

CHINA-AUSTRALIA

FREE TRADE AGREEMENT



Factsheet: Trade in Goods – Trade Rules and Facilitation

The China-Australia Free Trade Agreement (ChAFTA) does not just improve market access by addressing tariffs; it also facilitates smoother trade and creates mechanisms to address non-tariff measures. It does not change Australia's food safety, quarantine or product standards or Australia's access to WTO trade remedies, such as anti-dumping and countervailing measures.

Trade facilitation

ChAFTA includes provisions to support customs procedures being applied in a predictable, transparent, and reasonable manner so as to facilitate trade. Greater transparency is a key outcome of ChAFTA. Information on customs requirements is more easily accessible, with information available on the internet and through public enquiry points.

ChAFTA includes provisions to enable traders to apply for "advance rulings" in respect of origin and tariff classification to ascertain whether or not a good's origin is Australian, and will qualify for preferential tariffs under the Agreement. ChAFTA will also give traders access to independent review mechanisms to address complaints about customs decisions.

ChAFTA also includes provision to facilitate the movement of perishable goods at the border to help prevent loss or deterioration of Australian fresh food such as seafood and horticulture.

Non-tariff measures

Non-tariff measures (NTMs) are measures apart from tariffs that have the potential to negatively impact on trade. NTMs can include licensing or labelling requirements, customs procedures and standards. Many NTMs are legitimate policy measures put in place to provide protections for consumers; however some may also unnecessarily restrict trade or increase costs.

ChAFTA includes a specific mechanism to review and address Non-Tariff Measures on a case-by-case basis, as raised by Australia or China. A Committee of ChAFTA is tasked with ongoing work to address NTMs, including preparing a report and recommendations on NTMs.

ChAFTA also bans the use of export subsidies for goods traded between Australia and China.

Sanitary and phytosanitary measures and product standards and regulations

Sanitary and phytosanitary (SPS) measures are used to protect human, animal or plant life or health by preventing the introduction of pests and diseases, and to help ensure food is safe for consumption.

ChAFTA does not change any of Australia's science-based food safety and quarantine arrangements. ChAFTA does establish a framework for greater cooperation and information exchange on SPS measures, and includes the formation of a committee to help address any SPS problems.



Likewise, ChAFTA does not change Australia's product standards, regulations or conformity assessment procedures. ChAFTA does foster further cooperation on standards including, where appropriate, considering accepting as equivalent the technical regulations of the other party.

Anti-dumping, countervailing duties and other protective measures

Under ChAFTA, Australian manufacturers will continue to have access to a robust and responsive set of trade remedy actions, including anti-dumping and countervailing measures. There are no changes to Australia's existing rights under the WTO to address injurious dumped and subsidised imports.

To enhance transparency and dialogue, ChAFTA provides opportunities to consult and exchange information on anti-dumping and countervailing measures, including through a High Level Dialogue on Trade Remedies.

In addition, under ChAFTA, a temporary bilateral safeguard measure 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 ChAFTA. Application of a bilateral safeguard measure must follow a number of substantive and procedural requirements and may be taken only during a set transition period.

Rules of origin

ChAFTA establishes transparent rules of origin (ROO) procedures to support implementation without creating unnecessary red tape or obstacles to trade.

To access the preferential trade arrangements for goods under ChAFTA, goods must meet the ROO (criteria for determining whether or not a good is "originating" in either Australia or China). Without ROO, third-parties could benefit from the Agreement by merely trans-shipping through Australia or China to access lower tariffs.

In general, a good can qualify as "originating" if:

- It is wholly obtained in either Party;
- It is produced entirely in the Party exclusively from originating materials of the Party; or
- It is manufactured in either Party using materials from other sources and meets the product-specific rules agreed in ChAFTA.

For a good which contains some materials sourced from outside China or Australia, the general approach is that it will qualify as "originating" if all materials from outside the Parties used in its production have undergone a "substantial transformation". For example an Australian exporter might use some imported fruit in a juice it manufactures. The juice would still be recognised as "originating" in Australia, even with the incorporation of the imported fruit, as the fruit has been transformed from one tariff classification to another in the process of manufacture. For some goods, a value-added method or production process rules can apply.

ChAFTA also includes a "de minimis" provision of 10 per cent. With some exceptions, this provision allows up to 10 per cent of the value of a good to consist of imported materials, without having to go through the change in tariff classification or a specific manufacturing or processing operation.

All exporters and importers wishing to claim the tariff reductions under ChAFTA will be required to make a claim for preferential treatment. For Australian goods a claim can be made on the basis of either:

- A certificate of origin issued by an authorised body (usually on a fee-for service basis); or
- Where goods are covered by an advance ruling, a declaration of origin completed by the exporter or producer.

This approach provides flexibility for traders, particularly those who regularly export identical products and obtain an advance ruling, who may choose to certify their own products. Traders will also be able to make post-importation claims for preferential tariff treatment, provided certain conditions are met.