8

Chapter

Trade and Investment Opportunities Between Australia and RCEP Countries

Chapter 8 Trade and Investment Opportunities Between Australia and RCEP Countries

Section 1 Trade in Goods

The RCEP will bring significant benefits to Australian importers and exporters, creating more market opportunities, with more than 90% of intra-regional trade in goods going to zero tariffs, resulting in a significant reduction in the cost of intra-regional trade in goods and commodity prices. This section describes the preferential tariffs agreed between Australia and other RCEP Contracting Parties for various product categories in the import and export sectors so that businesses can understand the range of preferential tariffs for various products in Australia and other RCEP Contracting Parties.

I. The current status of trade in goods between Australia and other RCEP Contracting Parties

In terms of the scale of Australia's import and export trade with other RCEP Contracting Parties, due to the impact of COVID-19, the overall scale of Australia's trade with other RCEP Contracting Parties has decreased by 4.60% compared with 2019, and the overall trade development has slowed down, but the proportion of Australia's trade with other RCEP Contracting Parties in total trade volume has increased. In 2020, Australia's exports to other RCEP Parties amounted to US$149,758.92 million, accounting for 58.84% of Australia's total exports. Australia's imports amounted to US$111,466.61 billion, accounting for 55.11 % of Australia's total imports. In 2020, Australia's export and import value with its top five trading partners—China, the EU, the ASEAN, the US, and Japan—amounted to US$148,124.371 million, US$54,561.79 million, US$51,036.06 million, US$36,957.57 million, and US$31,179.39 million respectively, with China being Australia's top trading partner.

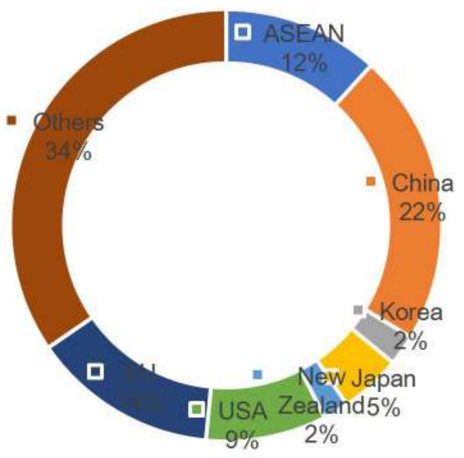

Figure 8.1.1 Australia's import structure in 2020

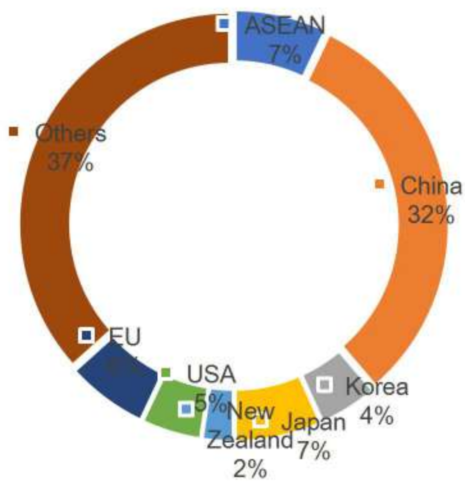

Figure 8.1.2 Australia's import structure in 2020

Table 8.1.1 Trade Value in Goods between Australia and RCEP Members, 2020

Unit: US Dollar million

Country or Region	Imports	year-on-year growth	Exports	year-on-year growth	Trade Value	year-on-year growth
ASEAN	30781.39	-9.19	20254.67	-9.78	51036.06	-9.43
China	57621.45	5.41	90502.92	1.35	148124.37	2.89
Korea	6025.45	-25.11	12981.80	-4.79	19007.24	-12.33
Japan	12086.84	-18.89	19092.55	-21.91	31179.39	-20.77
New Zealand	4951.49	-8.23	6926.98	-2.10	11878.47	-4.75

Data source: Trade-Map database.

Australia has an overall trade surplus with other RCEP Contracting Parties, and its export dependence is higher than its import dependence, highlighting the different resource endowments and industrial division of labor among other RCEP Parties. In recent years, the scale of Australia's exports and imports with five Parties—China, Japan, South Korea, Singapore and Thailand—accounted for more than 80% of Australia's total exports and imports with the RCEP. In 2020, Australia's exports to five Parties—China, Japan, South Korea, Singapore and New Zealand—were worth US$100,085.57 million, US$30,332.33 million, US$15,920.45 million, US$8,539.18 million and US$6,914.47 million respectively. Australia's total exports to these five Parties accounted for more than 90% of Australia's total exports to the RCEP. In 2020, Australia's imports from five Parties—namely China, Japan, Thailand, Malaysia and South Korea—amounted to US$61,053.94 million, US$12,733.90 million, US$10,216.05 million, US$6,913.44 million and US$6,549.99 million respectively, with Australia's imports from these five Parties accounting for 80-85% of Australia's total imports from the RCEP. At the same time, Australia has a trade deficit with China, Japan, Korea, Singapore, New Zealand, Indonesia, the Philippines and Myanmar. It can be seen that the proportion of Australia's exports to other RCEP Parties is higher than that of its imports, and the conclusion of the RCEP will help Australia expand its export markets, meet domestic import demand and strengthen the regional industry chain and supply chain.

China remains Australia's largest trading partner, largest export destination, and largest source of imports. In 2020, bilateral trade in goods totaled US$148,124.37 million; Australia's exports of goods to China amounted to US$90,502.92 million, up 1.35% year-on-year, and the value of goods from imported from China was US$57,621.451 million, up 5.41% year-on-year. Australia has a trade surplus of US$32,881.469 million with China.

Australia's bilateral trade in goods with Japan: In 2020, bilateral exports and imports of goods between Australia and Japan amounted to US$31,179.39 million, down 12.33% year-on-year;

Australia's exports of goods to Japan amounted to US$19,092.55 million and the total value of goods imported from Japan was US$6,025.45 million. Australia has a trade surplus of US$7,005.71 million with Japan.

Australia's bilateral trade in goods with the ASEAN: In 2020, bilateral imports and exports of goods between Australia and the ASEAN amounted to US$51,036.06 million, down 9.43% year-on-year; the total value of Australia's goods exported to the ASEAN was US$20,254.67 million, and the total value of goods imported from the ASEAN was US$30,781.39 million. Australia has a trade deficit of US$11,446.16 million with the ASEAN, which remains the largest trade deficit among the other RCEP Contracting Parties.

Australia's bilateral trade in goods with New Zealand: In 2020, bilateral exports and imports of goods between Australia and New Zealand amounted to US$11,878.47 million, down 4.75% year-on-year; Australia's exports of goods to New Zealand amounted to US$6,926.98 million and the total value of its goods imported from New Zealand was US$4,951.49 million. Australia has a trade surplus of US$1,975.50 million with New Zealand.

Australia's bilateral trade in goods with South Korea: In 2020, bilateral exports and imports of goods between Australia and South Korea amounted to US$19,007.24 million, down 12.33% year-on-year; Australia's exports of goods to South Korea amounted to US$12,981.80 million and the total value of its goods imported from South Korea was US$6,025.45 million. Australia has a trade surplus of US$6,956.35 million with South Korea.

II. Opportunities brought by the RCEP to Australia's trade in goods

(A) Electromechanical products

Electromechanical products belong to Category 16 of the customs trade product classification, covered in Chapters 84-85.

Table 8.1.2 Subdivision Category of Electromechanical products

HS Code	Product Description
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, And Parts and Accessories of Such Articles

In export trade, Australia's exports of electromechanical products to most other RCEP Contracting Parties grew negatively over the last five years on average; that with the Philippines, which experienced the largest decline in export trade, grew at an average annual rate of -9.47%. However, the average annual growth rate of Australia's imports from the other RCEP Parties was -1.26%, which was just a slight decline. Australia's exports of electromechanical products to New Zealand, China and Singapore were consistently above average, and these Parties are the priority Parties for Australia's exports of electromechanical products. Against tightening export markets for electromechanical products, its trade with Cambodia still achieved a relatively large growth rate of 21.63%, while those with Vietnam, Myanmar, Brunei and New Zealand also achieved growth to a certain degree, indicating some potential in the electromechanical product markets of these Contracting Parties.

In import trade, the average annual growth rate of Australia's imports of electromechanical products from other RCEP Parties was 1.92% from 2015 to 2020. In the import trade of electromechanical products, China has been Australia's largest trading partner, and Australia's imports of electromechanical products from China have grown in recent years. In terms of trade growth rate, Myanmar and Cambodia have a higher average annual growth rate of over 100%, but the trade value is smaller though showing some potential.

Table 8.1.3 Australia's Trade Value of Electromechanical Products with RCEP members and its Average Growth Rate, 2015-2020

Country or Region	**Australia exports to the country or region**			**Australia imports to the country or region**		
	2015	**2020**	**Average Growth Rate (%)**	**2015**	**2020**	**Average Growth Rate (%)**
Brunei Darussalam	3.25	4.40	6.24	0.48	0.05	-37.49
Cambodia	5.67	15.09	21.63	0.02	1.31	131.83
China	550.21	402.66	-6.05	18344.05	24588.49	6.03
Indonesia	250.42	164.52	-8.06	984.12	354.23	-18.48
Japan	125.43	124.93	-0.08	2174.36	2108.71	-0.61
Lao People's Dem. Rep.	11.99	11.30	-1.19	0.25	10.15	109.42
Malaysia	181.76	122.26	-7.62	2239.46	1619.68	-6.27
Myanmar	1.71	2.40	7.04	0.02	0.67	100.52
New Zealand	1399.28	1641.42	3.24	501.07	410.32	-3.92
Philippines	79.32	48.24	-9.47	193.82	210.85	1.70
Rep. of Korea	109.32	67.99	-9.06	2821.25	1127.29	-16.76
Singapore	466.40	366.55	-4.70	1221.61	616.88	-12.77
Thailand	167.88	128.37	-5.22	1743.07	1738.53	-0.05
Viet Nam	72.71	115.28	9.66	1254.08	1836.29	7.93
TOTAL	3425.36	3215.41	-1.26	31477.66	34623.45	1.92

Data source: UN Comtrade Database.

By calculating the export-weighted MFN and FTA tax rates for the electromechanical industry in the other RCEP Parties, the total tax difference between the two is obtained as the margin of preference (MOP). A larger tax difference means a larger trade volume and a greater potential preferential benefit from using the agreed tax rates. The tax rate of electromechanical products under the RCEP is generally lower in the first year of the Agreement, and will be more significantly reduced in the tenth year.

In the first year after the RCEP comes into effect, Indonesia and Laos will have the highest tax differences, both exceeding 3%, indicating that there are greater potential preferential benefits in these two Parties' agreed tax rates for Australian exports. More than half of Australia's exports of electromechanical products to other RCEP Parties are to New Zealand, but since New Zealand's base tax rate is not high, there is little room for tax rate reduction, and enterprises can obtain fewer tariff preferential benefits. China is Australia's second-largest trading partner after New Zealand, and its tariff rate reduction in the first year of the RCEP's entry into force is second only to Indonesia and Laos, with a tax difference of 2.39%. Enterprises can obtain a lot of preferential benefits through the Agreement. Japan and Singapore will have reduced their MFN tariff rates to zero and liberalized trade for electromechanical products.

Ten years after the RCEP comes into effect, Cambodia and Indonesia will have the highest tax differences, both exceeding 4%, indicating that there are greater potential preferential benefits in these two Parties' agreed tax rates for Australian exports. China's tax rate to Australia decreases significantly in the first year, and the tariff rate will decrease even more significantly after ten years, which will benefit exporters. It is expected that once the RCEP comes into effect, it will significantly reduce the tariff burden on enterprises exporting electromechanical products to China, and exports of electromechanical products by Australian enterprises to China will further increase.

Table 8.1.4 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Brunei Darussalam	3.70	3.70	0.01	3.70	0.01
Cambodia	13.84	13.84	0.00	9.09	4.75
China	3.71	1.32	2.39	0.42	3.29
Indonesia	5.02	1.96	3.06	0.07	4.95
Japan	0.00	0.00	0.00	0.00	0.00
Lao People's Dem. Rep.	5.25	2.02	3.23	0.89	4.36

Malaysia	3.62	3.41	0.21	1.52	2.10
Myanmar	1.98	1.20	0.78	0.99	0.99
New Zealand	1.75	1.45	0.30	0.68	1.07
Philippines	2.44	0.45	2.00	0.23	2.21
Rep. of Korea	0.05	0.03	0.02	0.01	0.04
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	3.69	1.74	1.95	1.31	2.38
Viet Nam	2.88	1.82	1.07	0.96	1.93

Data source: Schedule of Tariff Commitments of RCEP members.

Australia's Schedule of Tariff Commitments falls under the "Harmonized Concessions" category, which means that the same product is subject to the same tariff reduction for other Contracting Parties. These Parties have only one Schedule of Tariff Commitments, i.e., the same product originating from different Parties under the RCEP will be subject to the same tariff rate when imported into the above-mentioned Parties. The tariff reduction mainly includes four types: zero immediately upon entry into force of the Agreement, zero during the transition period, partial tariff reduction, and exceptions. Zero immediately upon entry into force of the Agreement refers to the immediate implementation of zero tariff rate for goods of origin in the first year of the Agreement's entry into force for a Party. Zero during the transitional period means that the tariff rate of goods is eventually reduced from the base rate to zero after a transitional period of linear or non-linear reduction from the date of entry into force of the Agreement for a Party. Partial tariff reduction means that the tariff rate of goods of origin is reduced to a certain extent, but not eventually to zero. Exceptions are products that are exempt from any reduction or concession of tariff commitments after the Agreement enters into force. In the published RCEP Schedules of Tariff Commitments, the agreed tariff rates for such goods are indicated by the letter "U".

The zero tariff ratio for Australia's imports of electromechanical products from other RCEP Parties in the first year after the RCEP comes into effect was 84.37%, compared to 42.5% in the base period, nearly doubling. In the 20th year of RCEP's entry into force, Australia will have achieved zero tariffs for imports from most other RCEP Parties, and only certain import tariffs will be levied for less than 3% of electromechanical products, thus showing that the RCEP will provide greater benefits for Australian electromechanical product importers. Among them, the reduction rate for electromechanical products in Chapter 84 is higher than those in Chapter 85, with more room for tariff preferential benefits.

Table 8.1.5 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
84	41.63%	83.74%	93.01%	97.40%
85	44.08%	85.50%	92.60%	98.52%
TOTAL	42.50%	84.37%	92.86%	97.80%

Data source: Schedule of Tariff Commitments of RCEP members.

(B) Base metals and their byproducts

Base metals and their byproducts belong to Category 15 of the customs trade product classification, covered in Chapters 72-83.

Table 8.1.6 Subdivision Category of Base Metals and Byproducts

HS Code	**Product Description**
72	Iron and steel
73	Articles of iron or steel
74	Copper and articles thereof
75	Nickel and articles thereof
76	Aluminium and articles thereof
78	Lead and articles thereof
79	Zinc and articles thereof
80	Tin and articles thereof
81	Other base metals; cermets; articles thereof
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
83	Miscellaneous articles of base metal

In the export trade, the average growth of Australia's exports of base metals and their byproducts in the past five years are mostly positive, which indicates that Australia's base metals and byproducts have bright market prospects in other RCEP Contracting Parties. Australia's export value of base metals and their byproducts to China, South Korea and Vietnam have always exceeded the average. Australia's exports to China and South Korea showed a declining trend in recent years, while exports to Vietnam were lower than those of China and South Korea, but have grown rapidly in recent years, which indicates that Vietnam is a key Party for Australia's exports of base metals and their byproducts. Although Cambodia is a smaller Party in terms of export value of Australian base metals and their byproducts, its growth rate ranks first among the other RCEP Parties, indicating that the Vietnamese market for base metals and their byproducts has some potential.

