



**Australian Government**



**Submission to the Senate Foreign Affairs,  
Defence and Trade Committee Inquiry into  
Australia's relations with China**

**April 2005**

## **1. Introduction**

The Australian Film Commission (AFC) is an Australian Government agency, operating as part of the Commonwealth Film Program to ensure the creation, availability and preservation of Australian screen content. The AFC enriches Australia's national identity by fostering an internationally competitive audiovisual production industry, making Australia's audiovisual content and culture available to all, and developing and preserving a national collection of sound and moving image.

The AFC also administers and advises on the Australian Government's Official Co-Production program. It provides information to the industry about the program and reviews applications for official co-production status. Treaties and Memoranda of Understanding are currently in place with France, the UK, Canada, Italy, New Zealand, Israel, Ireland and Germany. Negotiations are underway on a co-production agreement with China.

As the major collector and analyst of data about the industry, the AFC leads opinion, outlook and policy about the audiovisual industries and screen content in Australia.

The AFC makes this submission to the Committee in relation to the proposed negotiation of a free trade agreement with China and the already commenced negotiation of a film co-production treaty with China.

The AFC has a longstanding interest in the outcome of trade negotiations, as they affect trade in audiovisual services and the development of the creative industries in Australia. The AFC welcomes the opportunity to comment on the proposal for a Free Trade Agreement with China, and anticipates further involvement as negotiation proceeds.

Should any further clarification or comment be required, please contact Kim Ireland, AFC Director of Policy, Research and Information.

## **2. Why culture is important**

A recognised fundamental right of nations is the right to determine their cultural, as well as political and economic, sovereignty. Access to, and the ability to participate in the culture of their nation, is recognised as a fundamental human right. Yet making these rights operational can come into conflict with the logic of trade liberalisation.

For Australia, culture is a vital element of our national sovereignty, providing the opportunity for the expression of the nation's regional, ethnic and historical diversity. The development of a national culture,

shared values and national identity, as expressed through our cultural production is considered by many to be a sign of good governance.

Successive Australian governments have accepted that, without government intervention, it is extremely difficult for small nations like Australia to produce cultural goods that give full expression to our stories, ideas and images. The Australian government invests in cultural programs; just as it does in other activities such as public health, education, sport and the environment that impact on the well being of its citizens and which make a secure, harmonious and healthy society.

Australia is also committed to free trade and to the progressive liberalisation of barriers to trade, the central tenets of the current international trading system. Free trade is based on the philosophy that the market is the best device to ensure that consumers can access products and services at the best price, and to increase global wealth. The goal of reducing tariff barriers and national protection mechanisms is to allow the market to operate with fewer constraints. However, this approach to free trade does not necessarily take account of the fact that not all trading partners are equal, and neither are all products or services.

The output of cultural industries is clearly different from other tradeable goods and services. This is because the culture of one nation is not interchangeable with that of another, and because for most nations the intervention of government is essential to the maintenance and development of their culture. Australia values its own cultural diversity and cultural sovereignty as one of the defining attributes of the nation. It is not something that can be created elsewhere. This means there is a distinction between cultural services and other services.

While cultural policy measures are sometimes attacked for being protectionist they can co-exist with a commitment to free trade. Australia's measures designed to deliver on its cultural policy objectives in audiovisual media are: transparent, modest, targeted, do not exclude foreign material and still leave Australia significantly open to international trade. Australian audiovisual trade is firmly located in the global economy.

## **2.1 Australia's audiovisual cultural policy**

The Commonwealth has established a number of regulatory, budget and tax measures designed to support the Australian audio-visual industry. These include:

- Direct subsidy for production and development through the AFC; the Film Finance Corporation, Australia; Film Australia Limited and the Australian Children's Television Foundation;

- Regulation of Australian content through the standards imposed on commercial television by the Australian Broadcasting Authority and the drama expenditure requirement for subscription television;
- Indirect support through taxation concessions for investment in feature films, television miniseries and documentaries which includes –
  - concessions under Division 10B and 10BA of the Income Tax Assessment Act for investment in qualifying Australian films;
  - the Taxation Amendment (Film Incentives) Act 2002 that provides incentives for higher budget productions to be made in Australia.

