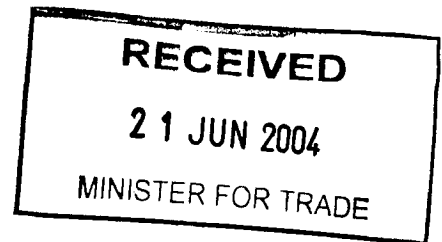




THE HON PAUL HENDERSON MLA
MINISTER FOR ASIAN RELATIONS AND TRADE



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The Hon Mark Vaile MP
Minister for Trade
Parliament House
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Dear Minister *Mark*

Thank you for your letter of 20 April 2004 advising on the progress of the joint feasibility study into a possible bilateral free trade agreement between Australia and China and the opportunity to comment on current developments. Thank you also for your letter on these matters to the Northern Territory Chief Minister. She has asked that I reply on her behalf.

The Northern Territory shares your view that the strengthening and deepening of trade and economic relations between Australia and the People's Republic of China are a major priority. The Territory supports the prompt completion of the current joint feasibility study. It is important that this study identifies and fully explores the benefits, risks and options for the development of two-way trade and investment with China before key trade policy decisions, such as a commitment to the negotiation of a free trade agreement (FTA) with China is made. In this context, I request that sectoral and regional issues and impacts are included in the feasibility study analysis so that the Australia-wide and industry implications are effectively considered at this stage. I expect that the framework agreement and the current feasibility study action will assist the Territory's action to explore avenues to expand two-way trade and investment links between Australia and China.


Action has been taken to ensure that Territory businesses, industry other associations, and agencies are aware of the development of trade and economic relations with China and of the June deadline for submissions to the Department of Foreign Affairs and Trade. The proposed June visit by Dr Geoff Raby to provide briefings on the China trade policy developments will assist with the understanding of the developments and the potential for trade and investment growth between Australia and China and is appreciated.

I am not aware that there have been any anti-dumping cases involving Chinese exports to the Territory. The possibility of dumping and unreasonable trade-distorting subsidies remains, given the current stage of economic and regulatory development in China. These issues and competitive neutrality and transparency considerations require careful consideration, prior to deciding to develop a FTA with China. The onus, in our view, should be on China to demonstrate that market economy conditions apply or sufficient market reforms are under way in all of the sectors of the Chinese economy that are exporting to Australia, to support the use of Chinese domestic prices and costs to assess the fairness of trade with Australia. While the substantial economic reform implemented in China since 1978 is noteworthy, I believe that a move to declare that market economy conditions apply for the sectors trading with Australia appears to be premature, at this stage.

The issue of according market economy status to China needs to be fully examined in the current feasibility study. This would allow the risks and benefits of doing so to be better understood, prior to committing to the negotiation of a FTA with China.

The Northern Territory supports cooperative action to strengthen links, relationships and trade with China. I would appreciate being kept informed on the development of the joint feasibility study and the subsequent trade and economic relations development considerations. I also look forward to the States and Territories having an opportunity to contribute further, prior to any decision being undertaken to proceed with the negotiation of a free trade agreement between Australia and China.

Yours sincerely


PAUL HENDERSON 11/6/04