



Australia China Business Council
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To: Joint Standing Committee on Foreign Affairs, Defence and Trade

Attn: jscfadt@aph.gov.au

ACBC Submission:

Australian Parliamentary Inquiry into expanding the membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

1. The Australia China Business Council (ACBC) is a membership-based, non-profit, non-governmental organisation comprised of over 700 member companies engaged in bilateral trade and investment. Founded in 1973, we actively promote two-way trade and investment between Australia and China for the benefit of our members and the Australian community.

ACBC Position

2. The ACBC supports all initiatives that strengthen Australia's national prosperity through closer engagement with trade and investment partners. Australian business is well-served by Australia's membership of a broad range of bilateral and multilateral trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the more recently signed Regional Comprehensive Economic Partnership (RCEP).
3. A truly comprehensive CPTPP would ideally include all three of the major Indo-Pacific powers: India, the United States and the People's Republic of China. The ACBC therefore supports efforts to extend membership of the CPTPP to those nations.
4. As the remit of the ACBC is limited to the Australia-China relationship, we will comment only on possible membership by China.

Context

5. The Australian Government has consistently highlighted that Australia's broader strategic objectives are well served by regional free trade agreements, especially those centred in the Indo-Pacific. The signing of CPTPP and RCEP send a signal of support for trade liberalisation and rules-based trading arrangements at a time of significant global tension,

and when the World Trading Organisation (WTO) is facing deep challenges. Agreements like the CPTPP and RCEP play a critical role in resisting protectionism and bolstering support for an open economy supported by enforceable rules.

6. Free and open trade is critical to global recovery from the COVID-19 pandemic. Such an environment will not only enable Australian enterprises to grow business in existing markets, it will enhance their ability to expand into new markets. These opportunities are best developed under the rules-based protection of multilateral agreements such as the CPTPP.

CPTPP sets the bar for world-class FTAs

7. CPTPP belongs to a more advanced category of a 'new generation' free trade agreements (FTAs) in that it regulates not just the free flow of goods and services, but also encompasses a set of political and social objectives related to free market and fair competition. The underlying policy intent is for a mechanism to raise living standards, create jobs and deliver more sustainable growth across the region.
8. CPTPP and RCEP are both world-class FTAs, but CPTPP is further ahead of RCEP in several areas. CPTPP sets ambitious region-wide standards for trade, encompassing not just tariff cuts, removal of non-tariff barriers and quota reductions, but also issues such as rules around cutting red tape, helping small businesses to succeed in trade, the digital economy and data flows, innovation and intellectual property protection, the movement of skilled workers and capital, and binding rules to protect the environment and promote working conditions. Significantly, CPTPP also contains rules that address the distortion of free competition by state-owned enterprises (SOEs) and government subsidies.
9. The CPTPP is distinguished from other FTAs in that its provisions are deeper and broader, and its basic rules apply equally among all signatories, even though some developing country members (e.g., Vietnam) have longer time periods to implement some of the commitments.

New entrants and pathway to accession

10. CPTPP was designed to be an inclusive agreement, open to any economy in the Asia Pacific region (and potentially beyond) able to meet its high standards.
11. CPTPP membership has developed an accession process that sets out the steps to be followed by aspirant economies. The United Kingdom has recently initiated such a process.

12. China is at liberty to initiate this process and in public statements China's leaders have indicated that CPTPP membership is under active consideration. China already has FTAs with Australia, New Zealand, Chile and Singapore as well as with ASEAN, but there will undoubtedly be a range of challenges in the areas of state-owned enterprises, labour and data flows, to name just a few. Any negotiation to join would not be straightforward and may take time.

What advantages would flow to Australia from China's membership?

13. Australia already has a comprehensive bilateral free trade agreement with China (ChAFTA), so there is an argument that China's accession to CPTPP would provide little additional economic benefit to the Australian economy. Indeed, prescribed tariffs under ChAFTA have fallen almost to zero already. There are, however, other compelling benefits that could flow over time that support Australia's broader strategic interests.
14. Consistent with views expressed in a recent report by the East Asia Forumⁱ, membership of the CPTPP would further enmesh China into a rules-based trading system and raise the cost of Chinese unilateral behaviour that contravenes the terms of its membership. China's membership of the CPTPP could assist in lowering Australia's exposure to unilateral actions such as those currently being directed by China against a wide range of Australian industry sectors.
15. An area of growing international concern for businesses is the trend towards diverging standards for the operation and regulation of global standards in blockchain, artificial intelligence and 5G. This is particularly relevant for Australian exporters as trade becomes more digitally-based, and will impact business more widely in other areas such as autonomous vehicles, IoT, cross border finance, and digital currency. It is not in Australia's interest for competition between the US and China to result in a bifurcated system of global standards.
16. US and Chinese membership of the CPTPP would stem the drift towards competing standards by creating a framework within which the major powers are able to find common ground for cooperation and collaboration. Importantly, as a founding signatory to CPTPP, Australia will also have a seat at the table in the formulation of that framework.
17. Perhaps the biggest benefit for Australia (and other nations) is in the impetus that Chinese accession would give to structural reform within China itself. China's reform and development over the last half century has been remarkable, but there remain many challenges, including in such areas as SOE reform, market access and intellectual property protection. These are challenges for China to address, but as the CPTPP is currently the free trade agreement with the highest standards in the world, joining it could provide a

rationale for, and a framework to help, China overcome these obstacles and achieve the “higher quality opening-up” that has been underpinned China’s policy direction for years. Efforts to encourage China in these respects should be supported.

18. One area of domestic reform particularly relevant to Australia is SOE reform. China’s global business engagement model has been supported by its reliance on SOEs, and in recent years this state-owned enterprise model has been adopted by other nations. CPTPP has mechanisms that address these issues, and indeed they have already been applied in the review of SOEs from member states including Singapore, Malaysia, Vietnam and Japan. We encourage leaders to consider whether and how the concessional treatment extended to the role of SOEs in those CPTPP member states might also be applied to China.
19. Australia is best served by a global trade and investment system which accommodates economic competition between the US and China, but which also maximises the scope of cooperation and collaboration. The CPTPP is a key platform through which the major powers can pursue shared interests. The ACBC supports extended membership of the CPTPP and looks forward to the Australian government taking a lead role in encouraging the entry of both China and the US into the CPTPP.

Yours sincerely

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Australia China Business Council

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