Other measures include:

- Regulation of temporary entry of foreign actors, crew and performers under Migration Regulations;
- International Co-production Treaties and Memoranda of understanding (MOUs);
- Direct support to AusFilm for promotion of Australian production resources to international clients;
- Rules governing foreign ownership of media;
- Funding of national broadcasters – ABC and SBS;
- Direct support for training through the Australian Film, Television and Radio School; and
- Support for preservation of Australia's audiovisual culture through the National Film and Sound Archive, now merged with the AFC.

These measures are supplemented by initiatives undertaken by the various state governments.

### **3. Approaches to dealing with culture in trade agreements**

The debate about the place of culture in trade agreements is as old as the establishment of the post war framework for trade liberalisation in the General Agreement on Tariffs and Trade (GATT).

The issue of culture became a source of intense debate during the Uruguay round of negotiations that culminated in the establishment of the World Trade Organisation (WTO) and the completion of the General Agreement on Trade in Services (GATS).

The main argument was between the European Union (EU) and the United States (US). The EU sought the introduction of an exemption from the agreements for cultural measures. The US sought complete liberalisation of audiovisual services.

The eventual compromise was that the GATS was structured as a positive list agreement and countries had to make positive commitments to liberalise. The US and a few countries like New Zealand made commitments to liberalise in audiovisual. Australia and the majority of WTO members made no commitments on audiovisual.

Since then there have been a number of significant developments. The first to note is the current consideration by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) of a 'Convention on the Protection of the Diversity of Cultural Contents of Artistic Expressions', which attempts to set out the rights and obligations of countries in relation to cultural diversity and expression. The objective is in part to set an international consensus on the treatment of culture in international relations, including trade relations.

The second development is the changed approach of the US, which has explicitly recognised the ability of countries to pursue cultural policy outcomes but requested that WTO members preserve these measures and not undertake further measures.

The third development has been the rise in bilateral trade agreement led by the US. A principal attraction of these agreements is that they typically include standards of trade liberalisation that are higher than has been achieved in the GATS and build leverage for the US agenda in the WTO.

#### **3.1 Australia's position**

In the WTO Australia has maintained the position it has held for well over a decade. Making the announcement of Australia's offers on 1 April 2003, Minister Vaile said:

*The Government will ensure that the outcomes of negotiations will not impair Australia's ability to deliver fundamental policy objectives in relation to social and cultural goals and to allow for screening of foreign investment proposals.<sup>1</sup>*

As a result Australia maintained its previous position and made no offers in audiovisual or cultural services.

Australia has also negotiated bilateral agreements with Singapore, Thailand and the US; and is examining the possibility of bilateral agreements with ASEAN and the United Arab Emirates, as well as with China.

In the Singapore Australia Free Trade Agreement (SAFTA), Australia successfully argued for a broad cultural exemption to the application of the free trade principles. Australia defined culture broadly enough for it to apply to culture wherever it existed, across new, emerging and future technologies.<sup>2</sup> The need for this exemption stems from the fact that the Singapore agreement is a negative list agreement in which an overarching commitment to liberalisation is made subject to nominated exemptions or the allowance of non-conforming measures.

The Australia US Free Trade Agreement (AUSFTA) is also a negative list agreement and although the Singapore style exemption could not be achieved in that negotiation Australia was still able to reserve all existing cultural measures and to retain a flexibility to act in relation to future interactive audio and/or video services.

The Thailand Australia agreement is structured as a positive list and Australia made no commitments in relation to audiovisual services.

#### **4. Chinese audiovisual sector**

Although this year will celebrate the centenary of Chinese film production, in many respects the film and television industry in China is still in its development phase, with the potential for vast growth. This is in large

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<sup>1</sup> The Hon. Mark Vaile, MP, Minister for Trade, *Media Release: Australia's Initial Offer in Services Trade Negotiation*, 1 April 2003,

[http://www.trademinister.gov.au/releases/2003/mvt028\\_03.html](http://www.trademinister.gov.au/releases/2003/mvt028_03.html)

<sup>2</sup> This exemption reserved Australia's right to adopt or maintain any measures relating to:

*the creative arts, cultural heritage and other cultural industries, including audiovisual services, entertainment services and libraries, archives, museums and other cultural services. cultural expression, and digital interactive media and hybrid arts work which uses new technologies to transcend discrete artform divisions.*

part the legacy of the decades of strong state control of production, exhibition and broadcasting and the view that film and television was a powerful vehicle for driving a state agenda vehicle rather than a source of cultural expression and commercial opportunity. State control has begun to relax in the last decade and especially since the accession of China to the WTO in 2001. One central agency – the State Administration of Radio, Film and Television (SARFT) – oversees all audiovisual activity within China.

