

HD An unexpectedly good agreement

BY By The Canberra Times

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ony Abbott's appearance on Alan Jones's talkback radio show on Monday, just before the formal announcement of an Australia-**China** free trade agreement, ought to have been a moment of some small acclaim for the prime minister. The FTA is the third such agreement overseen by Mr Abbott in his first 14 months in office, after deals with Japan and South Korea, and one potentially that will open new markets for Australian exporters worth **billions** of dollars. Yet Mr Abbott was hectored by Mr Jones, who said the FTA failed to pass the "pub test", and that its benefits, particularly for **dairy** farmers and **wine** producers, were illusory. To which Mr Abbott responded: "This is at least as good for our agriculture as New Zealand got" - a reference to that country's FTA with **China** signed in 2008, which has resulted in its exports to **China** surging 26 per cent. Despite Mr Jones's hasty condemnation, this agreement has much to commend it. It is mercifully free of the investor state dispute resolution mechanisms that the Koreans demanded in the KAFTA, and the phasing out of tariffs on Australian agriculture products are not nearly as long as those that were included in the Australia-Japan FTA. Moreover, the easing of restrictions on Australian service providers wishing to do **business** in **China** represents a huge fillip for our economy, although of course it will be up to those industry players to demonstrate they have the smarts and the patience to turn potential into reality in what is a competitive marketplace. Australian households should also benefit, the abolition of tariffs on **Chinese**-made goods such as clothes, shoes, cars and electronics. Negotiations for the Australia-**China** Free Trade Agreement began in 2005 and the fact that it is still not entirely complete - the key issue of investment in Australia by **Chinese** state-owned enterprises has been deferred - illustrates the complexity and range of trade and investment between the two nations. In 2011, two-way trade in goods and services was worth about \$149 **billion**, with a significant proportion of that in Australia's favour. So keen is the world to beat a path to **China**'s door that it might be supposed Beijing could, and would, play hard to get in its bilateral trade dealings. But in fact the **Chinese** seem to have been as keen as Mr Abbott to conclude a deal within the deadline he unwisely set on coming to office late last year. Australia's attraction as a reliable producer of food undoubtedly played a part in Beijing's calculations during these FTAQ negotiations. Indeed, it has displayed an almost unprecedented willingness to **buy** Australian **dairy** farms and to ship all of the product direct to **China** - a fact that galls commentators like Mr Jones. That **China**'s private companies can invest now in agricultural land and agribusinesses to the same threshold level as American and South Korean companies (\$13.5 **million** and \$48 **million** respectively) will be a source of some satisfaction to Beijing. But this bilateral agreement will also have other attractions for Beijing, namely in helping to bolster the country's ambitions to play a more significant role in global trade and investment. President Xi Jinping's announcement that Sydney is to become a currency trading exchange for the yuan, where Australian dollars can be exchanged directly into yuan instead of having to be converted first into greenbacks, is a manifestation of that ambition. And it could prove very beneficial to Australian banks wanting to do more **business** in **China**. No free trade agreement can be categorised as wholly beneficial or detrimental to the parties involved, something Mr Jones ought to have understood and appreciated - although countries with less to offer during negotiations can end up with deals that reflect the relative weakness of their initial bargaining positions. Only time will tell whether this FTA ends up being judged that way. Sugar and rice producers, for example, will be

particularly scathing of the inability of Australian negotiators to prise open **Chinese** markets. On balance, however, and from what we know thus far, this is a good deal for Australia's economy.

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