



## The China FTA: the state of play

1. In August the IMF said that it expects China's economy will be 44 percent bigger in 2020.<sup>1</sup> In the past two years alone it has added spending worth more than Australia's GDP.<sup>2</sup>

2. Since enabling legislation for FTAs with Korea and Japan were passed six months ago, food and beverage exports to these countries have increased by 21.8 percent and 7.8 percent, respectively. Those to China have stalled at zero percent.<sup>3</sup>

3. Former Labor Trade Minister, Craig Emerson, has advocated that new legislation be passed that obliges the Australian government to apply labour market testing (LMT) to the China FTA.<sup>4</sup> Labor leader, Bill Shorten, has confirmed a desire to amend the enabling legislation.<sup>5</sup>

4. In July Migration Council Australia said that LMT was abolished in 2001 because it was ineffective at meeting its intended goal. LMT was only reintroduced in 2013 and even then for just a minority of professions.<sup>6</sup>

5. Chapter 10 of the China FTA removes LMT (Article 10.4.3) in five specific categories (Article 10.1.1; Annex 10-A). They are minor: Business Visitors, Intra-Corporate Transferees, Independent Executives, Contractual Service Suppliers and Installers and Servicers. Australia's existing trade

agreements mean that LMT for these categories have already been removed for New Zealand, Singapore, Thailand, the US, Chile, Malaysia, Korea and Japan.<sup>7</sup> China is offering Australian workers concessions in many of the same categories.<sup>8</sup>

6. A Memorandum of Understanding (MOU) on Investment Facilitation Arrangements (IFAs)<sup>9</sup> was negotiated alongside the China FTA but is separate from the agreement.<sup>10</sup> IFAs are negotiated on a case by case basis and the Australian government retains the right to require LMT (clause 8).<sup>11</sup> Failing to pass enabling legislation for the China FTA will not stop IFAs.

7. Also negotiated alongside the China FTA was an MOU for "Work and Holiday" visas. Australia already offers such visas to 29 other countries.<sup>12</sup>

8. A Side Letter that forms part of the China FTA removes mandatory skills testing for Chinese 457 visa applicants in 10 occupations.<sup>13</sup> This brings China into line with the way Australia treats 150 other countries around the world. Required skill levels do not change and all licensing and registration requirements at the federal and state level remain.<sup>14</sup>

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<sup>7</sup> <https://www.comlaw.gov.au/Details/F2014L01510>;

<https://www.comlaw.gov.au/Details/F2014L01676>

<sup>8</sup> <http://dfat.gov.au/trade/agreements/chafta/fact-sheets/Documents/fact-sheet-movement-of-natural-persons.pdf>

<sup>9</sup> <http://dfat.gov.au/trade/agreements/chafta/official-documents/Documents/chafta-mou-on-an-investment-facilitation-arrangement.pdf>

<sup>10</sup> <http://dfat.gov.au/trade/agreements/chafta/official-documents/Documents/chafta-agreement-text.pdf>

<sup>11</sup> <http://dfat.gov.au/trade/agreements/chafta/official-documents/Documents/chafta-mou-on-an-investment-facilitation-arrangement.pdf>

<sup>12</sup> <http://www.australia.com/en/planning/working-holiday-visa.html>

<sup>13</sup> <http://dfat.gov.au/trade/agreements/chafta/official-documents/Documents/chafta-side-letter-on-skills-assessment-and-licensing.pdf>

<sup>14</sup> <http://dfat.gov.au/trade/agreements/chafta/fact-sheets/Pages/chafta-myths-versus-realities.aspx>

<sup>1</sup> <https://www.imf.org/external/pubs/ft/scr/2015/cr15234.pdf>

<sup>2</sup> <http://data.worldbank.org/indicator/NY.GDP.MKTP.CN>;

<http://www.rba.gov.au/statistics/tables/xls-hist/f11hist.xls>

<sup>3</sup> <http://stat.abs.gov.au/Index.aspx>

<sup>4</sup> *Australian Financial Review*, 31 August 2015

<sup>5</sup> <http://billshorten.com.au/category/transcripts>. 3 September 2015

<sup>6</sup> These are mostly trades-based, nursing and some engineering.

<http://www.aph.gov.au/DocumentStore.ashx?id=752356d7-5d9b-43b0-ad75-ca873632455d&subId=355179>