

# The New York Times

SE **Business**/Financial Desk; SECT  
HD **China** Bolsters Economic Ties With Australia  
BY By REUTERS  
WC 831 words  
PD 18 November 2014  
SN The New York Times  
SC NYTF  
ED The New York Times on the Web  
LA English  
CY Copyright 2014 The New York Times Company. All Rights Reserved.  
LP

CANBERRA, Australia -- **China** and Australia on Monday sealed a trade agreement that significantly expands ties between Asia's largest economy and one of Washington's closest allies in the region.

Separately, **China** said on Monday that it was giving Australia more access to its capital markets and allowing it to clear renminbi stock trades, measures that would bolster Beijing's efforts to free **Chinese** financial markets and promote global use of its currency, the renminbi.

TD

The trade deal will open up **Chinese** markets to Australian farm and service-sector exports while easing limits on **Chinese** investment in resource-rich Australia.

Prime Minister Tony Abbott and President Xi Jinping signed a memorandum of understanding for the agreement at a ceremony in Parliament in Canberra.

Mr. Abbott, who has also signed trade agreements in the past year with Japan and South Korea, said of the agreement, "This has been a 10-year journey, but we have finally made it."

Mr. Xi praised the deal in an address to Parliament, pledging to deepen cooperation with Australia while reaffirming **China**'s willingness to resolve territorial disputes with its neighbors through diplomatic means.

"As long as we have our long-term and the larger interests in mind, increase positive factors and remove obstacles, we will certainly forge a closer and more comprehensive strategic partnership between us," he said.

**China** is already Australia's top trading partner, with bilateral trade of around \$130 **billion** in 2013.

Australia needs **China**'s help in making the transition from exports based on minerals like **coal** and **iron ore** to others like food and agricultural products directed at Asia's growing middle class.

Paul Bloxham, an economist at HSBC, said in a research note that the agreement "should help to support Australia's great rebalancing act, from **mining** investment-led growth towards the nonmining sectors of the economy."

Once the agreement is fully carried out, 95 percent of all Australian exports will enjoy duty-free entry into **China**, Australia said.

Washington and Beijing have competing visions for free trade in the Asia-Pacific region, with the United States pushing its 12-country Trans-Pacific Partnership pact, which excludes **China**, and **China** promoting its Free Trade Area of the Asia-Pacific framework.

In the trade agreement signed Monday, a 3 percent tariff on coking **coal**, used in making steel, will be removed immediately, and a 6 percent tariff on thermal **coal**, used to power plants, will be lifted within two years for shipments from Australia.

The agreement gives Australian **dairy** farmers tariff-free access to **China**'s lucrative market for infant formula within four years, without the so-called safeguard caps that now restrict competitors from New Zealand.

"Australia has been marginalized from being a major exporter to **China** in the last few years, one of the reasons being that **milk** production has been going down over the last decade," said Sandy Chen, a **dairy** analyst at Rabobank in **China**.

Australia's winemakers, which now sell more than \$175 **million** worth of goods to **China** each year, will see tariffs eliminated over four years. **Dairy** companies -- including Bega **Cheese** and the Warrnambool **Cheese** and **Butter** Factory **Company**, which is owned by Saputo of Canada -- are probably among the greatest beneficiaries of the deal.

In the service sector, the main winners will be health care providers like Japara Healthcare and the private hospital operator Healthscope, as well as financial services companies like the Australia and New Zealand Banking **Group** and the Insurance Australia **Group**.

On the other side of the deal, private **Chinese** companies will be able to make single investments of up to 1.078 **billion** Australian dollars, or \$950 **million**, in Australia without needing a review by the government's regulator. The limit had been 248 **million** dollars.

Also Monday, the **Chinese** central bank announced that it was allowing more access to its markets by giving Australian investors the right to invest up to 50 **billion** renminbi, or \$8.2 **billion**, under the Qualified Foreign Institutional Investor program. The program was created to give foreign investors a way to use renminbi to **buy Chinese** stocks and **bonds**.

"It's making it much easier for Australian fund managers to be able to access the domestic **Chinese** market," said Andrew Whitford, general manager and country head for greater **China** at Westpac Banking.

The **Chinese** central bank also said it was allowing Australian banks to clear renminbi trades. Clearing banks handle all parts of a currency transaction and in doing so reduce the costs and time taken for each deal.

Xinhua, the state-run news agency, also said **China** was improving the Australian central bank's access to its interbank bond market by increasing the central bank's investment quota to 10 **billion** renminbi.

Encouraging greater use of the renminbi globally is important to the **Chinese** government's long-term plans of reforming its economy and reducing its exposure to the dollar.

<b>NS</b>	e512 : Physical Trade   gdip : International Relations   e51 : Trade/External Payments   ecat : Economic News   gcat : Political/General News   gpir : Politics/International Relations
<b>RE</b>	china : China   austr : Australia   apacz : Asia Pacific   asiaz : Asia   ausnz : Australia/Oceania   bric : BRICS Countries   chinaz : Greater China   devgcoz : Emerging Market Countries   dvpcoz : Developing Economies   easiaz : Eastern Asia
<b>IPD</b>	Business/Financial Desk
<b>PUB</b>	The New York Times Company
<b>AN</b>	Document NYTF000020141118eabi0008i