

National Interest Analysis [2022] ATNIA 3

with attachments

Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland

(Adelaide, 17 December 2021 and London, 16 December 2021)

[2022] ATNIF 3

Attachments:

Attachment I Consultation

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NATIONAL INTEREST ANALYSIS: CATEGORY 1 TREATY

Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland

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Nature and timing of the proposed treaty action

1. The proposed treaty action is to bring into force the *Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland* (“A-UKFTA”, “the Agreement”) signed on 17 December 2021 at Adelaide, Australia and 16 December 2021 at London, United Kingdom.
2. Article 32.7 (Entry into Force) provides that the A-UKFTA will enter into force 30 days after the date of the latest note of an exchange of notes confirming that each Party has completed its respective domestic requirements for entry into force.
3. It is proposed that Australia provide such notification as soon as practicable following consideration by the Joint Standing Committee on Treaties (JSCOT), the passing of any legislative amendments and the enactment of any necessary regulations.

Overview and national interest summary

4. The A-UKFTA will bring both commercial and strategic benefits. The UK is the world’s fifth largest economy and our fifth largest two-way trading partner, with A\$31.8 billion in goods and services trade in 2020. The A-UKFTA will deliver preferential market access for Australia’s key exports, providing important diversification opportunities. It will also improve certainty for exporters and importers, service suppliers and investors across the whole economy.
5. The A-UKFTA will enhance cooperation and coordination with the UK to facilitate a strong and resilient economic recovery from COVID-19, while reducing the vulnerability of Australia’s trade and investment to future crises.
6. As a modern free trade agreement (FTA), the A-UKFTA will help stimulate growth and investment, providing increased opportunities for Australian business. It will enhance Australia’s economic engagement with the UK through strengthened trade rules that will help build upon our already healthy trading relationship.
7. An FTA with the UK will benefit Australian consumers by increasing access to competitively priced goods, and exposure to new technologies and innovative practices. As an open trading nation, our future prosperity depends upon our economy staying

internationally competitive and on Australian businesses continuing to innovate and succeed in new markets.

8. The A-UKFTA will also deliver important strategic outcomes, furthering the Foreign Policy White Paper objective of diversifying Australia's trade and guarding against the risk of discriminatory trade blocs that could damage Australia's economic and security interests. This comes at a time when many of Australia's trade competitors are negotiating preferential access with the UK, through bilateral FTAs and through the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Signing an FTA with the UK also sends a signal to the world of Australia's ongoing commitment to trade liberalisation, helping to counter protectionist sentiment during a period of geopolitical uncertainty and trade tensions.

Reasons for Australia to take the proposed treaty action

9. The purpose of signing the proposed A-UKFTA is to create new opportunities for goods and services trade and investment with the UK and to remove barriers that were impeding trade in goods, for example, while the UK was a member of the European Union (EU). Some of the barriers to goods trade include tariffs and quotas on Australia's exports. Reducing or eliminating these tariffs and quotas means that trade can flow more freely, stimulating the export potential for Australia's businesses and contributing to more competitively priced products for consumers in both countries thus improving standards of living.
10. The key outcomes and impacts of the A-UKFTA are set out in detail in Attachment II (Regulation Impact Statement) and Attachment III (Key Outcomes) to this National Interest Analysis (NIA). Sectoral outcomes are summarised below.

Goods

11. Under the proposed A-UKFTA, almost 99 per cent of Australian goods exports (valued at A\$9.2 billion on average over the period 2017 to 2019) will enter the UK duty free on entry into force. Barriers that have been in place for just under 50 years on Australian exports will be removed across a range of key products including wine, seafood, grains, fruit and vegetables, honey, nuts and olive oil. Under the A-UKFTA, tariff reductions would be locked in, providing certainty for Australian exporters.
12. These outcomes will result in a marked improvement to Australia's access to the UK market and allow Australia's agricultural producers to compete on an equal footing with competitors including the EU, which already enjoys duty free access to the UK market.
13. The A-UKFTA also contains liberal rules of origin that will facilitate market access. They reflect modern production processes and support existing global value chains. The rules of origin include explanation of efficient and low-cost processes to prove originating status of goods. These will contribute to reducing the amount of paperwork at the border for traders and Customs authorities.
14. Such improved procedures allow for Declarations of Origin (DOO) to be either self-declared by the producer or exporter or completed by an authorised issuing body.

Importers will also be able make a claim for preferential tariff treatment without the need for a DOO based on 'importers knowledge'.

Services, Investment and Mobility

15. The A-UKFTA will provide a strong platform to expand trade in services and to promote investment with the UK. The Agreement 'locks-in' non-discriminatory provisions, ensuring that neither the UK nor Australia can discriminate in favour of its own service suppliers and investors. The Agreement is also future proofing through the Most-Favoured Nation (MFN) and ratchet provisions that ensure that the benefits of the UK's future FTAs are automatically granted to Australian service suppliers and investors and that Australia and the UK cannot decrease liberalisation of existing regulation in particular services sectors.
16. The Agreement will also include a liberal approach to services and investment market access going beyond the UK and Australia's respective best precedent trade commitments. The A-UKFTA strikes the right balance in including commitments that reflect the high-quality regulatory approaches of both Governments.
17. The A-UKFTA will underpin further opportunities for services and investment. Commitments on access for service suppliers and investors will be substantially enhanced from existing positions under the General Agreement on Trade in Services (GATS) in the World Trade Organization (WTO), guaranteeing access for our service suppliers and investors to the UK market. Commitments will cover all investment, portfolio and foreign direct investment (FDI) and ambitious market access commitments matching the best the UK has made. Investors will have guarantees of market access, fair treatment and protection from expropriation of assets, while the Agreement preserves the right of states to regulate in the public interest, including Australia's right to screen investment in the national interest.
18. The mobility commitments confirm visa pathways available for the temporary movement of skilled workers in both directions and ensures that Australian businesses have access to skills and talent from the UK and that Australian nationals have an enhanced ability to pursue career opportunities in the UK.

Improving the Business Environment

19. The A-UKFTA helps to facilitate digital trade, enabling Australian businesses and consumers to take advantage of new opportunities in the growing global digital economy. The Agreement contains rules to enable the free flow of data across borders and prevent unjustified data localisation requirements, while ensuring appropriate protections for data privacy and legitimate public policy objectives. These data rules will assist Australian businesses by facilitating access to data and increasing their competitiveness in local and international markets.
20. Australia and the UK have agreed to establish a best practice framework to improve the two-way movement of professionals and professional services. This includes provisions to support mutual recognition of professional qualifications; and promote transparent qualifications recognition, licensing and registration processes, as well as a work

program for peak bodies to engage to further streamline and guarantee easier access for professionals between Australia and the UK.

21. The A-UKFTA also contains rules that capture recent advances in international trade rule making (including relating to intellectual property, competition, government procurement, and small and medium enterprises) and future-proof the ways in which Australian exporters can conduct business activities with UK businesses.

Obligations

22. The A-UKFTA consists of 32 Chapters with associated Annexes, Appendices and footnotes.

Goods

23. The provisions contained in the A-UKFTA's goods-related chapters (Chapter 2-7) reaffirm existing rights and obligations under the relevant WTO Agreements.
24. The Chapter on Trade in Goods (Chapter 2) establishes the basic rules governing trade in goods between Australia and the UK. The Chapter contains provisions covering Australia and the UK's tariff commitments and non-tariff measures, pursuant to the Agreement's objective to liberalise and facilitate trade in goods. This Chapter is a common element of FTAs and is consistent with Australia's obligations under the *General Agreement on Tariffs and Trade 1994* and other Multilateral Agreements on Trade in Goods in Annex 1A of the *Agreement Establishing the WTO* (WTO Agreement). Tariff commitments reduce or eliminate preferential tariffs on originating goods, without affecting excise equivalent duties.
25. The Chapter on Trade Remedies (Chapter 3) establishes transitional safeguard provisions based on those in the *WTO Agreement on Safeguards* that would support Australia and the UK's tariff liberalisation commitments. It also contains provisions which are compliant with Australia's domestic legislation and consistent with both Parties' WTO trade remedies rights and obligations.
26. The Chapter on Rules of Origin and Origin Procedures (Chapter 4) specifies the rules under which goods imported from a Party are considered eligible for preferential tariff treatment. It includes liberal rules of origin that will facilitate market access and reflect modern production processes and existing and future global value chains.
27. The Chapter on Customs Procedures and Trade Facilitation (Chapter 5) contains commitments for efficient and transparent customs procedures to facilitate increased bilateral trade. The Chapter builds on commitments under the *WTO Agreement on Trade Facilitation* and ensures transparency of rules and procedures. This Chapter is a common element of FTAs. It provides greater certainty, transparency and predictability for Australian traders with commitments for goods to be released within 48 hours from customs and within six hours for both perishable goods and expedited shipments.
28. The Chapter on Sanitary and Phytosanitary (SPS) Measures (Chapter 6) is designed to help facilitate trade. It reaffirms the Parties' commitments in the *WTO Agreement on the Application of Sanitary and Phytosanitary Measures*, in particular commitments on

regionalisation, equivalence and verification. It reaffirms Australia's right to continue to implement a robust, science-based biosecurity regime.

29. The Chapter on Technical Barriers to Trade (TBT) (Chapter 7) builds on the close institutional relationships between Australia and the UK by increasing cooperation and information exchange. It includes commitments on conformity assessment, international standards and technical regulations that build on the WTO *Agreement on Technical Barriers to Trade* to further facilitate trade and enhance transparency. The chapter includes a Cosmetics Annex, with information sharing requirements and commitments on animal testing.

Services

30. The Chapter on Cross-Border Trade in Services (Chapter 8) will establish rules for the cross-border supply of services between the Parties, including obligations to provide access to UK service suppliers (Market Access), to treat local and UK suppliers equally (National Treatment) and to treat service suppliers of the UK at least as well as suppliers of any non-Party (MFN). This Chapter includes local presence, transparency, payments and transfers, and recognition provisions broadly in line with our previous FTAs. Australia has also made commitments to ensure impartiality, transparency and responsiveness of its competent authorities so that their requirements, procedures, and technical standards do not constitute unnecessary barriers to trade across the whole economy, except on sensitive matters where Australia has scheduled limitations against the reservable disciplines (such as MFN, Market Access, National Treatment and Local Presence). These commitments are consistent with the high-quality regulatory practice that exists across all Australian jurisdictions. The Chapter incorporates two Annexes which will establish commitments by both Parties specific to express delivery services and international maritime transport services.
31. The Chapter on Financial Services (Chapter 9) contains specific rules on financial services that build on existing commitments in the CPTPP and Australia-Hong Kong FTA, giving financial service suppliers greater certainty and transparency regarding the rules that will apply to them when providing services to UK clients. As with the Cross-Border Trade in Services Chapter, it will also include Market Access and National Treatment provisions along with obligations regarding local presence, payment and clearing systems, data flows and localisation and back-office functions. It includes provisions to address behind the border barriers to financial services trade and expands opportunities for cross-border provision of such services. The Chapter recognises the importance of transparency and establishes a Financial Services Regulatory Cooperation Annex.
32. The Chapter on Professional Services and the Recognition of Professional Qualifications (Chapter 10) facilitates cooperation on recognition of professional qualifications, licensing and registration requirements. It provides a framework for professional bodies to expand their links with UK counterparts, encouraging dialogue on recognition of qualifications, licences and registration. The framework also encourages development of mutual recognition arrangements in professions of mutual interest, including through the

alignment of professional standards and accreditation criteria with international frameworks.

33. The Chapter on Temporary Entry for Business Persons (Chapter 11) facilitates the temporary entry and stay of skilled persons in support of business or investment opportunities. Australia and the UK are required to maintain visa pathways for businesspeople entering across a range of categories (for Australia, business visitors, intra-corporate transferees, independent executives and contractual service suppliers), provided all relevant application processes and eligibility requirements have been met. The Chapter waives requirements for economic needs tests with respect to committed categories. The Chapter does not create any obligations in relation to citizenship, nationality, residence or employment on a permanent basis. It recognises the right of a Party to regulate the entry of natural persons from another Party into its territory.
34. Alongside the Chapter, Australia has committed to introduce an Innovation and Early Career Skills Exchange pilot for UK citizens to access streamlined visa opportunities to Australia, capped at 1,000 in the first year of operation and rising to 2,000 in the second year. In the second year, the pilot will be reviewed and considered for future implementation by both sides. Australia also invites the UK to discuss participation in the Australian Agriculture Visa, while the UK identifies similar opportunities for Australians to work in agriculture in the UK. The Parties also agree to make changes to youth mobility arrangements on a reciprocal basis, with joint commitments to extend opportunities to participate up to the age of 35, the possibility of three-year stays, and no specified work requirements on participants.
35. The Telecommunications chapter (Chapter 12) contains a number of standard provisions that are similar to telecommunications chapters in Australia's previous FTAs. The Chapter will promote competition in Australia and the UK's telecommunications markets through adopting and maintaining safeguards and approaches to regulation that prevent anti-competitive practices and discrimination. The Chapter also includes provisions such as access for service suppliers to use public telecommunications networks or services, the independence of telecommunications regulatory authorities, transparent and reasonable roaming rates and alternatives to roaming and a commitment to a strategic dialogue and partnership on security and diversification in the telecommunications sector.

Investment

36. The Chapter on Investment (Chapter 13) provides market access and protections for investors from the UK and Australian investors in the UK. Australia has offered preferential Foreign Investment Review Board (FIRB) screening thresholds to the UK under the Agreement. The Chapter does not include Investor State Dispute Settlement (ISDS) provisions.
37. The key obligations in this Chapter include:
 - a. non-discrimination through national treatment and MFN provisions: national treatment obliges a Party to accord to investors of the other Party treatment no less favourable than that it accords its own investors, where there are like

circumstances, and MFN obliges a Party to afford no less favourable treatment to foreign investors of the other Party than investors from non-Parties in like circumstances;

- b. an obligation not to impose limitations on market access to investors from the other Party (market access);
 - c. fair and equitable treatment and full protection and security: the investor/investment from the other Party to be accorded fair and equitable treatment and full protection and security in accordance with the customary international law minimum standard of treatment of aliens;
 - d. expropriation and compensation: obligation not to expropriate or nationalise a covered investment (directly or indirectly) unless it is undertaken in a non-discriminatory manner, for a public purpose and upon payment of prompt, adequate, and effective compensation;
 - e. transfers: obligation to allow all transfers relating to a covered investment to be made freely and without delay into and out of its territory, with economic sanctions carved out from the obligations in this provision;
 - f. performance requirements: lists the types of requirements (for example to purchase, use or accord a preference to goods produced in a Party's own territory), which a Party agrees not to impose as a condition of establishment or operation of an investment in the other Party, including prohibitions on requirements to headquarter in Australia or to undertake particular levels of research and development, except as conditions of benefits provided to the investor, which are new to Australia's practice; and
 - g. senior management and board of directors: a prohibition on requiring new, discriminatory residency and nationality requirements for senior management and directors positions of covered investments.
38. While some of these obligations are not found in Australia's existing FTAs, they do not require changes to existing domestic laws or policy, with the exception that changes to the investment screening thresholds for some proposed actions by UK investors will require changes to the *Foreign Acquisitions and Takeovers Regulation 2015*.

Digital Trade

39. The Chapter on Digital Trade (Chapter 14) is aimed at facilitating digital trade across all sectors of the economy. It contains rules to facilitate trade, including through reducing barriers to paperless trading and increasing the interoperability of electronic contracts and electronic authentication. It contains commitments to enable cross-border data flows and avoid unjustified computing facility localisation requirements, subject to exceptions allowing Parties to take measures for security, privacy and other legitimate public policy reasons. It also contains commitments to ensure a safe trading environment for consumers and businesses, including rules in respect of online consumer protection,

personal information protection and spam. The Chapter also contains provisions for ongoing cooperation and collaboration, including on digital inclusion, cybersecurity and to support SMEs participating in the digital economy.

Intellectual Property

40. The Chapter on Intellectual Property (Chapter 15) affirms and complements the WTO *Agreement on Trade-Related Aspects of Intellectual Property* (TRIPS) provisions on copyright, trademarks, designs, geographical indications (GIs) and patents, including transparency, safeguards for and enforcement of intellectual property rights, cooperation and genetic resources and traditional knowledge. The Chapter is consistent with the *Patents Act 1990, Trade Marks Act 1995, Designs Act 2003, Copyright Act 1968, Resale Royalty for Visual Artists Act 2009* and associated regulations, but some legislative amendments to Australia's designs and artist resale right settings will be required after entry into force.
41. The Chapter commits Australia to make all reasonable efforts to accede to the *Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs* (Hague Agreement). This commitment does not require Australia to have acceded to the Hague Agreement upon entry into force of the Agreement. Accession to the Hague Agreement as an end-result of Australia's commitment to make reasonable efforts will be a separate treaty action and will ultimately require changes to the *Designs Act 2003* and associated regulations.
42. This Chapter also contains a commitment for the Parties to implement reciprocal arrangements for their artist resale royalty schemes following a consultation process. This will make Australian visual artists eligible to receive royalties when their works are resold in the UK, and UK artists will similarly be eligible under Australia's scheme. Amendments to the *Resale Royalty Right for Visual Artists Act 2009* or associated regulations will be required to implement this arrangement.
43. The A-UKFTA does not require Australia to make any changes to its GI settings or to protect any specific GIs under the agreement. However, there is a commitment to review the GI provisions in the Chapter if Australia implements a new standard of protection for GIs through an international agreement with a third party or allows for the protection of specific GIs under such an agreement with a third party. This is to ensure the UK may secure treatment no less favourable than the third party. There is also a commitment to review the GIs provisions if Australia has not entered into such an agreement with a third party by two years after entry into force of the A-UKFTA.

Government Procurement

44. The Chapter on Government Procurement (Chapter 16) contains rules and provides for market access in relation to government procurement. A Government Procurement Chapter is a common element of the majority of Australia's trade agreements and this Chapter contains standard provisions that are substantially consistent with those agreements, in particular the WTO Agreement on Government Procurement (GPA) and the CPTPP. The rules in the Chapter are based on the principles of national treatment and non-discrimination. Australia has gone beyond its market access commitments in the

GPA and CPTPP, covering additional procuring entities at the Commonwealth and State and Territory government levels, commensurate with additional market access committed by the UK. Australia has maintained its full, standard list of exceptions for particular categories of goods and services, and for policies such as those relating to SME and Indigenous procurement.

Competition Policy and Consumer Protection

45. The Chapter on Competition Policy and Consumer Protection (Chapter 17) contains obligations requiring Australia and the UK to maintain national competition laws that proscribe anti-competitive agreements, anti-competitive practices by entities that have substantial market power, address mergers with substantial anti-competitive effects, and maintain a national competition authority. It contains provisions on procedural fairness, as well as on consumer protection. The Chapter also recognises the importance of cooperation and coordination between Australia and the UK's respective competition and consumer protection authorities to foster effective enforcement. The provisions are largely similar to those in our previous FTAs and are consistent with the *Competition and Consumer Act 2010* and associated regulations.

State-Owned Enterprises and Designated Monopolies

46. The Chapter on State-Owned Enterprises and Designated Monopolies (Chapter 18) contains provisions providing for open and fair competition between commercially oriented SOEs and private businesses, including rules regarding commercial assistance and non-discrimination. It also includes provisions ensuring SOEs providing public services can continue to operate and provisions regarding information sharing and cooperation, including at the multilateral level. An SOEs Chapter has been included in other Australian FTAs and this Chapter contains similar provisions.

Small and Medium Enterprises

47. The Chapter on Small and Medium Enterprises (Chapter 19) provides a platform for Parties to facilitate cooperation that can enhance the capability of SMEs to take advantage and benefit from the opportunities created through the Agreement, and to assist SME participation in global markets. The Chapter contains provisions that are similar to our previous FTAs, in particular CPTPP.

Innovation

48. The Chapter on Innovation (Chapter 20) establishes a Strategic Innovation Dialogue mechanism for the UK and Australia to consider specific cooperation activities, including in development, and discuss the impact of innovation on trade, including regulatory approaches, commercialisation of new technologies and supply chain resilience.
49. This Chapter is the first time Australia has included commitments regarding innovation in an FTA, but involves no regulatory changes or changes to development policy or practice as commitments are focused on cooperation, consultation and information sharing.

Labour

50. The Chapter on Labour (Chapter 21) includes provisions committing the UK and Australia to maintain and effectively enforce their domestic labour laws and standards. It affirms the Parties' obligations as members of the International Labour Organization (ILO) and requires the Parties to have laws that enshrine the rights stated in the ILO *Declaration on Fundamental Principles and Rights at Work* and its *Follow-up* (1998). Chapter provisions substantively replicate those in the Labour Chapter of the CPTPP, but with additional provisions on recognising the right to regulate of each Party, non-discrimination and gender equality in the workplace, as well as a provision tackling modern slavery in supply chains, which require no changes to Australian law or practice.

Environment

51. The Chapter on Environment (Chapter 22) affirms the Parties' commitments under multilateral environmental agreements, including the Paris Agreement, the Convention on International Trade in Endangered Species (CITES), the Montreal Protocol and the International Convention for the Prevention of Pollution from Ships (MARPOL). Most provisions substantively replicate those in the Environment Chapter of the CPTPP and require no changes to Australian law or practice.

Development

52. The Chapter on Development (Chapter 23) contains provisions relating to bilateral cooperation, including the exchange of information on best practices, technical assistance and capacity building. This Chapter is the first time Australia has included commitments regarding development in an FTA with another developed country. It will not involve any regulatory changes or changes to development policy or practice as commitments are focused on cooperation, consultation and information sharing.

