Australia-China FTA Feasibility Study

By

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For

CPA Australia (Hong Kong)

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Executive Summary

A questionnaire on the impact of an Free Trade Agreement (FTA) agreement between Australia and China was completed by 130 Hong Kong company executives, many of them from prominent Hong Kong and Hong Kong-based multinational companies. Many of the respondents hold very senior positions in their companies.

Of the 130 respondents, 52% were in the services sector and 17% in manufacturing. There was no major representation in other sectors.

Almost half the responding companies (44%) were small to medium sized enterprises, 38% were multinationals and 18% were large companies.

A majority (64%) of companies were involved in investment and production in China. A total of 78% of companies had been involved in or considered doing business in China.

The barriers that companies encounter when doing business in China

Governmental red tape in dealing with relevant PRC authorities was seen as the major barrier to doing business in China. Specific examples of PRC government obfuscation were in licensing requirements, foreign exchange restrictions, inconsistent customs procedures and a complex tax system.

Repatriation of profits and complex taxation are also issues, as is foreign exchange control.

A number of respondents mention that only PRC insurance policies can be sold in the PRC, Hong Kong insurers are prohibited from selling their own policies in the PRC.

Local governments are also an issue, with differing regulations around the country. As one respondent commented: “to succeed in PRC business, a relationship with local government is a key factor”. Lack of transparency of regulation and conflicting local government regulations are cited as frustrating the conduct of efficient business.

Issues to be addressed in a Free Trade Agreement with China

Respondents would like to see an FTA with China address the simplification of all procedures, regulations and applications required by the PRC government to do business in China. Changes in labour laws that unduly favour labour over capital investment are also needed.

Barriers that companies encounter when doing business in China that could be addressed through an FTA with China

A content analysis of the data showed that the following trade barriers could be addressed through an FTA:

- Taxation issues (9 mentions)

- Transparency and fairness in tendering, licensing and applying for permits (8)
- Markets access and supply of services (7)
- Legal issues – the law needs streamlining and investors need protection (6)
- Customer related issues (5)
- Repatriation of funds and exchange control (3)
- Recruitment o staff (2)

Other issues got one mention each.

A majority of respondents (62%) expect benefits for their organisation if Australia and China were to conclude an FTA.

The major positive impacts their company/organisation expects from of an FTA with China were:

- reduction of barriers to doing business in China (65% of respondents); and
- better market integration, labour division and resources allocation (45% of respondents).

Almost half of all respondents (48%) agreed that organisations would increase their level of business activity with China if the Australian Government is able to facilitate greater access into the Chinese market under an Australia-China FTA. The same number of respondents (48%) said they were not sure if they would increase their level of business activity with China with an FTA in place. Only 2% of respondents said they would not increase their level of business activity with China if an Australia / China FTA were in place.

Nine-percent (9%) of respondents said they could quantify the value of additional production, turnover of sales or export values resulting from a China-Australia FTA. Estimates were wide-ranging and swung from US$100,000 to US$1 billion.

In terms of an overall assessment of the potential positive impact of an FTA with China on their company's operation, 59% of respondents thought the impact would be 'modest', 20% felt it would be substantial and a further 20% said it would be minimal. The remaining 1% of respondents said there would be no positive impact.

The great majority of respondents (77%) expected no significant adjustment costs for their company resulting from an FTA with China.

The key issues of concern in an FTA with China for their organisation were, for 48% of respondents, laws or regulations affecting investment or services sectors in Australia. A further 22% cited elimination of Australian tariffs, including phasing arrangements as areas of concern. Rules of origin and other measures affecting imports of goods from China were minor concerns for most respondents.

Most respondents expected the level of structural adjustment costs for their organisation to be modest (38%) or minimal (41%). Only 4% felt that adjustment costs would be substantial.

Overall assessment of an FTA with China

Only 25% of respondents felt that an FTA with China would lead their company to reallocate production or part of production overseas in China, 50% were not sure at this stage, 25% said they would not reallocate production in whole or in part overseas to China.

Support for the launch of negotiations for an Australia-China FTA was high with 62% of respondents supportive, of these 25% were strongly supportive. Only 8% of respondents did not support the launch of negotiations for an Australia-China FTA.

Main Report

Background

CPA Australia is a member of the Support Australia Group (SAG), comprising of 11 Australian organisations including the Australian Consulate General in Hong Kong. The Australian Government invited CPA Australia to participate in this important study into the feasibility of an Australia - China FTA.