Despite China's huge population, the cinema industry is relatively small by world standards. China has approximately 2000 cinema screens<sup>3</sup>, compared with 1900 in Australia. Where Australia's screens are mostly located in modern multiplexes, China's are old and in need of repair. Excluding the \$US150 million Hong Kong box office, the investment bank China e-capital estimates that the domestic box office was approximately \$US181 million in 2004<sup>4</sup> or about \$A230 million. This was reckoned to be an improvement on the previous year but is still less than a third of Australia's domestic box office of \$A907 million.

This box office result does not reflect any lack of appetite for filmed entertainment amongst the Chinese population for there is a large and difficult to quantify black market in pirated DVDs that sell for significantly less than the cost of admission to a cinema. The black market flourishes due to a lack of an enforcement regime for intellectual property protection (see Section 7 below) and light state controls on the importation of foreign films.

The control over the entry of foreign films has again been lessening in recent years. Last year fifty foreign films were approved, of which about 12 were from Hollywood. Imported films must comply with censorship restrictions. There is a screen quota requirement for domestic films to occupy twice the screen time of foreign films and some months of the year are reserved only for Chinese films.<sup>5</sup> While this, in combination with a more relaxed attitude to film as entertainment has assisted domestic production, it has done little to curb the attraction of pirated DVDs of mainstream Hollywood films. Further details on Chinese cinema Regulations are at Appendix I.

At the present time, distribution is largely controlled by the central and provincial governments. However there has been some foreign investment in cinema exhibition, first by Hong Kong based companies like Golden Harvest and more recently by Warner Bros International Cinemas. These have invested in the construction of new cinemas and increased the number of screens. It is predicted that with more investment in renewal of

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<sup>3</sup> DK Tatlow 'Build it; and they will come', *South China Morning Post*, 7 April 2005, p.7

<sup>4</sup> [http://www.chinaecapital.com/en/research/China%20Film%20Market%20Report%20\(Table%20of%20Content\).pdf](http://www.chinaecapital.com/en/research/China%20Film%20Market%20Report%20(Table%20of%20Content).pdf) Accessed 7 April 2005

<sup>5</sup> Wu Zhong, 'Mainland Film market to double in 3 years', *The Standard*, 4 April, 2005

infrastructure and further liberalisation of the import rules there is considerable potential for growth.

The government appears keen to encourage more foreign investment, however with the exception of companies from Hong Kong, such investment is required to be in the form of joint ventures with Chinese companies that must also retain the majority economic interest.

Warner Bros Pictures has also formed a joint venture in 2004 to produce films in China with the government owned China Film Group and the private Hengdian Group<sup>6</sup>. And Viacom has entered a joint venture to produce children's television with the state controlled Shanghai Media Group. Most Chinese films have relatively low budgets and many are not exported even to other Chinese language centres in Asia (excluding the Hong Kong cinema).

However, there have also been some spectacular international successes with Zhang Yimou's big budget *Hero* (2003) and *House of Flying Daggers* (2004). *Hero*, for which the Australian company Animal Logic, provided the digital effects, has grossed \$US169 million worldwide to date.

In television China eCapital estimates that the total TV advertising market in China grew by 20 per cent in 2003 to reach \$3.3 billion at the end of 2003 while the total cable subscription market grew by 24 per cent to reach \$2.2 billion.<sup>7</sup>

Ownership of television broadcasters is still dominated by the Government and heavily subsidised, although there are signs that the government is attempting to place the state broadcaster, China Central Television on a more commercial footing. As with film production and exhibition, foreign investors are permitted to form minority joint ventures to participate in the operation of television channels through the separation of ownership from content streams.

On terrestrial television 75 per cent of overall programming must be Chinese and 85 per cent programming. These restrictions are slightly less on subscription television where the 60 per cent of programming must be Chinese.