Trade and Gender Equality

53. The Chapter on Trade and Gender Equality (Chapter 24) contains provisions aimed at addressing barriers for women to access the benefits of trade and investment, focused on cooperative activities, the exchange of information and a dialogue mechanism to support implementation. This is the first Australian FTA including a chapter on trade and gender equality and does not require any changes to Australian law or practice.

Animal Welfare and Antimicrobial Resistance

54. The Chapter on Animal Welfare and Antimicrobial Resistance (Chapter 25) focuses on cooperation in areas of mutual interest in relation to animal welfare and combatting antimicrobial resistance, including in international fora. For animal welfare, it recognises that animals are sentient beings and affirms the Parties' right to regulate and to establish their own policies and priorities on animal welfare protection, while also containing appropriate provisions recognising the importance of high levels of animal welfare protections and that the Parties should not derogate or regress from such protections. The Chapter establishes a bilateral Animal Welfare Working Group. The A-UKFTA will be the first FTA in which Australia has included provisions regarding animal welfare and

combatting anti-microbial resistance. It does not require any legislative or regulatory changes.

Good Regulatory Practice

55. The Chapter on Good Regulatory Practice (Chapter 26) supports a transparent and predictable regulatory environment for business, including through providing transparency and accessibility of information about regulatory measures, and for public consultation in their development. The Chapter contains provisions that are similar to our previous FTAs, in particular CPTPP.

Cooperation

56. The Chapter on Cooperation (Chapter 27) provides for the effective implementation and utilisation of the Agreement by providing for technical cooperation activities across the Agreement as a whole to be undertaken through a bilateral Cooperation Committee.

Transparency and Anti-Corruption

57. The Chapter on Transparency and Anti-Corruption (Chapter 28) commits the UK and Australia to best-practice transparency and anti-corruption provisions, including the promotion of transparency in government decision-making and encouraging private sector and civil society participation. It also contains provisions relating to shared ambition to combat the distorting impact of bribery and corruption in trade and affirms the Parties' international obligations regarding bribery and corruption offences.

Administrative and Institutional Provisions

58. The Chapter on Administrative and Institutional Provisions (Chapter 29) establishes an FTA Joint Committee to oversee and ensure effective implementation of the Agreement. The Joint Committee would comprise representatives from both Parties and be the peak body responsible for overseeing the operation of the Agreement after its entry into force. This is standard practice in Australia's FTAs.

Dispute Settlement

59. The Chapter on Dispute Settlement (Chapter 30) contains rules and procedures to resolve disputes that may arise between the Parties in relation to their commitments under the Agreement. This Chapter is a common element of Australia's FTAs and is based on the rules and procedures for dispute resolution under the WTO. In keeping with Australia's FTA practice, some provisions are excluded from the scope of the dispute settlement mechanism, such as provisions in the Sanitary and Phytosanitary Chapter.

General Provisions and Exceptions

60. The Chapter on General Provisions and Exceptions (Chapter 31) contains general exceptions to the Agreement, and exceptions relating to matters such as essential security, taxation measures and balance of payments.

Final Provisions

61. The Chapter on Final Provisions (Chapter 32) contains provisions governing the administration of the Agreement. This includes the requirements for the Agreement to enter into force as well as the process for general review of the Agreement by the Parties. This Chapter also establishes the process for the Parties to agree in order to extend the Agreement to other territories, as well as the process for withdrawal by a Party.

Implementation

62. Australia would need to make the following legislative changes in order to implement the obligations in the A-UKFTA:
 - a. The *Customs Tariff Act 1995* will need to be amended to incorporate the preferential tariff rates that will apply to goods imported from the UK under the A-UKFTA; and the *Customs (International Obligations) Regulation 2015* and *Customs Tariff Regulations 2004* will be amended to allow for refunds of excess customs duty paid.
 - b. The *Customs Act 1901* will need to be amended and a Customs (A-UKFTA Rules of Origin) Regulation will need to be created establishing rules for determining the originating status of goods imported from the UK for the purpose of determining eligibility for preferential tariff treatment.
 - c. The *Foreign Acquisitions and Takeover Regulations 2015* will also require amendment to incorporate the new thresholds for screening investment proposals by investors from the UK; and
 - d. A legislative instrument under section 140 GBA of the *Migration Act 1958* will need to be created to give effect to Australia's labour market testing (LMT) waiver commitment in the Agreement. Amendments will also be required to the *Migration Regulations 1994* and associated legislative instruments to implement the shared understandings on mobility.

Costs

63. Estimated revenue and resourcing implications of the A-UKFTA come to approximately -\$175 million over the forward estimates (until year 2025-2026), with the main impact being the loss of tariff revenue associated with concessions in the agreement. Additional costs are associated with implementing a new mobility pathway for UK innovators and early career professionals to Australia, incentivising audio-visual co-productions, and implementing a Strategic Innovation Dialogue. We expect a reduction in fee revenue due to the decrease in FIRB applications as a result of raising the FIRB screening thresholds for UK investors to CPTPP levels (where the immediate acquirer is from the UK). These costs have been partially offset by taxation receipts from the expected increase in UK temporary migrants onshore. The FTA is expected to deliver a net resourcing benefit by 2025-26.

64. A Regulation Impact Statement (RIS), which has been certified by the Office of Best Practice Regulation as consistent with the *Australian Government Guide to Regulatory Impact Analysis* is attached to this NIA (Attachment II).

Future treaty Action

65. Article 32.2 (Amendments) allows for amendment of the Agreement, in writing, between the UK and Australia. Any amendments shall enter into force 30 days after the date on which the Parties exchange written notifications confirming that they have completed their respective domestic requirements necessary for the entry into force of the amendments, or on such other date as the Parties may agree. Any future amendments would be subject to Australia's domestic treaty-making requirements.

Termination

66. Article 32.8 (Termination) allows the UK or Australia to terminate the Agreement by giving the other Party notice in writing. Such termination shall take effect six months after the date of the notification, or on such date as the Parties may agree. Within 30 days of the date of the notification, either Party may request consultations regarding whether the termination of any provision of this Agreement should take effect on a later date. Any withdrawal by Australia would be subject to Australia's domestic treaty making requirements.

Contact details

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Attachments

Attachment I – Consultation

Attachment II – RIS

Attachment III – Key Outcomes

Attachment I

Consultation

Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland

(Adelaide, 17 December 2021 and London, 16 December 2021)

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Consultation

67. The public consultation and stakeholder engagement process for the Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland (“A-UKFTA”, “the Agreement”) commenced before the launch of negotiations on 17 June 2020. Stakeholders were engaged during the four years of preparatory discussions under the bilateral Trade Working Group (TWG), established in September 2016. Once negotiations formally commenced, DFAT, in conjunction with other government agencies, consulted widely with industry and other stakeholders in formulating positions. In the last 12 months alone, DFAT has communicated with over 140 organisations and participated in over 250 meetings regarding the A-UKFTA negotiations.
68. In addition to a call for public submissions in the lead-up to commencement of negotiations and throughout negotiations, negotiators regularly engaged with representatives of the business sector, academia and civil society organisations to provide them with an opportunity to share their views and expectations of the A-UKFTA negotiations. After every negotiating round, dedicated online stakeholder consultation events took place, hosted by the Australian British Chamber of Commerce (ABCC) and/or the Australia-UK Chamber of Commerce (AUKCC), including on the following dates:
 - a. 30 July 2020
 - b. 14 October 2020
 - c. 17 December 2020
 - d. 17 March 2021
 - e. 24 June 2021
 - f. 29 July 2021
 - g. 10 August 2021.

69. In addition, DFAT hosted a number of peak industry body events updating industry on the A-UKFTA negotiations, including biannual peak organisation meetings on trade and investment agreement negotiations and implementation as well as with peak bodies such as the Australian Services Roundtable.
70. The Government also convened meetings of the Ministerial Advisory Council to add to transparency around FTA negotiations. Participants in these meetings included representatives from peak industry bodies and civil society. The A-UKFTA has been discussed in this forum on 12 August 2020, 25 November 2020 and 26 March 2021.
71. Stakeholders participating in the public consultation process have noted the benefits that the A-UKFTA may bring, and the potential to build on the already strong trading relationship between Australia and the UK. Stakeholders underlined the importance of improved agricultural market access, modernised rules of origin, improved mobility settings and forward-leaning digital trade provisions. The majority of business sector stakeholders supported the government's efforts in the pursuit of this comprehensive Agreement.
72. Reducing barriers to agriculture market access to the UK was a particular focus for stakeholders. Businesses small and large and representatives from a range of major peak agricultural bodies, including Meat & Livestock Australia, Dairy Australia, and the National Farmers' Federation, were consulted throughout the A-UKFTA negotiations. Stakeholders sought the complete removal of tariffs, quotas and other barriers immediately on entry into force of the A-UKFTA. The announcement of the outcomes in the Agreement in Principle (AiP) on 17 June 2021, that formed core elements of the A-UKFTA, resulted in positive stakeholder reactions as many of the AiP outcomes directly responded to the requests of these stakeholders.
73. Enhancing opportunities for Australian service providers and investors in areas such as professional services, education, energy and health was also raised by stakeholders. One-on-one meetings between businesses and DFAT regularly took place in addition to broader consultations with services industry peak bodies such as the Australian Services Roundtable and sectoral professional bodies such as Engineers Australia. DFAT also engaged with the Indigenous Network for Investment, Trade & Export (IGNITE) organisation.
74. Civil society groups raised some targeted concerns in consultations and through public submissions, primarily on labour rights, environmental standards, animal welfare, ISDS, intellectual property and temporary entry. Notwithstanding the confidential nature of negotiations, negotiators, as requested, provided as much information as possible throughout the negotiations.
75. DFAT has also consulted with state and territory governments throughout the course of negotiations. Consultations took place with all states and territories through formal updates prior to negotiating rounds, as well as with individual jurisdictions. A substantial body of work involved the UK request that, for the first time, states and territories undertake a Market Access commitment in services and investment, scheduled on a negative list basis. An extensive technical consultation which commenced in June 2019

involved an assessment of each jurisdiction's measures and policy sensitivities. All jurisdictions agreed to a set of Market Access Non-Confirming Measures (Annex I and Annex II) by 20 September 2021.

76. A list of businesses and organisations that were consulted on the A-UKFTA is set out below, together with a list of submissions received.

DFAT-consulted stakeholder list

1. Accolade Wines	2. Accord
3. Animals Australia	4. ANZ
5. Apple and Pear Australia	6. Australia Chamber of Commerce and Industry (ACCI)
7. Architects Accreditation Council of Australia (AACA)	8. Australian Grape and Wine
9. Australian Automotive Aftermarket Association	10. Australian Council of Professions
11. Australian Health Practitioner Regulation Agency (AHPRA)	12. Australian Institute of Architects
13. Association of Consulting Architects Australia	14. Australian Aluminium Council
15. Australian Institute of Quantity Surveyors	16. Australian Banking Association
17. Association of International Seafood Professionals	18. Australian British Chamber of Commerce
19. Australian Beverages Council	20. Australian Digital Alliance
21. Australian Council of Wool Exporters	22. Australian Seafood Industry
23. Australian Fresh Produce Alliance	24. Australian Grape & Wine
25. Australian Fair Trade and Investment Network (AFTINET)	26. Australian Industry Group
27. Australian Honey Bee Industry Council	28. Association International Seafood Professionals
29. Australian Food and Grocery Council	30. Australian Horticultural Exporters' Association
31. Australian Livestock Exporters' Council	32. AUSVEG
33. Australian Pork	34. Australian Meat Industry Council
35. Australian Grain Exporters Association (AGEA)	36. Australian Nut Industry Council
37. Australian Mobile Telecommunications Association (AMTA)	38. Australian Pork Ltd, Australian Red Meat Industry / Meat & Livestock Australia
39. Australian Olive Association	40. Australasian Veterinary Boards Council
41. Australian Petroleum Production and Exploration Association	42. Australian Sugar Milling Council
43. Australian Services Roundtable	44. Australian Wool Innovation Limited

45. Australia-UK Contractor's Group	46. Bathurst Regional Council
47. Australia-United Kingdom Chamber of Commerce	48. British Pensions in Australia Inc
49. Boundary Bend Olives	50. Business Council for Sustainable Development
51. Business Council of Australia	52. CANZUK International
53. BSA, The Software Alliance	54. Canegrowers
55. Citrus Australia	56. Civil Liberties Australia
57. Chartered Accountants Australia & New Zealand (CAANZ)	58. Competere
59. Chemistry Australia	60. Complementary Medicines Australia
61. Communications Alliance	62. Consult Australia
63. Consumer's Federation of Australia	64. CPA Australia
65. Conference of Asia Pacific Express Carriers (CAPEC)	66. Dairy Australia
67. Customs Brokers and Forwarders Council of Australia	68. Distilled Spirits Industry of Australia
69. Design Institute of Australia	70. Electronic Frontiers Australia (EFA)
71. Direct Selling Australia	72. European Australian Business Council (EABC)
73. Engineers Australia	74. Femeconomy
75. Export Council of Australia	76. Food and Beverage Importer Association
77. Federal Chamber of Automotive Industries	78. Fintech Australia
79. Financial Services Council	80. Futurefund
81. Fisheries Research and Development Corporation (FRDC)	82. Freight & Trade Alliance
83. Food Frontier	84. GlaxoSmithKline (GSK)
85. Geraldton Fishermen's Co-operative	86. Grains Industry Market Access Forum
87. Global Trade Professionals Alliance	88. Grains Research and Development Corporation
89. Grain Growers Australia	90. Humane Society International
91. Indigenous Network for Investment, Trade & Export (IGNITE)	92. International Chamber of Commerce Australia
93. Herbalife Nutrition	94. IP Federation
95. Institute of Public Accountants (IPA)	96. Just Biodiesel
97. International Education Association of Australia	98. Macquarie Group
99. Joint Accounting Bodies	100. Medicines Australia
101. Law Council of Australia	102. Music Rights Australia
103. Meat and Livestock Australia	104. National Farmers Federation
105. Minerals Council of Australia	106. Nerada Tea
107. Mutual recognition of professional medical qualifications	108. Ports Australia
109. NAB	110. RSPCA

111. Optus	112. Sheep Producers Australia
113. RegTech Association	114. Standards Australia
115. Scotchmans Hill	116. Speech Pathology Australia
117. Seafood Industry Australia	118. Supply Nation
119. South Australian Wine Industry Association	120. Swisse Wellness
121. Steel Association	122. The Australasian Performing Right Association Limited / Australasian Mechanical Copyright Owners Society (APRA AMCOS)
123. SunRice Group	124. The Global Data Alliance
125. Tasmanian Salmon Growers Association	126. Treasury Wine Estates
127. The Australian Nut Industry Council	128. Universities Australia
129. TradeWindow	130. Vodafone TPG
131. Trisco Foods	132. Westpac
133. University of Melbourne	134. Wine Australia
135. Victorian Automotive Chamber of Commerce	136. World Animal Protection
137. Will Studd Cheeses	138. Telstra
139. Wool Producers Australia	140. Insurance Council of Australia
141. Council of Small Business Australia	142.
143. New South Wales Business Chamber	144.

List of submissions related to the A-UKFTA as on the [DFAT website](#)

- Accolade Wines (commercial-in-confidence)
- Accord
- Association of International Seafood Professionals
- Austral Fisheries
- Australian British Chamber of Commerce (commercial-in-confidence)
- Australian Fair Trade and Investment Network (AFTINET)
- Australian Grape & Wine (commercial-in-confidence)
- Australian Olive Association
- Australian Pork Ltd
- Australian Red Meat Industry / Meat & Livestock Australia (commercial-in-confidence)
- Australia-UK Contractor's Group
- Australia-United Kingdom Chamber of Commerce
- Bathurst Regional Council
- Boundary Bend Olives (commercial-in-confidence)
- British Pensions in Australia Inc
- BSA | The Software Alliance
- CANZUK International
- Civil Liberties Australia

- Competere
- Complementary Medicines Australia
- Direct Selling Australia
- Engineers Australia
- Femeconomy
- Fisheries Research and Development Corporation (FRDC) (commercial-in-confidence)
- Food Frontier
- Geraldton Fishermen's Co-operative
- GlaxoSmithKline (GSK)
- Herbalife Nutrition
- IGNITE
- IP Federation
- Joint Accounting Bodies
- Just Biodiesel
- Just Biodiesel – submission update
- Law Council of Australia
- Music Rights Australia
- Mutual recognition of professional medical qualifications
- National Farmers Federation (commercial-in-confidence)
- Nerada Tea
- RSCPA
- Scotchmans Hill
- Sheep Producers Australia (commercial-in-confidence)
- South Australian Wine Industry Association
- SunRice Group
- Swisse Wellness (commercial in confidence)
- Tasmanian Salmonid Growers Association (commercial-in-confidence)
- The Australasian Performing Right Association Limited / Australasian Mechanical Copyright Owners Society (APRA AMCOS)
- The Australian Nut Industry Council
- The Global Data Alliance
- The Regtech Association
- TradeWindow
- Treasury Wine Estates
- Trisco Foods
- Universities Australia
- University of Melbourne
- Will Studd Cheeses
- Wine Australia
- Wool Producers Australia
- World Animal Protection

FREE TRADE AGREEMENT BETWEEN AUSTRALIA AND THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

REGULATION IMPACT STATEMENT

FINAL ASSESSMENT

25 November 2021

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INTRODUCTION

1. This Regulation Impact Statement (RIS) relates to the Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland (AU-UK FTA).
2. In accordance with the Australian Government's Guide to Regulatory Impact Analysis, the Department of Foreign Affairs and Trade (DFAT) has completed this RIS to analyse the impact of the decision to sign a bilateral free trade agreement with the United Kingdom (UK). A RIS to inform the decision to commence negotiations was prepared by DFAT in consultation with the Office of Best Practice Regulation (OBPR) in 2019.
3. On 17 June 2020, the then Minister for Trade, Tourism and Investment Simon Birmingham launched negotiations for an FTA with his UK counterpart, the then Secretary of State for International Trade, Elizabeth Truss. Five formal rounds of negotiations were held through a virtual format. The first round of negotiations was held from 29 June to 10 July and the second round from 21 September to 2 October 2020. The third round of negotiations was held from 23 November to 4 December 2020, the fourth round from 22 February to 5 March 2021, and the fifth round from 4 May to 2 June 2021. From July to November 2021, rolling negotiating sessions were held. The Minister for Trade, Tourism and Investment, Dan Tehan, negotiated elements of the agreement with his UK counterparts (Secretary of State Truss, and following her appointment on 15 September 2021, Secretary of State for International Trade Anne-Marie Trevelyan) in regular virtual meetings over the course of negotiations and when he visited London in April and October 2021.
4. At the April 2021 Ministerial discussions in London, Minister Tehan and then Secretary of State Truss agreed that the UK and Australia would expedite negotiations with the aim of announcing an 'Agreement in Principle' (AiP) immediately after the G7 Summit. On 16 June 2021, Australian Prime Minister Scott Morrison and UK Prime Minister Boris Johnson announced that an agreement in principle had been reached on core elements of the free trade agreement negotiations. **(See Attachment A – AU-UK FTA negotiations – Agreement in Principle (AiP))**. The AiP undertakings are reflected in the final agreement.
5. The proposed AU-UK FTA is a trade agreement covering 32 Chapters. These include trade in goods, trade in services, investment, digital trade, intellectual property, government procurement, competition policy, state-owned enterprises, labour, environment, innovation, development and small and medium sized enterprises.

PROBLEM IDENTIFICATION – WHAT POLICY PROBLEM ARE YOU TRYING TO SOLVE?

6. Australia and the UK are close partners. Our relationship is underpinned by our shared heritage, common values, including democracy and the rule of law, closely aligned strategic outlook and trade and investment links. Brexit, and the UK's resulting independent trade policy, has served to strengthen our ties and revitalise our bilateral relationship to focus on new opportunities.
7. Australia and the UK have complementary trading economies. In 2019-20, 78 per cent of Australia's goods exports were primary products¹, while more than 85 per cent of the UK's goods exports were manufactures.² As the Joint Standing Committee on Foreign Affairs and Trade outlined in its Inquiry into Australia's trade and investment relationship with the UK, the UK's robust economy and growing population will continue to drive demand for Australian food, education, and services.³ An FTA between the UK and Australia will further open opportunities to grow this trade.
8. Australia's liberal trade policy settings have underpinned our ongoing economic growth. Our open economy and support for rules-based international trade have contributed to the high standard of living Australians enjoy. In 2019, Australia reached its 28th consecutive year of economic growth and was the 13th⁴ largest global economy despite having only the 54th largest population.⁵
9. The COVID-19 pandemic in 2020 however, led to Australia experiencing two consecutive negative growth quarters in 2020, the first since 1991.⁶ The proposed AU-UK FTA forms part of the Government's strategy to address the economic impacts of COVID-19 and to support an export-led recovery. This includes growing Australia's exports through market diversification and expanding trade opportunities for businesses, in particular SMEs.⁷
10. Expanding foreign investment, including from the UK, also plays an important role in our COVID-19 economic recovery. The proposed AU-UK FTA contributes to Australia's international competitiveness as it will help encourage new businesses to enter Australia and create new connections into other markets. Increased UK investment

¹ Austrade, Why Australia Benchmark Report, Global Ties, July 2021

² Office for National Statistics, National Accounts, UK trade in goods, CPA (08), July 2021

³ [2. Overview of Australia's trade with the United Kingdom – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)

⁴ IMF WEO database April 2021

⁵ 54th largest population in 2021 (IMF WEO Datamapper) [World Economic Outlook \(April 2021\) - Population \(imf.org\)](https://www.imf.org)

⁶ [One year of COVID-19: Aussie jobs, business and the economy | Australian Bureau of Statistics \(abs.gov.au\)](https://abs.gov.au)

⁷ [The Australian Economic Recovery Plan - Treasury \(ourcomeback.gov.au\)](https://ourcomeback.gov.au)

into Australia will also encourage competition and increase innovation by bringing new technologies and services to the Australian market.