Strengthening and deepening trade and economic relations with China is a major priority for the Australian Government. China is now Australia's third largest trading partner, reflecting its strong economic growth and the highly complementary trading relationship between the two countries.

Australia's economic engagement with China is not new and has a long history pre-dating the establishment of formal diplomatic relations in 1972. Trade and investment is at the core of Australia's relationship with China.

Moreover, 34,000 students from China are now studying in Australia (more than from any other country) and more than 190,000 Chinese tourists visited Australia in 2002.

The Australian Government is committed to sustaining this impressive trade and investment performance. To set the direction for the further development of our relationship, Australia and China concluded a Trade and Economic Framework in October 2003. A commitment to undertake a joint study by October 2005 on the feasibility of Australia and China negotiating a FTA is a central element of the Framework.

The day-to-day operations of Australian goods and services providers and investors in China provide great insights into the advantages and challenges of conducting these activities. Aggregated, these insights can assist in establishing priorities for, and enhancing knowledge of the benefits and costs of, bilateral trade liberalisation between Australia and China.

Responses to the questionnaire present a basis upon which both governments can consider the benefits and costs of such an agreement prior to any decision being taken on the commencement of negotiations.

Research Methodology

The questionnaire

The questionnaire used in the study was divided into four parts:

- Part I established basic information about responding organisations or companies.
- Part II asked for information about current market access concerns with China.
- Part III, sought respondents' perceptions of how an FTA would affect their industry sector/company.
- Part IV sought an overall assessment of an FTA with China.

There were 37 questions in the questionnaire, seven of them open-ended. Results for each of the four (4) parts of the questionnaire are presented later in this report.

Sample

There were 130 responses to the questionnaire, of which 126 contained a complete set of data. Many prominent Hong Kong and Hong Kong-based multinational companies are represented among the respondents.

Many respondents held very senior positions in their companies. For a full list of responding companies see Appendix A. For a list of respondents who would like to be contacted further concerning their responses see Appendix B.

Part I - Basic information about respondents

Of the 126 companies that gave complete responses, 72 were in the services sector. A further 21 companies were in manufacturing. There was no major representation in other sectors. Fifty-two (52%) of companies described themselves as belonging to the services sector and 17% described themselves as manufacturers.

Almost half the responding companies (44%) were small to medium sized enterprises, 38% were multinationals and 18% were large companies.

A majority of respondents, 64% of companies, were involved in investment and production in China. Of those companies involved in commerce in China, 30% were wholly owned, 22% had established joint ventures and 16% were engaged in foreign direct investment. The remaining 32% of companies were structured in a variety of different ways.

Seventy-eight percent (78%) of companies had been involved in or considered doing business in China.

The barriers that companies encounter when doing business in China

The barriers that companies had encountered when doing business in, or considering doing business in China can be summed up in a single phrase: red tape. Licensing requirements, foreign exchange restrictions, inconsistent customs procedures and a complex tax system are frequent complaints. One respondent sums up the problems encountered in dealing with the government in a succinct manner simply stating "(It is) hard to do business in China".

A content analysis shows that customs procedures, tariffs and import/export are problems. Repatriation of profits and complex taxation are also issues, as is foreign exchange control including repatriation of profits.

There are a number of mentions of the fact that only PRC insurance policies can be sold in the PRC, Hong Kong insurers are prohibited from selling their own policies in the PRC.

Local governments are an issue, with differing regulations around the country. As one respondent says: "To succeed in PRC business, a relationship with local government is a key factor". Lack of transparency of regulation and conflicting local government regulations are cited.

Tables 1 – 6 below show basic information on the respondents.

Table 1: Industry of respondents

Which sector most appropriately describes your organisation / company? (Number of responses)	
Services	72
Manufacture	21
Agriculture, Forestry and Fisheries	3
Mineral Resources and Energy	1
Other	
Other unspecified	11
Trading	3
Construction Materials	1
Gemstones Wholesaler	1
Car Industry	1
Import, retail & wholesale of diamond.	1
Investment Holding	2
Properties	1
Property management / Leasing / Construction	3
Recreational Services	1
Tobacco industry	1
Trading of construction tools	1
Transport	1
A listed company (in Hong Kong) with about 400 subsidiary companies, and 100% owned by the PRC Government	1

Table 2: Size of respondents

Indicate the size of your company (%)	
Small and medium sized enterprise	44
Multi-national	38
Large company	18

Table 3: Investment in China

Is your company involved in overseas investment/production in china? (%)	
Yes	64
No	36

