



## Obstacles to the China–Australia FTA Negotiations

After prolonged negotiations which started in 2004, the negotiations between China and Australia on China-Australia Free Trade Agreement (FTA) have recently made quite a surprising move. The Chinese authority has unexpectedly made a turnaround by imposing tariffs on Australia's exports of coal to China. A tariff rate of 3 percent on cooking coal and one of 6 percent on lower grade thermal coal have been levied since 15 October 2014. This tariff imposition could harm Australian firms, especially small ones whose economies of scale are lacking. On the other side, this issue may provide an opportunity for Australia to push forward its intended goal of penetrating China's agriculture market, leveraging further pressure on the Chinese negotiators.

Back in September, reports emerged from the Beijing round of negotiations that Australia's unwillingness to comply with the current conditions of the deal with respect to access to China's agriculture market, especially in the area of dairy products, was improving, and the FTA was heading toward finalization. It has been speculated that the Australian government wishes to replicate a similar deal that China had already agreed with New Zealand; a deal that so far has increased the revenue of New Zealand's dairy industry by 3.3 billion USD since the China-New Zealand FTA was signed in 2008.

This latest update on tariffs on coal may, however, force the Australian government to reconsider its position. The coal market in China is a significant revenue source for Australian mining firms since approximately 50 percent of China's electricity is generated from coal.

The two sides will meet again in November at the G20 summit in Brisbane. The Australian negotiating team will have to react appropriately and decide how to proceed with its negotiation strategy if it is to reach a successful conclusion of the agreement.

## South Korea and New Zealand hold the 9th round of FTA negotiations

The 9th round of negotiations between South Korea and New Zealand on their bilateral free trade agreement (FTA) was held during 15-17 October 2014 in Seoul. The talks took longer than initially planned since this round of negotiations was originally scheduled to take place only on 15 and 16 October 2014.

In the 8th round of talks held in August this year, the negotiating parties failed to agree on market access to the countries' agricultural and fishery markets, which is the same issue that had caused the two countries to suspend their bilateral FTA negotiations for over four years. In the latest round, the two parties aimed to conclude their FTA but were still not successful.

Some progress has been made however. The two parties agreed with each other on issues such as rules of origin and the scope of cooperation. Nevertheless, they failed to reach an agreement on the extent to which the agricultural and fishery markets of South Korea should be opened up.

The two sides have agreed to make an attempt to narrow the opinion gap, and plan to arrange the 10th round of talks in the near future. It is hoped that the next round will be the last.

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