

**HD** Abbott, Xi finalise free-trade deal

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TONY Abbott and Xi Jinping have officially concluded negotiations over a historic free-trade pact.

Trade Minister Andrew Robb and his **Chinese** counterpart, Gao Hucheng, will this afternoon sign a "declaration of intent" on the deal which will dramatically increase market access for Australian farmers, services and manufacturers.

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Mr Xi will address parliament this afternoon ahead of visiting Tasmania to inspect agricultural operations expected to receive a significant boost in **Chinese** investment as part of the agreement.

Under the deal, 85 per cent of all Australian exports will enter **China** tariff-free.

This is expected to rise to 93 per cent within four years and 95 per cent when the deal is fully in force in more than a decade.

The deal has put to one side any changes to contentious issues, such as the requirement that all **Chinese** state-owned enterprise investments in Australia are subject to Foreign Investment Review **Board** approval, and increased access to the **Chinese** market for Australian rice, sugar, wheat and cotton.

These issues will be revisited in three years when the deal is reviewed by both governments.

The deal will ease the concerns of some coalminers; the newly imposed 3 per cent tariff on coking coal exports worth \$6bn will be abolished as soon as the agreement takes effect. But surprisingly, the 6 per cent tariff on thermal and other coal will be phased out over two years instead of immediately.

Mr Abbott this morning said: "As a result of my meeting with His Excellency Xi Jinping, President of the People's Republic of **China**, in Canberra this morning, I am pleased to announce the completion of negotiations for a **China**-Australia Free Trade Agreement.

"Trade and Investment Minister Andrew Robb and **Chinese** Commerce Minister Gao Hucheng will sign a Declaration of Intent this afternoon, undertaking to prepare the legal texts in both languages for signature.

"I look forward to making further announcements on this landmark agreement later today."

Mr Abbott earlier played down fears about **Chinese** state-owned companies buying every stage of the supply chain for agricultural goods.

"I do understand that people are always anxious at what is being referred to as selling off the farm, but ... no one can **buy** land unless the person who currently owns the land wants to sell, and presumably you only want to sell to an overseas buyer because the overseas buyer is offering a better price," the Prime Minister said, under pressure from 2GB's Alan Jones.

"Many voters disagree with many things that many governments do but this free trade agreement with **China** has been on the go since about 2004.

"It's going to be signed but it won't actually come into force until firstly it goes to the parliamentary committee on treaties, been tabled in the parliament and almost certainly legislation for some aspects of it will have to be passed.

"This is very good for Australian agriculture. It's at least as good for our agriculture as New Zealand got about six or seven years ago, and their **dairy** exports to **China** have gone up from under \$500 **million** to over \$3 **billion**."

Asked if an Australian could **buy** land in **China**, Mr Abbott said: "I'm no expert on land ownership arrangements in **China**, but **China** is still run by the Communist Party; I'm not sure that anyone is that able to own land in **China** on an individual basis."

As revealed by The Australian, the deal, negotiated by Trade Minister Andrew Robb after agreements with Japan and South Korea, provides new opportunities for Australian services and phases down tariffs on metals, resources exports and agricultural products.

Beef and **dairy** producers are set to win a phase-down in **Chinese** tariffs, with **dairy** exports moving to a similar tariff reduction schedule as New Zealand.

The wool quota will be increased and tariffs will be phased down over four years on a range of horticultural exports from mangoes to nuts and potatoes.

The Australian understands beef exports to **China** are set to gain a multi-**billion**-dollar boost.

The deal will allow direct investment in **China** by **hotel** and tourism operations in **Chinese** hotels and restaurants. Australian health and aged-care providers will be allowed to own **Chinese** hospitals and aged-care facilities.

Australia held the line on its requirement that all investments by state-owned enterprises be examined by the FIRB, despite **China**'s request for an exemption. In turn **China** has held **firm** against increased access for Australian rice, sugar, wheat and cotton.

However, Australia has lifted the threshold for FIRB review of investment by privately held **Chinese** firms from \$248 **million** to \$1.087bn in line with concessions in other such deals. The agreement with **China** allows room for Australia to impose a \$15m FIRB threshold for agricultural land and a \$53m threshold for agribusiness.

The deal will include some relaxing of the threshold for the size of projects that will be able to import **Chinese** labour.

But in line with existing regulations, **Chinese** companies conducting major projects in Australia will have to prove there is a skills shortage and will be required to give imported **Chinese** workers Australian wages and conditions.

Today's deal comes after 10 years of negotiations with **China** and gives the government a trifecta of trade agreements this year, after the deals with Japan and South Korea.

It will cement **China**'s relationship as Australia's biggest trading partner, with two-way trade worth more than \$150bn a year.

Initial feasibility studies for an agreement with **China** indicated a deal would increase the size of the Australian economy by \$18bn over a decade. However, this figure is now seen as "conservative".

The deal will dramatically expand opportunities for bankers, insurance companies and legal firms. Banks will gain increased transparency and streamlining in financial services licence applications, including reduced approval times for firms wanting to trade in the **Chinese** currency.

Legal firms will be able to establish **commercial** operations in the Shanghai free-trade zone that will be allowed to service the whole of **China**.

Architectural and urban planning professionals will gain reciprocal recognition of their qualifications.

Educational institutions and training providers will win increased promotion from the **Chinese** government.

The number of educational providers that will be promoted by the **Chinese** government will be increased from 77 to 105 under the agreement.

The Australian understands that the deal will eliminate tariffs on 99.9 per cent of resources exports to **China** when it is fully implemented.

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