Table 4: Structure of investment in China

If your company is involved in overseas investment / production in China, please indicate the structure of your company's overseas investment/production (%)	
Wholly-owned	30
Joint venture	30
Foreign Direct Investment	16
Business partnership	7
Foreign Direct Investment, Joint venture	5
Foreign Direct Investment, Wholly-owned	2
Wholly-owned, Business partnership	1
Other	
Other unspecified	5
Other (Branch)	1
Other (affiliate company in PRC)	1
Other (include wholly-owned and joint venture)	1
Other (sub-contract)	1

Table 5: Doing business in China

Has your organisation/company been involved, or considered involvement, in doing business in China? (%)	
Yes	78
No	22

Table 6: Barriers to doing business in China

What, if any, barriers has your company encountered when doing business, or considered doing business in China? (verbatim responses)
Telecommunication is quite a protective industry in the Mainland China in the past until CEPA comes about. It is expected that the trading/business will gradually resolved by time.
Customs: procedures; factory transfer local government charges: eg flood prevention charge.
1. Import licensing requirements. 2. Testing & certificate requirements. 3. Licensing requirements, or other requirements to obtain government approvals, and associated procedures.
Import license and tariff restricted the import of some foreign products into China. For some products, it will need certification from the government in order to sell in China domestic market. It always takes a long time to obtain the certification. For export products from China, change of tax incentives made the export product less competitive.
Settlement of invoices in foreign currencies require to go through a lot of governmental processes and procedures; it seems to be difficult to repatriate fund and profit from China business.
1. custom procedures (already have sudden changes) and customs valuation; 2. Banking especially remittances; 3. complex tax system; and 4. staff performances (no sense of belongings and moral).
2. The financial service sector is very restricted for foreign service provider.
Due to statutory and licensing restrictions, Hong Kong insurance agents and brokers are prohibited to sell insurance policies. Only policies issued by PRC insurance companies can be sold in the PRC.

What, if any, barriers has your company encountered when doing business, or considered doing business in China? (verbatim responses) (table 6 cont.)
Hong Kong agents and brokers are now obtaining PRC licences to sell such products underwritten by PRC insurances. Even though requirements are tighter and more established in the Hong Kong insurance industry, the PRC is very strict on allowing only PRC policies to be sold.
Public Transport is restricted for local residents only.
Mainly the restriction on importation of goods (cultural products) as well as ambiguity on custom duty evaluation.
Other restrictive government regulations or requirements, whether or not these favour local investors or service providers.
To establish a corporate entity, current capital requirement is RMB500,000, after the signed agreement of CEPA. But this practise has been going on for more than 2 years in an informal arrangement according to a government speaker in CEPA meeting in Hong Kong. Up to date copies of trade policies of different local governments are still hard to find.
Hard to do business in China.
They are mainly relating to the transparency of the legislation and inconsistency in application in different part of China.
Environmental standards impose on sewage treatment
Recognition of qualifications of some personnel
Due to the restriction of foreign exchange the transfer of surplus money from China to HK is prohibited. In addition, our company prefers to source the materials or parts other than in China under import tariffs.
The processes for obtaining government approvals/responses are long and time consuming. Tax issue is important, local culture is also crucial.
To remit profit and/or investment fund back to Hong Kong requires one to apply for a long time and through several departments.
To succeed in PRC business, relationship with local government is a key factor.
We have asked for the increase in the capital injection, and this had to be approved from Beijing

Part II - information about current market access concerns with China

Issues to be addressed in a Free Trade Agreement with China

The key issue to be addressed in a Free Trade Agreement with China is the simplification of all procedures, regulations and applications required by the PRC government to do business in China. The issues to be addressed are essentially the same as those cited as barriers to doing business, with the addition of recognition of qualifications. Changes in labour laws that unduly favour labour are also cited.

Table 7 shows the key issues that respondents think need to be addressed in an FTA.

