



Australian Government

Australian Government response to the
Joint Standing Committee on Treaties Report 154:

Treaty tabled on 17 June 2015
(China-Australia Free Trade Agreement)

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This is the Australian Government's response to the Joint Standing Committee on Treaties' Report 154 on the China-Australia Free Trade Agreement (ChAFTA), tabled on 17 June 2015.

The Government welcomes the Committee's final recommendation that prompt binding treaty action be taken in relation to ChAFTA. Australia has completed its domestic treaty-making processes and following an exchange of notes with China on 9 December 2015, ChAFTA entered into force on 20 December 2015.

The following responses to the various recommendations by Committee members have been prepared on a whole-of-government basis:

Recommendation 1

The Committee recommends that all government departments and agencies responsible for curbing unlawful immigration activity, particularly the Department of Immigration and Border Protection, are adequately resourced to carry out their functions effectively and efficiently.

The Government notes the Committee's recommendation. The allocation of resources to relevant agencies is a decision for the Government. The Department of Immigration and Border Protection (DIBP), together with other relevant agencies, closely monitors compliance of visa provisions for temporary workers.

Recommendation 2

The Committee recommends that Austrade is sufficiently resourced to support dedicated officers, with the specific expertise required to provide information and assistance to individual sectors to facilitate access to the Chinese market.

The Government notes the Committee's recommendation. The Government is committed to ensuring that Australia's free trade agreement with China, along with recently concluded agreements with Korea and Japan are widely used by Australian business, to maximise the benefits to companies and the broader economy.

An FTA outreach programme has been designed to help Australian business capitalise on the opportunities presented by our free trade agreements with the major economies of North Asia. As outlined in the May 2015 Budget, the outreach programme consists of various elements, including an advertising campaign, a national FTA seminar series, a customer awareness campaign in China, enhanced FTA help desks, a grants programme, and an online FTA Portal developed and hosted by the Department of Foreign Affairs and Trade (DFAT).

Austrade's network of advisers in Australia and overseas offer practical, sector-specific advice to exporters and education providers on how to do business in international markets. Austrade has significant expertise in the China market and provides tailored services for Australian companies seeking to do business in China. Austrade has ten offices across mainland China, providing in-country expertise and local contacts for Australian businesses.

Austrade provides a range of public information available on its website, including on market opportunities in key sectors in China and advice about doing business. It provides a range of services and events in Australia, including through its TradeStart network. In addition, Austrade manages and coordinates ministerial-led business missions including by the Minister for Trade and Investment and the Prime Minister, including Australia Week in China.

Other Australian Government agencies, including the Department of Foreign Affairs and Trade (DFAT), the Department of Agriculture and Water Resources, the Department of Immigration and Border Protection and the Export Finance and Insurance Corporation, also provide assistance to Australian businesses and respond to enquiries regarding trade and investment with China and have a range of material available, such as DFAT's export and import guide for ChAFTA. Representatives of these agencies in Australia's diplomatic missions in China also provide support to Australian businesses as appropriate.

Recommendation 3

The Committee recommends that:

- **the Department of Agriculture develop a set of performance indicators to measure progress on the removal of non-tariff barriers; and**

The Government notes the Committee's recommendation. Not all non-tariff measures (NTMs) restrict trade or increase costs, nor are they limited to the agriculture sector.

As noted by the Committee, product specific technical market access discussions for agriculture fall outside FTA negotiations. The Department of Agriculture and Water Resources leads these discussions engaging with Chinese authorities to establish each others' priority market access requests for progressing technical market access and the constraints to this.

The department works with industry bodies and state governments to determine priorities for addressing market access requests and NTMs and also seeks their assistance in developing solutions and in negotiations with trading partners. The department provides quarterly updates of market access wins, which is accessible at: <http://www.agriculture.gov.au/market-access-trade/agricultural-trade-news/achievements>

- **the Department of Agriculture and the relevant sections of the Department of Foreign Affairs and Trade are adequately resourced to enable effective progress to be made in removing non-tariff barriers.**

The Government notes the Committee's recommendation. The Department of Foreign Affairs and Trade, the Department of Agriculture and Water Resources and other relevant agencies are resourced to support work under the mechanisms established under ChAFTA to review and address NTMs. Agencies work closely with regulatory bodies, such as Standards Australia, on NTMs.