11. In 2020, an Inquiry by the Joint Standing Committee on Trade and Investment Growth into Diversifying Australia's Trade and Investment Profile concluded in a report entitled 'Pivot'⁸, that there was a need to diversify Australia's trade. The first recommendation was:
 - a. That the Australian Government develop and release a plan for trade diversification, with:
 - i. a focus on maintaining relationships with existing close trading partners as well as expanding trade with other countries; and,
 - ii. a plan for diversifying Australia's range of goods and services exports.
12. The Government's formal response to this recommendation⁹, released in August 2021, notes that it is delivering a comprehensive suite of measures to support Australian exporters to diversify their markets. This includes through creating new export opportunities by negotiating new trade agreements. The report references the mid-June 2021 announcement by Prime Minister Morrison and UK Prime Minister Johnson that agreement had been reached on the core elements of a bilateral FTA.
13. Under the proposed FTA, agricultural exports are a key example of the trade diversification and expansion that will be possible due to the significant tariff and quota reduction and elimination either at entry into force or over a phased period. Commitments associated with the Temporary Entry for Business Persons Chapter broaden the demographic for participation in mobility opportunities between our two countries, and commitments on services provide transparency and certainty for services suppliers, all contributing to maintaining our strong links with the UK and increasing two-way trade.
14. The UK is an important partner with which to expand trade as the world's fifth largest economy¹⁰, and as a driver of global trade and investment. The UK is our fifth-largest two-way trading partner, with A\$31.8 billion in goods and services trade in 2020.¹¹ It is also Australia's fifth-largest merchandise trading partner, with two-way goods trade worth A\$21.9 billion in 2020, and our third-largest services trading partner, with two-way services trade worth A\$9.9 billion in 2020. The UK is also Australia's third-largest source of foreign direct investment, with foreign direct investment (stocks) valued at A\$123.5 billion in 2020, and the second-largest source of foreign investment in terms of total stocks, valued at A\$737.6 billion in 2020. **Graphs 1-4** and **Tables 1-5** provide

⁸ [Pivot – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)

⁹ [Government Response – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)

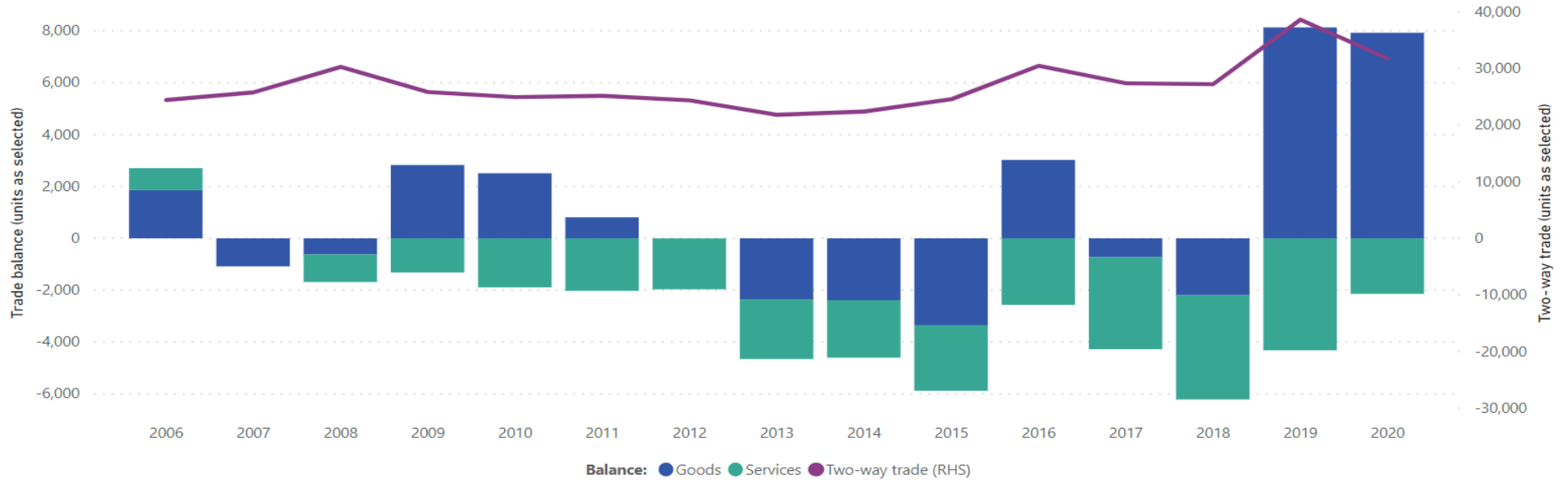
¹⁰ IMF WEO database April 2021

¹¹ Source: ABS

detail regarding Australia-UK goods and services trade and the investment relationship over the last decade.

Graph 1: Goods and Services Trade between Australia and the United Kingdom

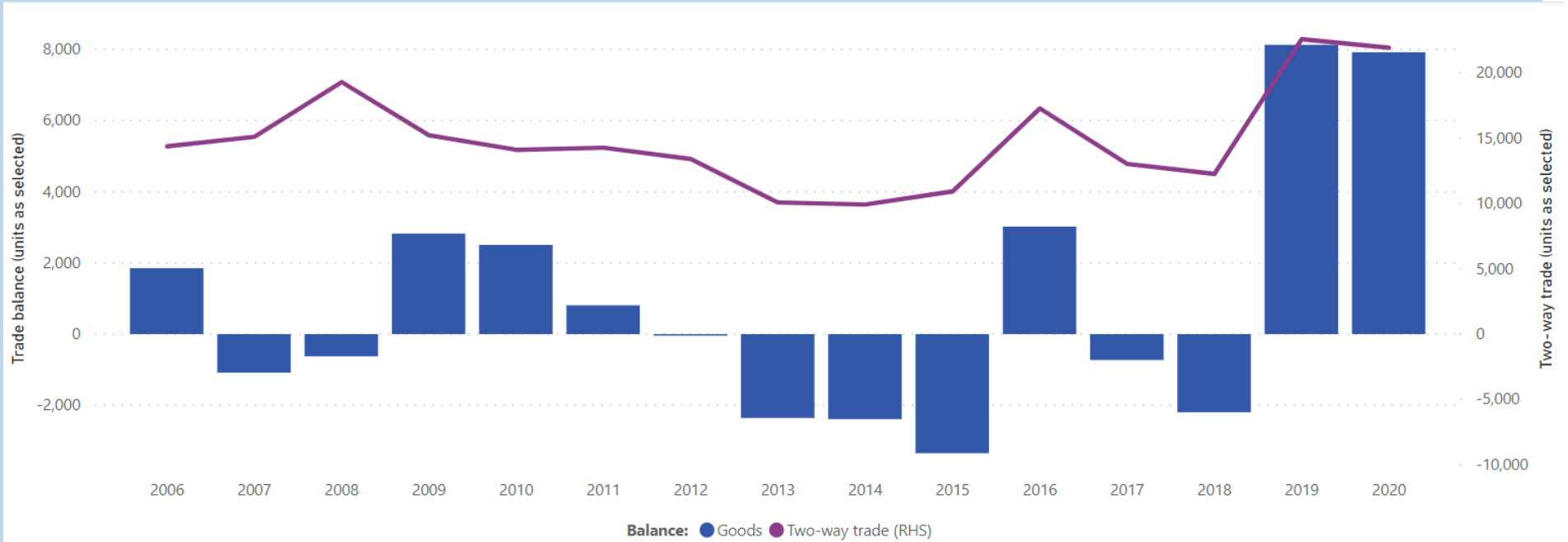
Source: Office of the Chief Economist, DFAT based on ABS data catalogue 5368.0



Trade type	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
⊕ Total Exports	13,566	12,342	14,287	13,669	12,774	11,972	11,194	8,574	8,888	9,341	15,461	11,551	10,498	21,209	18,777
⊕ Total Imports	10,862	13,425	15,973	12,161	12,160	13,186	13,162	13,230	13,491	15,222	15,007	15,826	16,714	17,396	12,997
Total	24,428	25,768	30,260	25,830	24,935	25,158	24,356	21,803	22,379	24,563	30,468	27,377	27,212	38,605	31,774

Graph 2: Goods Trade between Australia and the United Kingdom

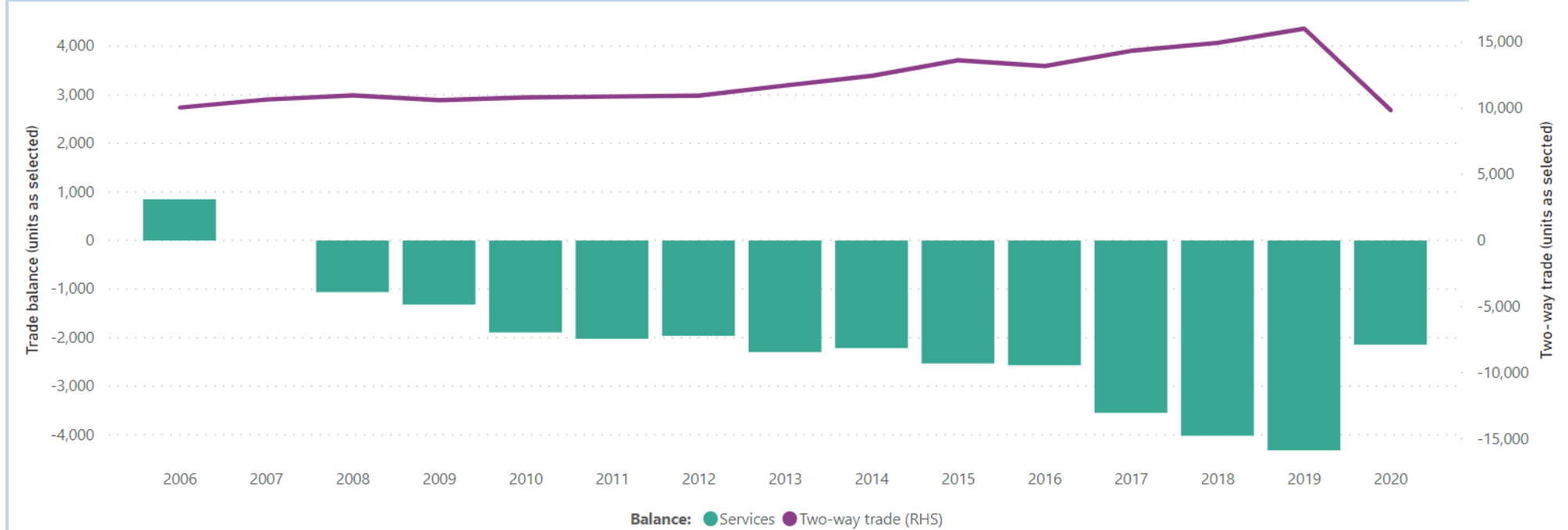
Source: Office of the Chief Economist, DFAT based on ABS data catalogue 5368.0



Trade type	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
⊕ Total Exports	8,116	7,012	9,332	9,021	8,307	7,539	6,699	3,859	3,766	3,788	10,148	6,149	5,033	15,357	14,924
⊕ Total Imports	6,260	8,095	9,955	6,195	5,800	6,729	6,704	6,217	6,154	7,137	7,126	6,876	7,230	7,224	7,000
Total	14,376	15,108	19,287	15,216	14,108	14,268	13,403	10,075	9,920	10,925	17,274	13,025	12,263	22,581	21,924

Graph 3: Services Trade between Australia and the United Kingdom

Source: Office of the Chief Economist, DFAT based on ABS data catalogue 5368.0



Trade type	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
⊕ Total Exports	5,450	5,330	4,955	4,648	4,467	4,433	4,495	4,715	5,122	5,553	5,313	5,402	5,465	5,852	3,853
⊕ Total Imports	4,602	5,330	6,018	5,966	6,360	6,457	6,458	7,013	7,337	8,085	7,881	8,950	9,484	10,172	5,997
Total	10,052	10,660	10,973	10,614	10,827	10,890	10,953	11,728	12,459	13,638	13,194	14,352	14,949	16,024	9,850

Graph 4: Australia-UK investment relationship Source: Office of the Chief Economist based on ABS data catalogue 5368.0

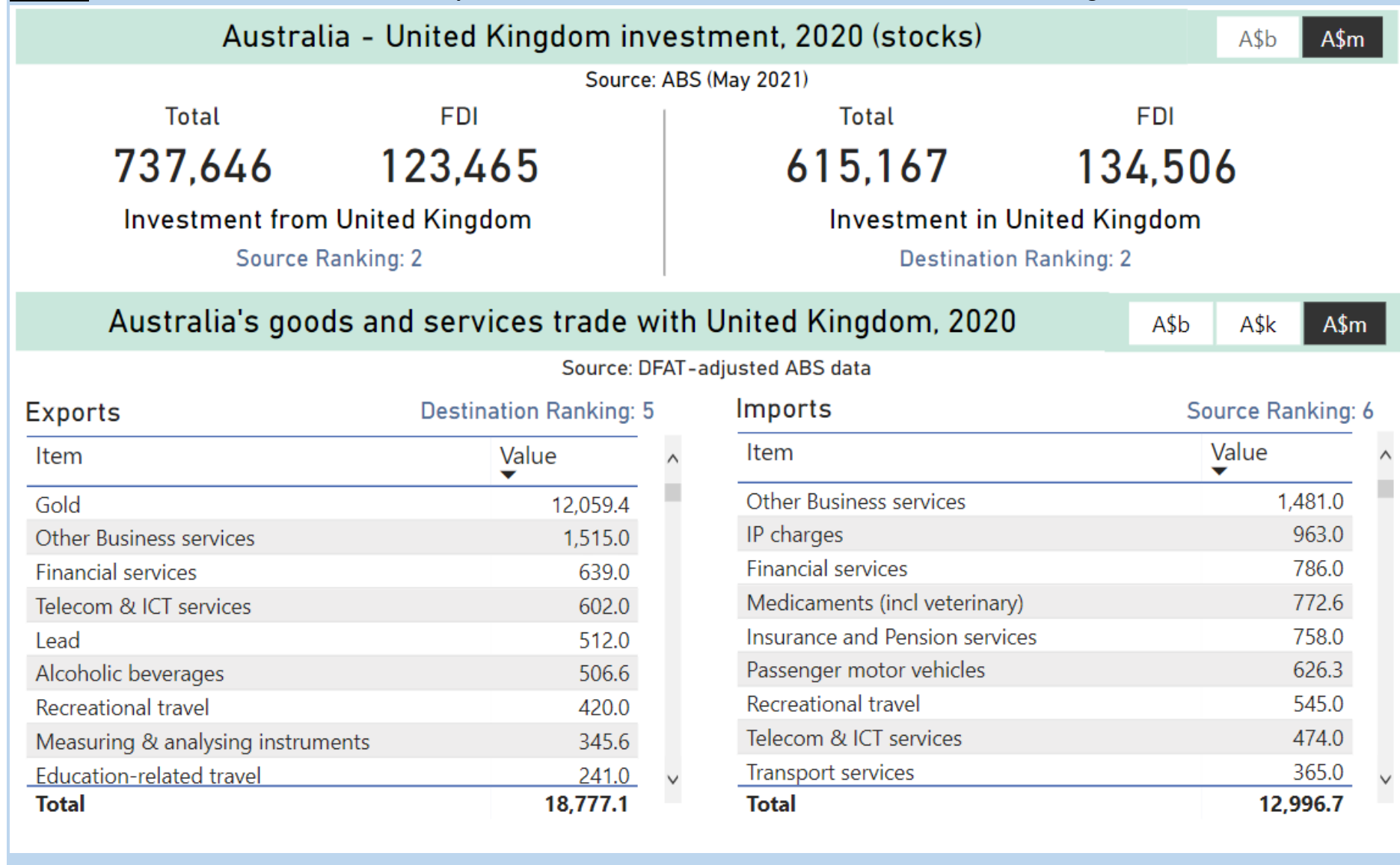


Table 1: Australia's services trade with the United Kingdom**AUSTRALIA'S SERVICES TRADE WITH THE UNITED KINGDOM (a)****(A\$ million)**

	2016	2017	2018	2019	2020
Total services exports	5,313	5,402	5,465	5,852	3,853
Total services imports	7,881	8,950	9,484	10,172	5,997
Balance on services trade	-2,568	-3,548	-4,019	-4,320	-2,144
Services exports					
Manufacturing services on physical inputs owned by others	0	0	0	0	0
Maintenance & repair services nie	1	0	1	1	0
Transport services	250	254	255	298	125
Travel services	3,027	2,876	2,803	2,594	738
Business	241	254	264	236	77
Personal	2,785	2,622	2,538	2,358	661
<i>Education-related</i>	231	247	258	281	241
<i>Personal travel (excl education-related)</i>	2,555	2,375	2,281	2,077	420
Construction services	0	np	np	np	np

Insurance & pension services	14	9	10	14	15
Financial services	540	738	701	828	639
Intellectual property charges nie	81	np	np	np	np
Telecom. computer & information services	439	491	611	545	602
Other business services	808	756	768	1,228	1,515
Personal, cultural & recreational services	109	154	149	165	121
Government services	46	54	60	61	28
Services imports					
Manufacturing services on physical inputs owned by others	0	0	0	0	0
Maintenance & repair services nie	68	63	134	223	85
Transport services	487	500	571	521	365
Travel services	4,036	4,244	4,427	4,636	642
Business	324	293	301	328	84
Personal	3,713	3,951	4,125	4,308	558
<i>Education-related</i>	35	25	21	28	13
<i>Personal travel (excl education-related)</i>	3,677	3,926	4,104	4,280	545
Construction services	0	0	0	0	0
Insurance & pension services	577	792	728	744	758
Financial services	383	686	490	662	786
Intellectual property charges nie	330	658	844	879	963

Telecom. computer & information services	343	367	382	379	474
Other business services	1,235	1,073	1,305	1,594	1,481
Personal, cultural & recreational services	328	467	490	408	314
Government services	93	102	114	127	128

Based on ABS catalogue 5368.0.55.003/4 and DFAT estimates.

AUSTRALIA'S TRADE IN GOODS AND SERVICES

(A\$ million, current prices)

Table 2: Australia's total two-way trade with the United Kingdom, annual, 2015-2020

Rank	2015	2016	2017	2018	2019	2020	2020 % share of total	% growth	
								2019 to 2020	5 year trend
5	24,563	30,468	27,377	27,212	38,605	31,770	4.0	-17.7	5.9

Source: ABS (cat. no. 5368.0 and 5368.0.55.004) and unpublished ABS data with DFAT adjustments

Table 3: Australia's total exports to the United Kingdom, annual, 2015-2020

Rank	2015	2016	2017	2018	2019	2020	2020 % share of total	% growth	
								2019 to 2020	5 year trend
5	9,341	15,461	11,551	10,498	21,209	18,777	4.3	-11.5	13.2

Source: ABS (cat. no. 5368.0 and 5368.0.55.004) and unpublished ABS data with DFAT adjustments

Table 4: Australia's total imports from the United Kingdom, annual, 2015-2020

Rank	2015	2016	2017	2018	2019	2020	2020 % share of total	% growth	
								2019 to 2020	5 year trend
6	15,222	15,007	15,826	16,714	17,396	12,997	3.6	-25.3	-0.8

Source: ABS (cat. no. 5368.0 and 5368.0.55.004) and unpublished ABS data with DFAT adjustments

AUSTRALIA'S MERCHANDISE EXPORTS

(A\$ million, current prices)

Table 5: Australia's exports in goods to the United Kingdom, annual, 2015-2020

Rank	2015	2016	2017	2018	2019	2020	2020 % share of total	% growth	
								2019 to 2020	5 year trend
5	3,788	10,148	6,149	5,033	15,357	14,924	4.1	-2.8	25.3

Source: ABS (cat. no. 5368.0) and unpublished ABS data with DFAT adjustments

15. In 1973 when the UK acceded to the European Communities (EC, which ultimately became the European Union in 1993), trade data between Australia and the UK indicates that UK membership to the EC had a very negative impact on two-way trade. It resulted in increased trade restrictions, particularly high tariffs and quotas on Australia’s agricultural products. **Table 6** shows between financial years 1972/73 and 1975/76 key Australian agricultural export commodities dropped by as much as 40 to 100 per cent. Volumes of apple exports to the UK dropped by 40 per cent, beef by 90 per cent, sheep meat by 70 per cent, cheese by 80 per cent, sugar by 85 per cent, rice by 60 per cent, wheat by nearly 90 per cent and butter exports stopped completely.

