

**Analysis Report
&
Recommendations**

**For a Negotiated Free Trade
Agreement**

**Between
Australia & China**

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Free Trade Agreement Between Australia & China

Clear Targets, Aims & Goals

1. Establishment of a Free Trade Agreement.
2. Strengthening of ties between the two nations.
3. Negotiate the Free Trade Agreement in a fair, equitable and mutually beneficial to both countries, manner.
4. Negotiate with a value-added approach for both nations.
5. Reduce tariffs that will benefit both nations without social or economic exploitation of either nation.
6. Encourage cultural, political, social and military cooperation and exchange whilst maintaining harmony and benefit for both nations.
7. Establish the Free Trade Agreement which may be flexible to the mutual benefit of both nations but will remain within mandatory WTO standards and rules.
8. Work together under the auspices of the established Free Trade Agreement to bring about and maintain stability to the Asia Pacific Region.
9. Cooperate and work together on the provision of assistance to economically hard hit nations such as North Korea. To reduce threat in the region. Maintain stability and bring about an open door policy to North

Korea, that will reduce hunger, poverty, and instability within that country and any other nation that may pose a threat to stability within the Asia Pacific region. This to be done for the benefit of mankind.

10. Continue to work to economic and political long term visionary plans and reduce contentious issues as they arise to the mutual satisfaction of both nations.

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Introduction

China's emergence as major industrial and economic powerhouse is not only a significant global phenomenon but has potential positive benefits both China and Australia. How so?

With the population size of China topping 1.3 billion recently one can obviously imagine that China would think of herself as a wanted and needed identity, in the economic development fields, for many countries, including Australia. However as all Australian as well as international feasibility studies and economic analysis figures indicate. China is sorely in need of energy and resources as well as more markets. Australia on the other hand, have a great abundance of first grade quality resources, agricultural products technological advanced expertise and up to date service training providers who could further advance a country such as China.

Obviously it is clear we have what China needs and they have what we need. To come to a fully workable negotiated settlement this while paper will examine as many of the benefits and possible barriers that may be overcome, to advance to a stage where both countries can see mutually beneficial aspects in expeditiously signing a long lasting Free Trade Agreement. This will be of mutual economic benefit for the two countries and will be of historical significance as both countries look to each other with mutual respect, this will lead to greater stability in the Asia region which will have positive global stabilization affects. Flexibility on the part of both countries will be a major key issue. For example, neither country should seek to take advantage of the other, but rather seek a visionary agreement that will positively affect both countries future generations who will grow together in a strong positive way.

Yours sincerely



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Agriculture

Although Australia had an overall low average as at January 1st 2005 of 3.5 percent, 85 percent of Australian tariff rates vary between zero and 5 percent, this is a direct reference to tariffs on goods.

In fact Australia and China enjoy a good relationship in agricultural trade.

Since 1995 bilateral agricultural trade has increased at an average annual rate of 8.8 percent. In 2004, bilateral trade in agriculture produce totaled around us\$2.65 billion.

China's imports from Australia totaled us\$2.41 billion, the imports consisted mainly of wool, wheat, barley, cotton. Meat and doing products, Australia's imports from China totaled us\$233 million in 2004 and consisted mainly of fruit juice, sugar confectionary, biscuit, food preparation, cigars cigarettes, paste, nuts, frozen vegetables, sauces and condiments.

In assessing these statistics accurately one must take into consideration one extremely important factor and that is unfinished – raw products exported to China should not be calculated together with finished products e.g. biscuits condiments confectionary etc. Why? The simple answer is in reality most finished products exported from Australia to other countries such as China lack a value – added approach. This simply means we need to do much more to push the idea of “Made in Australia” or “Australian Made” not made in the U.S.A or owned by U.S Companies or other countries' companies, this has never been and never will be a

1. A true indicator of Australian finished product exports
2. Does not increase the bottom line of selling or exporting “Australian Made” finished products.

Problems – we must push much, much harder the important point of “Australian Made” to do this. Products must be produced and finished here by Australian owned companies so that Australia benefits form the money staying here for re-investment and continuing growth.