ChAFTA provides for a Committee on Trade in Goods to review and address NTMs on a case-by-case basis, as raised by Australia or China. The Committee is required to prepare a report and recommendations on NTMs within one year of entry into force. ChAFTA also establishes committees on technical barriers to trade, administered by the Department of Industry, Innovation and Science, and sanitary and phytosanitary measures, administered by the Department of Agriculture and Water Resources, to build cooperation.

The Agriculture Competitiveness White Paper provided further funding for the Department of Agriculture and Water Resources to address NTMs, including an additional five counsellor positions in China and other overseas markets.

Recommendation 4

That the Australian Government prioritise implementation of the recommendations of the *Review of the Tax Arrangements Applying to Collective Investment Vehicles* report and *Australia as a Financial Centre — Building on our Strengths* (the Johnson Report) in order to achieve full utilisation of the China Australia Free Trade Agreement for Australian financial services.

Implementing the Johnson Report recommendations is a priority for the Government.

The Government has recently modernised the Offshore Banking Unit Regime and introduced an Investment Manager Regime, implementing two significant policy changes recommended in the Johnson Report. The Government has also recently introduced legislation to implement a new tax system for Managed Investment Trusts, an initiative that supports the Johnson Report recommendations. These changes will strengthen Australia as a financial services centre by improving our international competitiveness and facilitating the greater export of Australian financial services expertise.

The Government is advancing the remaining Johnson Report recommendations. The Johnson Report recommended reviewing the scope for providing a broader range of collective investment vehicles (CIVs) to assist in the export of financial services. The Board of Taxation completed its review of the tax arrangements applying to CIVs and recommended that a wider range of CIVs be introduced. In the Tax White paper process, the Government requested the Treasury work in close consultation with stakeholders to develop proposals for the new CIVs. These CIVs will complement the new commercial export opportunities for the Australian financial services industry contained in the China Australia Free Trade Agreement.

As part of the Tax White paper process, the Government is also considering additional changes to Australia's tax settings that could further improve Australia's position as a financial services centre. This includes reforms to Australia's withholding tax arrangements.

The Government continues to give priority to introducing the Asia Region Funds Passport (the Passport), which will assist Australian fund managers to offer their world-class services across the region. Australia has been leading the development of the Passport and is working to ensure that the Passport is supported by the widest possible group of APEC economies. To date, China has not engaged in negotiations on the Passport.

Recommendation 5

The Committee supports the *Free Trade Agreement between the Government of Australia and the Government of the People's Republic of China* and recommends that binding treaty action be taken.

Australia has completed its domestic treaty-making processes and ChAFTA entered into force on 20 December 2015.

Dissenting Report – Australian Greens

Recommendation: The Committee does not support the Free Trade Agreement between the Government of Australia and the Government of the People's Republic of China and recommends that binding treaty action not be taken.

The Government does not accept this recommendation. Australia has completed its domestic treaty-making processes and ChAFTA entered into force on 20 December 2015.

Recommendation: ChAFTA be referred to the Productivity Commission for comprehensive economic analysis. Legislation enabling ChAFTA should be delayed until this analysis is completed.

The Government notes the passage of legislation is a matter for the Parliament. ChAFTA enabling legislation passed the House of Representatives on 22 October and the Senate on 9 November 2015.

Recommendation: ChAFTA be referred to the Law Reform Commission for advice on the status and impact of labour mobility clauses in ChAFTA on Australian labour standards. Legislation enabling ChAFTA should be delayed until this advice is provided and acted upon.

The Government notes the passage of legislation is a matter for the Parliament. ChAFTA enabling legislation passed the House of Representatives on 22 October and the Senate on 9 November 2015.

Recommendation: That the Migration Regulations 1994 are amended to make it mandatory for the government to undertake labour market testing for ANZSCO skill levels 1-4.

The Government does not accept this recommendation. Following ChAFTA's entry into force, commitments in ChAFTA on labour market testing are now in force.