Table 7: Key issues to be addressed in FTA

What would be the key issues to be addressed in an FTA with China for your organisation sector or for your company? (verbatim responses)
It is not quite related to my organisation's operation. However, FTA may in fact lead to reduction in cost of items that are suitable to us which may in turn reduce the total cost of the organization.
Legal framework and framework of the asset management industry.
Equity restrictions as barrier to entry.
Legal. A positive impact is expected of the FTA
Lower down the equity requirement in setting up trading co.
Matters related to withholding tax imposed on the services provided.
As our company is 100% owned by the PRC Government, we would not encounter any major problem in operating our business in China.
More involvement in PRC projects with limited tax regulations barriers
Competition will be enhanced in the local PRC market
Simplify/Standardize the procedures for applying permits' procedures.
Tax issues
How this would affect the trade barriers for retail / service industries
Elimination of foreign exchange control or simplification of the procedure to allow for payment of technical and management services provided by head office to the China company.
Any limitations on import of textile products
Licensing requirements
Discriminatory tax incentives, repatriation of profits
Customer clearance
Bi-lateral recognition of professional qualification
The ease of access to enter the market, which includes not only entry barrier but also ease of application
Should be simple and practical
Competition increase from foreign suppliers
The costs of setting up a company in China is very expensive.
Fair market environment for competing with local firms.
Staff recruitment - the strict and detailed labour laws allows the labourers to manipulate the rules and a lot of organizations are trapped in labour laws. A labor law case will usually last for 18 months. There are no systems to inform the organizations

those people are making money out of the labor law case and avoid employing those people.
Provide much information related to service sectors between China and Australia.
Simplify all kind of procedure/application required by the PRC Govt.
Taxation & Pricing
Reduce the production cost, and enhance the competition.
New pronouncement on accounting standards and legal rules and regulations.
No much effect as my employer is a French multi-national company.
Not enough briefing and poor communication
Party which will be liable to tax in China, the various tax regimes.
Government process be streamlined.
Withholding taxes.
Copyright, patent issue.
N/A as our company has affiliate in China.
Regulation, Transparency, Law
Banking and FX issues.
All the tax-related issues, including Customs duty, value-added tax, and the machinery transfer from headquarter to China.
Currency control & tax regulations issue.
Our corporation is operating railway business in China and FTA does not have major impact to us.
Government documents or policy issued from different sources/department which are contradictory.
We can develop our business to China.
Moving all operation into China. Security Issues. Contract Law and Equity Issues
Obtaining government approvals, transparency in tendering and approval procedures.
Allow foreign investors to engage in financial service.
Current change of import & export custom tax regulation & VAT tax regulation.
Professional licensing & recognition of standards and knowledge.
To reduce the import tariffs on raw material. To standardize local regulation of fair trade practise in local market.
I would say the entry barrier, that is, to recognize foreign equivalent professional qualifications.
Increase competition in the market segment.
Investment and set up cost for network.
If the FTA causing Australian company can set up business easier in China, more of our operation will move from HK to China.
Primary industry like fishery industry growth and governance incentive in market support,
Transfer of customers to PRC as similar types of services can be supplied as barriers vanishes.
Import tax for raw materials and labour laws.
Legal framework, Trade practice, Culture, Qualification recognition.
Import licensing requirements; other restrictive local government regulations and repatriation of profits.
Import duty, withholding tax and protection of investment.
Enforcement of Intellectual Property Rights, Importation & Distribution Rights, Non-tariff Barriers to Imported Products, Unclear Regulations, etc.
My organisation is a bank and hence the bank would be able to do Chinese RMB

business (eg settlement) in an FTA.
Increase transparency, increase ability to affect flow of funds, less insider trading, and more efficiency capital market overall.
tax issues (profit tax/salary tax may be standardized for local & foreign enterprise and people) - import / export tariffs.
Tax and local district laws seem to be very complicated.
The recent VAT tax refund policy change which has discouraged the export sales, also penalize on local purchase of raw materials.
Less restrictions to foreign financial institutions in doing business in China. Governing rules and regulations to be in line with international standards.
Foreign exchange procedure should be more open and flexible which would attract more foreign investments.
Company can provide service in China.
Level playing field with local service provider.
Working Visa
Open up the public transport market for foreign investors. No restriction on equity holding.
For a public accounting firm - key issues could be procedures of an Australian public accounting firm to carry out services in china.
Interrelationship with CEPA and FTA.
Can not think of anything applicable for Charities VISA application would be the only concern.
Clarity an import duty clarification.
The more introduction of GF products into China and the better productivity.
Waiver of import licence or import restrictions for certain types of commodities.
Domestic laws and regulation, taxation that would be applied to foreign investor.
1. Importing relaxation 2. money exchange and repatriation 3. clear and enforceable laws without human interference.
Repatriation of profits.
Import of supplies (food, fodder, labour)
Intensive competition due to the low price products.
The elimination of import duty and VAT on import plant and machinery.

Part III - respondents' perceptions of how an FTA would affect their industry sector/company

Which barriers that companies encounter when doing business in China could be addressed through an FTA with China?