Table 6: Australian exports of selected commodities to the UK, 1972-73 to 1975-76

Commodity	Volume (tonnes/ litres)				% Change from 1972/73 to 1975-76
	1972/73	1973/74	1974-75	1975-76	
Beef	102,748 ¹	45,091	16,484	9,166	-91
Sheep meat	26,874	15,333	9,692	8,462	-69
Butter	32,500	-	-	-	-100
Cheese	882 ²	23	-	198	-78
Sugar	415,101	330,435	266,361	63,927	-85
Rice	26,031	17,700	14,067	10,201	-61
Wheat	520,064	-	19	72,750	-86
Apples	41,824	49,100	30,500	26,800	-36

Source: ABS export data

16. In recent decades, Australia’s agricultural exports to the UK have remained relatively low (A\$723.6 million in 2020, or 1.5 per cent of Australia’s total agricultural exports).¹² Submissions received by industry throughout the AU-UK FTA negotiations, confirm that duties and quotas are the greatest barriers to trade with the UK on major agricultural exports such as beef, sugar, wine, dairy, sheep-meat, extra-virgin olive oil and nuts. In the absence of improved market access through a trade agreement, Australian exporters would continue to face high tariffs into the UK for these key products.
17. Stakeholders have also called for an FTA that will complement and support other agreements that Australia has struck with the UK since Brexit. These include the Wine and Mutual Recognition Agreements that Australia signed in 2019. These agreements ensure recognition of Australian wine making techniques and common testing certifications for products such as medical devices, machinery and automotive products. This was an important step in Australia’s post-Brexit preparations as industry called to minimise disruptions to trade flows and for as much certainty for

¹² Source: ABS catalogue 5368.0, June 2021

exporters as possible. Having achieved this, industry now calls for the proposed AU-UK FTA to streamline standards further and remove other barriers to trade.

18. Enhanced arrangements for temporary entry, in particular the mobility of professionals such as in legal, accounting, engineering and architecture professions, were also a key ask of stakeholders in the lead up to the proposed AU-UK FTA negotiations. These issues are addressed in the FTA's Temporary Entry of Business Persons and Professional Services chapters and associated commitments, as outlined in more detail in the Benefits and Impact Analysis section.

Australia's economic outlook

19. Australia has responded to the COVID-19 pandemic by providing fiscal and monetary responses to support economic activity. Sustainability challenges remain. A durable recovery from the pandemic includes increasing opportunities for businesses to invest and diversify trade,¹³ assisted through the conclusion of new FTAs such as the proposed AU-UK FTA.
20. The Reserve Bank of Australia (RBA) has predicted that the Australian economy will transition from recovery to expansion phase earlier than expected, but this is contingent upon vaccination rates rising. The RBA also predicted that the outlook was likely to be uneven across industries, reflecting the emergency period that has been in place since 18 March 2020 including closing borders to protect Australians during the COVID-19 pandemic which will continue until 17 December 2021¹⁴. This emergency period has resulted in supply disruptions and restrictions in parts of the services sector such as retail and education.¹⁵
21. The closure of Australia's international border and the related drop in migration has reduced growth in services sectors, especially tourism and international education.¹⁶ It has also constrained labour supply in sectors where temporary migrants have been a substantial share of the workforce, such as in the agriculture sector, the aged and disability care and hospitality sectors.¹⁷ The AU-UK FTA is looking to address, in part, some of these challenges.

UK's economic outlook

22. UK's economic outlook is improving after disruptions associated with Brexit and COVID-19. In 2020, UK GDP contracted 9.9 per cent, the largest annual fall on record. However, in the fourth quarter of 2020, GDP growth exceeded Bank of England expectations, rising by 1 per cent with increases in services, production and construction output. Analysts now expect the UK economy to return to pre-COVID

¹³ [The Australian Economic Recovery Plan - Treasury \(ourcomeback.gov.au\)](https://ourcomeback.gov.au)

¹⁴ [COVID-19 emergency measures extended for a further three months | Health Portfolio Ministers](#)

¹⁵ [Australia's Economic Recovery and Access to Small Business Finance | Bulletin – March Quarter 2021 | RBA](#)

¹⁶ [International Trade in Goods and Services, Australia, July 2021 | Australian Bureau of Statistics \(abs.gov.au\)](#)

¹⁷ [One year of COVID-19: Aussie jobs, business and the economy | Australian Bureau of Statistics \(abs.gov.au\)](#)

levels by the middle of 2022, largely due to the vaccination roll-out and the UK Government's easing of lock-down restrictions.¹⁸

23. There are many opportunities to use the proposed AU-UK FTA as a vehicle for economic recovery from COVID-19 for both countries. These are explained in more detail in subsequent sections below.

WHAT ARE THE PURPOSE AND THE OBJECTIVES OF GOVERNMENT ACTION

24. The purpose of signing the proposed AU-UK FTA is to open up new opportunities, and to ensure existing access is maintained, for goods and services trade and investment with the UK. The broad objective of signing the proposed AU-UK FTA is to expand economic opportunities for Australian businesses and consumers and, ultimately, to contribute to maintaining and improving the living standards of Australians.
25. This is consistent with Australia's [2017 Foreign Policy White Paper¹⁹](#), which suggests that the purpose of signing new FTAs is to contribute to diversifying Australia's trade and guarding against the risk of discriminatory trade blocs that could damage Australia's economic and security interests. FTAs also put pressure on the multilateral trading system to further liberalise and to broaden the range of issues the multilateral system engages with, as has happened with environmental goods and digital trade. Signing an FTA with the UK will also send a signal to the world of Australia's ongoing commitment to trade liberalisation, helping to counter protectionist sentiment during a period of geopolitical uncertainty and trade tensions.
26. A key objective for committing to the AU-UK FTA is to secure UK agreement to remove barriers that were impeding trade in goods, for example, while the UK was a member of the European Union. Some of the barriers to goods trade include tariffs and quotas on exports and imports. Reducing or eliminating these quotas and tariffs means that trade can flow more freely, resulting in more competitively priced products for consumers in both countries and improved standards of living. Removing tariffs on UK goods, for example UK manufactured vehicles, will provide more choices for Australians as they will have greater access to competitively priced motor vehicles.
27. A selection of key goods market access outcomes, which provide further practical examples of the purpose and objectives of committing to an FTA with the UK, are provided in the [Agreement in Principle \(AiP\)](#) at **Attachment A** to this RIS.

¹⁸ [Monetary Policy Report - May 2021 | Bank of England](#)

¹⁹ [Home | Foreign Policy White Paper \(dfat.gov.au\)](#)

WHAT ARE THE OPTIONS TO ACHIEVE THESE OBJECTIVES?

28. This RIS considers two options: to sign or not to sign the proposed bilateral AU-UK FTA.
29. If the Government does not sign the proposed AU-UK FTA, this would be a missed opportunity for Australian exporters and investors to benefit from an improved trading relationship. It is in Australia's interest to ensure the competitiveness of its agricultural and industrial exports into the UK, particularly at a time when many of Australia's trade competitors are negotiating preferential access with the UK, including through bilateral FTAs and through the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) as the UK formally requested accession on 2 June 2021. Signing the proposed AU-UK FTA will protect and improve Australia's competitive position relative to other trading partners, open new commercial opportunities for Australian businesses and exporters, and contribute to Australia's COVID-19 economic recovery.
30. Not signing the proposed AU-UK FTA would also mean that Australia would be trading with the UK on Most-Favoured Nation (MFN) terms as in the World Trade Organization (WTO). While the UK's global tariff schedule indicates that its tariffs are relatively low, they are high for key products of interest to Australia for example wine, beef and sheep meat. The UK maintained trade restrictions on goods and services of interest to Australia while it was part of the EU. Without the proposed AU-UK FTA to reduce these restrictions, Australian exporters would be constrained in their ability to capitalise fully on the opportunities presented by the UK's departure from the EU.
31. Finally, not signing the proposed AU-UK FTA would also mean that Australia would not be able to benefit from the market access outcomes nor the chapter text commitments that will likely serve to attract investment and support mobility for business people and professionals in the post-COVID-19 recovery environment.

BENEFITS AND IMPACT ANALYSIS

32. There are multiple influences on international trade and investment flows, such as current economic conditions, exchange rate fluctuations, supply and demand factors, and environmental issues such as natural disasters. This has an impact on determining a 'cause and effect' relationship between an FTA and trade and investment outcomes.
33. Measuring what would have happened if the FTA had not entered into force is complex. Data considered in isolation may not always reveal the full picture. Comparisons between Australian and partner-country trade data can be difficult, reflecting valuation differences, transshipments through third-party countries, and

timing issues. The impact of recent disruptions to trade due to COVID-19 and the effects of trade tensions also add to the complexity. If we do not sign the proposed AU-UK FTA, trade will likely continue on its current growth trajectory, but the opportunity cost may be significant: DFAT considers that the benefits to Australia in signing the AU-UK FTA, as explored in detail below, are greater than not signing.

34. DFAT's qualitative assessment is that signing the proposed AU-UK FTA will result in a net benefit for Australia. This is due to the likelihood of increased business activity and confidence, a greater range of competitively priced goods imported from the UK for consumers, and improved access and competitiveness of Australian goods and services into the UK, which is good for Australian business.
35. This assessment is supported by recent studies. In 2018, DFAT commissioned an independent study on business utilisation of Australia's FTAs. The FTA Utilisation Study²⁰ undertaken by PricewaterhouseCoopers (PwC) found Australia's FTAs, focusing on our FTAs with China, Japan and Korea, found FTAs were being widely used and were having a positive impact on business confidence, activity, strategy, expansion planning, and international investment, including in services sectors.
36. The PwC research highlighted the 'head turning' effect of Australia's trade agreements with China, Japan and Korea, contributing to the positive perception of Australia as a place to invest and do business. It also noted businesses reporting increases in domestic demand for goods and services from businesses trading internationally.
37. DFAT estimates that it is likely that the proposed AU-UK FTA will have a similar effect on Australian markets resulting in an overall net benefit for Australian businesses and consumers. More detailed evidence supporting this proposition is provided below:

The impact of key goods market access outcomes for Australia

38. Under the proposed AU-UK FTA, almost 99 per cent of Australian goods exports (valued at A\$9.2 billion on average over the period 2017 to 2019²¹) will enter the UK duty-free on entry into force. Barriers that have been in place for just under 50 years on Australian exports will be removed across a range of key products including wine, motor vehicle parts, clothing, seafood, grains, fruit and vegetables, honey, nuts and olive oil. Under the AU-UK FTA, tariff reductions will be locked in, providing certainty for Australian exporters.

²⁰ [Free Trade Agreement Utilisation Study | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](#)

²¹ Source: ABS

39. This is highly relevant as Australia is one of the top 15 agricultural exporters in the world (WTO 2020a), with the agricultural sector exporting about 70 per cent of production to 192 countries (ABS 2020). It has been assessed that this international success could not have been achieved without government and industry partnerships to secure market access in global markets. Negotiated outcomes in multilateral forums, such as the World Trade Organization (WTO), and preferential trade agreements²² have also helped secure market access outcomes over time.
40. Of particular significance are commitments secured under the proposed AU-UK FTA for immediate access to transitional duty-free quotas on beef, sheep meat, dairy and sugar, with tariffs eliminated after 10 years for beef and sheep meat and phased tariff elimination for dairy and sugar, and for elimination of tariffs on wine and short and medium grain milled rice immediately on entry into force. Expanding access to imports lowers prices for imported goods, and in turn contributes to capital accumulation, productivity, and job creation. Removal of these tariffs and quotas is likely to increase trade, stimulate economic activity and provide more choice for consumers in both countries.
41. These outcomes will result in a marked improvement to Australia's goods market access to the UK and allow Australia's agricultural producers to compete on an equal footing with competitors including the European Union, which already enjoys duty free access to the UK market.
42. **Table 7** summarises the agreed tariff elimination schedule that will apply to Australia's major goods exports to the UK. **Table 8** details the main dutiable Australian exports to the UK.

Table 7: Elimination schedule of UK tariffs on imports of Australian goods

Outcome	Tariff lines			UK imports from Australia (average 2017-19)		
	No.	% of total	Cumulative total (%)	AUD (million)	% of total	Cumulative total (%)
Zero at EIF	8,917	94.0	94.0	9,146	98.5	98.5
<i>MFN 0</i>	4,460	47.0	..	8,305	89.4	..
<i>Tariffs eliminated on EIF</i>	4,457	47.0	..	841	9.1	..
4-year phasing	204	2.2	96.2	24	0.3	98.8
8-year phasing	48	0.5	96.7	0	0.0	98.8
Tariff rate quotas (TRQs)	211	2.2	98.9	116	1.2	100.0
To be confirmed	103	1.1	100.0	0	0.0	100.0
Total	9,483	100.0	100.0	9,286	100.0	100.0

²² [Stocktake of Free trade, competitiveness and a global world: How trade agreements are shaping agriculture - Department of Agriculture](#)

Table 8: Key dutiable Australian exports to the UK

Product	UK's MFN applied tariff (%)	UK imports from Australia (A\$ million, ave 2017-19)
Wine	10-26 GBP/hl	443.3
Sheep meat and goat meat	12% + 140-260 GBP/100kg	78.9
Parts and accessories of motor vehicles	2% or 4%	36.5
Beef	12% + 253 GBP/100kg	32.5
Electrical machines and apparatus, having individual functions	2%	31.2
Electric instantaneous water heaters	2%	22.3
Electric lighting or visual signalling equipment of a kind used for bicycles	2%	16.9
Plates, sheets, etc, of non-cellular polymers of ethylene, not reinforced	6%	14.8
Inedible mixtures or preparations of animal or of animal and vegetable fats and oils	2%	13.4
Palm oil and its liquid fractions, whether or not refined, but not chemically modified	8%	13.3
Motor cars and other passenger motor vehicles (for less than 10 persons)	10%	10.8
Almonds (excl. bitter), shelled	2%	9.2
Copper oxides and hydroxides	2%	9.1
Regulating or controlling instruments and apparatus (excl. hydraulic or pneumatic, manostats, thermostats)	2%	8.9
Women's or girls' suits, jackets, blazers, dresses, skirts, trousers, overalls and shorts	12%	7.4
Fittings (e.g. joints, elbows, flanges) of plastics, for tubes, pipes and hoses	6%	6.9
Boards, cabinets and similar combinations of apparatus for electric control or the distribution of electricity, for a voltage <= 1.000 V	2%	6.8
Articles of plastics and articles of other materials	6%	6.6
Electric conductors, for a voltage <= 1.000 V, insulated, fitted with connectors	2%	5.5
Food preparations not elsewhere specified or included (incl. food supplements)	8% or 12%	4.0

43. For a very limited number of products – 103 lines in total comprising long grain rice, poultry, pork, processed meats, and eggs – the UK has not offered to eliminate tariffs.

Wine

44. Currently, wine is Australia's largest dutiable export to the UK by value, with exports valued at A\$443 million per annum in the period 2017-19. Current UK tariffs on Australian wine range between Great British Pound (GBP) 10 and 26 per hectolitre,

equating to customs duties of around A\$43 million each year, or an ad valorem equivalent of around 10 per cent. The UK will eliminate these tariffs immediately on entry into force.

45. The full elimination of these tariffs under the AU-UK FTA offers Australian wine producers an opportunity both to increase their profitability and expand existing trade by reducing financial costs and administrative burdens associated with exporting to the UK.
46. Providing further opportunities for Australian wine producers to diversify their export markets is vital. With reduced demand from China and other disruptions to the wine industry from the 2020 bushfires and the global pandemic, the UK has been an important driver of recovery for the Australian wine industry. Wine Australia estimates exports to the UK increased by 40 per cent to A\$255 million in the first half of the 2020-21 financial year and by 8 per cent to A\$218 million in the second half.²³ This places the UK first in terms of destination for exports by volume (increasing by 16 per cent to 269 million [30 million 9-litre case equivalents] in 2020-21) and second by value (increasing by 23 per cent to A\$472 million and volume in 2020-21)²⁴.
47. While this represents an encouraging area of growth, our overall wine exports by value and volume globally remain low (down 10 per cent in value to A\$2.56 billion, and 5 per cent in volume to 695 million litres [77 million 9-litre case equivalents], compared with the previous financial year). An FTA with the UK could support a rebound in the industry by reducing the financial and administrative barriers for Australian producers outlined above, and demonstrate our commitment to trade diversification in the wine industry with a focus on the UK as an important export market.

Beef

48. Tariffs on Australian exports of beef to the UK will be eliminated after ten years. During the transition period, Australia will have immediate access to a duty-free quota of 35,000 tonnes, rising in equal instalments to 110,000 tonnes in year 10. In the subsequent five years, a safeguard in the form of a duty of 20 per cent will apply for the rest of the calendar year to beef imports exceeding a 122,000 tonne threshold, which will rise in equal instalments to 170,000 tonnes in year 15.
49. The availability and use of large areas for farming in Australia advantage Australian beef producers globally, as well as relative to the UK. However, despite our position as one of the top exporting countries for beef globally, the UK as an export destination currently makes up a very small proportion of Australia's total exports. Industry estimates that in 2020, the UK imported 314,000 tonnes of beef, of which just 1567

²³ Wine Australia Media Release, 21 July 2021, see: <https://www.wineaustralia.com/news/media-releases/uk-exports-strong-in-wake-of-china-tariffs>

²⁴ Ibid.

tonnes came from Australia, approximately 0.15 per cent of all Australian beef exports.²⁵

50. Although global demand was impacted by the pandemic over this period, this figure represents an overall trend for UK beef imports, the vast majority of which come from Ireland (80 per cent of total UK imports) and other European countries.²⁶ Physical proximity explains some of this, while the UK's membership of the EU also acted as a barrier to trade with non-European countries such as Australia.
51. Now that the UK has left the EU, there is scope for the UK to diversify its imports and reduce dependency on Ireland to meet the UK's domestic beef consumption needs. An FTA with the UK not only offers Australian beef producers the opportunity to expand and diversify its exports, it also offers UK importers and consumers an alternative source of high-quality and competitively priced beef.

Sheep meat

52. Tariffs on Australian exports of sheep meat to the UK will be eliminated after ten years. During the transition period, Australia will have immediate access to a duty-free quota of 25,000 tonnes, rising in equal instalments to 75,000 tonnes in year 10. In the subsequent five years a safeguard will apply on sheep meat imports exceeding a volume threshold of 85,000 tonnes, rising in equal instalments to 125,000 tonnes in year 15, levying a tariff safeguard duty of 20 per cent for the rest of the calendar year.
53. In 2020, the UK imported 67,500 tonnes of sheep meat, about 14 per cent of which came from Australia.²⁷ Despite falling lamb consumption over time, 2020 saw a shift in consumption patterns in the UK, with lamb retail volumes up 4 per cent in the year.²⁸ The UK also remained one of the top global importers of lamb, fourth behind France, the US, and China.²⁹
54. A recent report by the UK's Agriculture and Horticulture Development Board (AHDB) recognises that UK sheep meat farmers need to be ready to compete with Australian sheep meat exporters.³⁰ Currently, the primary market for UK sheep farmers and producers, aside from the domestic market, are countries in the EU. The AHDB report calls for increased market access for UK sheep meat into alternative overseas markets other than the EU. As the UK is currently negotiating new trade agreements with a number of economies, it is possible that alternative export market opportunities will

²⁵ Beef Central, 19 May 2021, see: <https://www.beefcentral.com/trade/uk-farmers-concerned-about-tariff-free-access-for-australian-meat/>

²⁶ Livestock and Meat Commission for Northern Ireland (LMC) and Meat Management, 8 May 2021, see: <https://meatmanagement.com/beef-imports-into-the-uk-drop-by-3-in-2020/>

²⁷ Media Release, National Farmers' Federation, 19 May 2021,

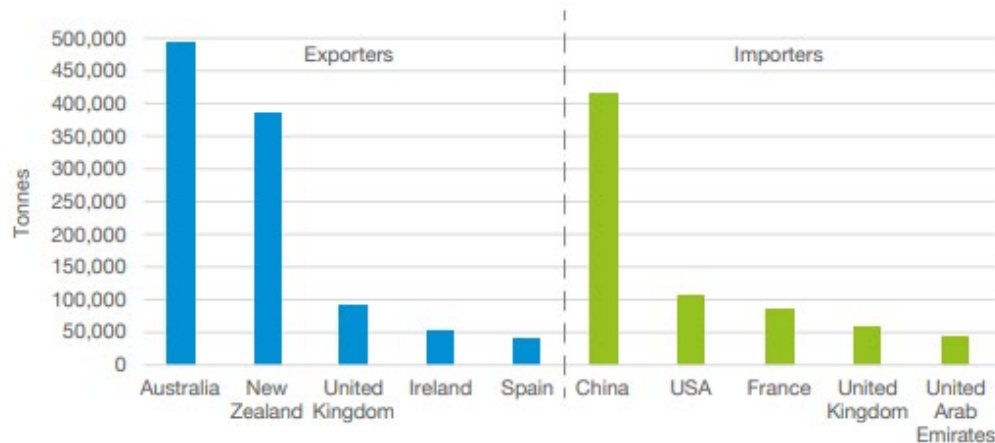
²⁸ Data from Kantar Worldpanel, analysed by the Agriculture and Horticulture Development Board.

²⁹ Agriculture and Horticulture Development Board, April 2021, *Opportunities for the sheep sector* [Opportunities for the sheep sector | AHDB](#)

³⁰ April 2021, *Opportunities for the sheep sector*.

arise for UK sheep farmers, which could in turn create a gap in the UK market for Australian exporters. As **Graph 5** illustrates, the global strength of Australia’s sheep meat export industry suggests that industry is ready to fill that gap.

Graph 5: Major sheep meat exporters and importers (in tonnes)



Source: FAO 2019

55. Additionally, as with beef, Australian producers have an advantage over UK producers, with larger farming areas and lower farming costs (such as more ewes managed per full-time labour unit, and lower costs for machinery and buildings).³¹ Although Australia remains a top exporter, we face a number of challenges. Like our other exports, overall impacts from the COVID-19 pandemic have affected the sheep meat industry, but other industry-specific issues have affected production as well. Drought in 2018 and 2019 led to diminished flock, which remains an issue into 2021, and with China’s domestic sheep meat production on the rise in coming years, Australian producers are facing increased competition globally.³² As with other commodities, an FTA with the UK could go some way to helping Australian farmers and sheep meat producers diversify and expand their export markets over time.

