

SE Inquirer
HD **Opportunities from China** FTA could 'set us up for decades'
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WC 1,262 words
PD 15 November 2014
SN The Australian
SC AUSTLN
ED Australian
PG 17
LA English
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China FTA could 'set us up for decades' Andrew Robb sees the middle-classing of Asia as a huge opening for Australian goods and services IN a tangible recasting of Australia-**China** ties the free trade agreement to be announced on Monday both eliminates market discrimination against Australia and gives many Australian service industries an unmatched position in **China**'s economy.

The FTA offers not just a wider trade and investment platform with **China** but has a vital ingredient the Abbott government needs — a vision for a new phase of Australia's growth strategy in Asia that can fire the imagination.

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Trade and Investment Minister Andrew Robb tells The Weekend Australian about the FTA: "It didn't arrive until five minutes to midnight but we have secured a New Zealand equivalent on agriculture, in particular **dairy**. In relation to services, this is a landmark, a breakthrough agreement." The FTA, to be announced by Tony Abbott and **China**'s President Xi Jinping, reflects a trust between the two nations fused in self-interest, with the opportunity for Australia to deepen its role in the coming Asian century.

For the Abbott government, it is a significant economic and political moment amid the G20 summit. The FTA deepens relations with **China**, enhances the Abbott government's credentials with Asia and offers a stark contrast with Labor's effort in office over six years where very little progress was made on this FTA.

It reveals the approach adopted by Robb. He seeks the prosecution of these Asian FTAs with dispatch, has made eight visits to **China** as minister, as a negotiator is pragmatic and realistic but, above all, has a long-run vision.

The **China** deal rests on four pillars — agriculture, services, investment and energy/resources.

The critical point in the negotiations came when both sides, facing concessions that were too hard politically, agreed to postpone for three years the "deadlock" issues.

This makes it a two-stage deal. The main items deferred for the next stage are Australia's decision on investment liberalisation for **China**'s state-owned enterprises and **China**'s decision on better entry for our rice, sugar, cotton and canola.

Robb felt these issues should not further delay areas where both sides wanted a deal.

Referring to the rapidly expanding middle-classing of Asia and **China**, Robb says: "This is creating an opportunity for Australia that won't come again. If we can just capture the premium end of some of these **Chinese** markets we will set up Australia for the next 50 to 100 years.

"What is going on now is a once-in-a-millennium phenomenon and we can be in the middle of it.

"My own view, however, after extensive talks in **China**, is that we don't sufficiently appreciate the strength of the Australian **brand**." The trade deal shows the Abbott government's decision to stay aloof from **China**'s proposed regional infrastructure bank did not become an obstacle in the talks. Yet at the

heart of the government's **China** bank decision there is a misjudgment. The veto given security factors needs to be addressed and reversed by the Abbott cabinet down the track. That means giving priority to the view of Joe Hockey and Robb.

In relation to services, the FTA has about 40 areas where **China** has improved Australian access so it becomes equivalent or superior to that enjoyed by other nations. An illustration of the potential is the access the Australian aged-care industry will now have to **China's** market.

Robb is fixated on the structural problem in our trade. Services constitute 80 per cent of our gross domestic product but only 15 per cent of exports. He sees the middle-classing of Asia as the opportunity for a range of expanded services such as finance, insurance, tourism, health and medicine, education, construction and water management. "When I move around **China** I am constantly asked about the provision of services from Australia," he says.

On agriculture, every sign points to the **dairy** industry winning the access that New Zealand has enjoyed, an essential goal for the Abbott government in the negotiation. The explosion in its **dairy** exports to **China** has been an important factor in New Zealand's rising national income.

Under the FTA, a wide range of Australian agricultural exports (beef, most grains, seafood) will see tariffs reduced to zero between now and 2021.

On investment, Australia has accorded **Chinese** private investment the same threshold as US and Japanese investment. This means investment proposals below the \$1.08 **billion** threshold will not require Foreign Investment Review **Board** approval.

But the pivotal issue of **China's** state-owned enterprise investment remains deferred in order to get the deal done.

Any SOE investment proposal, regardless of size, will still need FIRB approval. **China** has agreed to reverse the higher duties it recently imposed on our coal exports. The coking coal duty will be reduced to zero. The thermal coal duty will be cut from 6 per cent to 4 per cent at once and then phased out across two years.

Careful provision has been made for **China** to bring skilled labour to Australia. Temporary access can be negotiated for major projects worth more than \$150 **million**, if the skills are not available in Australia. This would be negotiated on an enterprise-by-enterprise basis.

In addition, there will be 5000 working holiday visas provided for **China** on an annual basis.

The deal means Abbott has delivered on his pledge to finalise the FTA with **China** by the end of the year. It was a substantial challenge given that when Robb became minister he found progress was at a rudimentary stage. Robb says history shows that investment follows trade.

"I think we are on the cusp of a new wave of foreign investment from Asia," he says, given that **China** has \$4 trillion in reserves, about the size of its **equity** market.

He predicts that such investment will underwrite innovation in Australia and offers "the chance to set ourselves up for decades".

Robb draws the link between the tough budget decisions required by the government and the huge hopes opening for Australia from the historic transformations in Asia.

His message is the unique opportunity for Australia if it gets its house in order, pursues infrastructure opportunities and plays into the great Asian transition.

"According to the OECD there are now 600 **million** middle-class people, from India through to **China** and everything in between," Robb says.

"Within 30 years this will grow to three **billion** people.

"The message I keep giving to people is that this is happening now." Assessing the FTA from **China's** viewpoint, Robb says: "I think **China** wanted to send a signal to the world with this agreement. They wanted to conclude a quality agreement with a major developed country.

"It is in **China's** self-interest to build trust and respect." On **China's** regional infrastructure bank the message Robb has given in Beijing is that Australia is enthusiastic about joining. Once the governance requirements have been sorted out he believes Australia can move ahead. Maybe.

Yet the longer the debate about the **China** bank runs the more apparent are the different views within the government and among senior ministers. Pivotal to any future decision will be the progress of the Australia-**China** FTA, its reception in this country, the extent of underlying public support and optimism about a successful conclusion to stage two.

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