In import trade, Australia's imports of base metals and their byproducts from other RCEP Contracting Parties grew at an average annual rate of -4.20% from 2015 to 2020. In the import trade of the base metals industry, China has been Australia's largest trading partner in recent years, and the trade volume has grown on the whole. In terms of trade growth rates, Australia's imports from other RCEP Parties show a wide variation. The best performer is Brunei, with an average annual growth rate of 56.35%.

Table 8.1.7 Australia's Trade Value of Base metals and byproducts with RCEP members and its Average Growth Rate, 2015-2020

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Brunei Darussalam	0.38	0.20	-11.43	0.03	0.29	56.35
Cambodia	0.31	1.00	26.20	0.76	2.83	29.90
China	2421.88	1881.69	-4.92	4349.15	4804.52	2.01
Indonesia	418.32	290.93	-7.01	238.66	141.56	-9.92
Japan	934.56	594.77	-8.64	1543.54	297.44	-28.06
Lao People's Dem. Rep.	0.74	1.05	7.37	0.01	0.01	5.56
Malaysia	654.78	686.79	0.96	335.55	290.82	-2.82

Myanmar	1.35	2.42	12.38	0.02	0.06	28.56
New Zealand	367.22	394.14	1.42	181.36	168.78	-1.43
Philippines	23.53	40.87	11.68	62.94	9.04	-32.16
Rep. of Korea	1110.94	1182.02	1.25	403.33	395.06	-0.41
Singapore	139.63	86.29	-9.18	147.62	64.92	-15.15
Thailand	542.19	554.64	0.46	794.52	256.34	-20.25
Viet Nam	493.38	1350.48	22.31	111.38	161.04	7.65
TOTAL	7109.21	7067.31	-0.12	8168.88	6592.70	-4.20

Data source: UN Comtrade Database.

By calculating the export-weighted MFN and FTA tax rates for the base metals industry in other RCEP Parties, the total tax difference between the two is obtained as the margin of preference (MOP). A larger tax difference means a larger trade volume and a greater potential preferential benefit from using the agreed tax rates. Currently, Laos and the Philippines have imposed higher tariffs on Australia, and the RCEP will provide greater preferential benefits for exporters of base metals and their byproducts to these Parties.

In the first year after the RCEP comes into effect, Laos and the Philippines will have the highest tax differences, both exceeding 2%, indicating that there are greater potential preferential benefits in these two Parties' agreed tax rates for Australian exports. China has been Australia's largest export trading partner for base metals and their byproducts. Its tariff rate reduction in the first year after the RCEP comes into effect was 1.91%, second only to Laos and the Philippines, and a more significant reduction compared to Vietnam, Australia's second-largest base metal export trade partner. Overall, there are still great tariff preferential benefits for Australian companies exporting to China. Brunei and Singapore will have reduced their MFN rates to zero and liberalized trade in base metal products.

Ten years after the RCEP comes into effect, it is still Laos and the Philippines that have the highest tax differences, both exceeding 3%, indicating that there are greater potential preferential benefits in these two Parties' agreed tax rates for Australian exports. Ten years after the RCEP comes into effect, China's tariff rates to Australia will be further reduced to basically zero, which will significantly reduce the tax burden on enterprises exporting base metals and their byproducts to China. Ten years later, South Korea and Japan will have already levied zero tariffs on Australian exports. In terms of the volume of export trade and the rate of tariff reduction, Australian companies will receive the greatest tariff preferential benefits for base metals and byproducts exported to China compared to the other RCEP Parties.

Table 8.1.8 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Brunei Darussalam	0.00	0.00	0.00	0.00	0.00
Cambodia	11.86	11.86	0.00	10.76	1.10
China	2.43	0.53	1.91	0.02	2.41
Indonesia	2.53	2.35	0.18	1.55	0.98
Japan	0.01	0.01	0.00	0.00	0.01
Lao People's Dem. Rep.	5.19	2.34	2.85	1.31	3.89
Malaysia	1.14	1.12	0.02	0.97	0.17
Myanmar	0.26	0.01	0.25	0.01	0.25
New Zealand	2.58	2.19	0.39	0.82	1.76
Philippines	3.79	0.65	3.15	0.34	3.45
Rep. of Korea	0.01	0.01	0.01	0.00	0.01
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	1.02	0.72	0.30	0.31	0.71
Viet Nam	0.97	0.22	0.75	0.06	0.92

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year after the RCEP comes into effect, the zero tariff ratio for Australia's imports of base metals and their byproducts from the other RCEP Parties will reach 60.38%, compared with 29.33% in the base period, nearly doubling. In the 10th year of the RCEP, the zero tariff ratio for base metals and their byproducts will reach 85.93%. In the 20th year of the RCEP, Australia will achieve zero import tariffs for most other RCEP Parties. There will only be import tariffs levied on less than 5% of base metals and their byproducts, so one can see that the RCEP will provide greater preferential benefits for Australia's import enterprises of base metals and their byproducts. The reduction rate for base metals and their byproducts is highest in Chapter 83, and the zero tariff ratio is only 5.56% in the base period. The zero tariff ratio will reach 77.78% in the first year after the RCEP comes into effect, showing that there is still great room for tariff preferential benefits. Australia is expected to quickly reap the tariff reduction dividends once the RCEP comes into effect.

Table 8.1.9 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
72	20.67%	30.17%	78.77%	94.41%
73	11.90%	47.62%	76.98%	93.65%
74	28.00%	84.00%	94.00%	98.00%
75	94.12%	100.00%	100.00%	100.00%
76	17.14%	74.29%	85.71%	88.57%
78	88.89%	100.00%	100.00%	100.00%
79	90.00%	90.00%	100.00%	100.00%
80	100.00%	100.00%	100.00%	100.00%
81	100.00%	100.00%	100.00%	100.00%
82	16.18%	79.41%	98.53%	100.00%
83	5.56%	77.78%	83.33%	88.89%
TOTAL	29.33%	60.38%	85.93%	95.37%

Data source: Schedule of Tariff Commitments of RCEP members.

(C) Chemical products

Chemical products belong to Category 6 of the customs trade product classification, covered in Chapters 28-38.

Table 8.1.10 Subdivision Category of Chemical products

HS Code	Product Description
28	Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, Of Rare-Earth Metals, Of Radioactive Elements or Of Isotopes
29	Organic Chemicals
30	Pharmaceutical Products
31	Fertilizers
32	Tanning Or Dyeing Extracts; Tannins and Their Derivatives; Dyes, Pigments and Other

	Colouring Matter; Paints and Varnishes; Putty and Other Mastics; Inks
33	Essential Oils and Resinoids; Perfumery, Cosmetic or Toilet Preparations
34	Soap, Organic Surfactants, Washing Preparations, Lubricating Preparations
35	Albuminoidal substances; modified starches; glues;
36	Explosives; Pyrotechnic Products; Matches; Pyrophoric Alloys; Certain Combustible Preparations
37	Photographic Or Cinematographic Goods
38	Miscellaneous Chemical Products

In export trade, the average growth of Australian chemical exports in the past five years has been mostly positive, indicating that the market prospects of Australia's chemical products in the other RCEP Parties are bright. Australia's chemical exports to China and New Zealand are consistently above the average, and these Parties are the key Parties for Australia's chemical exports. Myanmar, as a Party with a small export value of Australian chemical products, ranks first among the other RCEP Parties in terms of growth rate, indicating that the chemical products market of this Party also has some potential.

In the import trade, Australia's imports of chemical products from the other RCEP Parties grew at an average annual rate of 7.58% from 2015 to 2020. In the chemical products import trade, China has been Australia's largest trading partner in recent years, and the trade value has shown an overall growth rate of 10.19%. In terms of trade growth rates, Australia's imports from the other RCEP Parties show a wide variation for the chemical industry. The best performers are Brunei and Vietnam, with average annual growth rates of 142.52 % and 36.93 % respectively, but with smaller trade values.

Table 8.1.11 Australia's Trade Value of Chemical products with RCEP members and its Average Growth Rate, 2015-2020

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Brunei Darussalam	1.15	1.59	6.79	0.00	0.08	142.52

Cambodia	1.79	1.68	-1.31	0.05	0.08	11.48
China	580.62	1322.05	17.89	1950.73	3169.55	10.19
Indonesia	131.44	91.34	-7.02	241.79	224.59	-1.47
Japan	227.01	246.00	1.62	319.35	380.07	3.54
Lao People's Dem. Rep.	0.91	0.87	-0.85	-	-	-
Malaysia	143.39	81.85	-10.61	234.38	391.16	10.79
Myanmar	4.95	15.92	26.33	0.01	0.02	25.54
New Zealand	710.77	1021.77	7.53	302.70	262.42	-2.82
Philippines	68.09	48.83	-6.44	50.85	55.76	1.86
Rep. of Korea	303.12	170.51	-10.87	183.40	222.53	3.94
Singapore	152.70	139.42	-1.80	368.27	485.53	5.68
Thailand	159.63	137.39	-2.96	261.95	386.63	8.10
Viet Nam	117.54	233.70	14.73	18.14	87.33	36.93
TOTAL	2603.11	3512.92	6.18	3931.61	5665.75	7.58

Data source: UN Comtrade Database.

By calculating the export-weighted MFN and FTA tax rates for the chemical industry in the other RCEP Parties, the total tax difference between the two is obtained as the margin of preference (MOP). A larger tax difference means a larger trade volume and a greater potential preferential benefit from using the agreed tax rates.

In the first year after RCEP comes into effect, China, Indonesia and the Philippines will have the highest tax differences, all exceeding 2%, indicating that there are greater potential preferential benefits in these three Parties' agreed tax rates for Australian exports. Singapore, as a free trade port, will have reduced its MFN tariff rate to zero and liberalized trade for chemical products. China is Australia's largest trading partner for chemical exports, and the tariff rate reduction of 3.82% in the first year after the RCEP comes into effect indicates a higher degree of preferential benefits, second only to the Philippines.

Ten years after the RCEP comes into effect, China, Laos and the Philippines will have the highest tax differences, all exceeding 4%, indicating that there are greater potential preferential benefits in these three Parties' agreed tax rates for Australian exports. China has the second-largest tariff reduction among other RCEP Parties in the first year of the RCEP, and the tariff rate will be further reduced after ten years. It will still rank second in terms of preferential benefits, after Malaysia. Although the Philippines has the largest tariff reduction in the first year, the tariff rates will not decrease after the first year. It is expected that once the RCEP comes into effect, the tariff burden will be significantly reduced on enterprises exporting chemical products to China, and exports of chemical products by Australia's enterprises to China will further increase.

Table 8.1.12 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Brunei Darussalam	1.34	1.34	0.00	1.34	0.00
Cambodia	7.39	7.38	0.01	7.13	0.27
China	4.96	1.14	3.82	0.38	4.58
Indonesia	8.83	6.53	2.29	5.17	3.65
Japan	0.85	0.79	0.06	0.33	0.51
Lao People's Dem. Rep.	8.82	7.77	1.06	3.51	5.32
Malaysia	4.22	4.12	0.10	3.99	0.24
Myanmar	4.92	4.63	0.29	2.63	2.29
New Zealand	1.98	1.41	0.56	0.29	1.69
Philippines	4.30	0.02	4.28	0.02	4.28
Rep. of Korea	0.07	0.05	0.02	0.02	0.05
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	3.33	1.56	1.77	0.11	3.22
Viet Nam	2.53	1.89	0.64	0.02	2.50

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year after the RCEP comes into effect, the zero tariff ratio for chemical products imported by Australia to other RCEP Parties will reach 89.68%, compared with 71.67% in the base period, an increase of 18.01%. In the 20th year of the RCEP, the zero tariff ratio will only increase by 1%, and by this time, Australia will have basically achieved zero import tariffs for the other RCEP Parties, with only some import tariffs levied on 0.11% of chemical products. Thus it can be seen that the RCEP will provide greater preferential benefits for Australia's chemical product importers. Among them, the reduction rates of chemical products in Chapters 33 and 34 are the highest, with a zero tariff ratio of only 33.33% in the base period. In the first year after the RCEP comes into effect, the zero tariff ratio in Chapter 33 will reach 96.97%, the zero tariff ratio in the 34th Chapter will reach 100.00%, with great room for tariff preferential benefits. Australia is expected to quickly reap the tariff reduction dividends once the RCEP comes into effect.

Table 8.1.13 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HSCode	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
28	88.64%	94.89%	99.43%	99.43%
29	84.48%	94.25%	99.43%	100.00%
30	62.22%	75.56%	84.44%	100.00%
31	100.00%	100.00%	100.00%	100.00%
32	31.11%	86.67%	100.00%	100.00%
33	33.33%	96.97%	96.97%	100.00%
34	33.33%	100.00%	100.00%	100.00%
35	75.00%	100.00%	100.00%	100.00%
36	37.50%	87.50%	100.00%	100.00%
37	40.48%	71.43%	100.00%	100.00%
38	53.21%	72.48%	100.00%	100.00%
TOTAL	71.67%	89.68%	98.74%	99.89%

Data source: Schedule of Tariff Commitments of RCEP members.

(D) Textiles and raw materials

Textiles and raw materials belong to Category 11 of the customs trade product classification, covered in Chapters 50-63.

Table 8.1.14 Subdivision Category of Textiles and Raw Materials

HS Code	Product Description
50	silk
51	wool, fine or coarse animal hair; horsehair yarn and woven fabric
52	cotton
53	other vegetable textile fibres; paper yarn and woven fabrics of paper yarn
54	man-made filaments; strip and the like of man-made textile materials
55	man-made staple fibres
56	wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof

57	carpets and other textile floor coverings
58	special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
59	impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial
60	knitted or crocheted fabrics
61	articles of apparel and clothing accessories, knitted or crocheted
62	articles of apparel and clothing accessories, not knitted or crocheted
63	other made up textile articles; sets; worn clothing and worn textile articles; rags

In export trade, the average growth rate of Australia's exports of textiles and raw materials to most other RCEP Parties is negative, with a large rate of decline. Australia's exports to Japan, Myanmar, the Philippines, South Korea, Thailand all declined by more than 10% in value. On the whole, Australia's exports of textiles and raw materials to Vietnam have always exceeded the average, ranking third among the other RCEP Parties, and showing a growing trend in recent years. With a growth rate of 4.27%, Vietnam can be seen as a key Party for Australia's exports of textiles and raw materials. Under the tightening export markets of textiles and raw materials, Cambodia, with its relatively small export value for textiles and raw materials from Australia, has a significant growth rate of 46.27%, ranking first among the other RCEP Parties, indicating that its textiles and raw materials market also has some potential.

In import trade, Australia's imports of textiles and raw materials from the other RCEP Parties grew rapidly at an average annual rate of 5.27% from 2015 to 2020. China is Australia's largest trading partner in this sector, with Australia's imports of textile products from China accounting for nearly 90% of its import market. Australia's import trade with China has been positive in recent years, growing at an above-average rate of 5.91%. In terms of trade growth rates, Australia's imports from the other RCEP Parties show a wide variation in trade growth rates. The average annual growth rate of Australia's import trade with Myanmar is higher at

23.46%, but the trade value is smaller and the potential for import trade development is greater.

