

CHINA-AUSTRALIA

FREE TRADE AGREEMENT



Factsheet: Resources, Energy and Manufacturing

China is by far Australia's biggest export market for resources, energy and manufactured goods. Australia exported more than \$85 billion worth of these products to China in 2017, which is more than one-quarter of Australia's total goods exports to all countries.

From entry into force (EIF), 20 December 2015, 92.8 per cent of China's imports of resources, energy and manufacturing products from Australia enter duty free, with most remaining tariffs eliminated by 1 January 2019. On full implementation of ChAFTA (1 January 2029), 99.9 per cent of Australia's resources, energy and manufacturing exports (by value in 2014) will enter China duty free.

Resources and energy products

China is Australia's largest resources and energy market, with exports worth more than \$80 billion in 2017. ChAFTA provides greater certainty for our exporters by locking-in current zero tariffs on major resources and energy products, including iron ore, gold, crude petroleum oils, and liquefied natural gas.

For other major resources and energy products tariffs of up to 8 per cent will be eliminated by 1 January 2019, with most eliminated immediately on EIF.

Key outcomes for resources and energy products include:

- Elimination of the 3 per cent tariff on coking coal on EIF – this is Australia's second largest export to China, with exports worth around \$8 billion in 2017
- Elimination of the 6 per cent tariff on thermal coal on 1 January 2017 – exports of non-coking coal to China were worth \$3.8 billion in 2017
- Elimination of tariffs of 1 and 2 per cent on unwrought refined copper and alloys on EIF – Australia is China's seventh largest source of refined copper and alloys, with imports worth around \$1.1 billion in 2017
- Elimination of the 3 per cent tariff on nickel mattes and oxides on EIF – Australia was China's fifth largest source in 2017, with imports worth \$148 million
- Elimination of the 3 per cent tariff on unwrought zinc on EIF – China is Australia's largest market for unwrought zinc, with exports worth \$661 million in 2017
- Elimination of the 1.5 per cent tariff on copper waste and scrap on EIF – these exports were worth \$216 million in 2017
- Elimination of the 5 and 7 per cent tariffs on unwrought aluminium by 1 January 2019 – these exports were worth \$32 million in 2017
- Elimination of the 1.5 per cent tariff on aluminium waste and scrap on EIF – China is Australia's largest market for aluminium waste and scrap, with exports worth \$151 million in 2017
- Elimination of the 3 per cent tariff on unwrought nickel on EIF – this accounted for imports worth \$508 million in 2017
- Elimination of the 6.5 and 10 per cent tariffs on titanium white and titanium dioxide by 1 January 2019 – these exports were worth \$137 million in 2017.



Manufactured goods

China is a major export market for Australian manufactured products, with exports worth \$5 billion in 2017. ChAFTA creates new opportunities for Australian manufacturers; including those seeking to supply goods to China's rapidly expanding middle class. China applies tariffs of up to 47 per cent on some of Australia's manufactured exports, including pharmaceuticals, mining machinery, medical equipment, paper products, automotive parts, clothing and film.

Key outcomes for manufactured goods include:

- Elimination of 3 to 10 per cent tariffs on pharmaceutical products, including vitamins and health products, either on EIF or phased out by 1 January 2019 – China is Australia's largest market for pharmaceuticals, with exports worth \$825 million in 2017
- Elimination of tariffs of up to 20 per cent on car parts and engines by 1 January 2019
- Elimination of tariffs ranging from 6.5 per cent to 14 per cent on plastic products by 1 January 2019 – China is Australia's third-largest market for plastic products, with exports of \$87 million in 2017
- Elimination of the 3 per cent and 8 per cent tariffs on precious stones, including opals by 1 January 2019 – Australia's exports to China were worth \$4 million in 2017
- Immediate elimination on EIF of the 4 per cent tariff on orthopaedic appliances and hearing aids – this accounted for exports worth \$73 million in 2017
- Elimination of the 6.5 to 15 per cent tariff on make-up and hair products by 1 January 2019 – exports of these products were worth \$74 million in 2017
- Elimination of the 10 per cent tariff on centrifuges by 1 January 2019 – these accounted for exports worth almost \$3 million in 2017
- Elimination of the 21 per cent tariff on pearls by 1 January 2019 – China's imports from Australia were worth around \$1 million in 2017.

ChAFTA also provides greater certainty by locking in existing zero per cent Chinese tariffs on a range of other manufactured products, including wood chips and logs, some electrical and communications equipment, and some paper products.

A small number of products sensitive to China's economy or culture are excluded from tariff concessions, including some fertilisers, wood and paper products. These products are largely excluded in China's other FTAs, and accounted for less than 0.1 per cent of China's imports of resources, energy and manufactured products from Australia on EIF.

In addition to tariff reductions, ChAFTA provides improved market access for Australian exporters of complementary medicines by paving the way for closer collaboration between regulators, registration authorities, and relevant professional bodies on both sides to facilitate trade in traditional Chinese medicines and complementary medicines. It does so in a manner consistent with Australian regulatory frameworks.

Consistent with other FTAs, Australia has committed to eliminating its remaining tariffs on imports from China. Removing tariffs means cheaper business inputs, supporting competitiveness and profitability for our small and medium sized business. Likewise, consumers will benefit from access to cheaper consumer goods including electrical equipment. Taking into account the impact of tariff reductions on sensitive industries, the 5 per cent tariff on some products within the automotive, steel, aluminium, plastics, canned fruit, carpets, clothing and footwear sectors was either phased out by 1 January 2017, or will be phased out by 1 January 2019, to allow industry to adjust.

Australian producers will continue to have full access to trade remedies available under the WTO, including anti-dumping and countervailing measures. In addition, ChAFTA includes a temporary bilateral safeguard measure which may be applied if either an Australian or Chinese domestic industry faces "serious injury" due to a surge in imports following a reduction in tariffs under the Agreement.