A content analysis showed that the following trade barriers could be addressed through an FTA:

- Taxation issues (9 mentions)
- Transparency and fairness in tendering, licensing and applying for permits (8)
- Markets access and supply of services (7)
- Legal issues – the law needs streamlining and investors need protection (6)
- Customer related issues (5)
- Repatriation of funds and exchange control (3)
- Recruitment o staff (2)

The following issues received one mention each:

- Work practices
- Local business culture
- Corurption
- Banking and FX
- Transport
- High operating costs in petrochemical area.

A majority of respondents (62%) would expect benefits for their organisation sector or company if Australia and China were to conclude a free-trade agreement.

The major positive impacts their company/organisation expects from of an FTA with China were:

- Reduction of barriers to do business in China (65% of respondents); and
- Better market integration, labour division and resources allocation (45% of respondents).

There were lesser expectations of:

- Preference over foreign competitors in China (30%);
- Lower production costs (cheap intermediate production inputs) (28%);
- Cheaper imports from China (23%); and
- A strengthened export capacity to a third country market (15%).

When asked: "Would you increase your level of business activity with China if the Australian Government is able to facilitate greater access into the Chinese market under an Australia-China FTA?" 48% of respondents said 'yes' and 48% said they were not sure. Only 2% said they would not increase the level of business activity with China if an Australia – China FTA were established.

There were 61 responses to the question “What are the potential new business areas that an Australia-China FTA can help to spawn for your organisation/company?” Of these 15 respondents were not sure, the rest of the responses were particular to the companies concerned, with no real common elements.

Nine-percent (9%) of respondents said they could quantify the value of additional production, turnover of sales or export values resulting from a China-Australia FTA. Estimates ranged from US$100,000 to US$1 billion.

When asked for their overall assessment of the potential positive impact of an FTA with China on their company’s operation a majority of 59% of respondents said it would be ‘modest’, 20% felt it would be substantial and a further 20% said it would be minimal. Only 1% of respondents said there would be no positive impact.

Most respondents, 77% of them, expected no significant adjustment costs for their company resulting from an FTA with China.

The key issues of concern in an FTA with China for their organisation were, for 48% of respondents, laws or regulations affecting investment or services sectors in Australia. A further 22% cited elimination of Australian tariffs, including phasing arrangements as areas of concern. Rules of origin and other measures affecting imports of goods from China were minor concerns for most respondents.

The great majority expected the level of structural adjustment costs for their organisation to be modest (38%) or minimal (41%). Seventeen percent (17%) expected there would be no costs and only 4% felt that adjustment costs would be substantial.

Table 8 shows the potential barriers to doing business in China that might be address in an FTA.

Table 8: Potential barriers to doing business in China that might be address in an FTA

Which if any of the barriers identified in Part II do you expect could be addressed through an FTA with China? In relation to which products or services, or investment sector? (verbatim responses)
No specific barrier, just a changing of strategy and my company has already opened branches in major cities in China, so need to plan for which city would be the next.
Process of obtaining approval, recruitment of staff.
Recognition of qualification & licence requirement for international personnel
Taxation and legal matters
Repatriation of funds and exchange control
Customs and work practice
Lack of legal protection for investor can be address under FTA
Transparency & farness in tendency procedures & applying permits procedures
Market access issue - probation on supply of services could be lilted follow by the introduction of CEPI
Probably customs-related issues, tax-related issues that I expect could be addressed (in relation to manufacturing but not other section)

All aspects could be addressed through an FAT with China
Licensing requirements and domestic laws and regulations
Management Services: - processes for obtaining government approvals- legal framework for appealing government decisions - local business culture
Obtaining government approval
Streamlining of legal process, transparent decision making by the Chinese government
Law Protection
The mutual recognition of professional qualifications without further examinations to be taken.
Ensure that the structure of operating environment is fair to all parties that want to participate.
The customs related issues.
Market Access & Investment
Labour recruitment for production sector.
The custom procedure with respect the rejected goods, why cannot these be treated as "field returns"; the red-tape between the State Tax Bureau & the Custom Bureau on VAT refund issues; and the Custom code used in importing materials & parts ===> so strict.
Whether there is any withholding tax, etc.
Royalties on educational services.
copy right, patent issue.
Corruption & Unclear regulation.
Banking and FX issues.
Domestic law regulations.
Law & Tax
Curreny control & tax regulations issue.
Restrictions on establishment of investment in particular sectors.
Recognition of qualifications or other license requirements for international personnel which means that accounting professional can become public practice at mainland.
Post-establishment issues
Tax-related issues
Favoring approval procedures.
All foreigners to provide service in China just like CEPA in HK.
Reciprocity of professional qualification in the insurance and investment sectors.
import tariffs, the raw material of
More communication will help ease doubts.
Culture living habit.
I would say "the market access issues".
Prohibitions or restriction on supply of service or establishment of investment. Licensing requirement - in return will affect consumer's preference given free trade.
There will be higher market presentation and integration for our business.
Custom-related issues, market access issue and tax-related issues.
Of course not, it would only harm the business.
Customs related issues.
Registration and department approval.
Electronics Products for the local market with high import tax on raw materials brought from overseas.
Legal framework, Trade practice, Qualification recognition.

