

HD **Australia signs China deal**

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Headline: Australia signs China deal

After almost a decade of trade rounds, Australia has finally signed a free-trade agreement with China, its largest trading partner. Although Australia's trade ties to China are already strong, mostly involve minerals and energy. The free-trade agreement should encourage exports of agricultural products and services to China's rapidly growing middle classes.

The agreement lowers tariffs on Australian agricultural products and increases thresholds on Chinese private-company investment in Australia. More surprisingly, Australian services providers have been given priority access to the Chinese market. This includes allowing tourism operators to buy hotels and restaurants and insurers to access the third-party insurance market in China.

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Over time, up to 95 per cent of Australia's exports will enter China tariff-free as a result of the agreement, which could boost the Australian economy by AUD18 billion over 10 years (about USD16 billion) adding 1.1 per cent to GDP, according to some reports.

Australian dairy producers will have tariff-free access to the Chinese infant formula market (current tariffs are 15 per cent) by 2018, matching New Zealand's free-trade deal, with broader dairy tariffs to be phased out over nine years.

Tariffs on beef (currently 12 per cent to 25 per cent) will be phased out over nine years too while the 23 per cent sheep-meat tariff will go over eight years. Tariffs on Australian wine exports to China will also fall to zero (from 14 per cent to 30 per cent) by 2018 and other goods, including barley, seafood, leather and horticultural products, will also see tariffs eliminated.

Tariffs on alumina, zinc, nickel, copper and uranium are to be removed along with coal tariffs. Chinese workers may also gain greater access to the Australian labour market.

Chinese private companies will be able to invest up to AUD1.087 billion in Australia, up from AUD248 million, without approval from the Foreign Investment Review Board, although access for Chinese state-owned enterprises will not change.

Besides hotels, Australian services businesses will get greater access to Chinese private hospitals and nursing homes. Australian services exports to China are currently around AUD7 billion - 4 per cent of total exports to China - and there is significant scope for that to increase, given that the highly productive services sector accounts for the bulk of Australia's output.

The agreement on services is being billed by the Australian government as the best deal China has given on its free-trade agreements. It should help bolster Australia's already strong links to Asia and the ongoing 'rebalancing' of its growth towards non-mining sectors.

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