



# Australia needs a solid economic stance on China

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Xenophobic, even racist: that's the accusation being levelled at federal Labor in its handling of the China Free Trade Agreement.

Two considerations have left them vulnerable to the charge.

First, Labor leader, Bill Shorten, has chosen to repeat some of the more extreme dog-whistle claims coming from the trade union movement. This includes suggesting that the China FTA could lead to unqualified electricians climbing up into our roofs and labelling it a “dud deal” and a “bad agreement”.

Thankfully, these claims have not been repeated by Labor's leader in the senate, Penny Wong, whose portfolio covers the China FTA. And state Labor leaders such as Victorian Premier, Daniel Andrews, have also refused to bag the agreement: “I'm not going to call it out as a bad deal because it's not a bad deal – it's a very good deal”.

Second, Labor has been quiet on the fact that Australia's existing FTAs act to loosen labour market testing requirements. These FTAs cover all our other major trade and investment partners such as Japan, Korea, the U.S and New Zealand, as well as some minor ones such as Thailand and Chile.

How the loosening of labour market testing for these countries could be wound back so as not to leave China relatively worse off will take some explaining. And in any case, why is it only now when Australia's FTA with China is on the line that special labour safeguards are being called for?

Saying that the China deal is different because it was negotiated alongside a Memorandum of Understanding on Investment Facilitation Arrangements is muddled thinking. IFAs potentially allow for skilled overseas workers to be brought in on Chinese-funded infrastructure projects worth more than \$150 million. But they will stand whether the customs legislation needed to enable the China FTA is passed or not.



All that said, Labor is not alone in struggling for consistency when it comes to economic policy and China.

When the Asia Infrastructure Investment Bank Bill 2015 was presented to parliament last month, Labor MP Terri Butler reminded everyone that Andrew Robb and Joe Hockey aside, it was the Coalition that appeared to need dragging into supporting this China-led initiative.

And Penny Wong has correctly pointed out that changes the Coalition have introduced to parliament this week on foreign investment rules in agriculture will leave the Chinese subject to more restrictions than their counterparts from the US, New Zealand, Singapore, Thailand and Chile.

Sure, these five countries aside, all others will be in the same boat as China. But again, the timing is hard to ignore: it was only recently when Chinese investors began showing an interest in buying Australian farms and agribusinesses that the rules were deemed in need of tightening.

Of course, if we go back a few more years to 2009 it was Labor that changed the foreign investment rules to require that all investment proposals from foreign government-owned enterprises needed Foreign Investment Review Board approval. This was when Chinese government-owned companies began enquiring about investing: government-owned companies from other countries had been doing so for decades.

It's little wonder then that last month China's vice foreign minister and former ambassador to Australia, Fu Ying, remarked that Australia had acquired a reputation for sending mixed messages. She said that this was in contrast to a more consistent line applied by countries such as Germany and New Zealand, which also have political systems and values at odds with China.

The Chinese don't expect that we will agree about human rights, censorship or the role of the state. And they don't expect special treatment either. But when it comes to the economic relationship, they want a "no surprises" approach.

New Zealand ran a pragmatic China policy and secured an FTA with China eight years before we did. Last month New Zealand's Prime Minister, John Key, said that the gains subsequent to the deal have turned out to be more than 10 times greater than the most optimistic initial predictions.

This gets at the fundamental point: initiatives like the China FTA are only one piece in the puzzle. Unless they are supported by policy consistency more broadly, the full benefits of a Chinese economy that it set to add close to one trillion dollars this year will be missed.

Both sides of politics would do well to embrace the lesson.