Solution: here is a golden opportunity via a Trade Agreement between Australia and China to create, set up partnerships between Australia citizen

entrepreneurs and Chinese entrepreneurs to produce products right here in Australia and then at least via an agreement the money can be re-invested right here for future growth as well as the value added approach of selling goods that are grown or raised here and the selling finished products to countries whose population represent to us, a huge potential market place as well as China benefiting, by producing some products here, which under a Trade Agreement and through our partnership could in turn be a partner with Australia in exporting from a well placed strategically/economically placed country such as Australia to other Asian countries with a motto catch cry of "Made in Australia – Quality Driven"

Eventually in a long term strategic relationship with China many Chinese investors in Australia will remain here permanently and thus a great number of these companies will inevitably be logically Australian owned companies.

Furthermore, under a Free Trade Agreement, for the benefit of both, each countries markets both here and China would and must open up much more.

It is obvious for fair Free Trade to occur China must review its protectionist policy toward Australia. In fact, China must suitably reduce its tariff quotas on Australian products gently and slowly year by year so as to increase our business relationship as well as to not cause their own economy a sharp, sudden negative impact. One must remember that in China around 60 percent of the regional areas consist of peasant farmers whose very livelihood depends on their own locally consumed products which they grow and produce. We must not only respect this is the case, but help to rectify this situation. We can do this by setting up Australia – China agricultural joint ventures where we can provide assistance to these people with providing them with some modern Technologies, techniques for long term sustainable living conditions that must improve and in exchange, Australia would be invited to sell non-invasive goods – agricultural products as well as larger increases in manufactured value – added products "Made in Australia" to China. When the living standards begin to improve in China for peasant farmers so in correlation terms will the ability of further agricultural exports occur for Australia to China as well as joint ventures in agriculture between China and Australia which can be exported to other countries world – wide. With careful thinking and a caring approach both countries would benefit using this type of cooperation. As the threat to Chinese peasant survival reduces in China so will and should their tariff quotas on Australian agricultural goods reduce.

One can obviously understand or must understand China is not trying to make it difficult for Australia but rather is trying to protect her own population. As I have said we can and we must help and I am sure China will reciprocate with increased imports gradually over time. I recommend however china move away from large dealings with the EEC as that organization has very large protectionist policies against China as does The United States. China would better benefit in establishing closer ties with Australia who also like China suffers from EEC extreme protectionism.

Together, China and Australia could and must become more self – reliant and work together to avoid dealing with protectionism of the EU and The U.S. It is in the interest of China and Australia to work closer together in all areas and encourage each other and thus we will together grow.

Mining and Energy

Because China continues to emerge as one of the world's largest importers of many resources and energy it is very important she establishes a closer working relationship with Australia.

Australia would be happy to provide not only greater quantities of resources to assist China's needs for continued prosperity and growth but look forward to the possibility of joint ventures in Australia and China for value adding to these resources. This means China investing in Australia to produce motor vehicles right here made from local Australian steel.

This is a profitable approach for both countries as Australia like Germany produces "Quality Made" world class products and Australia geographically is well placed for the export of value – added finished products to the rest of Asia and the world.

Should China increase her imports of Australian mined products and resources as well as energy she must improve the use of these energies and resources. China has significantly contributed in the reduction of greenhouse gases and pollution in relation to the size of her population but it is imperative China work closely with Australia to further improve their technological advances in the utilization of these resources and energy from Australia and again I say build joint venture manufacturing in Australia as partners.

To do this China should invest in Australia as part of her long term strategy in our Free Trade Agreement. They can assist us in building clean efficient manufacturing plants which we then together could export the products worldwide.

This is a cost efficient way for both countries to operate as transportation costs would be drastically minimized and Australia should take on Chinese skilled and unskilled workers to boost production in Australia mining sector particularly in West Australia, where labour deficiency has definitely slowed production and reduced our potentials for faster growth.

Employment of Chinese skilled and unskilled labour would be beneficial for both countries.

Australian population must increase so that investment into Australia can increase. The local market would grow and costs of labour reduce so that we would become more competitive on the world market place as well local competition must increase to reduce costs of living in Australia – China could invest in this area so that we stop monopolization but giant food providers eg. Coles – Myer and one or two others. Remember competition would definitely be healthy for Australian economy so that when the cost of labour decrease so does the cost of living – makes sense doesn't it?