Sugar

56. Tariffs on Australian sugar exports to the UK will be eliminated over eight years. During the transition period, Australia will have immediate access to a duty-free quota of 80,000 tonnes, rising by 20,000 tonnes each year, reaching 220,000 tonnes in year eight. The estimated increase in Australian trade value for sugar is A\$47 million in year one, rising to A\$130 million in year 10, assuming the duty-free quota is filled. Removal of tariffs reduces barriers to trade and enhances Australia’s position as a competitive international source of sugar.

³¹ Ibid.

³² Meat and Livestock Australia, February 2021, *Global sheepmeat industry and trade report*

57. This was echoed by the Australian Sugar Milling Council, which states it is “vital to continue to grow market options for the future of the industry” outside of Australia’s existing export markets in Asia.³³
58. Expanding market opportunities for Australian sugar producers is also likely to have a regional effect in Australia, with the vast majority (95 per cent) of Australian sugar produced in Queensland.³⁴ An FTA with the UK will therefore have a direct impact for sugar cane producers in Australia whose prospects are improving after the 2019-20 droughts affected yields.³⁵ Most sugar producers in Australia are also experienced exporters, with around 80 per cent of all sugar produced in Australia exported overseas³⁶.
59. Australian sugar exports could also help meet consumer demand in the UK. With consistently low yields over the last few years, sugar beet production in the UK and the EU has remained low, leading to a trade deficit in sugar.³⁷ Additionally, Australian sugar producers primarily grow sugar cane, offering the UK both an alternative source of sugar imports and farming options, which could further fill gaps in the UK domestic market due to recent diseases in sugar beet crops in both the UK and EU.

Dairy

60. Tariffs on Australian dairy exports to the UK will be eliminated over five years. During the transition period, Australia will have immediate access to duty-free quotas:
- for cheese, of 24,000 tonnes, rising in equal instalments to 48,000 tonnes in year five, representing A\$136 million in increased trade in year one, rising to A\$272 million in year five, if the quota were filled
 - for non-cheese dairy, of 20,000 tonnes each year, representing an additional A\$52 million in trade each year, if the quota were filled
 - for butter, of 5,500 tonnes, rising to 11,500 tonnes in year five, representing estimated additional trade of A\$35 million in year one, rising to A\$76 million in year five, if the quota were filled.
61. The dairy industry is the fourth largest rural industry in Australia, generating around A\$4.8 billion in farmgate value in 2019-20.³⁸ Most of Australia’s export markets for dairy products are in Asia.³⁹ As such, an FTA with the UK could help Australian dairy producers further diversify their export markets.

³³ Media release, 16 June 2021, Australian Sugar Milling Council, see: <https://asmc.com.au/new-uk-australia-free-trade-deal-stirs-sugar-industry-confidence-16-june-2021/>

³⁴ Australian Sugar Milling Council 2021.

³⁵ Media Release, April 7 2021, Canegrowers, see: <https://www.canegrowers.com.au/page/media/media-releases/2021/australia-now-second-biggest-raw-sugar-exporter>

³⁶ Ibid.

³⁷ Eastick, B (2021), *Global Sugar Market Report 2021/22*, see: <https://www.ragus.co.uk/global-sugar-market-report-2021-22/>

³⁸ Dairy Australia, 2020, *Australian Dairy Industry in Focus 2020*

³⁹ Ibid.

62. Given the volatility of dairy products generally (due to the perishable nature of most goods, and susceptibility of production to unforeseeable events such as adverse weather conditions and disease), having greater diversity in our export markets could help reduce vulnerability to shocks. As Dairy Australia notes, “although most Australian dairy is consumed domestically, international markets and events have a major influence on Australian farmgate milk prices.”⁴⁰ Supporting Australian dairy farmers and producers to expand their export markets could also help the many dairy farmers and producers who were affected by drought early in the 2019-20 season.⁴¹
63. In addition to the benefits of diversifying trade for Australian dairy exports, the UK faces high domestic demand for dairy products and new challenges to meet that demand. Australian exports of dairy could help fill the domestic supply-demand gap in the UK. Like Australia, the majority of dairy products produced in the UK are for domestic consumption, though the UK does export some milk, cheese, cream and butter.⁴²
64. There is a general trend of a trade deficit in the UK for dairy, amounting to £1.16bn (A\$31.2) for all dairy products in 2020.⁴³ Cheese and butter – two goods that an FTA with the UK would cover – have seen trade deficits in the UK for years, where imports outstrip exports. Unless domestic production is able to meet demand, there could be a gap in the market for Australian exporters in the UK. That gap may increase considering the UK’s FTA negotiation agenda and increasing global demand for dairy products⁴⁴, which may see more UK dairy exported to new markets and create a further domestic gap in the UK that Australian dairy could fill.

Rice

65. UK tariffs on Australian short and medium grain milled rice will be eliminated on entry into force. Tariffs on broken rice will be eliminated after four years, with access to a duty-free transitional quota of 11, 500 tonnes per year. Australia will also have access to a permanent duty-free quota of 1,000 tonnes per year for long grain milled rice.
66. According to SunRice Chairman, Laurie Arthur, the removal of quota and tariff arrangements under an FTA for short and medium grain varieties “will drastically increase the attractiveness of the United Kingdom as an export destination for our Australian rice products.”⁴⁵

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Uberoi, E. (2021) *UK dairy industry statistics*, House of Commons Library.

⁴³ Agriculture and Horticulture Development Board 2021, *UK dairy trade balance*.

⁴⁴ [The UK Dairy industry | Dairy UK](#)

⁴⁵ Grain Central, “Australian rice a big winner in UK trade agreement”, 16 June 2021, see: <https://www.graincentral.com/news/australian-rice-a-big-winner-in-uk-trade-agreement/>

67. The UK is a net importer of rice, importing the equivalent of A\$678m worth of rice in 2019.⁴⁶ Rice imports in the UK are primarily from India (A\$154m) and Pakistan (A\$127m), though some rice also comes from Italy (A\$70.4m) and Spain (A\$63.5m).⁴⁷ Although the 2020 pandemic and adverse weather conditions affected rice trade globally, these countries have largely remained the UK's main import markets for rice. However, with ongoing trade issues as a result of Brexit, it is possible that Australian producers may be able to fill gaps in the UK market left by EU exporters from Italy and Spain.
68. Additionally, as with Australian sugar producers, Australian rice producers are experienced exporters, with an average of 350,000 tonnes per year of rice exported between 2010–11 and 2019–20.⁴⁸ This represents the majority of Australia's total rice crop, around 74 per cent in 2020.⁴⁹ As with other commodities, providing opportunities for Australian rice producers to further diversify their export markets could help expand the industry and reduce its vulnerability to shocks.

Seafood

69. UK tariffs on most Australian seafood will be eliminated on entry into force of the agreement, with remaining tariffs eliminated after three years. Tariffs eliminated on entry into force include those on all finfish as well as the 12 per cent tariff on fresh and frozen rock lobster.
70. As Australian fisheries exports are dominated by high-value products, such as rock lobster⁵⁰, this outcome is expected to have a positive market impact. The elimination of tariffs provides an opportunity for an alternative export market to grow.
71. As **Graph 6** illustrates, there was a drop in rock lobster exports in 2020. Economists suggested that this was primarily due to a reduction in export trade with China and freight disruptions due to the global pandemic.⁵¹ China accounted for around 91 per cent of Australian rock lobster exports in 2019 and 2020.⁵²

⁴⁶ Data from UN COMTRADE on Observatory of Economic Complexity (2021), "Rice in the United Kingdom", see: <https://oec.world/en/profile/bilateral-product/rice/reporter/gbr>

⁴⁷ Ibid.

⁴⁸ Fell et al (2021), "Australian rice markets in 2020", Department of Agriculture, Water and the Environment, see: <https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/rice>

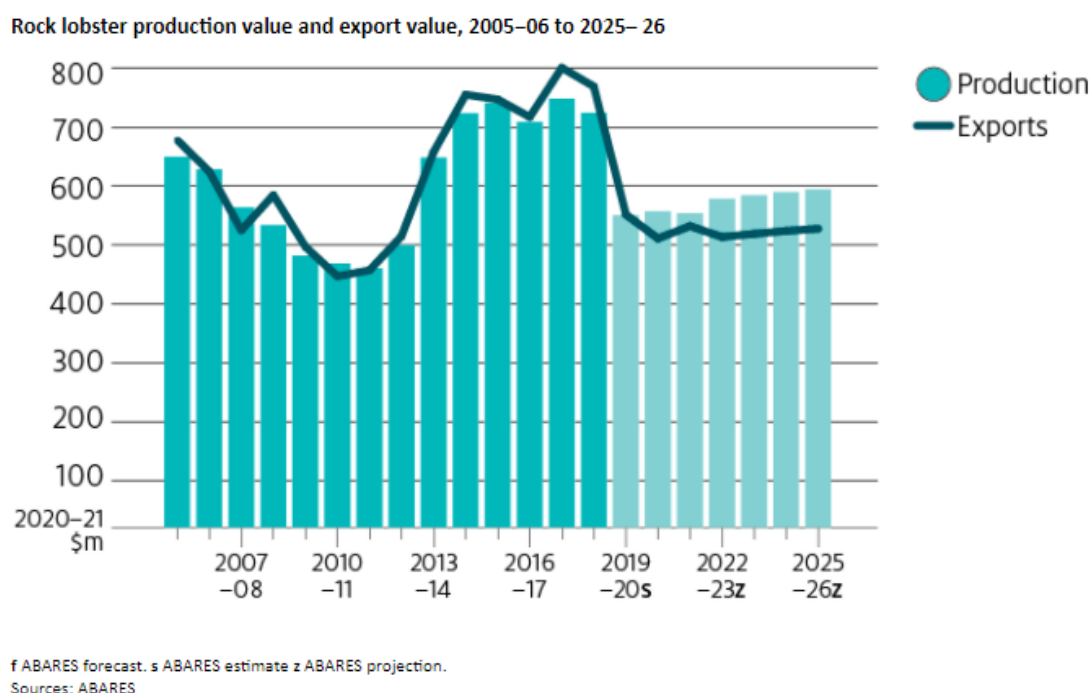
⁴⁹ Ibid.

⁵⁰ [Australia's seafood trade - Department of Agriculture](#)

⁵¹ [Australian fisheries and aquaculture outlook 2021 - Department of Agriculture](#)

⁵² Ibid.

Graph 6: Outlook for rock lobster exports⁵³



72. There are uncertainties around the projections, for example demand from China, but it is understood that removing tariffs under the AU-UK FTA will incentivise exporters and will contribute to a bounce back in overall exports. This would result in an overall net benefit to Australia, which is reinforced in Austral Fisheries submission to the proposed AU-UK FTA negotiations which stated that ‘a reduction in tariffs would increase demand for Australian seafood creating a significant increase in value added production and Australian jobs.’⁵⁴

Honey

73. The UK’s 16 per cent tariff on Australian honey will be eliminated on entry into force of the agreement. The Australian Honey Bee Industry Council (AHBIC), the peak body for beekeeping in Australia, stated in a submission to a Senate enquiry into the future of beekeeping, that Australian beekeepers are disadvantaged by tariffs imposed on honey exported from Australia. It states, ‘Beekeepers incomes are being held back by the imposition of these tariffs on honey exported to those countries’.⁵⁵ Removal of these tariffs based on industry interests is a net benefit for Australia as Australian beekeepers have the opportunity to expand further into the UK market without the financial imposition of tariffs.

⁵³ [Australian fisheries and aquaculture outlook 2021 - Department of Agriculture](#)

⁵⁴ <https://www.dfat.gov.au/sites/default/files/aukfta-submission-austral-fisheries.pdf>

⁵⁵ [Reports — Australian Honey Bee Industry Council](#)

Horticulture

74. UK tariffs on most Australian fruits and vegetables will be eliminated on entry into force of the agreement, with tariffs on other products of Australian export interests eliminated after three years and all remaining tariffs eliminated after seven years. Tariffs eliminated after three years include those on apricots, nectarines, peaches, strawberries, asparagus, beans, tomatoes, apples (except cider apples) and pears (except perry pears).
75. Tariffs eliminated on entry into force include those on:
- almonds, macadamias, and other nuts; and
 - avocados, cherries (except sour cherries), dried fruits, citrus fruits, carrots, and table grapes.
76. In 2019-2020 the horticulture sector overall exceeded A\$15 billion in production value and employed over 60,000 people.⁵⁶ Of that, the value of exported fresh and processed fruit, vegetables and nuts was over A\$3.1 billion. Australia exports over half of its agricultural produce⁵⁷ and the Australian Food and Grocery Council has commented that Australia produces enough food to feed 75 million people.⁵⁸ Drought and disruptions to international freight as a result of COVID-19 have had a detrimental impact on the productivity of Australia's horticulture sector.
77. Figures in **Graph 7** show that, despite this, trade continues to increase, albeit at a slower pace. Further opening of markets such as the UK through tariff removal is likely to be a contributor toward the horticultural sector's post-COVID economic recovery. This is very important considering its productivity potential. This will also benefit UK consumers as greater choice will likely reduce costs while greater access to a wider variety of horticultural products that have a reputation for being high-quality, reliable and safe will benefit UK consumer health.

⁵⁶ [Australian Horticulture Statistics Handbook 2019/20, Horticulture fact sheet - Department of Agriculture](#)

⁵⁷ Ibid.

⁵⁸ Ibid.

Graph 7: Trade in horticulture from 2010-2020⁵⁹

Value (millions of dollars) of exports of horticultural commodities

	2010–11	2013–14	2016–17	2019–20
Fruit	456	724	1,086	1,647
Nuts	211	610	820	1,017
Vegetables	296	268	354	481
TOTAL	963	1,602	2,260	3,145

(source: ABARES: *Agricultural Commodity Statistics 2020*)

Value (millions of dollars) of imports of horticultural commodities

	2010–11	2013–14	2016–17	2019–20
Fruit	818	1,089	1,286	1,326
Nuts	245	346	478	489
Vegetables	686	871	1,002	1,179
TOTAL	1,749	2,306	2,766	2,994

(source: ABARES: *Agricultural Commodity Statistics 2020*)

78. The outcome under the proposed AU-UK FTA in horticulture is also consistent with what industry has called for, for example, a request to eliminate tariffs on nut exports on entry into force. The Australian Nut Industry Council confirmed that the UK does not grow nuts commercially and it would be in UK consumer interest to have access to a greater choice of nut imports.⁶⁰ This is also reflected through the views of Horticulture Innovation Australia in its commentary on the AU-UK FTA: ‘The Australia-UK free trade negotiations present an exciting opportunity for our economies. The Australian horticulture sector is always looking for ways to improve trade links in accessible international markets.’⁶¹

Wheat/Barley - Other cereals

79. For wheat, Australia will have immediate access to a duty-free quota of 80,000 tonnes per year on entry into force of the agreement, equating to an additional A\$28.5 million in trade value per year if the quota is filled. Tariffs will be eliminated after four years. Tariffs on barley will also be eliminated after four years, with a transitional duty-free quota of 7,000 tonnes per year, equating to an additional A\$2.2 million in

⁵⁹ Ibid.

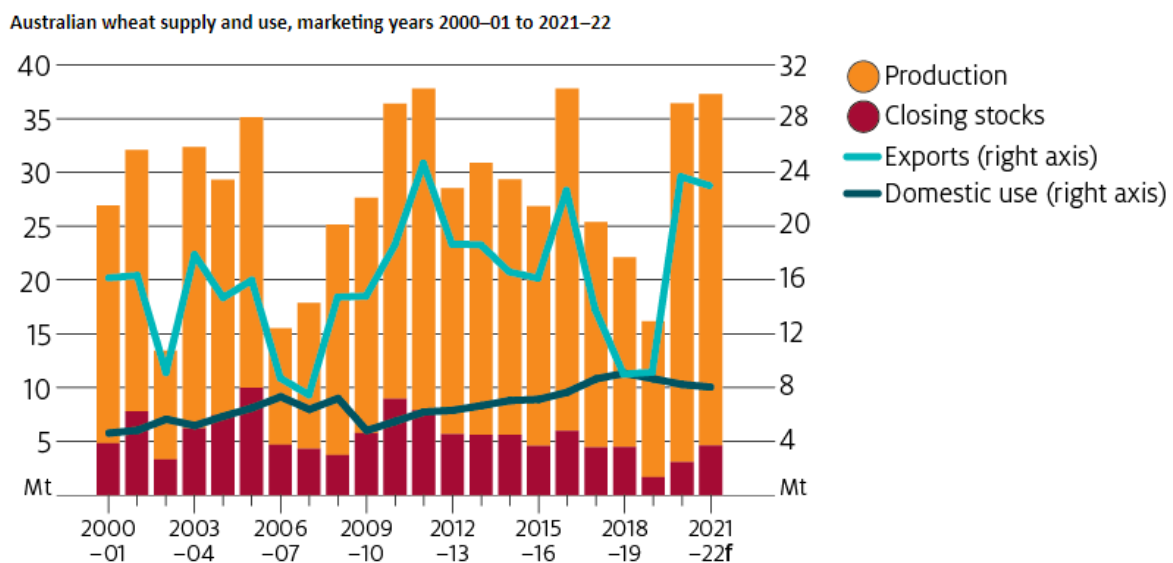
⁶⁰ [Australian Nut Industry Council - Australia-UK FTA submission \(dfat.gov.au\)](#)

⁶¹ [Australia–United Kingdom: Natural trading partners - Austrade](#)

trade value per year if the quota is filled. Australia has existing WTO duty free access to the UK for durum and high-quality wheat, canola and chickpeas.

80. Drawing out wheat as a key example, Australia is a significant exporter, with most of the wheat produced in Australia sold overseas. As with other agricultural commodities, drought, increased mice populations along eastern Australia and COVID-19 have seen a recent dip in productivity as illustrated in **Graph 8**. Economists are predicting that global COVID-19 economic recovery is on track, and when combined with predicted favourable seasonal conditions in Australia, there is a high likelihood that the Australian market will start to bounce back in 2021/22.⁶²

Graph 8: Australian wheat supply 2000-2021⁶³



f ABARES forecast.
 Note: marketing year is October to September.
 Sources: ABARES; Australian Bureau Statistics

81. Another contributing factor is that supply from other key wheat exporters such as the Russian Federation and the EU is mixed due to unfavourable seasonal conditions.⁶⁴ It is possible that demand for wheat will outstrip supply globally. While wheat production in the UK is also forecast to increase from the drought affected low of the previous season it will also be impacted by a wet finish.⁶⁵ The duty-free quota secured under the AU-UK FTA for wheat will likely provide an excellent opportunity for Australia’s wheat exporters to meet the demand in the UK that might not be met from other markets given the high possibility of market change as illustrated above.

⁶² [Agricultural Commodities September 2021 \(sirsidynix.net.au\)](http://sirsidynix.net.au)

⁶³ [Wheat: September quarter 2021 - Department of Agriculture](http://www.daff.gov.au)

⁶⁴ Ibid.

⁶⁵ Ibid.

82. Furthermore, the grains and cereals industry has reinforced, through consultations on the AU-UK FTA, that liberalising markets and removing trade distortions in the global trade system is of crucial importance to both Australian grain farmers and the Australian economy as a whole. GrainGrowers, a grain farmer representative group, has commented that development and implementation of positive international trade and market access outcomes for the Australian grains industry and its customers is a priority.

Processed foods

83. UK tariffs on most Australian processed food exports will be eliminated on entry into force of the agreement. Key outcomes include the following high tariffs being removed:
- biscuits (eight per cent), breakfast cereals (eight per cent and a range between two per cent + 16 GBP/100kg and four per cent + 38 GBP/100kg), chocolate (eight-14 per cent), and pasta (a range from eight per cent to 45 GBP/100kg)
 - confectionary (six-12 per cent) and food supplements (eight-12 per cent) and
 - olive oil (102-112 GBP/100kg).
84. Removal of these tariffs will assist in improving export potential for Australian processed food companies. It will also support the competitiveness of Australia's processed foods in the UK. This provides options for Australia's processed food exporters and reduces the concentration risk of supplying to a single market or region. This has been reported as an issue in the past including in a Parliament of Australia publication entitled "The Future of the Australian Processed Food sector"⁶⁶. This publication suggests that in order for the sector to flourish, it must become more internationally competitive in a variety of markets.
85. The proposed AU-UK FTA outcomes, removing tariffs on processed foods relevant to Australia, contributes to fulfilling that recommendation. It is consistent with recommendations by a Senate Inquiry into Australia's food processing sector⁶⁷ including resolution of factors that inhibit export market access, growth and development and that the government continue to lobby for the reduction of tariff, non-tariff barriers and subsidies in export destinations.

Industrial products

86. Under the proposed AU-UK FTA, the UK will immediately eliminate its tariffs on all Australian origin industrial goods, except ammonia and aluminium, where tariffs of up to six per cent will be removed in year four.
87. This is predicted to lead to a duty saving of A\$14 million per year on existing Australian exports to the UK, including on vehicle parts, clothing, electrical machinery, plastic

⁶⁶ [The future of the Australian processed food sector – Parliament of Australia \(aph.gov.au\)](http://aph.gov.au)

⁶⁷ [Inquiry into Australia's food processing sector – Parliament of Australia \(aph.gov.au\)](http://aph.gov.au)

products, and electrical lighting. This saving will likely have a positive impact on Australia's industrial goods exports as it will open the market for new growth and increased income for industrial goods exporters. The case of complementary trade on vehicle parts from Australia and vehicle exports from the UK to Australia is likely to have an overall positive cyclical effect.

