higher-value projects.

Transport services

Providing the best treatment under any of its FTAs when ChAFTA entered into force, China will permit Australian maritime transport service suppliers to establish wholly Australian-owned ship management enterprises in the SFTZ. China also provided Australia its best-ever overall treatment, when ChAFTA entered into force, on air transport services, including coverage of ground handling, airport operation and specialty air services.

Other services sectors

Australian providers can benefit from Chinese commitments allowing them to offer a range of services through wholly-owned subsidiaries in the following sectors:

- Software implementation
- Research and development
- Services incidental to manufacturing
- Building and cleaning services
- Printing of packaging materials
- Translation and interpretation services
- Real estate
- Environmental services.

Outcomes for China on Services

ChAFTA provides Chinese services suppliers with the assurance that they will be treated equally with Australia's other key FTA partners, including by providing market access outcomes broadly equivalent to Australia's FTAs with Japan and Korea. Australia already maintains an open and transparent services market, ensuring that Australian companies remain globally competitive and consumers have access to quality services from overseas in a sector which comprises around three-quarters of the Australian economy.

In addition to areas covered in all Australia's FTAs, Australia has made specific assurances in ChAFTA concerning areas of interest to China, including:

- Our world class system for protecting the interests of international students studying in Australia
- The ability for Chinese financial institutions to participate in the Reserve Bank Information and Transfer System (RITS)
- Australia's willingness to cooperate with China in relation to the development of Traditional Chinese Medicine (TCM) services in Australia, including agreement to encourage and support research and development into TCM.

Australia and China have committed to greater cooperation and information-sharing regarding regulatory frameworks for financial services – such as for payment systems and securities – in order to manage risks, improve transparency and obtain other mutually beneficial outcomes.