We must wake up and be realistic!

Australia is sorely in need of alternative energy utilisation as well. The building of different types of energy sources in Australia could become a real consideration as opposed to total reliance on oil. Chinese employees would make the realization of different energy sources to power our economy not only more cost effective but a reality. Not to mention a cultural exchange that would be itself a value added component for Australia. Australia in turn can assist China with leading technologies that can secure her future as Australia has a wealth of technology expertise currently underutilized but the type that would provide China with modern futuristic technological advancement in the running of China's economic infrastructures, so this would be a win -- win scenario for both countries. A Free Trade Agreement incorporating these ideas in the area of mining and energy would be a giant step forward for both countries.

Manufacturing

At the moment too many Australian jobs have gone offshore to countries like China. This is unacceptable for Australian future prospects.

How to combat this? The answer is as follows. Unions must curtail their requests for pay rises. The federal Government must de – regulate or deregister some militant unions as part of their industrial reforms. Australian population would increase with skilled and unskilled Chinese labour in mining and agriculture and this is necessary and it means our costs of labour would reduce – making Australia much more competitive as an economic nation in todays very competitive global economy.

As labour costs reduce, costs of living would decrease as their would be increased demand within Australia for food, goods and services, investment into Australia by Chinese businesses, would mean more competition to reduce food monopolization operating within Australia, leading to lower cost of living expenses for Australian and the cost of manufacturing would decrease to exports from Australia could increase especially under a banner “Quality Australian Made Product”.

However further taxation reform in Australia must occur for al this to succeed. Labourers wages would be more sufficient to live on if their taxes they pay would be reduced by at least 20 percent for basic wage earners.

Peter Costello has the right formula for the rest of tax cuts but he must incorporate this labourers tax cut to allow cost of living, housing affordability to happen for low income earners.

I am not saying do away with Unions altogether but for the economic prosperity of all of Australia. Unions must be looked at very closely under the microscope as Australian costs of production and manufacturing etc etc must be reduced now, Unions are most definitely playing their part hindering this.

There must be real tax incentives/breaks offered to investors from China etc so that competitiveness in Australia and her export can grow!

We must show China we are really genuine about a Free Trade Agreement.

We have lost many investors into Australia before (e.g. Mercedes Benz), because we refused to give real tax breaks/incentives, provision of crown land on cheap long term leases and a host of other incentives that could and should and must be offered.

The late senator Winston Crane and I were very disappointed at the lack of cooperation we received in W.A from Richard Court, Hendy Cowan and Co when I tried to bring Daimler Chrysler to W.A to produce some models right here. I was told if the government could not deal directly with my contacts "The deal would never go ahead" I relayed this message to Germany back then and we were all very disappointed including Senator Crane.

There is no room for corrupt behavior when Australia's future is at stake.

Do you understand this? I hope for all of our sakes you do. Sometimes other countries companies know and trust someone who has a good character and has no selfishness about their thinking.

But at all costs we must put Australia first! Yes it is true I am a ideas person and I care about Australias future and I would gladly offer my negotiating experience to secure an Australian. China Free Trade Agreement. This agreement is too important to let go! My fiancé speaks fluent Mandarin, understands Chinese culture and thinking as I do through my vast wide ranging education and experience.

This is not a job application but rather a plea not to throw away or lose this agreement as not only both countries would benefit but stability political and military in the Asia region would go a long way toward being secured with the signing of an Australian – Chinese Free Trade Agreement. I have read all the reports, feasibility studies, statistics etc and it does not take Einstein's I.Q to work out we must make this Free Trade Agreement happen.

Put my feet to the fire. I will make it happen – I promise you!

Professional Services Provision Training and Development

Australias' services exports have more than trebled over the past decade, reaching almost AU\$1.3 billion in 2004. This outcome has been driven by growth in education training and development, tourism and transport services. China again was our seventh largest services export market in 2004.

To reach a Free Trade Agreement with China, Australian companies, particularly in business training and development must be assisted by China not impeded from working or setting up offices in China. Working visas for Australians to work in China in the assistance of training, education and development of China must be simplified and not impeded by ridiculous restrictions.

