



# The facts and the fallacies surrounding the China FTA

James Laurenceson

August 19 2015

Note – this article appeared on *Business Spectator*, August 19 2015

Last week a Fact Check by the [Australian Broadcasting Commission](#) asked “Does the China Free Trade Agreement threaten Australian jobs?” It concluded that trade unions’ claims to that effect “checked out”.

This is bewildering.

An FTA lowers the barriers to trade and investment between two countries. The improvement in market access is what gives each side the economic incentive to get the deal done. Think about the respective markets.

Australia has a \$A1.6 trillion [economy](#) that grew by \$A63 billion last year. That’s the market that Chinese companies and their workers will get better access to if the FTA goes ahead.

In return, what’s on offer for Australia companies and their workers? China’s [economy](#) stands at \$A11.6 trillion and added \$A872 billion in 2014. In other words, in just a single year China’s economy grew by more than half the value of Australia’s GDP.

In concluding that the China FTA “threatens” Australian jobs, this is what the Fact Check missed: the thousands of jobs that will be created by millions of Chinese consumers buying more of everything from Murray Goulburn milk to financial services from ANZ.

It’s telling that 61 percent of [Australian exporters](#) think that the China FTA will have a positive impact on their business. This compares with 37 percent who said the same thing about a Trans-Pacific Partnership and 35 percent for the FTA with Japan.

Of course, there’s nothing wrong with scrutinising the detail of what is being proposed. But the forest should not be missed for the trees. The China FTA has been the subject of economic modelling in [2005](#), [2008](#) and [2015](#). All came to the same conclusion: there will be more jobs and higher wages in Australia if the China FTA goes ahead.



It is not at all clear that the complaints about the FTA actually represent serious problems.

One thoughtful critic of the FTA, Penny Wong, has [warned](#) that a Memorandum of Understanding (MOU) on infrastructure facilitation in the FTA only says that the Australian Government may – but not must – require companies to try to find local workers first before seeking to bring any from China.

Yet Andrew Robb has made clear that as long as the Coalition is at the helm labour market testing [will be required](#). To ensure that labour market testing continues all an incoming Labor government would need to do is follow Robb's lead. The key consideration is that the Australian Government, not the Chinese government or companies, gets to decide when and under what circumstances Chinese workers can come.

Some trade unions and [academics](#) have also claimed that Australians could find themselves toiling alongside Chinese workers on lower pay and conditions.

But the Department of Foreign Affairs and Trade respond that any Chinese workers coming to Australia will do so under the existing [457 visa](#) scheme. And the Department of Immigration and Border Protection points to the Worker Protection Act 2008 which [says](#) that 457 visa holders, "...are entitled to receive pay and conditions at least as good as Australian workers who are doing the same work at the same workplace."

To the extent that some companies can't be trusted to follow the rules, the solution is to enforce existing legislation, not reopen negotiations on a signed up, state-of-the-art FTA.

Another complaint is about safety standards. In particular, that these could be undermined by the removal of mandatory skills testing for Chinese workers in certain occupations. Yet the only change being proposed under the FTA is that 457 visa applications from China will be assessed in exactly the same way as those from 150 other countries around the world. If Chinese electricians applying for a 457 visa pose a safety risk, it's hard to see how those from Kazakhstan, Kenya and Korea do not. More likely is that unions are seeking to scuttle any source of potential competition to their monopoly on labour supply, irrespective of how this impacts upon the national interest.

Once again, the danger for Australia in focusing on these mini-debates within the deal is that the big picture will be missed. And the big picture is this: by the end of this year China's economy will have added close to another \$A1 trillion.

What Labor and The Greens must quickly decide is whether any of the above complaints are worth sinking a deal that makes it easier for Australia to sell goods and services to that market than any other country.