Table 8.1.15 Australia's Trade Value of Textiles and raw materials with RCEP members and its Average Growth Rate, 2015-2020

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Brunei Darussalam	0.09	0.10	2.10	0.11	0.00	-57.99
Cambodia	0.02	0.15	46.27	96.37	101.19	0.98
China	2084.71	1469.45	-6.76	5393.03	7185.52	5.91
Indonesia	72.46	43.15	-9.85	225.80	243.15	1.49
Japan	32.44	16.61	-12.53	27.97	32.01	2.73
Lao People's Dem. Rep.	0.19	0.31	10.34	1.60	2.19	6.51
Malaysia	83.57	12.21	-31.93	40.38	36.59	-1.95
Myanmar	0.20	0.01	-43.83	4.59	13.17	23.46
New Zealand	156.94	157.16	0.03	139.97	94.27	-7.60
Philippines	3.27	1.50	-14.47	18.90	11.92	-8.81
Rep. of Korea	106.02	39.87	-17.77	104.63	79.09	-5.44
Singapore	20.62	16.23	-4.68	13.69	16.86	4.25
Thailand	70.17	24.23	-19.16	154.07	101.19	-8.06
Viet Nam	97.14	119.71	4.27	204.78	390.48	13.78
TOTAL	2727.86	1900.68	-6.97	6425.91	8307.63	5.27

Data source: UN Comtrade Database.

By calculating the export-weighted MFN and FTA tax rates for the textiles industry in other RCEP Parties, the total tax difference between the two is obtained as the margin of preference (MOP). A larger tax difference means a larger trade volume and a greater potential preferential benefit from using the agreed tax rates. Currently, Laos and the Philippines have imposed higher tariffs on Australia, and the RCEP will provide greater preferential benefits for exporters of textile products to these Parties.

In the first year after RCEP comes into effect, the Philippines will have the highest tax difference, with a tax reduction of 8.38%, far exceeding those of other Parties, indicating that there are the greatest potential preferential benefits in the Philippines' agreed tax rates for Australian exports. However, Australia's export trade to the Philippines is relatively small, accounting for only 0.08% of exports to the other RCEP Parties, so the tariff preferential benefits that enterprises can reap from it are limited. Singapore, a free trade port, will have reduced its MFN rate to zero and liberalized trade in textiles and raw materials. China has been Australia's largest textile export trading partner, and the tariff rate reduction in the first year after the RCEP comes into effect will be 0.13%, which is not a large degree of preferential benefits.

Ten years after RCEP comes into effect, the Philippines, Laos and Myanmar will have the highest tax differences, all exceeding 6%, indicating that there are greater potential preferential benefits in these three Parties' agreed tax rates for Australian exports. However, the trade value of Australia's exports to these three Parties only accounts for 0.10% of exports to other RCEP Parties, so the tariff preferential benefits that enterprises can reap from them are limited. Ten years after the RCEP comes into force, China's import tariffs on Australian textile products are still much higher than those of other Parties, and the tariff rate reduction is still not significant, at 0.18%. However, considering the large volume of Chinese imports, enterprises can still reap certain tariff preferential benefits.

Table 8.1.16 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Brunei Darussalam	0.56	0.56	0.00	0.56	0.00
Cambodia	9.41	7.99	1.42	4.71	4.70
China	37.82	37.69	0.13	37.64	0.18
Indonesia	1.07	0.22	0.86	0.20	0.88
Japan	0.33	0.31	0.02	0.12	0.21
Lao People's Dem. Rep.	10.00	9.57	0.43	3.13	6.87
Malaysia	2.61	2.55	0.07	0.28	2.33

Myanmar	11.32	9.63	1.68	4.58	6.74
New Zealand	7.65	6.23	1.42	3.18	4.47
Philippines	11.21	2.83	8.38	1.67	9.53
Rep. of Korea	0.01	0.00	0.01	0.00	0.01
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	2.93	1.51	1.42	0.00	2.93
Viet Nam	1.21	0.32	0.89	0.15	1.06

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year after the RCEP comes into effect, the zero tariff ratio of Australia's imports of textiles and raw materials from other RCEP Parties will reach 47.75%, which is three times that of the base period. In the 10th year of the RCEP, the zero tariff ratio of textiles and raw materials will reach 77.72%. In the 20th year of the RCEP, Australia's imports of textiles and raw materials from other RCEP Parties will have completely achieved zero tariffs. This shows that RCEP will provide great preferential benefits for Australian textile and raw material importers. Among them, the reduction for textiles and raw materials in Chapter 60 is the highest. The zero tariff ratio in the base period is zero, and the zero tariff ratio in Chapter 60 will reach 55.81% in the first year that the RCEP comes into effect. Zero tariffs will be basically achieved in the 10th year of the RCEP, with less than 5% of the products levied with some import tariffs. There is great room for tariff preferential benefits. Australia is expected to quickly reap the tariff reduction dividends once the RCEP comes into effect.

Table 8.1.17 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
50	81.82%	90.91%	90.91%	100.00%
51	47.37%	78.95%	100.00%	100.00%
52	3.79%	34.85%	83.33%	100.00%
53	86.96%	86.96%	95.65%	100.00%
54	5.71%	62.86%	97.14%	100.00%
55	18.75%	56.25%	94.64%	100.00%
56	26.47%	76.47%	94.12%	100.00%
57	37.84%	40.54%	51.35%	100.00%
58	28.26%	60.87%	97.83%	100.00%
59	15.15%	69.70%	100.00%	100.00%
60	0.00%	55.81%	95.35%	100.00%

61	10.24%	22.83%	51.97%	100.00%
62	11.45%	21.37%	44.27%	100.00%
63	18.92%	66.22%	81.08%	100.00%
TOTAL	17.56%	47.75%	77.72%	100.00%

Data source: Schedule of Tariff Commitments of RCEP members.

(E) Optical equipment, watches and clocks, and medical equipment

Optical equipment, watches and clocks, and medical equipment belong to Category 18 of the customs trade product classification, covered in Chapters 90-92.

Table 8.1.18 Subdivision Category of Optical Equipment, Watches and Clocks, and Medical Equipment

HS Code	Product Description
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
91	Clocks and watches and parts thereof
92	Musical instruments; parts and accessories of such articles

In export trade, Australia's export trade of optical equipment, watch and clocks, and medical equipment to the other RCEP Parties has been growing steadily with an average annual growth rate of 1.35 %. Australia's exports of optical equipment, watches and clocks, medical equipment to New Zealand, Japan, China and Singapore have always been above average, and these three Parties are the key countries for Australia's exports of optical equipment, watches and clocks, and medical equipment. In terms of trade growth rate, Vietnam ranks first among the other RCEP Parties with a growth rate of 35.94%, indicating that the optical equipment, watches and clocks, and medical equipment market of this Party has some potential.

In import trade, Australia's trade imports of optical equipment, watches and clocks, and medical equipment from the other RCEP Parties grew steadily on the whole from 2015 to 2020, with an average annual growth rate of 2.50%. China is Australia's largest trading partner in this sector, accounting for 50% of its imports, and Australia's import trade with China has been growing in all aspects in recent years, with a growth rate of 4.91%, exceeding the average. In terms of trade growth rate, in the optical equipment, watches and clocks, and medical equipment sectors, the trade growth rate of Australia's imports from the other RCEP Parties shows a wide variation. The average annual growth rate of Australia's import trade from Myanmar is higher at 39.85%, with a greater potential for import trade development.

Table 8.1.19 Australia's Trade Value of Optical equipment, watches and clocks, and medical equipment with RCEP members and its Average Growth Rate, 2015-2020

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Brunei Darussalam	1.71	0.69	-16.52	0.34	0.01	-47.33
Cambodia	0.23	0.21	-1.96	0.01	0.03	19.06
China	211.57	156.34	-5.87	1048.41	1332.32	4.91
Indonesia	13.79	20.59	8.35	25.14	34.75	6.69
Japan	125.05	169.34	6.25	404.82	309.80	-5.21
Lao People's Dem. Rep.	1.40	1.85	5.71	0.17	0.04	-24.34
Malaysia	36.37	43.63	3.71	168.80	228.96	6.29
Myanmar	0.66	0.51	-4.96	0.07	0.37	39.85
New Zealand	405.06	446.66	1.97	56.02	59.91	1.35
Philippines	9.03	13.23	7.93	20.90	22.42	1.42
Rep. of Korea	38.78	52.68	6.32	45.27	53.47	3.39
Singapore	146.13	135.93	-1.44	189.55	213.66	2.42
Thailand	25.89	21.71	-3.45	177.85	131.06	-5.92
Viet Nam	6.41	29.77	35.94	26.55	61.44	18.27
TOTAL	1022.09	1093.15	1.35	2163.90	2448.26	2.50

Data source: UN Comtrade Database.

By calculating the export-weighted MFN and FTA tax rates in the other RCEP Parties, the total tax difference between the two is obtained as the margin of preference (MOP). A larger tax difference means a larger trade volume and a greater potential preferential benefit from using the agreed tax rates. The tax rates under the RCEP are generally lower in the first year of the Agreement, with more significant reductions in tax rates achieved in the 10th year.

In the first year after RCEP comes into effect, China and Indonesia will have the highest tax differences, both exceeding 3%, indicating that there are greater potential preferential benefits in these two Parties' agreed tax rates for Australian exports. Singapore, as a free trade port, will have reduced its MFN tariff rate to zero and liberalized trade in optical equipment, watches and clocks, and medical equipment. China is Australia's third-largest export trading partner for optical equipment, watches and clocks, and medical equipment, and its tariff rate reduction of 3.05% in the first year of the RCEP offers more preferential benefits, ranking third among the other RCEP Parties.

Ten years after RCEP comes into effect, China and Indonesia will still have the highest tax differences, both exceeding 4%, indicating that there are greater potential preferential benefits in these two Parties' agreed tax rates for Australian exports. Indonesia ranks first in terms of tax reduction in the first year and after 10 years, but the trade value only accounts for less than 2% of Australia's exports to other RCEP Parties. The tariff preferential benefits that enterprises can reap from it is limited. China is Australia's third-largest export partner for optical equipment, watches and clocks, and medical equipment, and ranks second in terms of tariff reduction in the first year, with further tariff reductions in 10 years. With an overall reduction rate of 4.43%, it is second only to Indonesia. In terms of the combined trade volume and tariff reduction, the RCEP will offer greater room for tariff preferential benefits for companies exporting optical equipment, watches and clocks, and medical equipment to China.

Table 8.1.20 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Brunei	2.26	2.26	0.00	2.26	0.00

Darussalam					
Cambodia	11.42	11.42	0.00	7.45	3.97
China	4.54	1.49	3.05	0.11	4.43
Indonesia	4.96	1.67	3.30	0.03	4.94
Japan	0.01	0.01	0.00	0.00	0.00
Lao People's Dem. Rep.	5.03	3.16	1.87	1.26	3.77
Malaysia	0.36	0.25	0.11	0.10	0.26
Myanmar	1.99	1.97	0.02	1.93	0.06
New Zealand	0.51	0.33	0.18	0.10	0.40
Philippines	2.09	0.00	2.09	0.00	2.09
Rep. of Korea	0.05	0.00	0.05	0.00	0.05
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	3.08	0.20	2.88	0.00	3.08
Viet Nam	0.16	0.00	0.16	0.00	0.16

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year after the RCEP comes into effect, the zero tariff ratio for Australia's imports of optical equipment, watch and clock, and medical equipment from the other RCEP Parties will reach 91.25%, compared to 81.67% in the base period, an increase of 9.58%. In the 10th year of the RCEP, the zero tariff ratio for optical equipment, watches and clocks, and medical equipment will reach 96.25%, and Australia's import tariff reduction for optical equipment, watches and clocks, medical equipment will be largely completed within 10 years of the RCEP. In the 20th year of the RCEP, the zero tariff ratio will increase by less than 1%. Ultimately, Australia's imports of optical, equipment, watch and clock, and medical equipment from the other RCEP Parties will have achieved full zero tariffs, with only less than 4% of products levied with some import tariffs. This shows that the RCEP will provide great preferential benefits for Australia's optical equipment, watches and clocks, and medical equipment importers. Among them, the optical equipment, watches and clocks, and medical equipment in Chapter 92 have the highest reduction rate, with zero tariff ratio of 76.47% in the base period. Zero import tariffs will be achieved completely in the first year of the RCEP, with great room for tariff preferential benefits.

Australia is expected to quickly reap the tariff reduction dividends once the RCEP comes into effect.

Table 8.1.21 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
90	79.77%	89.60%	94.80%	96.53%
91	90.00%	94.00%	100.00%	100.00%
92	76.47%	100.00%	100.00%	100.00%
TOTAL	81.67%	91.25%	96.25%	97.50%

Data source: Schedule of Tariff Commitments of RCEP members.

(F) Plastic and rubber

Plastics and rubber belong to Category 7 of the customs trade product classification, covered in Chapters 39-40.

Table 8.1.22 Subdivision Category of Plastics and Rubber

HS Code	Product Description
39	Plastics and articles thereof
40	Rubber and articles thereof

In export trade, Australia's exports of plastics and rubber to the vast majority of other RCEP Parties grew negatively on average over the past five years, with a large rate of decline. New Zealand is an important Party for Australia's plastics and rubber exports. More than half of Australia's plastics and rubber exports to the other RCEP Parties are exported to New Zealand. In recent years, Australia's export trade to New Zealand has declined, but the margin is relatively small. From a comprehensive perspective, New Zealand is a key Party for Australia's plastic and rubber exports. Under the tightening plastics and rubber export markets, Cambodia, as a smaller Party for Australia's plastics and rubber exports in terms of export value, has a more significant growth rate of 37.53%. It ranks first among the other RCEP Parties, indicating that its plastics and rubber market also has some potential.

In import trade, Australia's imports of plastics and rubber products from the other RCEP Parties grew at an average annual rate of 4.42%. China is Australia's largest trading partner in this sector, and Australia's plastic and rubber imports to China account for nearly 60% of its import market. In recent years, Australia's plastics and rubber import trade with China has been improving, with a growth rate exceeding the average, reaching 7.71%. In terms of trade growth rate, Myanmar has a high average annual growth rate of 84.69% in the plastics and rubber industry, showing some potential.

Table 8.1.23 Australia's Trade Value of Plastics and rubber with RCEP members and its Average Growth Rate, 2015-2020

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Brunei Darussalam	0.14	0.67	37.53	0.20	-	-
Cambodia	0.12	0.09	-4.99	0.47	0.26	-10.99
China	70.76	71.81	0.30	2427.85	3519.57	7.71
Indonesia	62.39	41.93	-7.64	173.96	161.27	-1.50
Japan	45.93	38.51	-3.47	565.77	632.74	2.26
Lao People's Dem. Rep.	0.86	0.78	-2.03	0.00	-	-
Malaysia	32.91	24.15	-6.00	413.31	555.00	6.07
Myanmar	0.43	0.37	-2.81	0.01	0.24	84.69
New Zealand	257.91	240.29	-1.41	175.42	145.15	-3.72
Philippines	10.80	8.75	-4.12	13.96	15.66	2.32
Rep. of Korea	25.36	15.20	-9.73	279.34	262.01	-1.27
Singapore	29.85	15.32	-12.48	117.58	70.98	-9.60
Thailand	25.99	21.20	-4.00	608.86	548.09	-2.08
Viet Nam	47.81	30.12	-8.83	75.63	111.46	8.07
TOTAL	611.26	509.19	-3.59	4852.36	6022.43	4.42

Data source: UN Comtrade Database.