Tax-related barriers in relation paper products.
Domestic laws and regulations that favour local investors or service providers, including tax structure, availability of incentives, preferences in government procurement.
Intellectual Property Rights, Importation & Distribution Rights, Non-tariff Barriers to Imported Products, etc.
I would the agreement for technology transfer, is too strict at the moment, also the arrangement for leasing is ineffective.
The changes of laws or polices in relation to the foreign financial institutions in doing business in China would likely to be dealt with in the international level as these would affect investments by all other countries.
Tariff and import licence.
Efficient and flexible foreign exchange procedure would help to speed up the investment decision.
In the service sector, we concerned the Government Issues.
Governance & competition - related issues.
Licensing for financial service companies in China.
Transport sector
Import duty clarification.
Prohibitions or others restriction on supply of services in particular industry of PRC.
High operating costs in order not to compete with price to other competitors. Mainly in the Petrochemical area.

Table 9 shows the number of respondents (%) that anticipate benefits under an FTA.

Table 9: Percentage of respondents expecting to benefit from FTA

Would you expect any benefits for your organisation sector or company if Australia and China were to conclude a free-trade agreement covering goods, services and investment? (%)	
Yes	62
No	26
Both	12

Table 10 identifies the nature of the benefit respondents expect to get from an FTA.

Table 10: Nature of benefit expected from FTA

Indicate what positive impacts your company/organisation expects from of an FTA with China	
Reduction of barriers to do business in China	65
Better market integration, labour division and resources allocation	45
Preference over foreign competitors in China	30
Lower production costs (cheap intermediate production inputs)	28
Cheaper imports from China	23
Strengthen export capacity to a third country market	15

(Note: table 10 is a multi-choice table, therefore percentages do not total 100).

Table 11 shows the likely impact of an FTA on levels of business done in China by Australian firms.

Table 11: Impact of FTA on level of business activity of Australian firms in China

Would you increase your level of business activity with China if the Australian Government is able to facilitate greater access into the Chinese market under an Australia-China FTA? (%)	
Yes	48
No	4
Not sure	48

Table 12 shows the new areas of business that are expected to develop as a result of an FTA.

Table 12: Potential new business areas enabled by FTA

What are the potential new business areas that an Australia-China FTA can help to spawn for your organisation/company? (verbatim responses)	
1. Open market (less barrier) 2. Reform taxation system and regulation to fit foreign investors.	1
A transfer or by-pass traders	1
Australian suppliers information.	1
Business valuations	1
Business Supports.	1
Business and tax consulting services	1
Can benefit from selling on behalf of more underwriters with Australian interests who, at the moment have not been granted licences to underwrite insurance in the PRC.	1
Consultancy, Corporate advisory, Financial services, typically for providing solution in China.	1
Export products to Australia, Raw material purchase from Australian suppliers.	1
Financial planning (personal) and investment & insurance services.	1
Financial services: banking and investment services.	1
Fishery production for global trade and research.	1
High level of technology products that Australian enterprises may bring into China.	1
Import of Australian Sapphire create more business opportunity due to lower price from FTA agreement.	1
Importation of Australia - produced cultural and entertainment products.	1
Information technology.	1
Insurance risk management.	1
Investment opportunities in Australia, lower import tax for goods	1
Larger volume for international trade	1
Management Consultancy Service	1
Manufacturing of cigarettes in China.	1

Minerals related.	1
More merger and requisition assignments	1
Open China ports controls. Allow potential JV with china ports.	1
Opening office in China, increase study for potential investment, hiring of local analysts.	1
Our firm and co-operatives firms worldwide provides auditing and advisory services in most major cities in China.	1
Professional accountancy firm - this depends on recognition of Australian accounting qualification in China	1
Provide financial service advisory to Australian Company. eg establishment of business, financing	1
Provision of services to Australian Company to set up Business in China.	1
Public transport	1
Re-export	1
Telecommunication Services	1
To develop wool fabrics series	1
Transport Arrangement	1
Via our sister company in Australia	1
We are considering the establishment of a Rep Office in Guangzhou.	1
agriculture	1
financial advicing and services.	1
increase revenue via passenger and cargo flow	1

Table 13 reveals respondent assessments of their ability to quantify the impact on their business of an FTA.