In November 2004, the State Administration of Radio, Film and Television (SARFT) introduced new rules to encourage joint venture film and

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<sup>6</sup> Zhu Linyong, 'Film Industry expects big action', *China Daily*, 18 November, 2004

<sup>7</sup> [http://www.china-ecapital.com/en/research/China%20Television%20Market%20Report%20\(Table%20of%20Content\).pdf](http://www.china-ecapital.com/en/research/China%20Television%20Market%20Report%20(Table%20of%20Content).pdf)

television co-production between foreign and Chinese companies, although as with other investment measures management and operational control must stay with the Chinese partner. The first of these joint ventures was established between Sony Pictures and the state run China Film Group.<sup>8</sup>

Controls are strict. Foreign partners are limited to one joint venture only and they need to be acceptable to the central government. The State Administration of Radio, Film and Television (SARFT) has been quoted as saying:

*There is a very strong ideological component to production of broadcast television programmes. (We) must understand the political tendencies and background of overseas partners and prevent joint ventures or co-operation from bringing harmful foreign thinking or culture into our production sector.<sup>9</sup>*

The Chinese partner must have access to minimum amounts of capital and at least three years of good standing. These rules tend to discriminate against private companies in favour of the government enterprises.

The State Administration of Radio, Film and Television (SARFT) also requires that undesirable ways of thinking should not be part of program production. As a result material that opposes the Chinese constitution, the sovereignty of the state or promotes obscenity, superstition, gambling or violence is banned.<sup>10</sup> Many countries, including Australia also have measures to control the release of violent, obscene and offensive material.

There is no doubt the audiovisual market in China is undergoing change and slowly moving towards a more commercial footing. However the level of state control is still high. As *The Economist* has observed

*Ultimately, of course, the main obstacle to the rapid development of China's media remains political. Despite the rise of critical websites and investigative periodicals, such as CAIJING in Beijing, China will not risk losing ideological control.<sup>11</sup>*

Foreign investors need to understand the risks and costs involved in trying to share in the growth of the Chinese media.

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<sup>8</sup> 'Sony Pictures sets up movie-TV venture in China', *The Japan Times*, 26 November 2004

<sup>9</sup> Dickie M, 'Beijing tightens the rules on TV ventures', *Financial Times*, 8 March, 2005, p.33

<sup>10</sup> Leigh N, 'Beijing treads warily on TV – Foreign involvement in joint production may be curbed by rules on management and content', *Financial Times*, 23 March, 2005, p.9

<sup>11</sup> 'Please adjust your set-China's media', *The Economist*, 20 November, 2004

## **5. Official Co-Productions**

Official co-productions are film and television productions that are made subject to a Treaty or Memorandum of Understanding between the governments or agencies of the governments of the partner countries. The purpose of these agreements is to allow producers in two or more countries to pool resources and talent in order to make projects on a larger scale than they could otherwise achieve.

Official co-productions are given national status in each of the partner countries, allowing projects to access the benefits available to domestic films. In the case of Australia, this would include access to funding from the Film Finance Corporation, tax concessions, and being considered Australian for the purpose of the Australian content standard for commercial television or the drama expenditure requirement for Pay TV.

The AFC administers the co-production program for the Australian government and is recognised as the competent authority for the sake of approving eligible projects.

Australia, like many countries, has ensured that its official co-production program is exempted from most favoured nation requirements of trade agreements to which it is a party.

The AFC is currently negotiating with the China Film Co-production Corporation (CFCC) regarding a treaty between Australia and China, which was initiated by the Chinese.

The AFC believes the primary benefit of a Co-production Treaty for Australian filmmakers is the national treatment projects would receive. This would allow the project to bypass the foreign film quota and receive local distribution, subject to meeting state censorship requirements in China. The project would be able to access Australian funding from the Film Finance Corporation (FFC) or tax concessions which would leverage investment from the Chinese partners.

There are already considerable linkages between the Australian and Chinese industry. This is particularly the case with the involvement by the Australian post-production sector including companies such as Soundfirm (who have an office in Beijing), Animal Logic, Southern Star and Cinefex Atlab, in the production of new Chinese cinema. The treaty agreement would facilitate the further development of these relationships.

The AFC sent a draft Treaty to the CFCC in December 2004 and has received back a revised. It is hoped the text can be finalised by mid 2005.

## **6. Negotiating position on a free trade agreement**

While the Chinese government is moving towards a greater degree of economic openness, there still remains a significant level of government control over its audiovisual sector, for both political and cultural reasons. Some of these controls act as a higher barrier to trade than the cultural measures that Australia has in place. Australia has always supported the right of other nations to introduce measures to support and preserve their domestic expression, in all trade negotiations and the AFC believes this should continue.