By calculating the export-weighted MFN and FTA tax rates in the other RCEP Parties, the total tax difference between the two is obtained as the margin of preference (MOP). A larger tax difference means a larger trade volume and a greater potential preferential benefit from using the agreed tax rates. Currently, China, Laos, Thailand are levying higher tariffs on Australia, and the RCEP will provide greater preferential benefits for companies exporting plastics and rubber to these Parties.

In the first year after RCEP comes into effect, China, the Philippines and Vietnam will have the highest tax differences, all exceeding 3%, indicating that there are greater potential preferential benefits in these three Parties' agreed tax rates for Australian exports. Singapore, as a free trade port, will have reduced its MFN tariff rate to zero and liberalized trade in plastics and rubber. China has been Australia's second-largest export trading partner for plastics and rubber, second only to New Zealand, and the tariff rate reduction in the first year after the RCEP comes into effect will be 4.98%, with a relatively greater degree of preferential benefits, ranking first among other RCEP Parties. This indicates that Australia's enterprises will have the greatest room for tariff preferential benefits in exporting plastics and rubber to China.

Ten years after the RCEP comes into effect, China, Laos and Thailand will have the highest tax differences, all exceeding 6%, indicating that there are greater potential preferential benefits in these three Parties' agreed tax rates for Australian exports. Thailand and Laos are among the top three tariff-reducing Parties in the first year and after 10 years, but their trade value only accounts for less than 5% of exports to the other RCEP Parties. The total tariff preferential benefits gained by enterprises through the Agreement are limited. Nearly half of Australia's plastics and rubber exports to other RCEP Parties are to New Zealand. New Zealand's tariff reduction in the first year of the RCEP is small, but tariffs will be further reduced after 10 years, with a tax difference of 2.92%. Although New Zealand's tariff reduction is small, considering Australia's large trade volume with New Zealand, enterprises can still reap some tariff preferential benefits out of it. China's tax preferential benefits in the first year are the highest, and 10 years after the RCEP comes into effect, China's tariff rates will be even more significantly reduced, with a rate reduction of 7.54%.

The RCEP will greatly promote the trade in plastics and rubber products between all Contracting Parties, reducing costs for Australian exporters.

Table 8.1.24 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Brunei Darussalam	0.01	0.01	0.00	0.01	0.00
Cambodia	14.57	14.56	0.00	12.10	2.47
China	9.24	4.26	4.98	1.70	7.54
Indonesia	7.84	5.60	2.24	4.36	3.48
Japan	1.55	1.39	0.15	0.17	1.38
Lao People's Dem. Rep.	10.46	7.99	2.47	3.48	6.98
Malaysia	13.70	13.61	0.09	12.82	0.88
Myanmar	2.84	2.80	0.04	2.23	0.61
New Zealand	3.72	3.19	0.53	0.80	2.92
Philippines	8.95	5.00	3.95	3.05	5.90
Rep. of Korea	0.07	0.06	0.01	0.00	0.06
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	8.74	6.21	2.53	0.41	8.34
Viet Nam	4.88	1.69	3.19	0.39	4.49

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year after the RCEP comes into effect, Australia will import 55.46% of plastics and rubber from other RCEP Parties at zero tariffs, more than five times that of the base period. In the 10th year of the RCEP, the zero tariff ratio on plastics and rubber will reach 81.93%. In the 20th year of RCEP, the zero tariff ratio on plastics and rubber will reach 92.44%. Ultimately, Australia will only levy some import tariffs on less than 8% of products. This shows that RCEP will provide great preferential benefits to Australian plastics and rubber importers. The overall increase in zero tariff ratio for products in Chapters 39 and 40 is basically the same, but the increase of zero tariff ratio in Chapter 40 will be accelerated within 10 years once the RCEP comes into effect. There will be great room for tariff preferential benefits, and Australia is expected to quickly reap the tariff reduction dividends once the RCEP comes into effect.

Table 8.1.25 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
39	7.86%	52.86%	77.86%	90.00%
40	13.27%	59.18%	87.76%	95.92%
TOTAL	10.08%	55.46%	81.93%	92.44%

Data source: Schedule of Tariff Commitments of RCEP members.

(G) Furniture, toys, and miscellaneous products

Table 8.1.26 Furniture, Toys, and Miscellaneous Products

HS Code	Product Description
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings
95	Toys, games and sports requisites; parts and accessories thereof
96	Miscellaneous manufactured articles

In export trade, Australia's exports of furniture, toys, and miscellaneous products to other RCEP Parties grew at an average annual rate of 4.13%. More than half of Australia's exports of furniture, toys, and miscellaneous products to the other RCEP Parties are to New Zealand. In recent years, Australia's export trade value to New Zealand has grown faster than average. In terms of the combined trade value and growth rate, New Zealand is a key Party for Australia's exports of furniture, toys and miscellaneous products.

In import trade, on a whole, Australia's imports of furniture, toys, and miscellaneous products from the other RCEP Parties grew at an average annual rate of 5.60%, with a faster overall growth rate. In the import trade of this sector, China has been Australia's largest trading partner country. China's exports of furniture, toys, and miscellaneous products to Australia far exceed those of other Parties, and the growth rate has been stable in recent years. In terms of trade growth rates, the growth rates of

Australia's imports from other RCEP Parties in this sector have wide variance. Cambodia and Myanmar are the best performers, with average annual growth rates of 48.73% and 26.81% respectively, with high potential for future development.

Table 8.1.27 Australia's Trade Value of Furniture, toys, and miscellaneous products with RCEP members and its Average Growth Rate, 2015-2020

Country or Region	Australia exports to the country or region			Australia imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Brunei Darussalam	0.11	0.08	-7.19	-	-	-
Cambodia	1.31	0.40	-21.25	0.64	4.65	48.73
China	21.55	47.14	16.94	4579.28	6225.30	6.33
Indonesia	19.02	2.14	-35.40	125.20	143.68	2.79
Japan	5.56	9.59	11.50	55.94	76.64	6.50
Lao People's Dem. Rep.	0.28	0.15	-11.36	-	0.00	-
Malaysia	9.73	10.36	1.25	208.01	178.32	-3.03
Myanmar	0.16	0.02	-35.78	0.40	1.30	26.81
New Zealand	148.57	208.37	7.00	55.93	42.30	-5.44
Philippines	15.80	12.02	-5.32	13.91	10.33	-5.78
Rep. of Korea	13.98	7.58	-11.52	41.66	54.60	5.56
Singapore	29.30	23.87	-4.02	19.63	31.31	9.79
Thailand	5.32	3.75	-6.79	162.88	110.73	-7.43
Viet Nam	2.35	8.77	30.13	255.14	369.37	7.68
TOTAL	273.04	334.22	4.13	5518.62	7248.53	5.60

Data source: UN Comtrade Database.

By calculating the export-weighted MFN and FTA tax rates in the other RCEP Parties, the total tax difference between the two is obtained as the margin of preference (MOP). A larger tax difference means a larger trade volume and a greater potential preferential benefit from using the agreed tax rates. With the progression of the RCEP, the tax reduction measures granted to Australia by other RCEP Parties will further reduce the tax burden on Australian exporters.

In the first year after RCEP comes into effect, Thailand and Vietnam will have the highest tax differences, both exceeding 10%, indicating that there are greater potential preferential benefits in these two Parties' agreed tax rates for Australian exports. Singapore, as a free trade port, will have reduced its MFN tariff rate to zero and liberalized trade in furniture, toys and miscellaneous products. China is Australia's second-largest export trading partner for furniture, toys and miscellaneous products, after New Zealand, and its tariff rate reduction in the first year of the RCEP is 9.68%, which is the third-largest among the other RCEP Parties, after Thailand and Vietnam. This indicates that there will be the greatest room for tariff reduction and profit for furniture, toys and miscellaneous products exported to China in the first year of the RCEP.

Ten years after the RCEP comes into effect, Thailand, Malaysia and Vietnam will have the highest tax differences, all exceeding 15%, indicating that there are greater potential preferential benefits in these three Parties' agreed tax rates for Australian exports. Thailand and Vietnam are among the top three tax-reducing Parties in the first and 10th year, and enterprises can take advantage of the Agreement to reap a lot of preferential benefits. 60% of Australia's exports of furniture, toys, and miscellaneous products to other RCEP Parties are to New Zealand. New Zealand's tariff reduction in the first year of the RCEP is small, but after 10 years, its tariffs will be further reduced, with a tax difference of 3.78%. Although New Zealand's tariff reduction is small, considering the large volume with New Zealand, enterprises can still reap a certain degree of tariff preferential benefits. China offers the greatest tariff preferential benefits in the first year, and 10 years after the RCEP comes into effect, China's tariff rates will be significantly reduced, with the rate of reduction increasing to 12.42%, ranked fourth among the other RCEP Parties. The implementation of the RCEP will greatly promote the trade of furniture, toys, miscellaneous products between all Contracting Parties, reducing costs for Australian exporters.

Table 8.1.28 Comparison of Export-Weighted MFN Tax Rate, FTA Tax Rate and Tax Difference between RCEP and Bilateral Agreements

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Brunei Darussalam	0.78	0.78	0.00	0.78	0.00
Cambodia	10.61	10.61	0.00	7.78	2.83
China	14.82	5.14	9.68	2.41	12.42
Indonesia	7.87	3.55	4.32	0.95	6.92
Japan	0.11	0.11	0.01	0.03	0.09
Lao People's Dem. Rep.	8.30	2.37	5.92	1.00	7.30
Malaysia	17.93	16.09	1.84	0.27	17.66
Myanmar	4.65	4.14	0.50	2.46	2.18
New Zealand	4.46	3.02	1.45	0.68	3.78
Philippines	7.91	1.01	6.90	0.56	7.35
Rep. of Korea	0.02	0.00	0.02	0.00	0.02
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	17.97	2.14	15.83	0.76	17.21
Viet Nam	18.50	3.90	14.61	0.07	18.44

Data source: Schedule of Tariff Commitments of RCEP members.

In the first year after the RCEP comes into effect, the zero tariff ratio for Australian imports of furniture, toys and miscellaneous products from other RCEP Parties will be 88.19%, nearly four times that of the base period. In the 10th year of the RCEP, the zero tariff ratio will reach 95.14%. The reduction of import tariffs on Australia's furniture, toys and miscellaneous products will be largely completed within 10 years after the RCEP comes into effect. 20 years after the RCEP comes into effect, the zero tariff ratio will increase only by less than 2.08%. Ultimately, Australia's imports of furniture, toys and miscellaneous products from the other RCEP Parties will have achieved full zero tariffs, with import tariffs still levied for less than 3% of products. This indicates that the RCEP will provide great preferential benefits to Australian furniture, toys, and miscellaneous products importers. Among them, the furniture, toys and miscellaneous products in Chapter 95 have the greatest reduction, and the zero tariff ratio is 25.58% for the base period. The zero tariff ratio in Chapter 95 will reach 97.67% in the first year of the RCEP. Zero tariffs will be completely achieved in the 10th year of the RCEP, so there is very great room for tariff preferential benefits. Australia is expected to quickly reap the tariff reduction dividends once the RCEP comes into effect.

Table 8.1.29 The Zero Tariff Ratio of Tariff Commitments of Australia for RCEP members

HS2	Zero tariff ratio			
	BaseRate	Year1	Year10	Year20
94	16.67%	80.95%	90.48%	97.62%
95	25.58%	97.67%	100.00%	100.00%
96	38.98%	86.44%	94.92%	94.92%
TOTAL	28.47%	88.19%	95.14%	97.22%

Data source: Schedule of Tariff Commitments of RCEP members.

Section 2 Trade in Service

As a founding member of the APEC, Australia has been a major trade partner with Japan, Korea, China, the ASEAN Parties and its neighbor New Zealand in trade in services, all located on the west coast of the Pacific Ocean. The RCEP not only provides Australia with more standardized and harmonized rules for trade in services, but also promotes more liberalized and facilitated trade in services in areas such as intellectual property rights, e-commerce and movement of natural persons. Analyzing the current status and liberalization commitments of trade in services between Australia and the other RCEP Parties can help promote further cooperation in such trade between Australia and the other RCEP Parties based on an understanding of Australia's trade scale and advantageous industries.

I. The current status of Australia's exports in trade in services to other RCEP Contracting Parties

The other RCEP Contracting Parties are important foreign destinations for Australia's trade in services, and Australia shows an overall trade surplus in trade in services with them. This trade surplus comes mainly from the tourism sector. In 2019, Australia's total exports and imports in trade in services with the other RCEP Parties amounted to US$56.934 billion, accounting for 40.2% of its total exports and imports in trade in services to the rest of the world, worth US$141.506 billion. Australia's total export value in trade in services to other RCEP Parties was US$33.823 billion, accounting for 48.3% of Australia's total exports in trade in services, amounting to $69.975 billion in 2019. Australia's total imports in trade in services from the other RCEP Parties amounted to $23.111 billion, accounting for 32.3% of its total imports worth $71.531 billion in 2019. This section will analyze the current status of Australia's trade in services with other RCEP Parties in the context of Australia's import and export data on trade in services with these Parties.

Looking at the dynamics of Australia's exports in trade in services, its exports in trade in services to China have been growing steadily, and China overtook the ASEAN to become the largest importer of Australia's trade in services among the other RCEP Parties in 2016, mainly due to the China-Australia FTA signed in 2015. The ASEAN is also an important export destination for Australia's trade in services, and its overall volume is similar to that with China. Singapore, Malaysia and Indonesia are the top three exporters of Australian trade in services among the ASEAN Contracting Parties. As Australia is a neighbor of New Zealand, its bilateral trade volume occupies an important position due to its strong geographical advantage, although the overall trade export value to New Zealand has been declining. Australia's exports in trade in services to Japan and Korea are similar in scale, accounting for about 6% of Australia's total exports in trade in services to the other RCEP Parties.

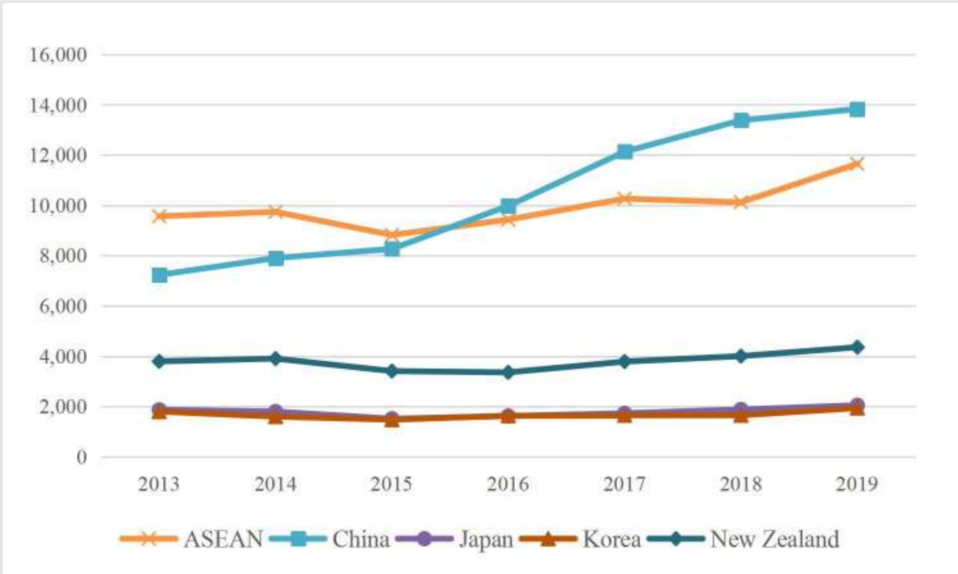

Figure 8.2.1 Australian exports to other RCEP Parties, 2013-2019 (USD million)
Data source: World Trade Organization Database for Trade in Services.