China should not make the mistake of looking to The EU or The U.S for all its economic solutions as this would be a big mistake on Chinas' behalf. The EU is already beginning to get tough with China on a number of issues including quotas on textiles into the EU. China could find herself left out in the dark without a caring, honest economic partner such as Australia.

China must create and facilitate opportunities for Australian investment in the services sector and of course, Australia must reciprocate by services sector joint venture cooperation and streamlining transparency associated with licensing and expediting approval procedures.

Further streamlining of the banking sector in China and Australia to facilitate financial sector support for industry and business in both countries is a crucial component of a Free Trade Agreement.

Better telecommunications cooperation must take place between China and Australia to expedite electronic business systems in both countries.

Provide information services to each other faster and more professionally to help each other in the area of law enforcement, stopping drug smuggling and the sharing of information between Australia and China about known criminals to reduce criminal activity in both of these two countries.

Mutual Investment Agreement

Investment between Australia and China is modest to say the least. A Free Trade Agreement between Australia and China would provide business, manufacturing, exporting and employment growth opportunities for both countries.

Australian investors into China must be protected by the Chinese government and stamp out as much corruption as possible so Australian investors can operate with confidence and efficiency and benefit both China and Australia.

China must provide real positive tax incentives for Australian investors, bankers and business people as should Australia for Chinese investors, bankers and business people provide best possible tax breaks, incentives and low interest bank loans to secure long term investment into both countries.

Australia must provide crown land to Chinese manufacturing investors such as car manufacturing in Australia with fair joint venture proposals to secure export to the rest of Asia and the world for both Australia and China. Australia should give every assistance it can to China to make this all happen as soon as possible.

Non – Tariffs Measures

China must streamline and simplify current burdensome technical regulations standards and conformity, transparency is one way, reduce restrictions on the mobility of business people throughout China and Australia by both governments.

Trust is a key to success and we must trust each other by protecting each others business people and investors from corruption and bribery and ensure that each government, that of both Australia and China clamp down on internal problems that might hinder each others and cooperate with the other. If we do this, both countries will automatically profit from a fair Free Trade Agreement.

Both Australia and China must reduce customs delays and share information and intelligence on any illegal activities and de – list and punish these companies to the satisfaction of both countries.

The leadership of China and Australia must protect each other and help each other in the pursuit of quality Trade between each country. Improve business people movement clear up and speed up administrative import/export issues, so trade can be efficient, more so in the future.

Both countries must protect each other's business citizens in the area of intellectual property rights.

This means both countries impose strict rules on the protection of intellectual property rights and the swift prosecution and punishment of those guilty of intellectual property theft. This will provide for an easy feeling of security between Australia and China and hopefully a long – lasting trusting relationship will continue to emerge and secure the future of both countries.

Working within WTO Rules

Naturally both countries will take into account and establish clear codes of professional business conduct in any grey or unclear areas so as to prevent any misunderstandings in the future.

Both governments should agree to communicate any concerns either might have and quickly resolve disputes or questions that may arise from time to time for the long term security of The Free Trade Agreement and The stability of each countries' economy.

SME'S Facilitation and Promotion

Both Australia and China must invest to promote their mutual close cooperation in a Free Trade Agreement. In particular both countries must advertise and promote small, medium and large enterprise opportunities within their countries in keeping with the spirit of a Free Trade Agreement between Australia and China.

Advertising the two countries cooperation within their own countries will create and promote interest and opportunities from potential investors in both countries and this would be of immense value and profit for both countries.

This of course can be orchestrated via various media outlets such as television, radio, newspapers, magazines and trade delegation meetings between both countries. Both countries' tourism must be promoted to encourage possibilities for investment in the future in each country again the media is a good outlet.

Do not give in to outside interference from other countries who would try to destroy the relationship between China and Australia. So they could possibly increase their own interests and business. eg. The E.U, The U.S or Russia.

Bilateral Economic Development -- Employment

Independent economic modeling has suggested strongly that both Australia and China through a Free Trade Agreement would increase productivity, output and bilateral economic development would surge ahead if Australia were to adopt an agreement with China that would allow Chinese skilled and unskilled workers into Australia to assist us in labour shortage problems.