Key market access outcomes for the UK

88. Australia's merchandise imports from the UK were worth, on average, A\$7.1 billion per annum over the period 2017 to 2019.⁶⁸ Under existing arrangements, 42 per cent of UK imports entered Australia duty free, while the remaining 58 per cent, or A\$4.1 billion, were subject to MFN import duties not exceeding 5 per cent, including cars, whisky, confectionery, biscuits and cosmetics. Cars (passenger vehicles as per **Table 11**) made up by far the largest share of imports from the UK subject to import duties.
89. On entry into force of the FTA, 98 per cent of Australian merchandise imports from the UK will be permitted to enter Australia duty-free. Tariffs on all remaining imports from the UK (steel and dairy) will be eliminated within five years. **Tables 10 and 11** summarise the market access outcomes Australia will grant the UK under the proposed AU-UK FTA.
90. Australian consumers will benefit from increased competition, greater choice and lower prices as a result of this tariff elimination. While the removal of tariffs on Australian merchandise imports will result in reductions in tariff revenue, this will likely be offset, over time, by the resultant effects of increased economic activity.
91. The competitive impacts on Australian businesses of the reduction in tariffs on imports from the UK are expected to be marginal. Firstly, tariffs are low and Australian producers benefit from natural protection because of the cost of transporting items from the UK to Australia. Secondly, Australia already provides duty free access on these products to our other FTA partners, including North Asian and South East Asian countries, and the United States. Australian producers already operate in a competitive marketplace and the chief change from the FTA is to allow UK producers to compete on a level playing field in that marketplace. Key imports from the UK also constitute inputs into Australian production processes, such as construction machinery, so the small reductions in tariffs may also benefit Australian businesses where such costs are passed on.
92. Passenger vehicle imports have the highest import value and would therefore, in theory, have the biggest impact on local industry. As Australia no longer participates in large scale passenger vehicle manufacturing, this will not impact local producers. The

⁶⁸ Source: ABS

tariff removal will likely have a positive impact on Australian consumers and businesses if passed on by importers.

93. The removal of the 5 per cent tariff on whisky is likely to have a minimal impact on the whisky industry in Australia. As evidenced in **Table 9**, Australia is already a top 10 export destination for Scotch whisky meaning that Australian distilleries are already competing and yet have a steady growth trajectory. A study from Deloitte⁶⁹ noted that there has been a distinct Australian consumer trend toward premium spirits such as whisky in recent decades. Australia’s whisky industry has responded to this. In 2015, there were reportedly around 30 whisky distilleries across Australia, of which 11 were located in Tasmania.⁷⁰ In 2021, there are estimated to be 333 distilleries spread across NSW, ACT, South Australia, Victoria, Queensland, Western Australia and Tasmania producing not just whisky but gin, vodka, rum and other spirits, indicating that it is a strong and diversified domestic industry that Australian consumers support.⁷¹

Table 9: Largest export destinations for Scotch whisky in 2020⁷²

Top 10 Markets

The largest export destinations for Scotch Whisky (defined by value) in 2020 were:

1. USA: £729m - 31.8% (£1,069m in 2019)
2. France: £375m -13.1% (£432m in 2019)
3. Singapore: £247m -17.6% (£300m in 2019)
4. Taiwan: £182m -11.5% (£205m in 2019)
5. Latvia: £176m +23.6% (£142m in 2019)
6. Germany: £139m -24.9% (£185m in 2019)
7. Japan: £114m -22.1% (£147m in 2019)
8. Australia: £113m -3.17% (£117m in 2019)
9. Spain: £109m -40.0% (£180m in 2019)
10. China: £107m +20.4% (£89m in 2019)

Table 10: Elimination schedule of Australian tariffs on imports of UK goods

Outcome	Tariff lines			Australian imports from the UK (average 2017-19)		
	No.	% of total	Cumulative total (%)	AUD (million)	% of total	Cumulative total (%)
Zero at EIF	6,342	97.9	97.9	6,908	97.8	97.8
<i>MFN 0</i>	3,201	49.4	..	2,970	42.0	..
<i>Tariffs eliminated on EIF</i>	3,141	48.5	..	3,938	55.7	..
5-year phasing	44	0.7	98.5	137	1.9	99.7

⁶⁹ [Show me the way to the next whisky boom | Deloitte Australia | Consumer business, Agribusiness](#)

⁷⁰ Ibid.

⁷¹ [Australian Distilleries — The Whisky List](#)

⁷² [2020 Scotch Whisky Exports \(scotch-whisky.org.uk\)](#)

Cheese, 6-year phasing (*)	5	0.1	98.6	11	0.2	99.9
Steel, 5-year phasing (**)	89	1.4	100.0	9	0.1	100.0
Total	6,480	100.0	100.0	7,065	100.0	100.0

(*) Tariff phasing reciprocal on UK phasing for products under Headings 0405 and 0406

(**) Application of preferential tariff suspended while the UK maintains safeguards on Australian steel products under Chapters 72 or 73

Table 11: Key goods market access outcomes for the UK

Product	Australia's MFN applied tariff (%)	Australian imports from the UK (A\$ million, ave 2017-19)
Passenger vehicles, incl. SUVs	5.0%	1,193.1
Whiskies	5.0%	296.8
Bread, pastry, cakes, biscuits, and other bakers' wares	5.0%	94.0
Dumpers designed for off-highway use	5.0%	71.7
Other forklift self-propelled trucks	5.0%	68.8
Other machines and mechanical appliances	5.0%	65.7
Self-propelled bulldozers	5.0%	62.5
Crushing or grinding machines	5.0%	50.9

94. **Table 11** indicates the third highest Australian import from the UK by value is in bread, pastry, cakes and biscuits. This is an increasingly international market and Australian manufacturers of baked goods, which are spread across the country, are already competing domestically with famous UK baked goods such as McVities and Nairns. These are common on Australian supermarket shelves. It is important to note that the reduction in Australian tariffs on UK products of 5 per cent will be matched by a reduction in complex UK tariffs ranging up to 16 per cent plus 26 GBP per 100kg on Australian exports of these products to the much larger UK market.
95. Australian baked goods producers have indicated they see the balance of outcomes in their favour. Arnotts Group is a major employer in the baked goods industry and has already indicated its support of the proposed AU-UK FTA, citing the potential growth in local manufacturing as a result of lowering tariffs.⁷³ Other key Australian producers are increasingly integrated into global supply chains.
96. An extensive stakeholder consultation process was undertaken for the proposed AU-UK FTA negotiations, as detailed in the 'Who did you consult and how did you incorporate their feedback' section of this RIS, with feedback incorporated into negotiating positions. Industry groups and businesses did not raise specific concerns over increased competition consequent on the removal of Australian tariffs on UK imports, although some sectors, such as the steel industry, considered that it was important that tariffs and other protection be eliminated on a reciprocal basis.

⁷³ [Arnott's welcomes Australia-UK free trade agreement - Baking Business](#)

97. The Regulatory Burden Estimate is at Attachment B.

The impact of key goods chapter outcomes

Impact on rules of origin procedures

98. The Chapter on Rules of Origin specifies the rules under which goods imported from a Party are considered eligible for preferential tariff treatment. It includes liberal rules of origin that will facilitate market access and reflect modern production processes and existing and future global value chains.
99. Liberal Product Specific Rules (PSRs) are designed to support Australian and UK economic and production interests. The efficient and low-cost processes to prove originating status of goods will reduce the amount of paperwork at the border for traders and customs authorities. These improved procedures allow for Declarations of Origin (DOO) to be either self-declared by the producer or exporter or completed by an authorised issuing body. Importers will also be able make a claim for preferential tariff treatment without the need for a DOO based on ‘importers knowledge’.

Impact on customs procedures

100. The Chapter on Customs Procedures and Trade Facilitation (CPTF) makes commitments for efficient and transparent customs procedures to facilitate increased bilateral trade. The Chapter builds on the commitments both Parties have agreed to in the WTO Trade Facilitation Agreement. It provides greater certainty, transparency and predictability for Australian traders with commitments for goods to be released within 48 hours from customs and within six hours for both perishable goods and expedited shipments.
101. This provides greater predictability for Australian traders on how their goods will be treated through clear timeframes for the issuance of advance rulings on tariff classification and on whether their good is originating.

Impact on sanitary and phytosanitary (SPS) rules

102. The SPS Chapter is designed to help facilitate trade. It reaffirms the Parties’ commitments in the WTO SPS Agreement, and includes detailed commitments on regionalisation, equivalence and verification. It preserves Australia’s right to continue to implement a robust, science-based biosecurity regime.

Impact on technical barriers to trade (TBT)

103. The TBT Chapter builds on the close institutional relationships between Australia and the UK by increasing cooperation and information exchange. It includes commitments on conformity assessment, international standards and technical regulations that build on the WTO TBT Agreement to further facilitate trade and enhance transparency. The

chapter includes a cosmetics annex, with information sharing requirements and commitments on animal testing.

104. The proposed AU-UK FTA will also address contemporary issues such as animal welfare and combatting antimicrobial resistance which have not previously been addressed in Australian FTAs. Impacts include:
- promoting enhanced cooperation, consultation and information exchange on animal welfare issues of mutual interest, including through a Joint Working Group
 - recognising each Party's right to establish its own policies and priorities for the protection of animal welfare and to adopt or modify its laws, regulations and policies, while also recognising that it is inappropriate to encourage bilateral trade by weakening or reducing animal welfare protections, and that the Parties should endeavour to continue to improve such protections
 - recognising the serious global threat to human and animal health posed by antimicrobial resistance and promoting enhanced bilateral cooperation in international fora
 - agreeing to facilitate the exchange of information, expertise, and experiences in the field of combatting antimicrobial resistance, and identifying common views, interests, priorities and policies in this area.

The impact of key services chapter outcomes

105. The Australia-UK services relationship is already strong, as evidenced in tables 11-15. UK services exports to Australia are growing at over 10 per cent per year.⁷⁴ The proposed AU-UK FTA will serve to reinforce and improve this already strong relationship by expanding opportunities for Australian businesses and consumers. This comes at a time when Australia and the UK are looking for a multi-faceted COVID-19 economic recovery package, which includes expanding and improving upon existing export markets.

Impact on cross-border trade in services

106. The proposed AU-UK FTA will not create additional or substantively modify existing obligations for businesses, community organisations or individuals that relate to the import or export of services. The agreement will instead impose obligations on the Australian and UK Governments to 'lock-in' and not adversely modify existing regulation in particular services sectors.
107. The Cross-Border Trade in Services Chapter will establish rules for the supply of services between the parties, including obligations to provide access to foreign service suppliers (market access), to treat local and foreign suppliers equally (national

⁷⁴ Source: Australian Bureau of Statistics, International Trade: Supplementary Information, Financial Year, Table 6, July 2021

treatment) and to treat service suppliers of the other Party at least as well as suppliers of any non-Party (most-favoured nation (MFN)). This Chapter also includes local presence, payments and transfers, and recognition provisions broadly in line with our previous FTAs. The Chapter incorporates two annexes which will establish commitments by both parties specific to express delivery services and international maritime transport services.

108. Australia and the UK will make commitments on impartiality, transparency and responsiveness of competent authorities to ensure that their requirements, procedures, and technical standards do not constitute unnecessary barriers to trade across the whole economy, except on sensitive matters where we have scheduled limitations against the reservable disciplines.
109. All of these commitments are consistent with the regulatory practice that exists across Australia's jurisdictions.

Impact on financial services

110. Australia's strengths in the financial services sector complement those of the UK. Financial services is one of the fastest growing UK services exports to Australia, growing at over 10 per cent per year from 2009-10 to 2019-20.⁷⁵ This is approximately three times the pace of average services-export growth in the UK and signals exceptional future growth opportunities for UK entrepreneurs into Australia, expanding Australia's innovation potential through increased competition and benefiting consumers through greater choice. The proposed AU-UK FTA offers great potential to build on this growth further as well as increased opportunities for exports into the UK.
111. The proposed AU-UK FTA will include a chapter with specific rules on financial services that build on existing commitments in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Australia-Hong Kong FTA, giving financial service suppliers greater certainty and transparency regarding the rules that will apply to them when providing services to UK clients.
112. The Financial Services Chapter will include obligations to provide access to foreign service suppliers (market access) and to treat local and foreign suppliers equally (national treatment), along with obligations regarding local presence, payment and clearing systems, data flows and localisation and back-office functions broadly in line with our previous FTAs.
113. The Financial Services Chapter will help to fast track the regulatory process Australian financial services firms currently face when operating in the UK. For example, the Chapter includes provisions that promote transparency in the authorisation

⁷⁵ Australian Bureau of Statistics, International Trade: Supplementary Information, FY, Table 6, July 2021

procedures necessary to supply financial services and improves access to self-regulatory organisations, where access is necessary to supply a financial service in the UK.

114. Financial technology (FinTech) services continue to develop rapidly in both Australia and the UK. Provisions on innovative financial services will enable new financial services or financial services delivered via new technologies to be supplied in each other's territory, subject to domestic regulatory requirements.
115. A dedicated sectoral Regulatory Cooperation Annex will further enhance the relationship between our financial services regulators, promote financial stability, fair and competitive markets and will enable increased cooperation on emerging issues in the sector. A sustainable finance provision will set out an inclusive list of environmental considerations financial service suppliers may consider as part of their business model.
116. Both the UK and Australia will make high-quality negative list financial services commitments in the FTA, including at the State and Territory level. Commitments against ratchet will capture any future liberalisation in the sectors committed thus future-proofing the FTA. The UK and Australia will also make new cross-border market access commitments in the insurance sector, including in credit and suretyship, land vehicles, fire and natural forces and general liability sectors as well as commitments in the portfolio management services. These commitments will expand opportunities for suppliers to provide cross-border financial services into Australia and into the UK.

Impact on telecommunications services

117. Australia and the UK have agreed to 'lock-in' rules that ensure service suppliers of both countries have access to and use of public telecommunications networks or services. The commitment includes access that is timely and on reasonable, transparent and non-discriminatory terms and conditions. Other commitments in the telecommunications chapter improve the position for new market entrants as they provide competitive safeguards and approaches to regulation that prevent anti-competitive practices including through ensuring non-discriminatory treatment. This is an improvement on the status quo as it provides new market entrants from both countries with a guarantee of the conditions that will be in place when they enter each other's market and access to this information in one location.
118. In addition, the chapter includes provisions that promote transparent and reasonable international mobile roaming (IMR) rates and provisions that provide steps to ensure that retail rates and alternatives to roaming are easily accessible for consumers and businesses. These provisions do not require Australia to change any of its existing settings and are unlikely to significantly impact mobile network operators or consumers in Australia. The provisions are consistent with existing legal obligations on mobile network operators in Australia, in particular regarding transparency. This

includes the Telecommunications Consumer Protection Code and the 2019 IMR Determination.

Impact on professional services

119. As well as services market access commitments, the agreement provides a practical best-practice framework for professional bodies to draw on when working with their counterparts to improve the two-way movement of professionals. Current behind the border barriers, particularly licensing and registration requirements and processes, can impose barriers for professional service providers. The proposed agreement will provide a practical framework for professional services regulatory and accreditation bodies to use to reduce or eliminate these barriers through direct collaboration with their counterparts.

The impact of key services and investment market access outcomes

Effect on the cross-border import and export of services

120. Australia's high-quality, negative list services commitments in the agreement exceed the commitments we made to the UK under the WTO General Agreement on Trade in Services (GATS) but are broadly consistent with Australia's commitments for the central level of government in our modern FTAs.
121. Our State and Territory commitments against the Market Access discipline are listed through individual entries across both Annex I (which covers existing measures) and Annex II (which provides policy space for future and existing measures) for the first time. This approach reflects regulatory practice across the States and Territories and does not represent a shift in existing obligations for businesses, community organisations or individuals that relate to the import or export of services.
122. The UK's services market access commitments represent improvements beyond GATS in sectors of key commercial interest for Australian business, including business, communication and broadcasting, construction and related engineering, environmental, tourism and travel related, and transport services.
123. The UK has agreed to lock-in and not adversely modify existing regulatory practice across most services sectors, subject to some limited reservations. Commitments against MFN and ratchet, which protects Australia's competitive position if the UK extends more beneficial treatment to another party, will also capture any future liberalisation in these sectors and pass on to Australian service suppliers the benefits of the UK's future FTAs.

Effect on inbound and outbound investment across all sectors

124. As with services, the commitments outlined above are made subject to existing law, regulation and policy. The AU-UK FTA will not create additional or substantively modify existing obligations for businesses, community organisations or individuals that relate to investment. The agreement will instead impose obligations on the Australian and UK Governments, including to 'lock-in' current levels of liberalisation and not modify existing regulation in particular economic sectors in a way that would lessen that level of liberalisation. Further improvements in liberalisation levels would be captured by the agreement Australia will make high-quality, negative list investment commitments which represent our most complete commitments in an FTA.
125. For the first time in an FTA, our State and Territory commitments against the investment market access rule, as well as against national treatment, MFN, and the rules on senior managers and boards of directors will be listed through entries across both Annex I (which exempts listed existing measures) and Annex II (which provides policy space for future and existing measures). This approach reflects current regulatory practice across the States and Territories and does not represent a shift in existing obligations for businesses, community organisations or individuals that relate to the investment.
126. The approach adopted in the agreement, as outlined above, provides transparency about the treatment investors can expect, and a guarantee that favourable treatment will be maintained outside those areas where Governments have reserved their future freedom of action.
127. Australia screens certain foreign investments to balance the need to welcome foreign investment against the need to reassure the community that the national interest is being protected by identifying and managing risks. The agreement includes provisions to preserve this balance, but to reduce unnecessary costs that may inhibit investment from the UK and the benefit it can bring to the Australian economy, both direct and indirect. On one hand, the agreement maintains Australia's Foreign Investment Framework (Framework) and excludes recourse to the dispute settlement mechanism on decisions and requirements under the Framework, ensuring the government retains its discretion to review potentially sensitive foreign investment proposals, on national interest and national security grounds. On the other, the agreement proposes to apply national interest screening of less sensitive acquisitions by UK non-government investors at the same threshold at which it screens less sensitive acquisitions by agreement partner investors from CPTPP countries, that is at A\$1.216 billion (indexed), rather than A\$281 million.
128. This increased screening threshold value is expected to have positive effects on UK investor interest in Australia, serving to promote investment beyond the effects anticipated through the other commitments outlined above. It is one of the

investment-enhancing potential features of the proposed agreement that were highlighted by stakeholders of both Parties. Acquisitions by UK investors which qualify for the higher screening threshold will incur reduced cost compared to the pre-existing situation. Such costs include fees for screening, but also the cost of preparing applications, of the time required to secure approval, and of compliance with any conditions. Such reduction in the cost of undertaking less sensitive investments should decrease the cost of capital in Australia, at a time when foreign capital is expected to make an important contribution to our COVID recovery.

129. A reduction in the screening of UK investors' acquisitions of less sensitive businesses would be expected to reduce the revenue obtained through application fees. At the same time, however, this reduction will also allow Australia to more efficiently focus resources on the screening of acquisitions that warrant the higher level of scrutiny, whether by UK investors or others. This is because there would be no change in screening thresholds for sensitive businesses, such as media, telecommunications, transport and defence-related industries, or on grounds of national security.
130. While the UK is already a significant investor in Australia, with the third highest stock of foreign direct investment (A\$123.5 billion in 2020), the beneficial effect of preferential Foreign Investment Review Board screening thresholds, combined with added certainty through the commitments Australia has made, could result in even higher levels of UK investment across the Australian economy.
131. The agreement extends the investment protections Australia has provided to other trade and investment partners to the UK on a reciprocal basis. These include a requirement to accord UK investors a minimum standard of treatment and an obligation not to expropriate investments without compensation, in accordance with principles of customary international law. Both Parties must also allow investors to make transfers relating to their investments. These provisions are complemented by modern safeguards regarding the State's right to regulate. These features of Australia's practice in relation to substantive investment protection provisions have been welcomed by stakeholders, including in responding to a call for submissions on the reform of Australia's Bilateral Investment Treaties. In the course of this consultation, stakeholders called for Australia to update those treaties to reflect the more modern practice embodied in the agreement's investment protection provisions, which better preserve the balance between protecting investors' interests and encouraging investment on one hand, and preserving the government's legitimate right to regulate on the other.

The impact of key investment chapter outcomes

132. The investment outcomes in the agreement support an existing strong investment partnership and establish a foundation to maintain and grow that relationship. The

strength of this investment relationship shows mutual confidence in each other's economy and commercial potential. The proposed AU-UK FTA provides high levels of guaranteed access to each other's investment markets, high levels of investment protections and significant transparency regarding treatment for investors in each other's markets.

