
Negotiations conclude on the China Free Trade Agreement

1 December 2014

In brief

On 17 November 2014, the Minister for Trade and Investment, Andrew Robb, and Chinese Commerce Minister, Gao Hucheng, signed a *Declaration of Intent* to formalise the conclusion of the China-Australia Free Trade Agreement (ChAFTA).

China is Australia's largest export market for both goods and services and accounts for approximately a third of total exports. The ChAFTA aims to deliver significant benefits to Australia's agricultural producers, resource exporters and service providers.

In detail

For Australian exporters, ChAFTA includes:

- Agricultural and food tariffs will be eliminated or significantly reduced across a broad range of products, including:
 - i. The removal of tariffs of up to 20 percent on all dairy products within 4 to 11 years
 - ii. The removal of tariffs of up to 25 percent on beef and sheep meat over 9 and 8 years respectively, and the removal of tariffs of 10 per cent on live animal exports within four years
 - iii. The removal of tariffs of up to 20 percent on wine over 4 years
 - iv. The removal of tariffs of up to 30 percent on all horticulture products, most within 4 years
 - v. An Australian-only duty free quota for wool.
- On entry into force of the Agreement, 93 percent of exports of resources, energy and manufactured products to China will enter duty free, with most remaining tariffs removed within four years. This includes:
 - i. The immediate removal of a 3 percent tariff on coking coal and the removal of a 6 percent tariff on non-coking coal within 2 years
 - ii. The removal of tariffs of up to 10 percent on transformed resources and energy products such as refined copper alloys, alumina, nickel metals and oxides, aluminium and titanium dioxide, upon the ChAFTA entering into force
 - iii. The removal of up to 15 percent on other manufactured products within four years, including car engines, plastic products, diamonds and other precious stones, plastic products, aluminium plates and sheets, pharmaceuticals and make-up and hair products.

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- For service providers, ChAFTA includes new or significantly improved market access for Australian banks, insurers, securities and future companies, law firm and professional service suppliers, education services exporters, as well as health, aged care, construction, manufacturing and telecommunications services.

Australian importers will also benefit under the Agreement, with the removal of tariffs of up to 5 percent on agricultural and process foods, resources, energy and certain manufactured goods exported from China. The tariffs on goods in sensitive sectors, such as automotive parts, steel, aluminium, clothing, footwear and plastics will be phased out over 2-4 years from implementation.

The ChAFTA also provides significant benefits for Chinese inbound investors, including allowing Chinese companies with projects above \$150 million to bring in foreign workers under Investment Facilitation Arrangements and raising the screening threshold at which investments in non-sensitive industries are considered by the Foreign Investment Review Board from \$248 million to \$1,078 billion. FIRB will continue to screen all investments by Chinese State-Owned enterprises.

A number of steps are required before the ChAFTA will enter into force, beginning with the Signature of Agreement, which will take place once both sides have completed the legal review and translation of the text of the Agreement. The Agreement will then undergo the domestic treaty making processes prior to it entering into force. From an Australian perspective, the Agreement will be tabled in Parliament and an enquiry will be conducted by the Joint Standing Committee on Treaties prior to legislation being introduced to make the necessary to existing legislation, such as the *Customs Act 1901* and the *Customs Tariff Act 1995*. Given the significant processes that remain to be undertaken it is not anticipated that ChAFTA will enter into force until mid 2015 at the earliest.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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