In Western Australia, for example the mining sector urgently needs unskilled and skilled labour, Australia could follow the same process as we adopted with medical student graduates who then become G.P's, we send them to regional areas to boost and alleviate shortages there similarly we could send these culture migrants to work in regional centers where currently Australians seem to refuse to go, stay or even move to city locations. We could boost our farming activities by sending these foreign workers to regional locations to work in labour intensive programs as well as start their own farms. Technologies in dessert areas of Israel must be studied more closely so that we can utilize more inner regional lands and increase farming outputs.

Military Harmony, Balancing and bilateral Cooperation

Australia and China under a Free Trade Agreement should be feeling secure in the knowledge that each one can work together in military areas to provide peace in the Asia region.

Australia has no intention of ever interfering in the internal affairs of China and this is exactly why the two great countries can and must work together to provide stability, harmony and security in the region. China should rest assured under this FTA Australia would do all it must to protect China against any invading or predatory nation and would lobby The United Nations to bring further support to fight against any terrorist threat against China. Our bilateral cooperation must develop so strongly that mutual trust and harmony will be easily realized by both Australia and China and our two economics can continue to grow with close cooperation for the long term future of both of countries.

Cultural, political and Social Mutual Exchanges

To increase the market status from its current import and export rates between China and Australia we must also address seriously the areas of cultural, political and social mutual exchanges. A country such as China's history did not begin in 1949 with the rise to power of Chairman Mao. China's history as I have studied it along with the history of other countries, dates back thousands of years. During this long history, China underwent great upheavals invasions by countries like Japan and experienced Emperors and Dynasty systems that provided great cultural knowledge to not only China but the world's great scholars. Confucius is world renown and is perhaps compared to Shakespeare, Aristotle or Socrates of Greece. We in Australia would most certainly benefit from such great cultural exchanges as would China from our own Neutral style open government system which is fast becoming more independent from The United States and Britain and Australian multicultural mix is providing Australia with its own identity.

China most certainly would benefit from Australian ability to give a neutral negotiable approach to all political issues in the region.

China should be sure that Australian aim is to secure equal rights for all and to protect the weak, the innocent and assist starving nations in the world such as North Korea.

Our two countries could cooperate better to bring about necessary solutions to countries such as North Korea without the aggressive methods of The United States, for example, China and Australia working together could put pressure on Kim Jong Il to allow us to assist the poor starving people in North Korea and not just give money, goods or services blindly to North Korea which one day an unpredictable dictator such as Kim Jong Il may use to build and use their nuclear weapons against either one of our countries. We must work together to prevent this from happening.

Overview – Authors Commentary on realization of a bilateral Free Trade Agreement

I have written this report as an unbiased person, even though I am Australian.

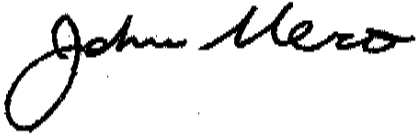
To secure a Free Trade Agreement we must look at what China would like from us not us what we want from them. It is not about taking advantage of each other. The advantages to both countries will happen automatically if people like myself can be part of the negotiating team so that China will know that they can trust us fully to cooperate with them. Just as I will expect full cooperation from them on all Trade, economic, political, cultural and other areas. There has to be mutual trust and above all confidence in each other that both countries will do their best to ensure all trade between countries happens smoothly, without hindrance, and that corruption will be a thing of the past as neither country wants such obstacles to stand in the way of smooth progress. We must also continue after Australia and China signs The Free Trade agreement to consult with each other on any matters that may arise from time to time and promise each other to quickly resolve any problems which may arise.

This Free Trade Agreement is between Australia and China and neither country should allow herself to be threatened by other countries or bodies such as The EEC to try to destroy our agreement so that they can benefit themselves.

I will be happy to assist in making our agreement be strong, unshakable and visionary for the long term benefit of both countries, if this is our main purpose, then by our own determination and cooperation with each other, nothing and no-one can prevent us from moving forward together.

The sooner we, Australia and China can begin to sit down and negotiate the sooner we can secure an open, positive mutually beneficial Free Trade Agreement between the two nations.

Yours sincerely



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