

FACT SHEET: TRADE IN SERVICES

China is Australia's largest services market, with exports worth \$6.9 billion in 2013 (12.5 per cent of Australia's services exports). Last year, the Chinese services sector also overtook industry as the largest contributor to China's GDP and driver of GDP growth.

In this context, ChAFTA delivers China's best ever services commitments, including the provision of new or significantly improved market access not included in any of China's previous FTAs (other than China's agreements with Hong Kong and Macau).

Beneficiaries include Australian banks, insurers, securities and futures companies, law firms and professional services suppliers, education services exporters as well as health, aged care, construction, manufacturing and telecommunications services businesses in China.

In addition, the FTA goes beyond China's existing commitments to Australia under the World Trade Organization, providing higher levels of market access for Australian services suppliers. ChAFTA includes a framework to advance mutual recognition of services qualifications, and to support mutual recognition initiatives by professional bodies in Australia and China.

Both sides have agreed to a future work program to progressively liberalise measures affecting trade in services, ensuring that both sides continue to work to improve market access over time.

Legal services

- The FTA secures China's best ever FTA commitments on legal services, providing Australian law firms with unprecedented and integrated access to the Chinese market. In addition to guaranteeing existing access for Australian law firms in China, ChAFTA will, for the first time, ensure that Australian law firms will be allowed to establish commercial associations with Chinese law firms in the Shanghai Free Trade Zone (SFTZ). The association will be able to offer Australian, Chinese and international legal services, without restrictions on where clients may be located.
- Within such commercial associations:
 - Australian qualified lawyers will be able to practise Australian and international law.
 - Legal practitioners qualified to practise law in other foreign countries will also be able to practise the laws of those countries.
 - Chinese qualified lawyers will be able to practise Chinese and international law without suspension of their Chinese practising certificates.
- China and Australia have also agreed to promote increased mobility for Australian and Chinese lawyers, including the facilitation of professional secondments between law firms in Australia and China, and through cooperation between the peak legal professional bodies in each country.

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Education services

- China is already Australia's largest education services export market, worth \$4 billion in 2013.
- Australian higher education providers will benefit from improved recognition by prospective Chinese students and employers, enabling them greater access to China's higher education market.
- Within one year of entry into force, China will list on a Ministry of Education website all Australian private higher education institutions registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS):
 - This will add 77 institutions to the existing 105 Australian institutions on the website.
 - The website provides Chinese students and employers with quality and fraud assurance for assessing educational qualifications.
 - The vast majority (88 per cent in 2013) of Chinese higher education students studying in Australia choose to study at institutions listed on the website.
 - China has agreed to ongoing discussions to list additional Australian institutions on the website.
- In conjunction with the FTA, Education Ministers will sign MOUs to ensure improved higher education qualifications recognition in both countries, as well as enhanced mobility of students, researchers and academics at school, tertiary and research levels.
- The Chinese and Australian governments have also agreed that Australia's Department of Education and China's Ministry of Education will continue to discuss options to:
 - Facilitate student and teacher exchanges between both countries.
 - Increase marketing and recruitment opportunities for Australian education providers in China.

Telecommunications services

- Telecommunications is another key sector where China has agreed to provide best ever FTA commitments, including guaranteed new market access for Australian companies investing in specified value-added telecommunications services in the SFTZ. These commitments provide greater certainty for Australian telecommunications investments in the SFTZ.
- Australian telecommunications providers will enjoy improved foreign equity limits, now allowing for wholly Australian-owned enterprises to supply Chinese domestic multi-party communication (DMPC) services, application store services, store and forward services, and call centre services.
- Australian-owned enterprises will also enjoy guaranteed access to participate in joint ventures in the SFTZ to supply online data and transaction processing services, with increased equity participation of up to 55 per cent permitted.

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- China has also agreed for the first time in an FTA to include specific commitments addressing behind the border issues – such as licensing and transparency – affecting telecommunications providers, as well as commitments to consult with Australian industry participants in China.
- Australian industry participants may also be invited to discuss concerns or issues they face in relation to market access, under the auspices of the Trade in Services Committee, established under the FTA, to progress future work.