Looking at the static state of Australia's exports in trade in services, Australia's exports in trade in services to the ASEAN Parties amounted to $11.649 billion in 2019, accounting for 34.4% of Australia's total exports to the other RCEP Parties in that year, with Singapore being the top importer of Australia's trade in services among the ASEAN Parties, with US$4.636 billion worth of imports. Malaysia came in second with US$2.250 billion worth of imports, while Australia also exported a high proportion of its trade in services to Indonesia, Vietnam and Thailand, with relatively lower exports to Brunei, Cambodia, Vietnam and Myanmar, accounting for only 0.3% of its total exports in trade in services to the RCEP. Australia's exports to China amounted to US$13.828 billion, accounting for 40.9% of Australia's total exports in trade in services to the RCEP. China is the Party with the highest Australian exports in trade in services in 2019, higher than Australia's exports to neighboring New Zealand amounting to US$4.358 billion, and well above exports to Japan (US$2.048 billion) and exports to South Korea (US$1.940 billion). In 2019, six other RCEP Contracting Parties were among Australia's top ten foreign trade partners for trade in services, in the following order: China, Singapore, New Zealand, Malaysia, Japan and South Korea.

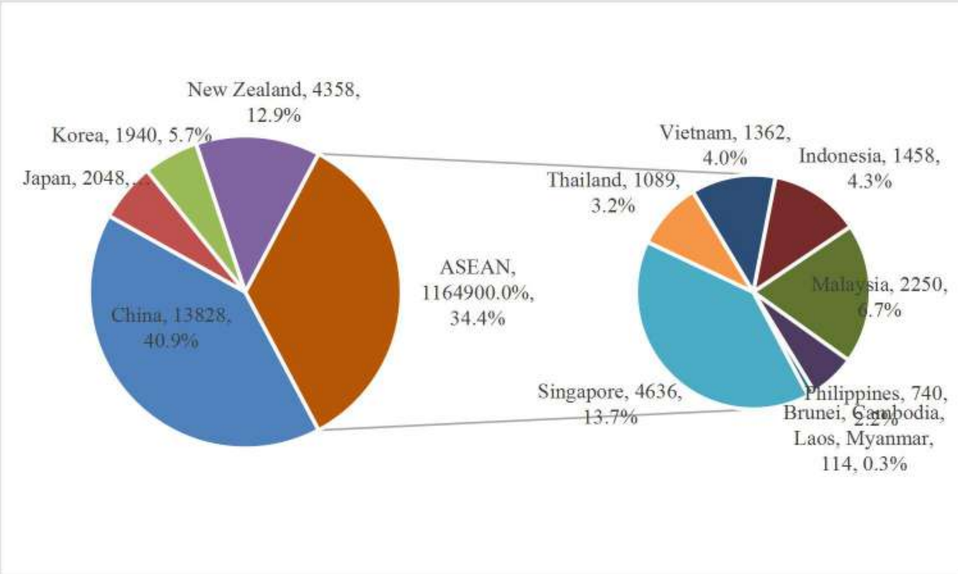

Figure 8.2.2 Australia's exports to the other RCEP Contracting Parties and their proportions, 2019 (USD million)
Data source: World Trade Organization Database for Trade in Services.

Looking at specific industries, Australia's exports in trade in services to the other RCEP Parties are mainly in the tourism and transportation and freight sector. Of the major sectors in 2019, tourism exports accounted for 76.5% of the total exports in trade in services; Australia's unique natural scenery and well-developed tourism industry determine its dominant position in its trade-in-services exports, and the scale of foreign tourism exports continues to rise, from US$16.996 billion in 2015 to US$25.312 billion in 2019, with an average annual growth rate of 8.3%. Meanwhile, the tourism sector is also Australia's main source for maintaining trade surplus in trade in services with the other RCEP Parties. Disregarding the other service sectors, transportation and freight is the second-largest sector in Australia's exports in trade in services, with the scale of exports steadily increasing from US$1.798 billion in 2015 to US$2.414 billion in 2019, with an average annual growth rate of 6.1%. Despite its relatively large scale, Australia's transportation and freight industry has an overall trade deficit with the RCEP. In recent years, the scale of Australia's computer and information service exports has grown rapidly, from US$339 million in 2015 to US$770 million in 2019, with an average annual growth rate of 17.8%. Its proportion will further increase as Parties focus more on exports of knowledge-intensive trade in services. Australia's exports of major trade in services to other RCEP Parties are also concentrated in the fields of intellectual property rights, insurance, financial and construction services. Among them, exports of intellectual property rights were at first declining, before rising and then declining again, from US$127 million in 2015 to US$182 million in 2019, with an average annual growth rate of 7.5%. Financial services grew from US$877 million in 2015 to US$1.15 billion in 2019, with an average annual growth rate of 5.6%. Insurance services are less volatile, increasing from US$357 million in 2015 to US$393 million in 2019, an average annual growth of 1.9%. Australia's construction services exports to the other RCEP Parties have been growing, from US$19 million in 2015 to US$219 million in 2019, an average annual growth of 63.1%, showing a trade surplus with the other RCEP Parties.

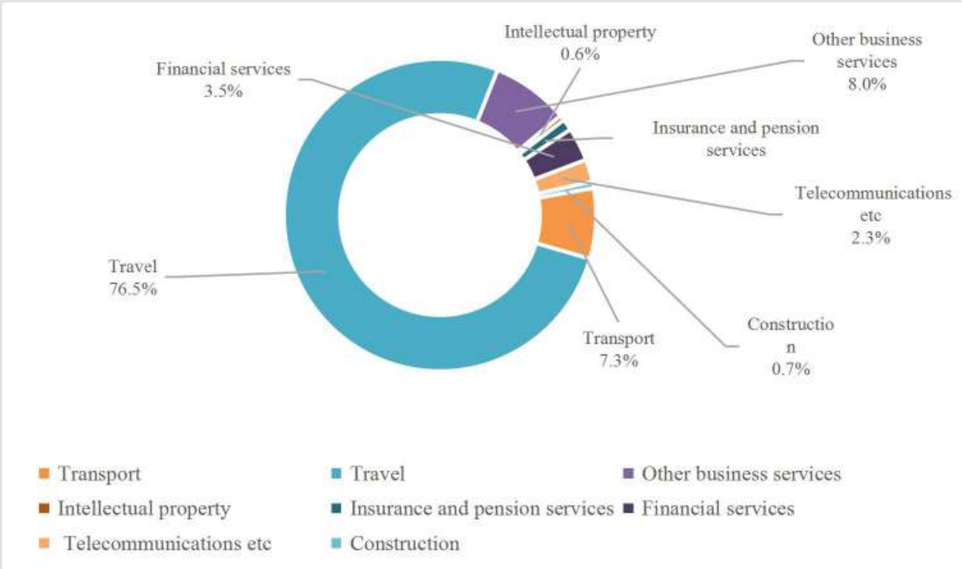

Figure 8.2.3 Structural diagram of Australia's exports in trade in services to other RCEP Contracting Parties in key industries, 2019

Data source: World Trade Organization Database for Trade in Services.

Table 8.2.1 Australia's exports to other RCEP Parties in the trade-in-services sectors, 2015-2019 (USD million)

	2015	2016	2017	2018	2019
Transport	1,798	1,846	2,055	2,074	2,414
Travel	16,996	19,438	22,049	23,603	25,312
Other business services	2,286	2,365	2,493	2,052	2,650
Intellectual property	127	117	194	206	182
Insurance and pension	357	335	347	391	393
Financial services	877	837	1,071	1,064	1,150
Telecommunications etc	339	368	489	688	770
Construction	19	50	134	246	219

Data source: World Trade Organization Database for Trade in Services.

Looking at the ASEAN Contracting Parties as a whole, Australia's largest exports to them are in tourism, followed by other business services and transportation and freight. Of these, tourism exports accounted for 64.1% of Australia's total exports to the ASEAN Parties in 2019. Of Australia's overall exports to the ASEAN, insurance services exports to Malaysia were worth US$57 million, accounting for 79.2% of total insurance services exports. Several industries mainly exported to Singapore, with other business services exporting US$1.735 billion to Singapore, accounting for 88.3% of total exports to the ASEAN. There were

US$305 million worth of computer and information services exports to Singapore, accounting for 70.8% of total information services exports. There were US$208 million worth of financial services exports to Singapore, accounting for 81.3% of the total exports of financial services.

Looking at the other RCEP Contracting Parties, the Australian subsectors with the highest exports in 2019 were all in the tourism industry, with tourism exports to China accounting for 49.4% of total exports to the RCEP for that year and being the direct source of Australia's large trade surplus with China. The financial sector had the second-highest exports to China, accounting for 43.3% of total exports to the RCEP. Australia's tourism and transport and freight sectors had the highest exports to Japan, accounting for 5.1% and 17.0% of total exports to Japan respectively. Tourism is Australia's highest export sector to South Korea, accounting for 7.1% of total exports. Due to its unique geographical advantage with Australia, New Zealand is the main importer of Australia's construction, insurance, finance, transportation and freight, and other related industries, while Australia's exports to New Zealand's tourism sector amounted to $2.259 billion, accounting for 8.9% of Australia's total tourism exports to the RCEP in 2019.

Table 8.2.2 Australia's exports to other RCEP Parties in trade in services, 2019 (USD million)

	ASEAN	China	Japan	Korea	New Zealand
Transport	958	446	411	55	544
Travel	7,472	12,511	1,284	1,786	2,259
Other business services	1,966	109	128	24	423
Intellectual property	97	11	13	1	60
Insurance and pension	72	34	16	6	265
Financial services	256	498	88	33	275
Telecommunications etc	431	62	65	7	205
Construction	23	3	0	0	193

Data source: World Trade Organization Database for Trade in Services.

II. The Current Status of Australia's Imports in Trade in Services From Other RCEP Parties

Looking at the dynamics of Australia's imports in trade in services, Australia's overall imports from the other RCEP Parties at first declined, then rose and then slightly declined again, with an import scale of US$23.069 billion in 2013 to US$23.111 billion in 2019, having fallen to US$18.924 billion in 2015, mainly because of the significant decline in imports from the ASEAN from 2013 to 2015. The ASEAN as a whole is the second-largest exporter of trade in services to Australia after the United States, with more than half the volume of overall RCEP exports to Australia. Among them, Singapore, Indonesia and Thailand are the major exporters, and Australia has a chronic trade-in-services deficit with the ASEAN. China and Japan have a similar volume of services exports to Australia, but due to the large number of Chinese tourists visiting Australia each year, Australia has a large trade surplus with China and a trade deficit with Japan. Australia's imports from South Korea are relatively low, generating a trade surplus with South Korea. New Zealand is an important exporter of services to Australia, but with a small difference in bilateral trade due to similar economic structures and geography between the two countries.

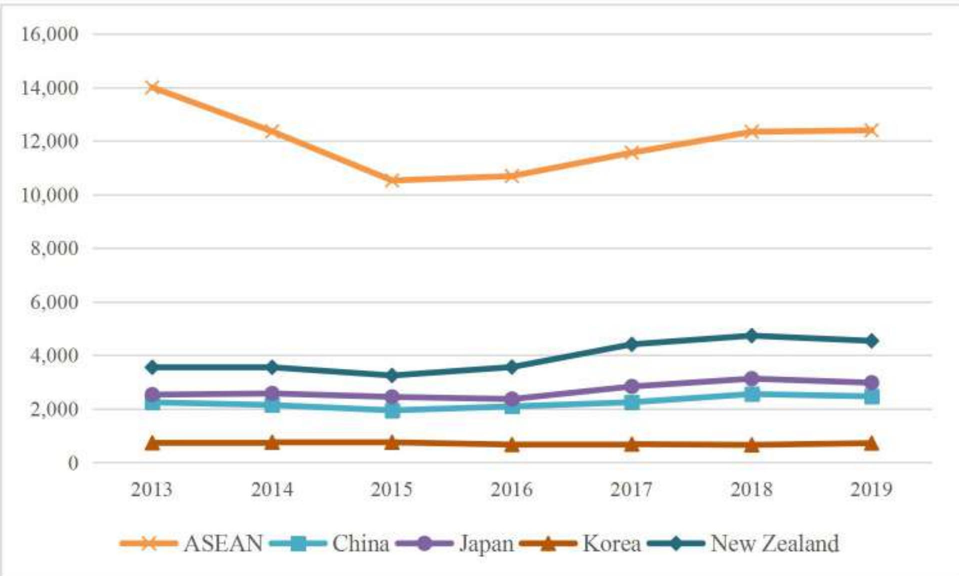

Figure 8.2.4 Australia's import value from the other RCEP Parties, 2013-2019 (USD million)
Data source: World Trade Organization Database for Trade in Services.

Looking the static state of Australia's imports in trade in services, Australia's imports in trade in services from the ASEAN Parties amounted to US$12.399 billion in 2019, accounting for 53.6% of Australia's total imports from the other RCEP Parties that year, with Singapore and Indonesia the major exporting countries to Australia among the ASEAN Parties. Their exports amounted to US$4.329 billion and US$3.060 billion respectively, accounting for 18.7% and 13.2% of Australia's total imports in trade in services from the other RCEP Parties. These were much higher than the US$2.978 billion in imports from Japan, US$2.470 billion in exports from China and US$724 million in imports from South Korea. Meanwhile, Australia's imports in trade in services from Thailand, Vietnam and Malaysia also accounted for a larger share of the overall total, while total imports in trade in services from less developed countries such as Brunei, Cambodia, Laos and Myanmar accounted for only 0.4% of its total imports from the RCEP. New Zealand has the largest exports in trade in services to Australia among the other RCEP Parties, with a total of US$4.540 billion in such services to Australia in 2019, accounting for 19.6% of Australia's total imports in trade in services from the other RCEP Parties. In 2019, six other RCEP Parties were among Australia's top ten foreign import partners in trade in services, in the following order: New Zealand, Singapore, Indonesia, Japan, China and Thailand.

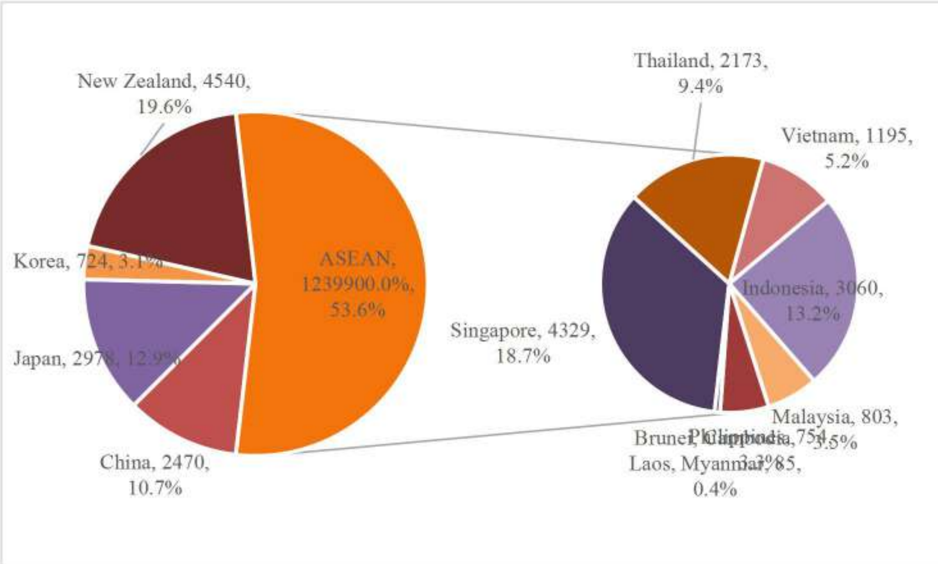

Figure 8.2.5 Australia's imports from the other RCEP Contracting Parties and their proportions, 2019 (USD million)

Data source: World Trade Organization Database for Trade in Services.