Table 13: Able to quantify impact of FTA

Can you quantify the value of the additional production, turnover of sales or export values likely to result from an FTA? (%)	
Yes	9
No	91

Table 14 shows the likely dollar impact that respondents feel an FTA will have on their business.

Table 14: Respondent assessment of likely financial impact of FTA

If you are able to quantify the value of the additional production, turnover of sales or export values likely to result from an FTA, please indicate the likely dollar impact on your business	
$100,000 sale	1
USD 10 million	1
USD 1 billion	1
Improve management fee income by unspecified amount	1

Table 15 reveals the level of impact that respondents feel an FTA will have on their current business.

Table 15: Assessment of extent of potential positive impact of FTA on current business

Your overall assessment of potential positive impacts of an FTA with China on your company's operation (%)	
Substantial impact	20
Modest impact	59
Minimal impact	20
No impact	1

Table 16 shows the percentage split of companies expecting to incur adjustment costs as a result of an FTA.

Table 16: Companies expecting adjustment costs as a result of FTA

Would you expect any significant adjustment cost of an FTA with China for your industry sector/company? (%)	
Yes	23
No	77

Table 17 identified the key issues of concern to respondents in the event of an FTA.

Table 17: Key concerns under FTA

What would be the key issues of concern in an FTA with China for your organisation sector, or for your organisation or company? (%)	
Laws or regulations affecting investment or services sectors in Australia	48
Elimination of Australian tariffs, including phasing arrangements	22
Rules of origin	13
Other measures affecting imports of goods from China	11
Other	6

Table 18 shows the level of structural adjustment costs respondents anticipate under an FTA.

Table 18: Level of structural adjustment costs anticipated

Please indicate the level of structural adjustment costs for your organisation sector under an FTA with China (%)	
Substantial	4
Modest	38
Minimal	41
None	17

Part IV - Overall assessment of an FTA with China.

Only 25% of respondents felt that an FTA with China would lead their company to reallocate production or part of production overseas in China, 50% were not sure at this stage, 25% said they would not reallocate production in whole or in part overseas to China.

Support for the launch of negotiations for an Australia-China FTA was high with 62% of respondents supportive, of these 25% were strongly supportive. Only 8% of respondents did not support the launch of negotiations for an Australia-China FTA.

Table 19 shows the percentage of respondents that anticipate moving some or all of their production facility overseas to China in the event of an FTA.

Table 19: Would an FTA lead your company to reallocate production?

Would an FTA with China lead your company to reallocate production or part of production overseas in China? (%)	
Yes	25
No	25
Not sure at this stage	50

Table 20 shows the level of support amongst respondents for launching negotiations towards establishing an Australia-China FTA

Table 20: Level of support for negotiations on Australia-China FTA

Would you support the launch of negotiations for an Australia-China FTA? (%)	
1. Strongly against	1
2. Don't support	7
3. Neither nor	30
4. Support	37
5. Strongly support	25

Table 21 identified the percentage of respondents agreeing to be contacted further regarding their responses to this study.

Table 21: Percentage of respondents agreeing to participate in further study and dialogue on an Australia - China FTA

Would you like to be contacted further concerning your responses? (%)	
Yes	22
No	78

Appendix A - Participants in the survey

Names of participating companies
Accenture Technology Solution
AIT LTD
American Express Bank
Andrew Lai & Co
Anglo Chinese
Anthony Kam & Co
Art Textile Technology International Company Limited
AstraZeneca
AT&T
A-World Corporate Consultants
Azpf Creation (HK)
BDD McCabe Lo & Company (CPA firm)
Beer Company
Bosch Rexroth (China)
C.P. Pokphand Co Ltd
Center Fortune International Limited
Champfort Wealth Management Limited
Che San & Co. Ltd
Childlife Industrial Ltd
China Resources Enterprise, Ltd
China Solution Corp. Ltd
Chinalink Express Holdings Limited
Ching Chi Ind Co Ltd
Citibank Na
Cityu Enterprises Ltd
Comerife International Ltd
Credit
Credit Agricole Asset Management
Dah Chong Hong Ltd
DBS (Hong Kong) Ltd
Deloitte Touche Tohmatsu
Deloitte Touche Tohmatsu CPA LTd
Delta Light
Deson Development Limited
Dun & Bradstreet (HK) Ltd
Eastern Asia Technology (HK) Ltd
Elcoteq Asia Limited
EPCOS (Zhuhai) Co., Ltd
Ernst & Young
Ernst & Young Tax Services Limited
Financial Navigator Ltd
Firmenich Aromatics China Co., Ltd.
Foshan Lido Ltd
Fung, Yu & Company
GE Capital International Services
Global Partners Limited
Hang Lung
Hang Lung Real Estate Agency Ltd