Tourism and travel-related services

- China has guaranteed that Australian services suppliers will be able to construct, renovate and operate wholly Australian-owned hotels and restaurants in China.
- Australian travel agencies/tour operators are also able to establish wholly Australian-owned subsidiaries in China, providing:
 - Travel and hotel accommodation for domestic and foreign travellers directly with transport and hotel operators in China.
 - Tours within China for both domestic and foreign travellers.
 - Travellers' cheque cashing services.

Health and aged care services

- In best-ever commitments, China will permit Australian medical service suppliers to establish wholly Australian-owned hospitals and profit-making aged care institutions in China.
- This will greatly expand the private health sector's wide offering of medical services through East Asia.

Construction and engineering services

- China will, for the first time, provide new market access to Australian companies established in the SFTZ and undertaking joint construction projects with Chinese counterparts in Shanghai. Australian companies will be exempted from business scope restrictions, allowing them to undertake a wider range of commercially meaningful projects.

Manufacturing services

- China has made its first ever FTA commitment on manufacturing services, guaranteeing access for wholly Australian-owned subsidiaries to provide contract manufacturing services covering a wide range of manufactured products. This will ensure certainty for Australian investors in China's manufacturing sector and ensure the competitiveness of Australian companies providing manufacturing services as part of emerging global value chains.

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Mining services/extractive industries

- Providing the best treatment under any of its FTAs, China will allow Australian services suppliers to provide technical consulting and field services in coal bed methane and shale gas extraction.
- Consistent with its best FTAs to date, China has also guaranteed access for Australian suppliers to provide a range of services related to exploiting oil and gas, iron, copper and manganese resources in cooperation with Chinese partners.
- Australian suppliers will also be able to provide mineral resources exploitation services in the central and western regions of China.

Architecture and urban planning services

- Providing the best treatment under any of its FTAs, China will take into account Australian experience in assessing applications for higher-level qualifications, allowing Australian architectural and urban planning firms established in China, to obtain more expansive business licences to undertake higher-value projects in China.

Transport services

- Providing the best treatment under any of its FTAs, China will permit Australian maritime transport service suppliers to establish wholly Australian-owned ship management enterprises in the SFTZ.
- China is also granting Australia its best-ever overall treatment compared to its other FTA partners on air transport services, including coverage of ground handling, airport operation and specialty air services.

Other services sectors

- Australian providers will benefit from new Chinese commitments allowing them to offer a range of services in the following sectors through wholly-owned subsidiaries in:
 - Software implementation.
 - Research and development.
 - Services incidental to manufacturing.
 - Building and cleaning services.
 - Printing of packaging materials.
 - Translation and interpretation services.
 - Real estate.
 - Environmental services.

Outcomes for China on Services

- ChAFTA provides Chinese services suppliers with the assurance that they will be treated equally with Australia's other key FTA partners, including by providing market access outcomes broadly equivalent to Australia's FTAs with Japan and Korea.

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- Australia already maintains an open and transparent services market, ensuring that Australian companies remain globally competitive and consumers have access to quality services from overseas in a sector which comprises 73 per cent of the Australian economy.
- In addition to areas covered in all Australia's FTAs, Australia has made specific assurances in ChAFTA concerning areas of interest to China, including:
 - Our world class system for protecting the interests of international students choosing to study in Australia.
 - The ability for Chinese financial institutions to participate in the Reserve Bank Information and Transfer System (RITS).
 - Australia's willingness to cooperate with China in relation to the development of Traditional Chinese Medicine (TCM) services in Australia.
 - Of mutual benefit, both sides have agreed to encourage and support research and development into TCM.
 - An early step in this direction was the signing of an MoU between Beijing University of Chinese Medicine and Western Sydney University in the presence of leaders on conclusion of the FTA.
- Australia and China have committed to greater cooperation and information-sharing regarding regulatory frameworks for financial services – such as for payment systems and securities – in order to manage risks, improve transparency and obtain other mutually beneficial outcomes.