Looking at specific sectors, the other RCEP Parties' exports in trade in services to Australia are mainly in tourism and transportation and freight sectors, accounting for 58.1% and 23.1% of their total exports in 2019 respectively. Among them, exports of transportation and freight services from other RCEP Parties to Australia grew at a steady rate, from US$4.864 billion in 2015 to US$5.214 billion in 2019, with an average annual growth rate of 1.4%. This is one sector in which Australia has a large external trade deficit. Exports of tourism services from the other RCEP Parties to Australia have been growing from 2015 to 2018, with a slight decline in 2019 compared to 2018 and an average annual growth rate of 5.8% over the five-year period. Australia's imports in trade in services from the other RCEP Parties are also concentrated in related industries such as computer and information services, financial services, intellectual property and other business services, with intellectual property services decreasing by 8.4% annually from US$678 million in 2015 to US$437 million in 2019. Insurance services decreased by 5.4% annually from US$990 million in 2015 to US$760 million in 2019.

Financial services showed a fluctuating trend, with a slight decline followed by a rapid rise and then another decline, with an overall average annual growth rate of 7.0%. Telecommunication services increased by 6.0% annually from US$414 million in 2015 to US$437 million in 2019.

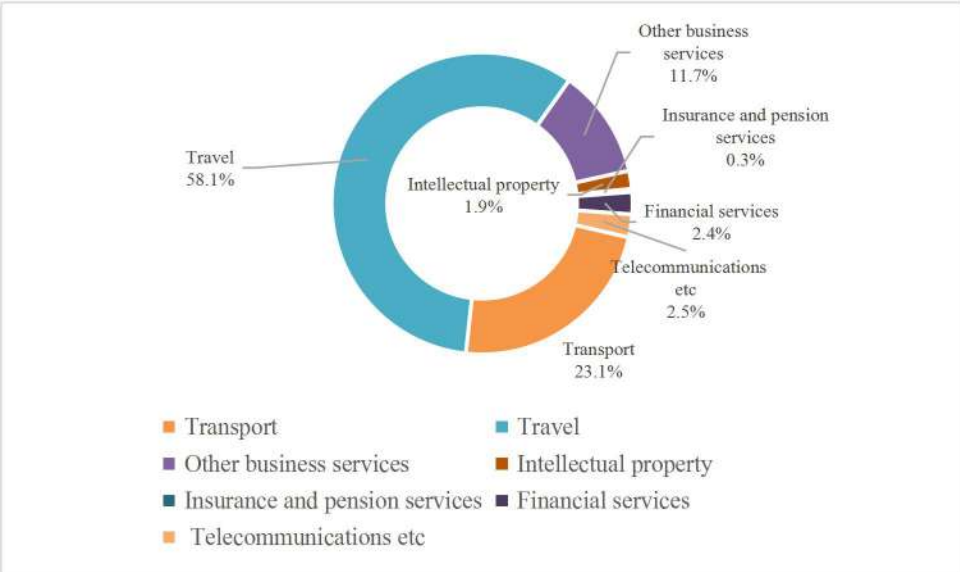

Figure 8.2.6 Structural diagram of the other RCEP Parties' trade-in-services exports to Australia's key sectors, 2019

Data source: World Trade Organization Database for Trade in Services.

Table 8.2.3 Australia's total trade-in-services value from other RCEP Parties in key sectors, 2019 (USD million)

	2015	2016	2017	2018	2019
Transport	4,864	4,468	4,688	5,022	5,214
Travel	9,878	10,962	12,752	13,694	13,106
Other business services	2,121	2,135	2,537	2,661	2,638
Intellectual property	678	546	386	377	437
Insurance and pension services	99	80	75	83	76
Financial services	380	352	446	628	534
Telecommunications etc	414	400	424	532	553

Data source: World Trade Organization Database for Trade in Services.

Looking at the ASEAN as a whole, its largest export to Australia was tourism, followed by transportation and freight and other business services, with tourism imports accounting for 57.1% of Australia's total imports from the ASEAN Contracting

Parties in 2019. Of Australia's overall imports from the ASEAN Parties, the import services of several industries were from Singapore, accounting for 84.2% of financial services, 66.2% of telecommunication services, and 96.7% of intellectual property services. Australian tourists mainly travel to Indonesia and Thailand in the ASEAN, both of which accounted for 37.5% and 23.0% of total ASEAN exports respectively to Australia.

Looking at the other RCEP Parties, the Australian sectors with higher imports in 2019 were concentrated in the tourism and transportation and freight sectors. Australia's tourism imports from New Zealand accounted for 63.4% of total imports in trade in services from New Zealand in 2019. Financial service imports from New Zealand accounted for 31.6% of total financial service imports from the RCEP in 2019. The Australian sectors with higher imports from China are concentrated in traditional sectors such as tourism and transportation and freight, with relatively few knowledge-intensive services. The Australian sectors with higher imports from Japan are in transportation and freight, tourism, and intellectual property sectors, with relatively fewer imports in trade in services from South Korea, but Australia's intellectual property imports from Japan and South Korea occupies a higher proportion, accounting for 24.3% and 31.3% of total intellectual property imports from the RCEP respectively.

Table 8.2.4 Australia's total trade-in-services import value from other RCEP Parties, 2019 (USD million)

	ASEAN	China	Japan	Korea	New Zealand
Transport	2,756	627	925	261	645
Travel	7,079	1,338	1,657	172	2,860
Other business services	1,446	269	165	80	678
Intellectual property	150	2	106	137	42
Insurance and pension services	25	26	7	6	12
Financial services	221	45	60	39	169
Telecommunications etc	384	49	17	4	99

Data source: World Trade Organization Database for Trade in Services.

III. Australia's Commitments in Opening Up Trade in Services to Other RCEP Parties

Australia is the first country to use a Negative List in the area of services and investment, listing 19 sectors or activities with non-conforming measures and 23 potential restrictive measures in the RCEP. Parties will have access to all markets not on the list of non-conforming measures, and will be granted market access to all sectors that are not listed in the Negative List. For the sectors included in the Negative List, Australia has also made a high level of commitment, the main content of which is as follows.

(A) Business Services

In business services, Australia has set out a small number of specific reservations and restrictions in the form of a Negative List. Besides this, Parties will enjoy the same treatment as local service suppliers.

1. In order to be registered to practice in Australia, a patent attorney must have worked in Australia or New Zealand or both countries for at least two consecutive years, or a total of two years within five consecutive years, in a position that provides the applicant with the required experience in Australia's and New Zealand's patent attorney regime. 2. To practice as a migration agent in Australia, one must be an Australian citizen, a permanent resident or a New Zealand citizen with a special category visa. 3. Non-Australian permanent residents may be refused registration as a company auditor or liquidator. At least one partner in a firm providing audit services must be a registered company auditor who ordinarily resides in Australia. 4. As an Australian customs broker, the service supplier must provide services in and from Australia. 5. Foreign fishing vessels seeking to engage in fishing activities in Australian fishing zone, including any activities in support of or in

preparation of any fishing activity or its processing, carrying or transshipment, must be authorized to do so and many be subject to a levy.

(B) Telecommunications Services

The Contracting Parties can carry out express delivery services in Australia and can set up wholly-owned telecommunications companies in Australia with no geographical or business scope restrictions. Foreign enterprises can also own a stake in Telstra, but the maximum aggregate foreign equity cannot exceed 35%. It also has corresponding local presence requirements for the company's headquarters, registered office, main base of operations, and composition of its board of directors.

(C) Distribution Services

Australia's distribution services market will be open to enterprises of the Contracting Parties. Except for special commodities like tobacco, firearms and alcoholic beverages, the Parties can engage in commission agency, wholesale, retail and franchise business in Australia.

(D) Health Services

Australia opens hospitals other than the Commonwealth Serum Laboratories (CSL) to Parties to perform human health-related services.

(E) Financial Services

In financial sectors, Australia has set out specific reservations and restrictions in the fields of banking, insurance and securities in the form of a Negative List, except that financial institutions of the Contracting Parties will be given equal treatment as with local financial service suppliers. For banking services, Australia retains the right of the financial regulator to approve foreign financial institutions to operate in Australia in accordance with the law: 1. The entity must be a body corporate, not in the form of a partnership or sole proprietorship, and an authorized deposit-taking institution (ADI); 2. foreign deposit-taking institutions (including foreign banks) can only operate in Australia through locally incorporated deposit-taking subsidiaries or authorized branches (foreign ADI) or through these two structures to operate banks in Australia; 3. any authorized deposit-taking institution of foreign bank branches in Australia (foreign ADI) is not allowed to accept initial deposits (and other funds) of less than A$250,000 from individuals and non-corporate institutions; 4. representative offices of foreign banks are not permitted to undertake any banking business in Australia, including the advertising of deposits. Such a representative office can only act as a liaison point. In insurance and securities services, life insurance services are regulated under Australian law: non-resident life insurance companies are restricted to subsidiaries.

(F) Transport Services

In transport services, Australia has set out the specific reservations and restrictions in the field of air transport and international liner shipping in the form of a Negative List. Other than this, Contracting Parties can engage in maritime shipping other than international liner shipping, rail transport, road transport, with the pipeline transport sector fully liberalized.

Air transport services: Other than freedoms of the air, Australia will open its market for domestic air transport services to air transport service suppliers of Contracting Parties. Australia's international airlines and Qantas allow foreign ownership, but the foreign share ratio must not exceed 49%, with corresponding local presence requirements for the company's head office, main operating facilities, and composition of the board of directors. The following functions and services are retained by the AASA statutory agencies: airspace management, air traffic flow information, air traffic control, traffic and flight information, navigation services, aeronautical information, and aerodrome rescue and firefighting services.

International liner shipping: Every ocean liner providing international liner cargo services to or from Australia must always be represented by a natural person who is a resident of Australia.

(G) Other Services

Australia has largely lifted restrictions to sectors such as construction, education, environment, tourism, recreation and other services, which means that the above-mentioned sectors will be fully open to Party service suppliers.

IV. Opportunities brought by the RCEP to Australia's trade in services

The signing of the RCEP will further deepen Australia's economic integration with other RCEP Parties and help remove barriers to services exports and investment in key Australian sectors such as education and telecommunications. Despite the close trade relationship between Australia and its major RCEP trading partners, the lack of uniform trade and investment policies across the region has created significant barriers to trade and investment for Australia's service suppliers and investors. The signing of the RCEP will establish a consistent framework and structured services regulations for the entire RCEP region, improve regulatory certainty and transparency for Australian service suppliers in the RCEP region, and effectively enhance the confidence of Australia's service exporters to enter markets.

Also, the signing of the RCEP addresses issues such as recognition of Australian education qualifications and facilitation of regulatory processes for Australian education services, helping to strengthen Australia's position as a supplier of quality education services in the RCEP region. More liberal supervision of the financial services sector and deeper liberalization of the telecommunications sector under the RCEP liberalization regulations will provide Australian companies with new opportunities to enter the RCEP markets. In addition, the RCEP guarantees freer access to professional services through mutual recognition, commercial presence, and higher mobility levels for service suppliers.

However, the social, cultural, economic and political heterogeneity of the RCEP Contracting Parties, and the high level of regulation of the service sectors in most Parties, will create operational challenges for Australian service suppliers. Constrained by the tense US-China relations, Australia will need to deal with political pressure from different groups of countries while realizing the significant potential economic benefits of the RCEP for itself. Its progress will depend on the trade-off between the costs and benefits offered by different trading partners.

At the same time, restrictions on commercial presence and foreign equity in many service sectors have made investments in Australia, particularly in the financial services sector, unattractive, restricting exports in trade in services of Australian firms. Some of the licensing and residency requirements regulated by the RCEP also limit the ability of Australian service suppliers to operate in sectors such as legal, engineering, architectural and accounting services and other professional services. In addition, the lack of transparency in government regulations and decision-making processes of many RCEP Parties will also likely have a negative impact on service markets.

Section 3 Bilateral Investment

The RCEP offers key benefits in free trade and economic development for its 15 Contracting Parties. It will provide a better business environment, facilitate the development of professionals in a wide range of industries, and boost Australia's export business, which has recently been in the doldrums. With one-fifth of the country's jobs reliant on trade and investment, the RCEP is vital to rebuilding Australia's economy after the COVID-19 pandemic.

I. The current status of Australia's investment in other RCEP Contracting Parties

Statistics show that Australia's investment stock in other RCEP Parties has reached US$142.403 billion by the end of 2019, up 31.3% year-on-year. In 2019, Australia's investment flows with other RCEP Parties reached US$3.77 billion. Australia has signed multi-bilateral free trade agreements with more than 10 countries and regions, including China, New Zealand, Singapore, the United States, Thailand and Chile. According to 2018 data on trade, approximately 70% of Australia's bilateral trade in goods and services comes from its FTA partners. This section will analyze Australia's investment in other RCEP Parties using bilateral investment data.

In terms of investment stock, Australia's outward foreign direct investment (FDI) stock in 2019 was US$579.257 billion, an increase of US$82.245 billion from the previous year. Australia's FDI stock to other RCEP Parties reached US$142.403 billion, amounting to 24.58% of Australia's outward FDI stock in that year. Australia's FDI stock to other RCEP Parties generally maintained growth over the eight years, with the largest increase in 2018-2019, when the stock increased by US$33.976 billion. It should be noted that Australia's direct investment stock in other RCEP Parties experienced a slight decrease in 2016-2018 and a corresponding decline in its share of total investment, but continued to grow after 2018.

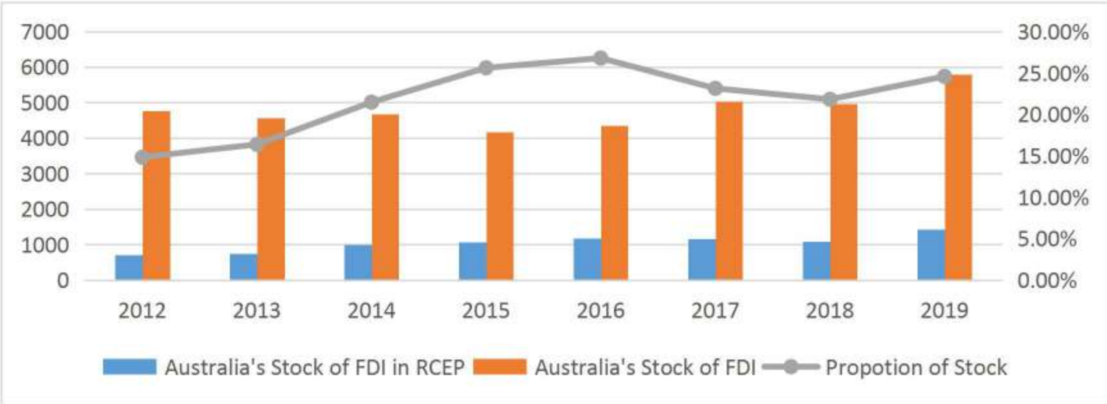

Figure 8.3.1 Australian FDI stock and its share in other RCEP Parties, 2012-2019 (unit: USD 100 million)

Source: OECD Statdatabase.