HKIA
Hospital Authority
HTL Limited
Hutchison International Terminal
Hutchison Telecommunication (HK) Ltd
Hutchison Whampoa (China)
ING Securities Ltd
Invesco Asia Limited
J&J Consultancy Co
J+J Consultancy Co. Ltd
James T.W.Kong & Co
Jane Poon & Associates Insurance Brokers
K. Wah Construction Materials (HK) Ltd
Kanltan Technologies Ltd.
KCRC
King's Diamond Trading Co.
Ko Chi Ming
Kowloon Canton Railway Corporation
Kowloon-Canton Railway Corporation
KPMG
Lam Construction Company Limited
LG International (HK) Ltd
M.H. Hung & Co
Malca-Amit Far East Ltd
Manulife
Mapics China Ltd
Marina Wong & Co
Mark-Link Group Ltd
Meadjohnson (Guang Zhou) Ltd
Merrill Lynch
Miller Pemt
Mizuho Corporate Bank
Motorola (China) Electronic
MS Precision Metal International Ltd
Nam Tai Management Co Ltd
Naputa Investment Inc
Neilcollin Corporate Services Ltd
New Dragon Asia Group
Ng
NZA (Shanghai) Education Management Consulting Ltd.
Office of Commissioner of Insurance
Office of The Ombudsman
Orient Overseas Real Estate Group
Otto International (Hong Kong) Limited
Pacific Basin Shipping'
PCCW
Peking Apparela International Group Ltd
Philip Morris Asia Limited
Philip Morris Asia Ltd
Pico Hong Kong Limited
PricewaterhouseCoopers

Project Grace Asia (NGO in Kunming China)
Qantas Airways Ltd
Ramset Fasteners (HK) Ltd
Samsung HK Ltd
Shun Tak Holdings Ltd
Sincere Property Ltd
Song Music Entertainment (HK) Ltd
Soundwill (China) Co Ltd
SPG Industry (HK) Ltd
Standard Chartered Bank
Tavi Ltd
The BOC Group
The Clorox International Company
The Hong Kong Jockey Club
The Royal Garden
Thomson OKMCO (shenzhen) Co Ltd
Transport Department HKSAR
UBS AG
UniVision Engineering Ltd
Victory Group Limited
Volvo Car Hong Kong
Wah Tong Paper Products Group Limited
Wal-Mart/Wal-Mart China Co. Ltd
Wearnes Motors (HK) Ltd
Webnology International (HK) Ltd
Win Sun Gems Company

Appendix B - Participants who would like to be contacted concerning their responses

Would you like to be contacted further concerning your responses If so, please provide the following contact details:		
Name and position	**telephone number:**	**E-mail address**
Stephen Koo, Chairman	9377 4257	skoo@hk.uvel.com
Bernard Lee, Director	6182 7948	bernard.lee@champfort.com
Tsang King Pang, Paul; Manager, Financial Accounting Department	2102 5691	paul.tsang@mizuho-cb.com
Tony W.K. Lau; President, Finance & HR	2516 1296	laut01@dnb.com
Ko Chi Ming (Projector)	9219-6356	milesko@lark.com.hk
Lam Yiu Man, Nicole (Accountant)	9015-2773	nicolelam0118@singagirl.com
Cheung Kin Man, (Financial Controller)	2733-2900	rgfc@rghk.com.hk
Ben Wu, Hing Yu Finance Manager Delta Ports	2619 7760	wu.benhy@hph.com.hk
Cheung Man Ling Accounting Manager	9199 0352	childlife@netvigator.com
Lau Hong Hung, Felix Manager - Accounting	86-13823619337	felix.lau@thomson.net
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Zhihui Huang Reporting Manager	86-756-7792274	allen.huang@epcos.com
Clement Yeung Corporate Treasury Officer	9464 5777	ckmyeung@kcrc.com
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Jeffrey Wong; Director of Procurement and Special Projects	86-138-2323-8362	JW388@MSN.COM
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Dong He		Tony.he@sheraton.com
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