The AFC expects that the Chinese government would agree with Australia that cultural policy should not be affected by the proposed agreement. The AFC believes that it would be consistent to apply the same basic negotiating position to the discussions with China as was put forward in Australia's treaties with Singapore and Thailand.

The AFC proposes that a Free Trade Agreement between Australia and China exclude cultural industries including all audiovisual services. This course would recognise the fundamental institutional differences in the treatment of cultural industries in our two countries, the need for China to address many issues during a long transitional period, and the desirability of equality and reciprocity in any arrangement between our countries. The AFC proposes that culture be addressed separately in either a treaty of cultural co-operation or as an exchange of letters, dealing with cultural co-operation and goodwill.

The *Agreement on Cultural Co-Operation between Australia and Italy* (see Appendix II), which entered into force in May 1975, provides a useful precedent for the types of co-operation and exchange that may be covered in such an agreement, and the implementation structures that may be put in place to encourage successful outcomes. That agreement encompasses the development of a relationship in the "social, cultural, artistic and scientific fields." Australia has a number of such agreements.

Alternatively, we propose that cultural industries be excluded from a FTA and that the parties exchange separate letters undertaking to foster cultural co-operation and goodwill, through exhibitions and performances, publications, training programmes etc.

In recognition of the general trend exemplified by WTO General Agreement on Trade in Services (GATS) commitments, in which most countries have declined to include cultural industries in their schedule of services commitments, and in recognition of the clear and fundamental conflicts between trade and culture policies, the AFC suggests that cultural industries should be kept separate from other negotiations in this context also. Accordingly, letters of undertaking should not be side letters

to the agreement itself, which may have the effect of incorporating the matters covered within the terms of the agreement.

## 7. Intellectual property

Infringement of intellectual property (IP) continues to be a major problem in China. The United States Trade Representative (USTR) reports that in China the market value of counterfeit goods in 2001 was between \$US19 billion and \$US24 billion and that US losses from copyright piracy are between \$US2.5 billion and \$US3.8 billion.<sup>12</sup>

China has taken significant steps to amend its copyright law and to move towards harmonisation with Trade Related International Property Rights Agreement (TRIPS) and with World Intellectual Property Organisation (WIPO) treaties. However, it has not yet acceded to those treaties and there remain concerns about the legal framework and capacity for China to combat internet piracy, especially as China has the second largest number of internet users in the world.<sup>13</sup>

There appear to be two main reasons for the continuing problems with piracy. The first is that law reform has not been matched with robust enforcement action. In part this may be due to the need for education on IP protection in which the concept of IP is itself relatively new and piracy has been long accepted. The second is that the measures designed to support domestic distribution and exhibition and restrict or delay the access of foreign films and television to the Chinese market continue to act as a strong incentive towards piracy.

The Chinese government has announced it will undertake a campaign this year to address IP infringement in a more systematic manner.

Shifting the consumption of audiovisual media from illicit to legitimate channels would mean that Chinese producers, as well as foreign producers, would participate in revenues that currently go to the pirates. Diverting revenue to legitimate streams would also encourage foreign investment needed to revitalise China's cinema exhibition industry.

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<sup>12</sup> USTR, *2005 National Trade Estimate Report on Foreign Trade Barriers*, p.97, at [http://www.ustr.gov/assets/Document\\_Library/Reports\\_Publications/2005/2005\\_NTE\\_Report/asset\\_upload\\_file469\\_7460.pdf](http://www.ustr.gov/assets/Document_Library/Reports_Publications/2005/2005_NTE_Report/asset_upload_file469_7460.pdf)

<sup>13</sup> Ibid, p.96

## Appendix I

### Overview of Chinese Cinema Regulations

*Source: American Film Marketing Association (AFMA) International Market Fact Book 2003*

#### Quotas

##### ***Cinema Market (Last updated: February 2003)***

Currently, a maximum of 20 revenue sharing titles from all worldwide sources as well as a maximum of 30 films are allowed to be imported into China each year.

##### ***Television Market (Last updated: April 2001)***

The maximum amount of foreign programming allowed on terrestrial television is 25%, limited to 15% during prime time (6pm - 10pm). Furthermore, foreign programming during prime time must be less than 40 minutes long. For cable television, foreign programming is restricted to 40% of total broadcast time. However, limits are often not enforced. As of June 1, 2000, imported cartoons must not exceed 40% of animated fare shown on any television network. Furthermore, the total airtime allotted for overseas cartoons must not exceed 25% of total children's programming time.