133. The certainty these elements bring to the Australia-UK investment relationship can encourage investment and support future investment growth by reinforcing Australia and the UK's reputation as attractive investment destinations. Importantly, the investment chapter includes portfolio as well as direct investment, a first for UK FTA practice which is significant given the substantial stake of Australian funds managers in the UK.
134. As with cross-border service supply, Australia and the UK make commitments to investors of the other Party to regulate them as favourably as Australian investors and those of other countries (national treatment and MFN), guaranteeing best treatment to each other's investors.
135. Commitments not to introduce new regulation that may distort investment decisions and discourage investment are also included. These include affirmation of Australia's existing commitments not to impose economic performance requirements as a condition of investment, including technology transfer. While such requirements are intended to secure the spill over benefits of foreign investment to the economy, they may in fact discourage the investment that would otherwise generate such benefits. Australia and the UK may continue to provide incentives to invest in return for commitments that do not restrict or distort trade in goods.
136. Australia has agreed to match the treatment the UK provides Australian investors in this regard in certain additional areas, where imposing such requirements may unjustifiably inhibit investment and cause net loss to the economy. These are requirements not to require an investor to conduct a specified value of research and development or to headquarter an enterprise in Australia. As with existing performance requirement commitments, accepted means of encouraging positive spill overs - for instance the provision of tax incentives to encourage research and development - are not affected by these rules. Australia and the UK have also agreed to clarify their commitment not to restrict, on the basis of nationality or residency, the choices each other's enterprises make when employing senior managers or appointing directors.
137. This clarification increases certainty for investors and can lead to economic benefit where enterprises are free to retain the most appropriate managers and board members. At the same time, Australia's existing measures on the residency and nationality of such personnel, for instance under the Corporations Act, or for iconic companies like Qantas, are preserved.

138. The proposed AU-UK FTA includes commitments not to introduce certain quantitative restrictions on access to the market for enterprises of the other party, such as limits on the number of enterprises in a sector. This is a longstanding commitment in relation to investors in the supply of services with its origin in the WTO. It will now extend to the benefit of Australian or UK investors across the whole economy.
139. The agreement will not include an Investor-State Dispute Settlement Mechanism.

The impact of key mobility outcomes

140. Australia and the UK's historical connections and high-level of cooperation across many sectors means there are already significant levels of mobility between the two countries. In 2019/20, personal travel, measured as a services export to the UK, was valued at A\$1.4 billion and professional, technical and other business travel was valued at A\$1.3 billion. In 2019/20, personal travel, measured as a services import from the UK, was valued at A\$2.9 billion and professional, technical and other business travel was valued at A\$1.5 billion⁷⁶. This data points to the value of strong mobility outcomes to continue to grow these people-to-people links between the UK and Australia.
141. In the year ending June 2021, the UK was Australia's 3rd largest market by short-term visitor arrivals. More recently, border closures as a result of COVID-19 have had an impact on short-term visitor arrivals. In the year ending June 2021, there were only 8,100 short-term visitors from the UK to Australia, a decrease of 98.6 per cent on the previous year and representing a 5.38 per cent share of the market. By contrast, in the year ending June 2020, there were 562,300 visitor arrivals from the UK, representing a 7.8 per cent share of the market.⁷⁷
142. Equally, the UK is Australia's 3rd highest source for short-term resident returns. In the year ending June 2021, 10,400 Australian residents returned from the UK following a short-term visit, representing 4.6 per cent of the resident return intake. In the year ending March 2020, 528,000 Australian residents returned from the UK (occupying a 6.0 per cent share of total).⁷⁸ This data, also detailed in **Tables 12 and 13** below, indicate that movement of natural persons between our two countries is relatively balanced.

⁷⁶ DFAT UK country/economy fact sheet: <https://www.dfat.gov.au/sites/default/files/uk-cef.pdf>

⁷⁷ Source: Home Affairs OADs

⁷⁸ Source: Home Affairs OADs

143. To support growth in mobility, the Chapter on Temporary Entry for Business Persons includes provisions that enhance opportunities for business travel and encourage people to travel and work in each other's territory. These provisions provide certainty on visa pathways for businesses and professionals working across our countries. The commitments provide improved access for a range of Australian and UK skilled service providers, investors and business visitors, supporting investment and providing business with greater certainty. These commitments build upon those made by both countries in the WTO.
144. The UK and Australia make commitments which specify the conditions for entry and temporary stay, including length of stay, for each category of business persons identified. For Australia, the categories include business visitors, installers and servicers, intra-corporate transferees, independent executives and contractual service suppliers. For the UK, the categories include business visitors for establishment purposes, short term business visitors, investors, contractual service suppliers, independent professionals and intra-corporate transferees.
145. The FTA also includes reciprocal commitments to waive requirements for economic needs testing on businesses wanting to employ an Australian in the UK, or a UK national in Australia, for the categories of business person identified in the FTA. This will reduce red tape for Australian companies and bring treatment of UK nationals in Australia to the same level enjoyed by nationals of other FTA partner countries. It also provides certainty around short-term entry of service suppliers across a range of sectors, subject to entrants meeting necessary skills and experience requirements, and having contracts to supply a service in place.
146. The Chapter on Temporary Entry for Business Persons includes provisions that provide certainty around application procedures, transparency regarding provision of information and dispute settlement procedures. Commitments alongside the FTA go further to encompass a broader demographic, foster stronger mobility outcomes, skills transfer and mutual economic gain. A side letter to the FTA sets out future improvements to Australian and UK Working Holiday and Youth Mobility programs, to allow participation up to the age of 35 and for three years, without specified work requirements. In a Joint Declaration, Australia and the UK detail extensive mobility pathways available for citizens to work in agriculture and agribusiness in each country. Australia also establishes an Innovation and Early Career Skills Development Pilot to pioneer, subject to numerical limits, streamlined mobility opportunities for UK citizens. The results of the pilot will be considered in a review, including the possibility of implementation on a reciprocal basis.
147. As mobility between the two countries is already high, the mobility outcomes are designed to reinforce existing arrangements and give certainty to business. As a result of the FTA, Australians will gain access to the UK equivalent to that provided to EU citizens, excluding the Republic of Ireland, and the UK access to Australia better than

any of our trading partners excluding New Zealand. These settings are designed to support a bounce-back in two-way mobility once international borders re-open.

148. The net benefit for Australia in the mobility commitments includes greater certainty on mobility pathways, reduced red tape through the removal of labour market testing, and new mobility pathways for Australian Contractual Service Suppliers and Independent Professionals to the UK. Other benefits include streamlined access for UK citizens under Australia's pilot, and the likelihood of stronger youth mobility flows following the enhancements agreed to those programs. These increased opportunities are designed to build even stronger people-to people links and improve collaboration and skills transfer between our countries for many years to come. Without these arrangements, mobility between the UK and Australia will likely trend in the same way, once borders re-open, but with these arrangements, the enhanced certainty and increased opportunities are more likely to increase mobility and professional collaboration between our countries

Table 12: Short term visitor arrivals number of movements

Source: Office of the Chief Economist

Based on Home Affairs – Overseas Arrivals and Departures data

	Year ended June										Year ended Jun-2021		Growth Year ended June		Trend growth
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021			2020 to 2021		5 years
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	Rank	% share	No.	%	%
UK	626,700	637,900	671,200	667,100	703,700	726,400	742,600	718,600	562,300	8,100	3	5.38	-554,200	-98.6	-48.3

Table 13: Short-term resident returns number of movements

Source: Office of the Chief Economist

Based on Home Affairs - Overseas Arrivals and Departures data

	Year ended June										Year ended Jun-2021		Growth Year ended Jun		Trend growth
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021			2020 to 2021		5 years
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	Rank	% share	No.	%	%
UK	532,800	526,500	564,300	570,900	600,600	610,900	643,900	667,800	528,000	10,400	3	4.66	-517,600	-98.0	-44.6

The impact of key digital trade outcomes

149. The AU-UK FTA helps to facilitate digital trade, enabling Australian consumers and businesses to take advantage of new opportunities in the growing global digital economy. The agreement contains rules to enable the free flow of data across borders and prevent unjustified data localisation requirements, whilst ensuring appropriate protections for data privacy and legitimate public policy objectives. These data rules will assist businesses operating in both countries by facilitating access to data and increasing their competitiveness in local and international markets.
150. Competition and innovation will also be strengthened through rules protecting source code and ICT products that use cryptography from unjustified disclosure requirements, subject to legitimate scrutiny by appropriate authorities.
151. Barriers to digital trade will also be reduced through commitments to recognise electronic contracts and methods of electronic authentication, including electronic signatures, except in specific circumstances, and to ensure domestic regulations are consistent with model international laws. Improved efficiency through paperless trading will be enabled by a commitment to facilitate electronic trade administration documents. To support SMEs engaged in digital trade, Australia and the UK have committed to establish interoperable electronic invoicing frameworks, which will increase efficiency and accuracy of commercial transactions.
152. The agreement seeks to enhance certainty and trust for businesses and consumers engaged in digital trade through a commitment to protect against misleading, deceptive and fraudulent commercial practices online. Other commitments require Parties to minimise unsolicited commercial electronic messages (spam), and to encourage interoperability and cooperation on personal information protection.
153. The agreement also provides Australia with a framework for cooperation with the UK on important digital issues that have an impact on trade, including cybersecurity, data innovation, digital identity, women's economic empowerment and international standards. In order to encourage the use of government information for economic, social and research benefit, the agreement also commits Australia and the UK to endeavour to improve the accessibility of publicly available, anonymised government information.

The impact of key intellectual property outcomes

154. One of the fastest growing UK exports to Australia is in intellectual property (IP) such as music and entertainment, growing by over 10 per cent per year from 2009-10 to 2019-20.⁷⁹ The UK is also a keen importer of Australian services. Imports of IP – including licensing fees for software and commercial brands – have almost tripled over the past decade.⁸⁰ The IP chapter recognises that Australia and the UK have high standards of protection for IP rights and robust legal systems underpinning these rights. The chapter reflects Australia’s core interests in ensuring IP settings are balanced, proportionate and transparent. This is key for Australian businesses – both those who own or use IP rights, and those who operate alongside them and need to understand the scope of their freedom to operate without infringing an IP right.
155. Australia’s existing IP settings strike an effective balance between the interests of IP rights holders, consumers and third parties. The vast majority of the chapter is consistent with Australia’s existing FTA obligations and IP settings. In relation to the online enforcement of IP, the text is more specific than previous FTAs but the commitments are within Australia’s current IP settings. The chapter does not require any immediate regulatory changes, however, there are commitments to work towards the implementation of two reforms.
156. Australia will make all reasonable efforts to become a party to the Hague Agreement Concerning the International Registration of Industrial Designs (the Hague Agreement), which makes it easier for designers to file their application for design protection in other countries. The most significant regulatory change that would result from joining this agreement is increasing Australia’s maximum term of design protection from 10 to 15 years.
157. An economic cost-benefit analysis of joining the Hague Agreement (PWC, *Updated economic analysis of estimated impacts of Australia acceding to the Hague Agreement for designs*) concluded that there is likely to be a net present value cost to the Australian economy of between A\$44.3 million and A\$48.7 million over 16 years. The highest impact is on consumers, with an estimated likely net present value cost of A\$45.4 million to A\$46.1 million over 16 years, as a result of the extended term of protection. However, the report also found that Australian designers would benefit immediately from Australia joining the agreement, and that benefits should increase over time, particularly as more of Australia’s trading partners also join. To illustrate

⁷⁹ Australian Bureau of Statistics, International Trade: Supplementary Information, FY, Table 6, July 2021

⁸⁰ Ibid

this, the report analysed the costs and benefits with both the current membership of the agreement plus China (which has started the process to join but is not yet a member – Case A) and with the addition of New Zealand (Case B) – see **Table 14**.

Table 14: Net economic cost/benefit in each Case (\$million, 16year present value, seven per cent discount rate)

Scenario	Case A					Case B				
	Australian designers	Australian consumers	Australian IP professionals	Australian Government	Total	Australian designers	Australian consumers	Australian IP professionals	Australian Government	Total
Central (most likely)	8.00	-45.38	-8.35	-2.96	-48.68	15.79	-46.12	-11.01	-2.96	-44.30
Optimistic (high benefits, low costs)	41.62	-18.76	0.38	-2.33	20.90	48.60	-18.76	0.38	-2.33	27.88
Pessimistic (low benefits, high costs)	2.92	-82.89	-35.74	-3.58	-119.29	3.64	-82.89	-22.40	-3.58	-105.24

Source: PWC, Updated economic analysis of estimated impacts of Australia acceding to the Hague Agreement for designs

158. Australia and the UK have also agreed to commence discussions on enabling reciprocal access to their respective Artist Resale Royalty (ARR) schemes, which ensure artists receive a portion of the sale price when their work is resold through an art market professional such as an auction house or art dealer. Australian artists cannot currently access the UK’s ARR scheme, so this agreement will allow them an additional source of income.
159. The Copyright Agency Ltd administers Australia’s ARR scheme and collected data in 2012 on the resale of Australian works in the UK (**Table 15**). Using this data, the average sale amount can be calculated as US\$15,716, which converts to A\$22,316 (assuming a conversion rate of AU/US 0.70). The UK’s ARR scheme uses a sliding scale to calculate the royalty payable from each sale. Sales between the sterling equivalent of €1,000 and €50,000 receive a four per cent royalty, so the royalty paid on the average sale would be around A\$892.

Table 15: Resales in the UK of Australian works

2007		2008		2009		2010		2011	
USD	Lots	USD	Lots	USD	Lots	USD	Lots	USD	Lots
\$5,377,923	141	\$1,152,609	239	\$391,373	84	\$1,067,531	118	\$3,216,249	131

Source: The Copyright Agency Ltd

160. There will be a small additional administrative cost on art market professionals, mostly auction houses. These entities already have an obligation under the *Resale Royalty Right for Visual Artists Act 2009* to report all resales over A\$1,000, so the reciprocal arrangement will not change this administrative cost. However, there will be additional administration in relation to collecting and remitting royalties from resales

of works by UK artists. These organisations have already built the necessary processes into their systems for the purposes of the ARR. According to the Copyright Agency Ltd, between 2007 and 2011 there were 16 sales of works by UK artists in Australia, meaning the impact of this change is expected to be small.

161. The details of the reciprocal arrangement will be determined in consultation with key stakeholders. Amendments to the *Resale Royalty Right for Visual Artists Act 2009* and/or *Resale Royalty Right for Visual Artists Regulations 2021* will be needed to implement the arrangement.
162. There is also a third commitment that will potentially result in changes to the protection of Geographical Indications (GIs) in Australia. The UK sought changes to Australia's system of protection for GIs. Australia and the UK agreed to review the current GIs provisions in the proposed AU-UK FTA if Australia makes changes to the GIs system following an international agreement with a third party.
163. This is intended to allow the UK the same treatment on GIs as the third party. If no such changes to Australia's GIs system are introduced within two years after entry into force of the proposed AU-UK FTA, the GIs provisions in the agreement will be reviewed by Australia and the UK. Any new GIs system that would require changes to relevant IP legislation would be assessed through the normal parliamentary processes.

The impact of key government procurement outcomes

164. The proposed AU-UK FTA provides legally binding rules and access for Australian goods, services and construction suppliers of all sizes – including SMEs and Indigenous-owned businesses – to the government procurement market of the UK, worth an estimated half-a-trillion dollars annually.
165. The chapter on Government Procurement includes commitments that go beyond the benefits Australia already receives under its membership of the WTO Agreement on Government Procurement (GPA), creating more opportunities for our industries to secure more contracts in the UK – which in turn will support more Australian jobs.
166. Australian businesses will have the guaranteed right to bid for UK government procurement opportunities in a wide variety of goods and construction services, including public works concession contracts, at the national and sub-national levels. They will also have the guaranteed right to tender for a greater range of services contracts than the UK currently offers under the WTO GPA. Some of these services will be subject to the UK's national treatment regime, with differing monetary thresholds.

167. Australia has maintained its standard exceptions in priority public policy areas, such as SME and Indigenous procurement, the protection of essential security, health and welfare services, and other specific exceptions requested by State and Territory Governments. These exceptions are consistent with Australia's existing trade agreements, and the commitments made will not require any substantive changes to Australia's existing government procurement policies and systems.

The impact of key State-owned Enterprises and Designated Monopolies (SOEs) outcomes

168. Australian exporters, investors and consumers will benefit from increased certainty through rules aimed at providing for open and fair competition between commercially oriented SOEs and private businesses. Australia and the UK will also work together to improve rules on SOEs in global trade, including cooperating in international fora such as the WTO and the OECD. This is in recognition of the importance of the development of transparent, robust and effective international trade rules to ensure open and fair competition between state-owned and privately-owned enterprises in global trade.

WHO DID YOU CONSULT AND HOW DID YOU INCORPORATE THEIR FEEDBACK?

169. DFAT is committed to transparency and maintains a highly consultative approach throughout trade negotiations. We lead Australia's whole-of-government negotiations and our positions rely on input provided by stakeholders. Stakeholders are invited to express their views throughout the negotiations in public meetings, industry specific consultations, or written submissions. Feedback is fed directly to the leads of the relevant chapter or market access negotiation and forms part of the negotiation strategy for the Australian negotiating team.

The stakeholder engagement process in the AU-UK FTA negotiations

170. At the conclusion of every negotiating round, the Australian and UK negotiating teams participate in briefings hosted by the Australia-UK and Australia-British Chambers of Commerce to discuss outcomes from the rounds, respond to questions and invite further input to the negotiation process. Some of these briefings have been held jointly with the UK.

171. The Australian negotiating team also holds stakeholder consultations at the conclusion of every round for other Australian stakeholders, including worker representatives such as trade unions and other entities such as peak bodies as requested. These consultations are key to nuancing our negotiating positions and making sure we are getting the right outcomes for Australians to diversify our trade and drive an export-led recovery.
172. The Government also convenes meetings of the Ministerial Advisory Council on all Free Trade Agreement negotiations. Participants in these meetings include representatives from peak industry bodies and civil society. The AU-UK FTA has been discussed many times in this forum in the last 12 months.

Business, Industry and Civil Society

173. In the last 12 months alone, DFAT has communicated with at least 140 organisations and participated in over 250 meetings regarding the AU-UK FTA negotiations. The organisations are listed in the table below. They include private organisations, individuals, consumer groups and peak bodies.

145. Accolade Wines	146. Accord
147. ANZ	148. Apple and Pear Australia
149. Architects Accreditation Council of Australia (AACCA)	150. Association of Consulting Architects Australia
151. Association of International Seafood Professionals	152. Australian Aluminium Council
153. Australian Automotive Aftermarket Association	154. Australia Chamber of Commerce and Industry (ACCI)
155. Australian Banking Association	156. Australian Beverages Council
157. Australian British Chamber of Commerce	158. Australian Council of Professions
159. Australian Council of Wool Exporters	160. Australian Digital Alliance
161. Australian Distillers Association	162. Australian Fair Trade and Investment Network (AFTINET)
163. Australian Food and Grocery Council	164. Australian Fresh Produce Alliance

165. Australian Grain Exporters Association (AGEA)	166. Australian Grape and Wine
167. Australian Health Practitioner Regulation Agency (AHPRA)	168. Australian Honey Bee Industry Council
169. Australian Horticultural Exporters' Association	170. Australian Industry Group
171. Australian Institute of Architects	172. Australian Institute of Quantity Surveyors
173. Australian Livestock Exporters' Council	174. Australian Meat Industry Council
175. Australian Mobile Telecommunications Association (AMTA)	176. Australian Nut Industry Council
177. Australian Olive Association	178. Australian Petroleum Production and Exploration Association
179. Australian Pork	180. Australian Red Meat Industry / Meat & Livestock Australia
181. Australian Seafood Industry	182. Australian Services Roundtable
183. Australian Sugar Milling Council	184. Australian Wool Innovation Limited
185. Australasian Veterinary Boards Council	186. AUSVEG
187. Australia-UK Contractor's Group	188. Australia-United Kingdom Chamber of Commerce
189. Bathurst Regional Council	190. Boundary Bend Olives
191. British Pensions in Australia Inc	192. Business Council of Australia
193. Business Council for Sustainable Development	194. BSA, The Software Alliance
195. Canegrowers	196. CANZUK International
197. Chartered Accountants Australia & New Zealand (CAANZ)	198. Chemistry Australia
199. Citrus Australia	200. Civil Liberties Australia
201. Communications Alliance	202. Competere

203. Complementary Medicines Australia	204. Conference of Asia Pacific Express Carriers (CAPEC)
205. Consult Australia	206. Consumer's Federation of Australia
207. Council of Small Business Australia	208. CPA Australia
209. Customs Brokers and Forwarders Council of Australia	210. Dairy Australia
211. Design Institute of Australia	212. Direct Selling Australia
213. Distilled Spirits Industry of Australia	214. Electronic Frontiers Australia (EFA)
215. Engineers Australia	216. European Australian Business Council (EABC)
217. Export Council of Australia	218. Federal Chamber of Automotive Industries
219. Femeconomy	220. Food and Beverage Importer Association
221. Financial Services Council	222. Fintech Australia
223. Fisheries Research and Development Corporation (FRDC)	224. Food Frontier
225. Freight & Trade Alliance	226. Futurefund
227. Geraldton Fishermen's Co-operative	228. GlaxoSmithKline (GSK)
229. Global Trade Professionals Alliance	230. Grain Growers Australia
231. Grains Industry Market Access Forum	232. Grains Research and Development Corporation
233. Herbalife Nutrition	234. Indigenous Network for Investment, Trade & Export (IGNITE)
235. Institute of Public Accountants (IPA)	236. Insurance Council of Australia
237. International Chamber of Commerce Australia	238. International Education Association of Australia
239. IP Federation	240. Joint Accounting Bodies