In terms of investment flows, Australia's outward FDI flows in 2019 were US$5.397 billion, down US$965 million from the previous year, and Australia's FDI flows to other RCEP Parties were $3.771 billion, accounting for 69.87% of Australia's outward FDI flows in that year. Australia's FDI flows to other RCEP Parties rose in 2012-2013, decrease consistently in 2014-2017, reached a low of -US$127 million in 2017, and began to move upward in 2018-2019. As a proportion, the share of Australia's FDI flows to the RCEP increased greatly in 2014, leading to a significant decrease in Australia's outward FDI flows in 2014. It continued to decline in 2015, and then rebounded amid fluctuations, after which the trend remained relatively stable.

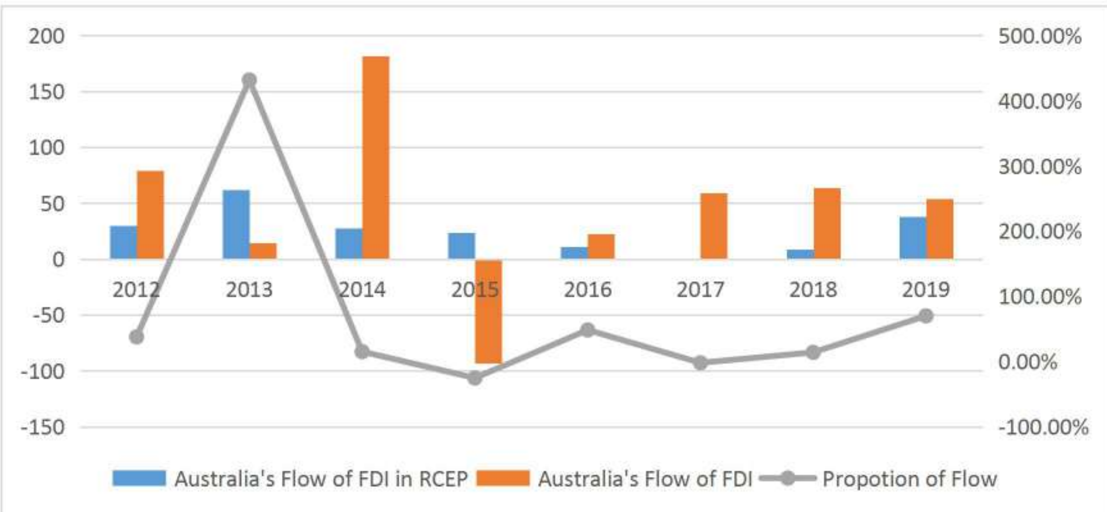

Figure 8.3.2 Australian FDI flows and its share in other RCEP Parties, 2012-2019 (unit: USD 100 million)

Source: OECD Statdatabase.

Categorized by country, the top 5 destination countries for Australia's FDI stock in 2019 were: New Zealand, Singapore, China, Malaysia and Vietnam, in that order. New Zealand ranked first with an investment stock of US$84.03 billion; Singapore ranked second with US$29.106 billion; the investment stocks in China, Malaysia and Vietnam were US$15.531 billion, $6.731 billion and $2.633 billion respectively.

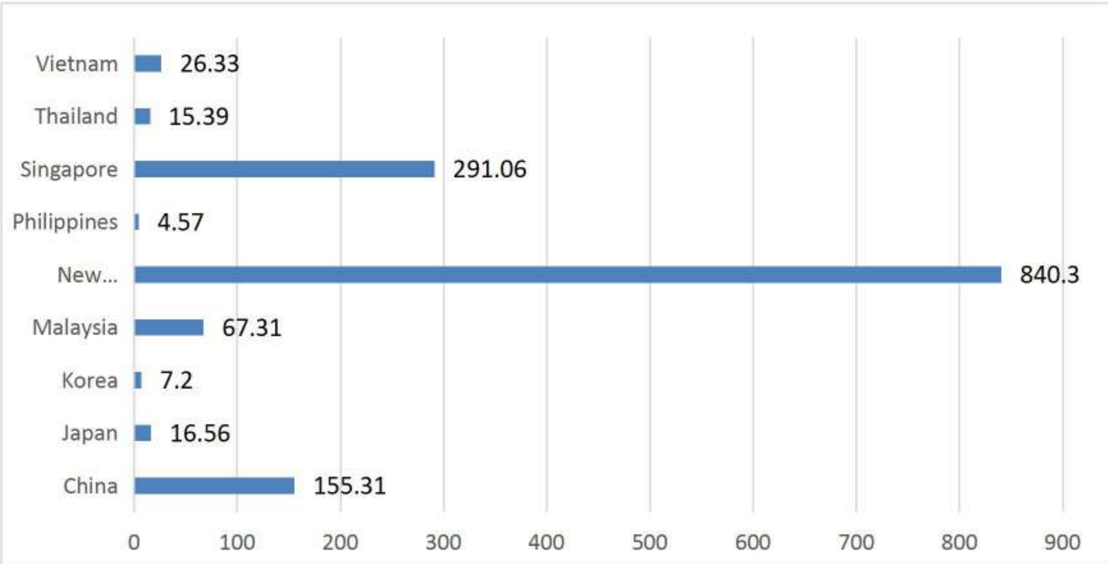

Figure 8.3.3 Australia's outward FDI stock to other RCEP Parties, 2019 (unit: USD 100 million)

Source: OECD Statdatabase.

Categorized by sectors, the existing bilateral investments involve a variety of investment sectors, including mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply, construction, and services. The mining and quarrying, manufacturing and services sectors account for the largest share of total industrial investment and are also the main sectors that receive foreign investment. Mining is one of Australia's most important export industries, and at the same time, Australia's proximity to the Asia-Pacific region and the Chinese market provides a significant location advantage, resulting in close economic cooperation ties with China. This accounted for 52.6% of Australia's mineral resources exports in 2017-2018. With the signing of the RCEP, it can establish a long-term and stable channel for iron ore supply and help Chinese investors strengthen ties with its local communities and Australasian enterprises in mining-related sectors, establish good relationships and improve the success rate of cross-border investment and resource development. The equity composition of Australia's railroad and port infrastructure is complex and its capacity arrangements vary. The implementation and promotion of the RCEP can ensure adequate railroad and port capacity, breaking through the bottleneck of ore resources development.

From the perspective of the ASEAN Contracting Parties, the ASEAN has a free trade agreement with Australia. In 2019, Australia ranked 9th[17] among all countries in terms of investment in the ASEAN. In 2019, Australia's direct investment flows to the ASEAN Parties amounted to $1.095 billion, an increase of 291.06% year-on-year, accounting for 20.30% of Australia's total outward FDI flows in 2019. By the end of 2019, Australia's FDI stock in the ASEAN Parties was US$40.466 billion, accounting for 6.99% of Australia's total outward FDI stock. Categorized by country, the top four ASEAN Parties in 2019 in terms of Australian outward FDI flows were Singapore, Indonesia, Vietnam and the Philippines. Among them, Singapore and Indonesia were far ahead, with US$788 million and US$269 million respectively. As of the end of 2019, Australia's FDI stock in the ASEAN was largest in Singapore, Malaysia and Vietnam, with US$29.106 billion, US $6.731 billion and US$2.633 billion respectively, accounting for 71.93%, 16.63% and 6.51% of the total within the ASEAN.

[17]Ministry of Commerce, "Country (region) guide for outward investment and cooperation—the ASEAN", http://www.mofcom.gov.cn/dl/gbdqzn/upload/dongmeng.pdf

From the perspective of the other RCEP Contracting Parties, New Zealand receives the largest outward FDI stock from Australia, with China in second place, followed by Japan and South Korea. Compared with the inward FDI stock received by Australia from the four Parties, there is still a large difference in outward FDI stock, but it has been increasing in recent years. Among the Contracting Parties, Australia's fields of investment mainly involve mining and quarrying, construction, and service industries.

II. The current status of other RCEP Parties' investment in Australia

According to the *Doing Business 2020* report released by the World Bank, Australia's business environment is ranked 14th in the world. The *2018 Index of Economic Freedom* released by the Heritage Foundation ranked Australia 5th in the world in terms of overall economic freedom in 2018, with the top 20 of the Global 500 companies and the top 10 of the Fortune World 500 having a presence in Australia. In the *Global Competitiveness Report 2019* released by the World Economic Forum, Australia ranked 16th globally, down two places from the previous year. Its areas of strength are in macroeconomic stability (100 points), skills (80.6 points, 13th place), financial systems (85.9 points, 13th place), and health care (94.9 points, 17th place).[18]

According to the Australian Bureau of Statistics, foreign investment in Australia reached $3.5 trillion at the end of 2018. The United States and the United Kingdom were the top two source countries, followed by Belgium and Japan. China ranked 9th in terms of investment in Australia, accounting for 1.8% of total foreign investment in Australia, and has significantly increased its total investment in Australia over the past decade[19]. The Australian

[18]World Economic Forum, *The Global Competitiveness Report 2019*, p13.

[19]Statistics on who invests in Australia. Australian Government Department of Foreign Affairs and Trade. https://www.dfat.gov.au.

Government is receptive to foreign investment. As the RCEP Negative List for opening market access in investment continues to be liberalized, the areas invested in Australia by the other RCEP Parties will continue to expand, creating more jobs, driving innovation, introducing new technologies and promoting full competitiveness within industries.

In terms of investment stock, the ranking of the RCEP Parties' FDI stock in Australia in 2019 is similar to the FDI flows ranking, with Japan, China, Singapore, Malaysia, and South Korea far exceeding the other RCEP Parties in investment amount, at US$81.344 billion, US$32.223 billion, US$25.268 billion, US$10.305 billion, and US$5.250 billion respectively. During the 2012-2019 period, excepting 2014, Japan has been Australia's largest foreign investor among the other RCEP Parties; China's investment in Australia was second only to Japan in terms of volume. Statistics show that Chinese investment in Australia peaked at A$16.5 billion in 2016 and has been on a decreasing year-on-year since then. In 2020, there were only 20 Chinese investments in Australia, 86% of which came from subsidiaries set up by Chinese companies in Australia, rather than directly from foreign-owned companies. An annual tracking study conducted by the Australian National University's East Asia Institute shows China's investment in Australia at A$1 billion in 2020, a 61% decline, with transactions in real estate, mining and manufacturing. By comparison, a United Nations report shows a 42% fall in total FDI in Australia in 2020 due to the impact of COVID-19.

Due to Japan developing its outward FDI early and the strong attraction of Australia's natural resources and investment environment to Japan, Japan has become one of Australia's largest investors and has maintained an important position for a long time as Australia develops its FDI attraction. On the other hand, China's investment activities in Australia were late compared to Japan's and progressed slowly in the early stages of development, but along with the improvement in China's overall economy, the scale of investment in Australia has also increased greatly. China has now become one of Australia's most important investor countries. However, from a comprehensive perspective, Japan's overall FDI in Australia still exceeds that of China.

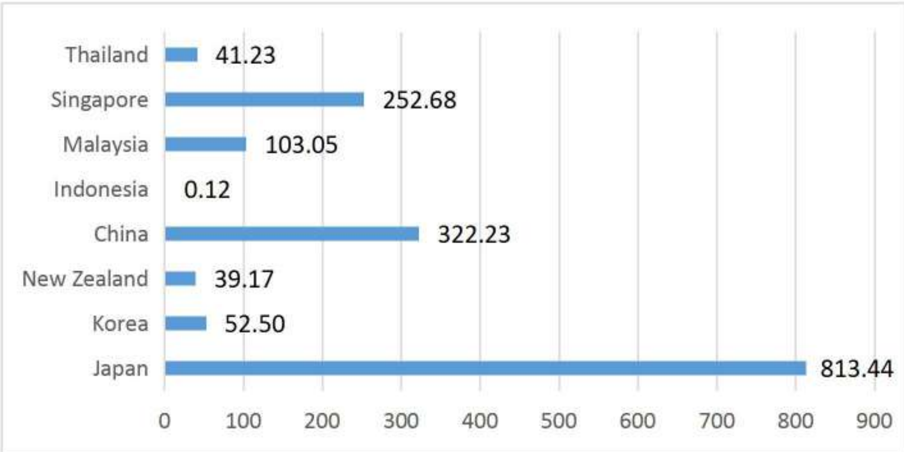

Figure 8.3.4 The FDI stock of other RCEP Parties in Australia, 2019 (unit: USD100 million)[20]
Source: OECD Statdatabase.

In terms of investment flows, the top four RCEP Parties that invested in Australia in 2019 were: Japan, China, Singapore and South Korea, in that order. In Japan's direct investment in Australia, large and medium-sized enterprises are the mainstay, complemented by flexible SMEs in multifaceted development. Within the chambers of commerce, large enterprises often provide substantial financial, technical, and service support to SMEs. These chambers of commerce are mainly organized by well-known Japanese trading outlets in the region, such as Mitsui, Mitsubishi, Sumitomo, and Itochu Corporations, and then foster the investment activities of some medium-sized enterprises through the activities of the chambers of commerce, forming a dense and efficient

[20]The data for six countries—Myanmar, Laos, Cambodia, Vietnam, Philippines, and Brunei—are incomplete.

business network to promote the development of Japanese investment in Australia. On the other hand, China's FDI in Australia is becoming increasingly diversified, although state-owned enterprises remain an important component of its outward investment base. China's large-scale projects in Australia include: China For Technologies Ltd. for telecommunications in Australia; China Oilfield Services Ltd. for offshore drilling projects in Australia; and Orient Sunrise New Energy Ltd. for photovoltaic building integration projects in Melbourne, Australia.

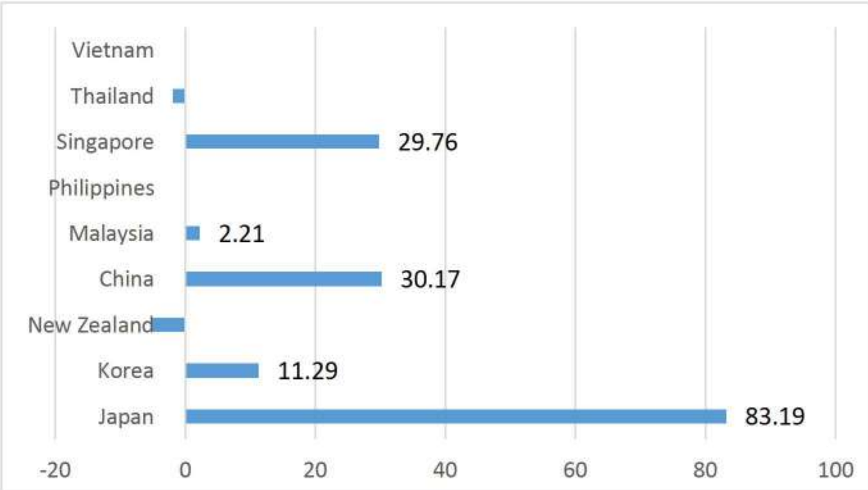

Figure 8.3.5 The FDI flows of other RCEP Parties to Australia, 2019 (unit: USD 100 million)[21]
Source: OECD Statdatabase.