##### ***Video Market (Last updated: February 2003)***

There are quotas or import restrictions currently in effect. However, more information is not available for this section at this time.

#### Regulations

##### ***Cinema Market (Last updated: February 2003)***

All imports are routed through China Film International (formerly the China Film Import and Export Corporation) under the CFC. Unlike the former China Film Import and Export Association, the CFI does not have a monopoly over local distribution. After a film is imported through the CFI, the CFC will often pass on local distribution rights to studios it finds in good favor, leading many to label the CFC as a "semi-corrupt" system. Producers who distribute their own films must also go through the CFC before they deal with exhibitors. The producer must then approach the distributor in the province or city who then in turn deals with the local exhibitor.

Distributing and/or producing films in China is strictly prohibited by foreign parties. Only Chinese companies that have been granted a License for Conducting Film Distribution by SARFT may engage in film distribution or production. No foreign investment enterprise that engages in film production can be established in China for distribution

or production.

Foreign companies can invest up to a maximum of 49% in revenue-sharing films as well as theaters. Unofficially, the limit may generally be ignored if a foreign company is willing to invest in building entertainment complexes and cinemas.

Foreign movies cannot be shot in China. However, films classified and approved as Sino-foreign co-productions enjoy guaranteed distribution in China and are exempt from certain Chinese taxes.

All films intended for distribution in China must obtain approval from the China Film Bureau. Please see “Censorship / Classification” below for more information.

***Television Market (Last updated: February 2003)***

SARFT (the State Administration of Radio, Film and Television) is the regulatory body under the State Council that is responsible for radio, television, satellite, and broadcasting laws.

Satellite broadcasts to China from a foreign country (including Hong Kong) are illegal. However, many individuals receive foreign satellite broadcasts in China. Satellite dishes are officially limited to luxury hotels, foreign housing, and companies able to demonstrate a business need. Furthermore, China’s satellite market is closed to foreign investors.

Foreign ownership in telecommunications industries is limited to 50%.

***Video Market (Last updated: February 2003)***

There are no government regulations or restrictive agreements related to video rental / sell-through terms.

***Taxes (Last updated: October 2003)***

Taxes relevant to the cinema, TV and video markets are as follows:

***Value Added Tax***

Importation production and sale of audiovisual products will be subject to PRC Value Added Tax (“VAT”). Generally, the VAT rate is 17%.

Imports of audiovisual products are subject to PRC import VAT and Customs Duty, which are collected by the customs authorities at the time of importation. The Customs Duty rates vary based on the different types of carrying media in accordance with the customs tariff codes.

***Business Tax***

An enterprise engaged in operation of cinemas in China will be subject to PRC Business Tax (“BT”).

Where a film distributor shares box office revenue with a cinema, the film distributor is exempt from BT on box office revenue received from the cinema up to the end of 2005.

In addition, the transfer of intangible assets including the transfer of right for the film distribution and television transmission etc. will also be subject to 5% BT if the intangibles are used in China.

#### *Foreign Enterprise Income Tax*

A FIE is subject to Foreign Enterprise Income Tax (“FEIT”) on its taxable profits. The standard FEIT rate is 33%, which consists of state FEIT of 30% and local FEIT of 3%. The state FEIT rate may be reduced to 15% or 24% if the FIE is located in one of specially designated zones or qualifies as a production-type enterprise (please refer to the below section “Tax Incentives”). The local FEIT of 3% may also be waived by the local government.

#### *Withholding Tax*

A foreign company without a permanent establishment in China, will be subject to Withholding Tax (“WHT”) on interest, rentals, royalties derived from China. The license fees for transfer of film distribution right and broadcasting right for use in China, etc are subject to WHT. Effective 2000, the WHT rate was reduced to 10% under PRC FEIT law and regulations. WHT rate is further lowered to 7% under the Sino-Romania treaty and 8% under the Sino-Egypt treaty.

#### *Tax Incentives*

There are tax incentives in China’s special investment areas, which are summarized as follows:

15% FEIT rate in Special Economic Zones (SEZ’s) for all foreign investment enterprise.

15% FEIT rate for production enterprises in the Economic and Technological Development Zones (ETDZ’s).

24% FEIT rate for production enterprises in old urban districts of cities with

ETDZ’s and SEZ’s, and in Coastal Open Economic Zones.

Enterprises engaged in the film production are generally not regarded as production-type enterprises, which enjoy the reduced tax rate and tax exemption.

## Appendix II

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Australian Treaty Series 1975 No 20

DEPARTMENT OF FOREIGN AFFAIRS

CANBERRA

Agreement of Cultural Co-operation between Australia and Italy  
(Rome, 8 January 1975)

Entry into force: 28 May 1975

AUSTRALIAN TREATY SERIES

1975 No. 20

Australian Government Publishing Service

Canberra

(c) Commonwealth of Australia 1995

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### **AGREEMENT OF CULTURAL CO-OPERATION BETWEEN AUSTRALIA AND ITALY**

THE GOVERNMENT OF AUSTRALIA AND THE GOVERNMENT OF THE ITALIAN REPUBLIC, RECOGNISING the contribution of the Italian migrant community to the diversity of life in Australia, INSPIRED by a common desire to promote and develop closer social and cultural relations in the future, MINDFUL of the co-operation in a wide variety of fields which is now taking place, and WISHING to strengthen the friendly ties existing between their two countries, HAVE AGREED as follows:

#### Article 1

The two countries shall encourage the development of their relations in the social, cultural, artistic, and scientific fields.

To this end each country shall endeavour to:

- (a) encourage and facilitate co-operation between the two countries in the fields of literature, music, crafts, education, the visual and performing arts, and in other activities of a cultural nature;
- (b) encourage in its country exhibitions, theatrical, musical, and dancing performances, film showings, lectures, seminars and similar activities pertaining to the social, cultural, artistic and scientific life of the other country;
- (c) extend to the other facilities for the exchange of books, publications and radio and television programs, educational, documentary and scientific films;
- (d) encourage co-operation between the cultural, educational and scientific institutions and organisations of the two countries;
- (e) encourage contact and collaboration between the youth and youth organisations of the two countries;
- (f) encourage contact and co-operation in sporting activities between sportsmen and sporting organisations of the two countries.

#### Article 2

Each country shall examine the possibility of establishing chairs, lectureships and courses in the language, literature and culture of the other country at universities and other educational institutions.

The two countries shall co-operate in establishing an exchange of teachers in order to facilitate, among other purposes, the integration of Italian children into the Australian community, while maintaining their cultural ties with their country of origin.

#### Article 3

Each country shall encourage the provision at its academic and cultural institutions of scholarships open to the nationals of the other to enable them to undertake courses of study, training or research.

The two countries shall encourage visits and exchanges of University teachers and other academic personnel, researchers, lecturers, scientists and experts between the two countries.

#### Article 4

The two countries shall co-operate in the exchange of information on standards and developments of their educational systems to assist interpretation and evaluation, both for academic and where appropriate professional purposes, of degrees, diplomas and certificates obtained at their universities and other educational institutions.

#### Article 5

Each country may establish and maintain cultural institutions having governmental character in the territory of the other country with that country's concurrence and in accordance with the latter's laws and regulations.

#### Article 6

Each country shall facilitate the arrangement of other activities in its territory not specifically mentioned in this Agreement which are in accordance with the spirit of the Agreement.

#### Article 7

The two countries shall convene periodical meetings for the purpose of establishing appropriate measures for and reviewing the implementation of this Agreement.

#### Article 8

This agreement shall enter into force on the day on which the two Governments exchange notes notifying each other that their respective constitutional and other requirements necessary to give effect to this Agreement have been complied with.[\[1\]](#)

It shall remain in force until the 180th day after the day on which one Government shall have given to the other notice in writing, through the diplomatic channel, of its desire to terminate the agreement.

IN WITNESS THEREOF, the undersigned, being duly authorised thereto by their respective Governments, have signed the present Agreement.

DONE in duplicate at Rome this 8th day of January 1975, in the English and Italian languages, both texts being equally authoritative.

FOR THE GOVERNMENT OF  
AUSTRALIA:

FOR THE GOVERNMENT OF  
THE ITALIAN REPUBLIC:

[Signed:]

[Signed:]

E. G. WHITLAM

A. MORO

[\[1\]](#) Notes to this effect were exchanged on 28 May 1975, on which date the Agreement entered into force.