Viewed in terms of country, excluding the first four Parties with major investment amounts, the remaining 10 Parties have relatively small amounts of FDI in Australia. Among them, Malaysia invested more than US$220 million in Australia, while the remaining nine Parties invested almost negligible amounts. As the two largest RCEP Parties in terms of investment amount in Australia, China and Japan have shown different dynamics in their investment in Australia after 2011. Japan's investment in Australia has declined significantly in 2013 and 2014 after an increase in 2012. Investment from China has seen a small decline in 2012 after two consecutive

[21]The data for Laos, Cambodia, Myanmar, Brunei and Indonesia are incomplete.

years of growth. By the end of 2014, China's and Japan's FDI flows to Australia were basically the same. Compared to Japan, the advantages of China's direct investment in Australia are mainly reflected in the following areas: first, China's sustained economic development in recent years has led to significant development of its outbound investment activities. After the financial crisis, Australia's excellent investment environment, the high degree of complementarity between the industries of the two countries and the potential of learning from Australia's advanced science, technology and management experience have attracted large-scale investment from Chinese companies. Second, China has become Australia's most important trading partner, and the two countries have fostered increasingly close trade cooperation ties. This will contribute to the long-term development of Chinese investment in Australia. Third, Australia has a large Chinese population and is favored as a destination for Chinese immigrants. Local residents are influenced by China in everyday life, language and culture. With the support of local Chinese, Chinese companies can more easily integrate into the Australian domestic consumer market.

Viewed in terms of industry, the investments of other RCEP Parties in Australia are mainly concentrated in mining, real estate, finance and insurance, and wholesale and retail. In order to meet the domestic needs for economic development and resolve the contradiction between supply and demand of resources and markets, China's direct investment in Australia is gradually developing towards diversification, with mineral resources, real estate, leasing, and commercial services forming the leading industries and with various industries developing together. In terms of FDI stock, China's direct investment in Australia is mainly concentrated in the mining industry, which still has the highest distribution, accounting for 69.6%, followed by the real estate industry. The financial industry accounts for 7.3% of the total, followed by other industries such as manufacturing. Analyzing both investment flows and stock shows that the mining and real estate industries are the most important sectors for China's direct investment in Australia. With the development of China's economy under the new normal, the rental and business services, wholesale and retail sectors have become the favored targets for Chinese companies investing in Australia. While traditional investment sectors such as finance and manufacturing still maintain a certain attraction, the focus of Chinese companies has changed.

Japan's direct investment in Australia has always been adjusting its own industrial structure to match and adapt to Australia's local industrial structure. Japan's direct investment in Australia is most concentrated in the mining industry just like China, accounting for 56.13% of the total investment, followed by 12.39% in the food industry, 12.32% in the finance and insurance industry, 6.09% in the wholesale and retail industry, and a relatively small percentage in other industries. If categorized into manufacturing and non-manufacturing industries, Japanese investment in Australia is still mainly concentrated in non-manufacturing industries, accounting for 79.71% of the total, while the manufacturing industries only account for 20.29%. Among the non-manufacturing sectors, since Japan has a well-developed fisheries and aquaculture industry, and that it invests in agriculture and forestry in other countries besides Australia, Japan has invested little in these two Australian industries, which are not the focus of Japanese companies. In the manufacturing industry, compared to Australia, Japan has more advantages in the high-precision machinery and apparatus industry, so its investment there is small. In the general machinery and apparatus, electrical machinery and apparatus and other low-tech manufacturing industry, Japan mainly concentrates its investment in East Asia and other regions with low labor costs, so its investment amount in Australia is also small. Australia has a good natural ecological environment, so it has obvious advantages in raw food resources. Since developed countries have strict food safety regulations, and Japan has limited domestic food resources, this has led to Japanese enterprises investing in Australia's food industry.

For ASEAN Contracting Parties, from 2012 to 2019, the ASEAN's actual investment flows to Australia at first declined, then increased and stabilized thereafter, with several inflection points occurring around 2014, 2016 and 2017 respectively. In terms of stock, overall ASEAN investment in Australia shows an upward trend amid fluctuations, with the inflection point occurring around 2016. By the end of 2019, the top three investors in Australia were Singapore, Malaysia, and Thailand, with investment stocks of US$25.268 billion, US$10.305 billion, and US$4.123 billion in Australia, accounting for 63.63%, 25.95%, and 10.38% of total ASEAN investment respectively.

Although China is the largest economy in the RCEP, Australia's Federal Minister of Finance, Simon Birmingham, has stressed the "core" participation of ASEAN Parties in the Agreement. He regards the ASEAN Parties, as a whole, as Australia's second-largest trading partner and include the region's most dynamic economies, such as Vietnam and Indonesia. The 10 other RCEP Parties are hugely diverse and are at the core of Australia's strategic relationship.

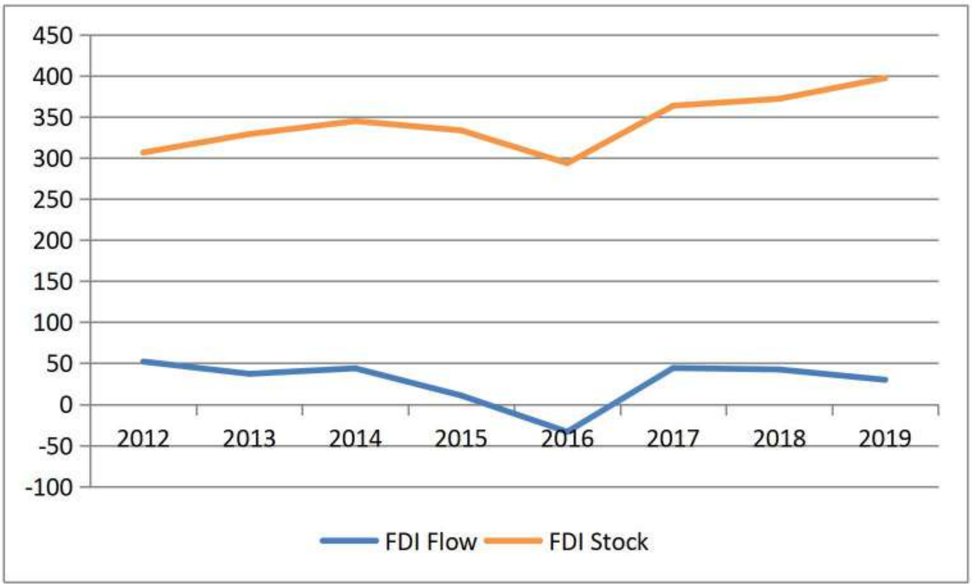

Figure 8.3.6 The ASEAN's Investments in Australia, 2012-2019
Source: OECD Statdatabase.

As for the other RCEP Contracting Parties, Australia's main investors are Japan and China, followed by South Korea and New Zealand. In terms of the current status of investment, although China has made significant investments in Australia, China's investment amount is still insufficient compared with Australia's established investor countries, and its economies in scale are not significant. As for the distribution of investment industries, Chinese enterprises mainly invest in the energy, mining, and the real estate industries, and do not invest much in high-tech and high value-added industries. They still need to further adjust and optimize the industrial structure. First, non-state-owned enterprises such as limited liability companies are increasingly involved in international investment activities, although the scale of their investment is still low and not as substantial as those dozens of state-owned enterprises. Second, they have little advantage in competing with other investor countries in Australia and are often questioned by the Australian authorities because of the political background of SOEs, which affects investment activities in Australian territory. SMEs also have to face interference from some local anti-China forces with ulterior motives, and face certain political risks in their investment activities. Compared to China, Japan also has the following investment deficiencies: first, in terms of investment scale, Japanese investment flow to Australia is highly volatile, declining alarmingly in certain years. In terms of investment stock, Japan's investment is still very large, although its stock is growing more slowly than that of China. Second, the expansion of Japanese investment in Australia and the possibility of industrial transfer have attracted the attention of the Australian authorities and the discontent of certain Australians, affecting the current development of Japanese investment in Australia. Third, Japan is not a member of the Asian Infrastructure Investment Bank (AIIB), which is a joint venture between China and Australia. This may affect Japan's investment activities in Australia to a certain extent compared to China's.

In terms of investment development trends, Chinese investment in Australia is growing at a fast pace, and China's "Go Out" development policy and the support and encouragement from various departments have promoted Chinese investment in Australia. Chinese enterprises can make up for their deficiencies by learning from Japan's experience and improving their overall investment competitiveness in Australia.

III. The current status of Australia's openness to foreign investment

According to the *World Investment Report 2021* released by United Nations Conference on Trade and Development, Australia's inward FDI stock was US$790.655 billion at the end of 2020, up 10.70% from the previous year; its outward FDI stock was US$627.280 billion. In 2020, Australia's inward FDI stock was US$20.146 billion; its outward FDI stock was US$9.172 billion.

In terms of foreign investment stock, Australia's top 10 investor countries as of the end of 2019 were: the US (A$983.7 billion, 25.6%), the UK (A$686.1 billion), Belgium (A$348.1 billion), Japan (A$241.1 billion), Hong Kong, SAR of China (A$140.7 billion), Singapore (A$99.9 billion), the Netherlands (A$86.7 billion), Luxembourg (A$85.5 billion), China (A$78.2 billion) and New Zealand (A$64.4 billion). The investment stock from Mainland China accounted for 2.0% of the foreign investment stock, an increase of A$10 billion from the end of the previous year. The direct investment stock was A$46 billion, up 10% from the end of the previous year, ranking fifth after the US, the UK, Japan and the Netherlands.

Also according to Australia's Foreign Investment Review Board (FIRB) report for the 2018/19 financial year, A$13.1 billion of China's investment was approved in that year, down 45% year-on-year, dropping from second to fifth place in the ranking of source investor countries. The top four countries were: the United States (A$58.2 billion), Canada (A$26 billion), Singapore (A$16 billion) and Japan (A$15.1 billion).

In terms of the sectors attracting FDI, the top five sectors attracting FDI in Australia at the end of 2019 were: mining (A$360.1 billion, 35.3%; stock, the same below), manufacturing (A$131.4 billion, 12.9%), finance and insurance (A$113.2 billion, 11.1%), real estate (A$110.9 billion, 10.9%), and wholesale and retail trade (A$60.3 billion, or 5.9%).

Australia welcomes foreign investment in the country and believes foreign investment helps build and support the growth and prosperity of the national economy and increases its people's well-being. There are very few areas where Australian legislation restricts foreign investment. Any productive foreign investment that supports the sustainable growth and development of Australian industries is encouraged, and this includes the supply of goods and services to Australia, the development of export markets, the introduction and development of new technologies or management techniques, and the operation and management of businesses. In recent years, as Chinese investment in Australia increases, there is a competition to acquire farms, local houses, and major infrastructure projects, with some Australians being somewhat suspicious of Chinese investment.

To facilitate major foreign investment projects, the Australian Government's incentives include the simplification of approval procedures, support for skilled personnel, funding for feasibility studies, and incentives for the establishment of regional headquarters and operations centers in Australia. The conditions for these major foreign investment projects are usually strict and require the following: the project must be of strategic importance to Australia, brings significant economic benefits to the country, or makes a significant contribution to its employment or infrastructure, promotes innovation in Australian industries, increases research and development and commercialization capabilities, and the project value must exceed A$50 million. Technical Talent Support Program: companies that bring significant investment projects to Australia can apply for permanent residence visas and long-term business residence visas for the company's key managers and specialists. The visa procedures are greatly simplified. The Australian government will also provide immigration and tax incentives for multinational companies that establish regional headquarters and operational centers in Australia. Tax incentives: capital expenditure on oil exploration and other minerals can be amortized over 15 years or the lifespan of the asset, whichever is shorter. R&D activities that qualify for the incentive are eligible for a 45% rebate if their annual turnover is less than A$20 million.

IV. Interpreting Australia's RCEP investment commitments

Australia is a highly developed capitalist country with Canberra as its capital. As the most economically advanced country in the southern hemisphere, the 12th largest economy in the world, and the fourth largest exporter of agricultural products, it is also the world's largest exporter of a wide range of minerals, and is therefore known as the "country on a mining train". Since 1970, Australia's economy has undergone a major restructuring, with tourism and services growing rapidly and accounting for a growing share of its GDP, currently at around 70%. The gold industry is well developed and Australia has become one of the world's leading gold-producing countries. Australia Post is one of the few postal systems in the world that is profitable and does not require government subsidies.

In Annex III of the RCEP, Australia elaborates on its foreign investment restrictions in the two main areas, trade in services and non-trade in services, using a full Negative List for its Schedule of Reservations and Non-Conforming Measures for Services and Investment. See Section 2 of this chapter for an interpretation of Australia's commitments for trade in services. Australia's restrictions for non-services investments are given in the form of a Negative List, and are presented in Annex III as List A and List B. Both List A and List B apply to manufacturing, agriculture, fishing, forestry and hunting, mining and quarrying, and all such sectors or combinations thereof for which reservations have been made. In List A, the Australian government updates or further clarifies the measures already in place.

Agriculture. Australia reserves the right to adopt or maintain any measures against marketing boards or similar arrangements.

Fisheries. Foreign fishing vessels must be authorized to engage in fishing activities in the Australian fishing zone. This includes any activity in support of or in preparation for any fishing activity or the processing, carrying or transshipment of fish. Any foreign fishing vessel authorized may be subject to a levy.

All sectors. The Australian Government has imposed restrictions on the acquisition or leasing of land in all sectors. Australia reserves the right to adopt or maintain any measures in relation to the proposed acquisition by a foreign person of interests in Australian land, other than developed commercial land or land used wholly or exclusively for the primary production business, where the cumulative value of agricultural land owned by a foreign person, alone or together with associates, exceeds A$15 million, including proposed acquisitions. Australia reserves the right to adopt or maintain any measures in relation to a proposed acquisition of an agribusiness by a foreign person where the cumulative value of the interest held by the foreign person, alone or together with associates, for the agribusiness exceeds A$60 million.

It is also important to note that Australia reserves the right to adopt or maintain any measure in relation to investment that shall take precedence over, or provide preferential treatment for, any indigenous person or organization.

V. Opportunities brought by the RCEP to investment in Australia

Actual investment from other RCEP Contracting Parties accounts for over 22% of Australia's actual total FDI. Australia is a resource-exporting developed country, and China needs huge resource imports to support its huge consumption and production, and the supply and demand of China and Australia are benignly complementary. By joining the RCEP, Australia can reduce costs and stabilize demand for its trade in products, which will have a profound impact on its national economy. Resource-exporting countries must find stable and reliable resource-importing countries that are mutually complementary in order to maintain economic and political stability in a volatile world. The signing of the RCEP is a landmark event for multilateralism, free trade and globalization, and will provide great momentum for the trade and economy of other RCEP Parties, and even an opportunity for the Asia-Pacific region to retake its place at the world's summit. The signing of the RCEP will undoubtedly accelerate the recovery of the world economy after COVID-19, and bring more comfort, convenience and investment opportunities to the lives of people in all Contracting Parties. According to the Australian Financial Review, by signing the RCEP, the Australian government hopes to remove barriers to trade with countries besides China, increase the diversity of Australia's trade relationships, and reduce the risk of economic coercion from its largest trading partner.

Overall, the signing of the RCEP has opened Australian eyes to the huge opportunities for economic and trade growth with the ASEAN countries, as well as the opportunity to integrate supply chains, which over time could allow Australian enterprises easier and better access to these countries, as well as greater diversification.