241. Just Biodiesel	242. Law Council of Australia
243. Macquarie Group	244. Meat and Livestock Australia
245. Medicines Australia	246. Minerals Council of Australia
247. Music Rights Australia	248. Mutual recognition of professional medical qualifications
249. NAB	250. National Farmers Federation
251. Nerada Tea	252. New South Wales Business Chamber
253. Optus	254. Ports Australia
255. RegTech Association	256. RSPCA
257. Scotchmans Hill	258. Seafood Industry Australia
259. Sheep Producers Australia	260. South Australian Wine Industry Association
261. Speech Pathology Australia	262. Spirits & Cocktails Australia
263. Standards Australia	264. Steel Association
265. SunRice Group	266. Supply Nation
267. Swisse Wellness	268. Tasmanian Salmon Growers Association
269. Telstra	270. The Australasian Mechanical Copyright Owners Society
271. The Australasian Performing Right Association Limited	272. The Global Data Alliance
273. TradeWindow	274. Treasury Wine Estates
275. Trisco Foods	276. Universities Australia
277. University of Melbourne	278. Victorian Automotive Chamber of Commerce
279. Vodafone TPG	280. Westpac
281. Wine Australia	282. Will Studd Cheeses
283. Wool Producers Australia	284. World Animal Protection

174. DFAT also received over 70 separate formal submissions from organisations and individuals regarding the proposed AU-UK FTA negotiations. Public submissions can be viewed on the submissions webpage on the DFAT website [here](#).
175. Regarding **goods exports**, stakeholder views, compiled from meetings and submissions, are summarised as follows:
- a. secure the complete removal of tariffs, quotas and other barriers immediately after entry into force between Australia and the UK
 - i. particularly for key Australian exports such as wine, spirits, cane sugar, beef, rice, sheep-meat, dairy, olive oil, nuts, grains and oilseed (wheat)
 - b. improve the settings that enable export of high-quality, sustainable Australian products to UK customers
 - c. improve regulatory harmonisation in the mutual recognition of goods export standards
 - d. seek modern customs and trade facilitation provisions and streamlined rules of origin
 - e. free trade for manufacturing products as well as reducing regulatory requirements for raw materials in commercial use
 - f. tariff free access for Australian Extra Virgin Olive Oil in the UK
 - g. as the UK is Australia's number one export destination for wine by volume (219 million litres in the 12 months ending March 2020), the elimination of tariffs on all imported Australian wine into the UK is crucial. At present, all Australian wine is subject to trade restrictive import duties
 - h. elimination or reduction of non-tariff barriers, such as the VI-1 export certificate, for wine
 - i. a streamlined process for recognising new winemaking practices to replace the current lengthy process, as well as allowing in market processing in the UK (carbonation, sweetening, blending)
 - j. that the FTA include references to animal welfare and take into account the strong link between welfare standards and trade.
176. Many of these views have been incorporated into the agreement through commitments in tariff reductions by Australia and the UK – key outcomes are outlined in **Attachment A – Agreement in Principle** – and through commitments in chapter text including the Trade in Goods, Customs Procedures and Trade Facilitation and Rules of Origin Chapters, which are explained in detail in the **Benefits and Impact Analysis** section of this RIS.
177. The announcement of the outcomes in the Agreement in Principle (AiP) that are part of the proposed AU-UK FTA resulted in positive stakeholder reactions. Examples include:

- a. The Business Council of Australia welcomed the announcement of the outcomes in AIP for the proposed AU-UK FTA, describing it as a “record setting deal ...” that paved “the way for more ambitious trade outcomes in our region and globally.”⁸¹
- b. The National Farmers’ Federation assessed the announcement of the outcomes in AIP for the proposed AU-UK FTA as a “significant leap forward in Australia’s market access.”⁸²
- c. Meat and Livestock Australia has warmly welcomed the announcement of the outcomes in AIP for the proposed AU-UK FTA, stating the outcomes enhance ‘...the long-term partnership between the British meat trade, British consumers and the Australian red meat industry’.⁸³
- d. Regarding the announcement of the outcomes in AIP for the proposed AU-UK FTA, peak industry group Canegrowers said immediate and substantial up-front tariff-free access was a ‘significant boost’ and would ‘deliver a positive economic benefit’.⁸⁴
- e. The Australian Dairy Industry Council (ADIC) welcomed the announcement of the outcomes in AIP for the proposed AU-UK FTA, observing the agreement positioned Australian dairy manufacturers to ‘...actively explore market opportunities that they would previously have never considered possible’.⁸⁵
- f. SunRice Group has strongly supported the increased market access announced as part of the outcomes in AIP for the proposed AU-UK FTA, stating it reflected the ‘most significant market access outcome for Australian rice exports in any of the recent FTAs that the Government has delivered’.⁸⁶

178. **Financial** services stakeholder views, compiled from meetings and submissions, include requests that the FTA streamline regulatory requirements in the services sector including the mutual recognition of digital document authorisation for financial services (eg a financial services "passport").

179. These views have been incorporated into the agreement through a financial services chapter that streamlines regulatory requirements and addresses behind the border barriers to financial services trade. Financial service suppliers from the UK and Australia will have increased opportunities to provide financial services into the UK

⁸¹ <https://www.bca.com.au/uk-trade-deal-makes-post-brexit-history>

⁸² <https://nff.org.au/media-release/uk-australia-trade-agreement-a-new-beginning/>

⁸³ https://www.mla.com.au/news-and-events/industry-news/a-uk-fta-a-quality-outcome-with-a-long-term-partner/?utm_source=miragenews&utm_medium=miragenews&utm_campaign=news#

⁸⁴ <http://www.canegrowers.com.au/page/media/media-releases/2021/positive-outcome-for-sugarcane-growers-in-fta>

⁸⁵ <http://www.dairypage.com.au/newsroom/2021/6/17/australian-dairy-welcomes-announcement-on-fta-with-the-united-kingdom>

⁸⁶ https://investors.sunrice.com.au/FormBuilder/_Resource/_module/2weQNICYSUy13FE_jxQXvg/file/Media-Releases/20210615_SunRice%20Group%20Media%20Release_Australian%20Government%20to%20be%20congratulated%20for%20landmark%20United%20Kingdom%20Free%20Trade%20Agreement_FINAL.pdf

market, including for example the provision of financial services that utilise new technology or are delivered via new methods.

180. Australia and the UK have also agreed to enhance regulatory cooperation in financial services, including commitments to cooperate on emerging issues and commitments to work towards and develop dialogues on regulatory deference. The proposed AU-UK FTA also includes specific obligations on transparency relating to financial services regulations, and rules allowing business to transfer information across borders.
181. **Professional** services stakeholder views, compiled from meetings and submissions, are summarised as follows:
 - a. Develop a framework for the mutual recognition of professional qualifications, licensing, registration and authorisations; and
 - b. Professions, including from the accountancy, architecture, engineering, health (doctors, medical specialists, dentists, radiologists), and legal sectors have called for the agreement to provide for improved recognition of the right to practise and the reduction of time and costs in gaining a right to practise, including, non-burdensome visa conditions for independent service providers and intra-corporate transferees.
182. These views have been incorporated into the agreement through the Professional Services Chapter. Australia and the UK have agreed to establish a best practice framework to improve the two-way movement of professionals and professional services. This includes provisions to support mutual recognition of professional qualifications; and promote transparent qualification recognition, licensing and registration processes, as well as a work program for peak bodies to engage to further streamline and guarantee easier access for professionals between Australia and the UK.
183. **Telecommunications** stakeholders have been consulted throughout the negotiations. There have been a number of joint consultations with Government and Australian industry on issues in the telecommunications chapter including international mobile roaming (IMR), international submarine cable systems and licensing and authorisation processes.
184. Due to a particular focus by the UK on international mobile roaming and divergent text, DFAT held a number of stakeholder consultations with Australian mobile network operators and relevant regulators to inform the negotiations and to find a pathway forward.
185. We also held an AU-UK Telecommunications Regulators and Industry IMR Roundtable in December 2020 where both the UK and Australian negotiators, regulators and industry shared information regarding systems and processes and industry indicated

its commercial priorities. With the benefit of this exchange of objective information about our respective systems, we were able to explore what we could do in cooperation and collaboration regarding IMR and negotiators were able to close the IMR article. The result, consistent with our recent FTA practice, is a forward-looking IMR article that is based on industry preference and is consistent with our domestic system.

186. Regarding **Temporary Entry**, stakeholders requested the following:
- a. ambitious temporary entry commitments that allow for greater movement of people between Australia and the UK, and of dependants, intra-corporate transferees, contractual service suppliers, and investors between the two countries
 - b. easier access to skilled work visas to address the shortage of skilled workers including agricultural workers in Australia
 - c. current visa holders to be able to switch or extend visas in-country and options for short-term visas to be extended beyond their initial term in both countries, to foster greater mobility of talent
 - d. address ongoing revisions to visa programs and labour market testing that create barriers for attracting sector expertise to Australia; FTA should allow for greater mobility of skilled workers
 - e. an “E3” type visa for Australian professionals in the UK with reciprocal offerings for UK professionals, which would facilitate temporary entry for speciality occupations.
187. The requests of stakeholders are incorporated into the proposed FTA through the commitments made by the UK and Australia. These allow for greater movement of professionals in the categories that have been committed in addition to their dependants. The proposed FTA also includes waiving of labour market testing, which has been requested by stakeholders in both countries, and new mobility pathways to the UK consistent with those it has extended to the EU following Brexit. Australia’s Innovation and Early Career Skills Development Pilot enables 1000 UK citizens rising to 2000 UK citizens to enter Australia to take up specified opportunities in a streamlined way, meeting requests of business, and reciprocates commitments the UK has made on intra-corporate graduate trainees and specialists across all economic sectors in the FTA. A review will see the program assessed in its second year of operation and recommendations made on future implementation, including potentially by the UK.
188. Stakeholder views have also been incorporated into the agreement through commitments that will result in changes to existing Youth Mobility Schemes in both countries. These changes include making such schemes available to nationals no older than 35 for a total stay of up to 3 years, without having to undertake specified work including regional work, for example on a farm.

189. The commitments made regarding the movement of natural persons are consistent with Australia’s existing visa framework and Australia’s migration policy as they support an open, prosperous and united Australia. This is consistent with the Key Performance Indicators defined in the Department of Home Affairs Annual Report 2019/20⁸⁷
190. **Investment** stakeholder views, compiled from meetings and submissions, are summarised as follows:
- a. the agreement should support and encourage a strong bilateral investment relationship through up-to-date investment protections and liberalisation commitments
 - b. the importance of the Australia-UK investment relationship warrants Australia extending higher preferential screening thresholds to UK investors to encourage investment
 - c. requests that the investment chapter not include an ISDS mechanism.
191. These views have been reflected in the agreement through the investment chapter and the Parties’ schedules. Australia and the UK have agreed to a best practice suite of investment commitments that will underpin the already strong investment relationship between our two countries. Commitments will cover all investment, portfolio and FDI and include ambitious market access commitments. Investors will get fair treatment and protection from expropriation of assets, while the right of states to regulate in the public interest will be preserved.
192. The agreement will not include an Investor-State Dispute Settlement mechanism. The deal also includes higher investment screening thresholds for UK investors in Australia, meaning fewer UK investments are subject to review by the Foreign Investment Review Board.
193. **Digital trade** stakeholder views, compiled from meetings and submissions, are summarised as follows:
- a. that the Australia-Singapore DEA digital trade commitments act “as a minimum starting point” that maximise opportunities to enhance the bilateral digital trade landscape, including adequacy arrangements to maximise cross-border data flows and no data localisation requirements.
 - b. calls for ambitious digital trade provisions including the mutual recognition of privacy regimes, online services and e-authentication
 - c. updating IP protection: copyright; trade secrets; government use of legal software

⁸⁷ [Department of Home Affairs 2019-20 Annual Report](#)

- d. promoting trust and security: encryption; international standards; cyber-security; SOEs; no forced tech transfer; AI; open government data; no customs duties; open digital architecture and tech choice
 - e. encourage the FTA to increase the ability to knowledge share, bilaterally advance technologies and share information on best practice digital regulation to advance the sector.
194. In a rapidly evolving area like digital trade, stakeholder feedback plays a critical role in determining Australia’s trade policy priorities, identifying barriers to entry in international markets and ensuring that our trade rules are fit-for-purpose in a digitalising global economy. Importantly, this feedback enables the design of rules which not only facilitate trade and support business in accessing global digital markets, but also ensure the protection of Australian consumers participating in digital trade.
195. Key stakeholder priorities reflected in the agreement include rules to facilitate the cross-border movement of data, rules to limit forced tech transfer and enable business to leverage digital technologies in goods and services trade, and rules to promote trust in the online environment, including through the protection of consumers and personal data.
196. Regarding **intellectual property**, stakeholders requested the following:
- a. no changes to Australia’s safe harbour arrangements for copyright and confirmation that both Australia and the UK’s copyright settings facilitate the legitimate use of creative works, and fairly compensate rightsholders
 - b. no changes to our IP settings that would impact on pharmaceuticals
 - c. FTA outcomes which support the enforcement of IP rights online, and transparency in the collective management of copyrights to the benefit of artists.
197. These views have been incorporated into the agreement through Australia and the UK agreeing to provisions that do not change Australian or UK existing copyright settings and the inclusion of provisions relating to the online enforcement of IP rights. IP provisions will not require regulatory changes and will not affect the price of medicines in either country nor have an impact on our IP settings on pharmaceuticals.
198. **Government procurement** stakeholder views, compiled from meetings and submissions, are summarised as follows:
- a. to aim for full and comprehensive access to GP opportunities in the UK, noting that “Australia must remain open to comprehensive access from the UK”
 - b. maintain existing government procurement exceptions for SMEs, indigenous enterprises and local government.

199. These views have been factored into Australia's market access negotiations. Businesses will, on entry into force of the FTA, have new bound market access to goods, services and construction opportunities across both countries' lucrative government procurement markets – at both the national and regional levels of government (for Australia, the latter being our state and territory governments). The effect of these outcomes is to create new opportunities for suppliers of all sizes to secure competitive contracts – including SMEs and Indigenous-owned businesses – thereby supporting jobs in Australia and the UK.
200. These views have been incorporated into the agreement by guaranteeing that existing GPA/FTA exceptions are preserved for measures that benefit SMEs and Indigenous Australians. Australia has also excluded local government procurement from the scope of its market access offer to the UK, instead agreeing to a side letter whereby if Australia were to offer local government procurement to another trading partner in future, it would enter into negotiations with the UK on a similar basis.

Australian Government agencies

201. Australian Government departments were extensively consulted throughout the AU-UK FTA negotiations via regular inter-departmental committee meetings, updates on the status of negotiations, as well as participation of relevant agencies in negotiations.

State and territory governments

202. State and territory governments have been consulted throughout the negotiations. These consultations have been undertaken jointly with the consultations for the Australia-European Union Free Trade Agreement (A-EU FTA) negotiations, as many of the issues relevant to states and territories were common to both negotiations. Consultations took place with all states and territories through formal updates prior to negotiating rounds, as well as with individual jurisdictions.
203. A substantial body of work involved the UK (and EU) request that, for the first time, states and territories undertake a Market Access commitment in services and investment, scheduled on a negative list basis. An extensive technical consultation which commenced in June 2019 involved an assessment of each jurisdiction's measures and policy sensitivities. All jurisdictions agreed to a set of Market Access Non-Confirming Measures (Annex I and Annex II) by 20 September 2021.
204. In order to prepare its government procurement market access offer to the UK, the Australian Government consulted closely with state and territory governments and asked them to confirm any additional procuring entities they could commit to cover

under the FTA beyond those they already cover under the WTO Agreement on Government Procurement. Consultations took place over a period of two years, beginning under the A-EU FTA negotiations, with states and territories agreeing to cover more than 30 additional entities.

205. The Minister for Trade, Tourism and Investment corresponded with state and territory counterparts prior to the conclusion of the AU-UK Agreement in Principle (in June 2021), with each jurisdiction providing agreement to AIP. The Australian Chief Negotiator for the AU-UK FTA wrote to the head of state and territory agencies which maintain the Standing Committee on Treaties (SCOT) contact point in September 2021 to provide an update on efforts to conclude the negotiations. This correspondence outlined how state and territory interests would be addressed in the proposed AU-UK FTA, including in relation to Market Access (services and investment), an ongoing work agenda on Performance Requirements (Investment) and Government Procurement commitments.
206. States and territories were also consulted in the development of agreement text which went beyond previous FTA practice, particularly an International Maritime Services Annex, and higher ambition commitments on Domestic Regulation. The commitments are consistent with Australia's domestic system but the specific listing of them in the FTA went beyond current FTA practice.

WHAT IS THE BEST OPTION FROM THOSE YOU HAVE CONSIDERED?

207. Signing the proposed AU-UK FTA is the best option when compared to not signing the AU-UK FTA as it will provide for preferential market access for important exports and improve certainty for exporters and importers, service suppliers and investors across the whole economy. If the Government does not sign the AU-UK FTA, Australian exporters and importers, service suppliers and investors will be at a competitive disadvantage relative to other trading partners.
208. One of the advantages in signing the proposed AU-UK FTA for service suppliers and investors is that the agreement 'locks-in' non-discriminatory provisions, ensuring that neither the UK nor Australia can discriminate in favour of its own service suppliers and investors. The agreement is also future proofing through the MFN and ratchet provisions that ensure that the benefits of the UK's future free trade agreements will flow through to Australian service suppliers and investors and that Australia and the UK cannot adversely modify existing regulation in particular services sectors.

209. The agreement will also include a liberal approach to services and investment market access going beyond the UK and Australia's respective best precedents. The proposed AU-UK FTA strikes the right balance in including commitments that reflect the high-quality regulatory approaches of both Governments, while preserving Governments' ability to regulate in the public interest. This includes commitments to impartiality, transparency and responsiveness by regulators, ensuring that their requirements, procedures, and technical standards do not constitute unnecessary barriers to trade across the whole economy.
210. The proposed AU-UK FTA will underpin further opportunities for services and investment. Commitments on access for services suppliers and investors will be substantially enhanced from existing positions under the GATS in the WTO, guaranteeing access for our service suppliers to the UK market. Commitments will cover all investment, portfolio and FDI and ambitious market access commitments matching the best the UK has made. Investors will get guarantees of market access, fair treatment and protection from expropriation of assets, while the agreement preserves the right of states to regulate in the public interest, including Australia's right to screen investment in the national interest.
211. An FTA with the UK will benefit Australian businesses and consumers by increasing access to competitively priced goods, new technologies and innovative practices. Our future prosperity depends upon our economy staying competitive and on Australian businesses continuing to innovate and succeed in new markets.
212. The commitments on confirmation of visa pathways available for the temporary movement of skilled workers in both directions, ensure that businesses in both countries have access to skills and talent from the other country and that Australian nationals have the opportunity to pursue career opportunities in the UK and vice versa. There will not be the same level of assurance without the AU-UK FTA.

HOW WILL YOU IMPLEMENT AND EVALUATE YOUR CHOSEN OPTION?

213. In line with Australia's treaty making processes, once agreed, the text of the AU-UK FTA will be tabled in Parliament. The Joint Standing Committee on Treaties (JSCOT) will then conduct an inquiry into the FTA and report back to the Parliament. Following consideration by the JSCOT, Parliament will consider any legislation or amendments to existing legislation that may be necessary to implement the agreement prior to treaty action being taken.
214. Engagement with stakeholders will continue after the conclusion of AU-UK FTA negotiations to raise awareness of the FTA and its provisions and ensure that businesses and consumers are well placed to access the benefits of the agreement.

DFAT and Austrade will undertake proactive advocacy to lift awareness and uptake of the AU-UK FTA benefits from Australian business.

215. Following signing of the proposed AU-UK FTA, DFAT will publish dedicated AU-UK FTA webpages offering a range of practical resources that will help Australian importers and exporters take advantage of the FTA. These will include:
- a. the full text of the AU-UK FTA agreement, plus side letters/initiatives and tariff schedules
 - b. outcomes documents, background documents and chapter summaries that provide plain-English descriptions relating to elements of the AU-UK FTA
 - c. a news section that provides updates on developments relating to the AU-UK FTA and frequently asked questions.
216. DFAT will also publish additional resources for importers and exporters which will include a guide for business wanting to use the AU-UK FTA to export and import goods, including information about complying with origin documentation requirements.
217. DFAT’s social media accounts (such as Twitter, Facebook and the DFAT blog) will be platforms for promoting increased understanding and utilisation of the AU-UK FTA. Once the agreement has entered into force, DFAT will use social media posts to draw tariff outcomes and other benefits of the AU-UK FTA to the attention of the wider public.
218. The proposed AU-UK FTA includes legal and institutional provisions that establish the administrative provisions necessary for its operation and review. This includes the processes by which the agreement will enter into force, and provisions detailing how the agreement may be subsequently amended or terminated and co-exist with existing treaties between the UK and Australia.
219. The agreement includes a structure of regular committee meetings intended to create an ongoing dialogue between Australia and the UK and a built-in agenda of reviews, which provide avenues to address issues and increase two-way trade opportunities. These mechanisms ensure that the agreement remains living and relevant to the bilateral trading relationship.
220. The committees and working groups are designed to monitor implementation and enable technical consultation provisions in relevant chapters of the Agreement. The Committee architecture in the proposed AU-UK FTA is provided below.

COMMITTEE ARCHITECTURE IN THE AU-UK FTA
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Joint Committee
Services, Investment, Financial Services and Digital Trade Sub-Committee
Joint Financial Regulatory Forum
Professional Services Working Group
Committee on Intellectual Property Rights
Committee on Trade in Goods
Working Group on Rules of Origin and Customs and Trade Facilitation
SPS Committee
Joint Working Group on Animal Welfare
TBT Committee
Environment Working Group
Strategic Innovation Dialogue
Committee on Cooperation
Gender Equality Dialogue

ATTACHMENT A: AU-UK FTA NEGOTIATIONS – AGREEMENT IN PRINCIPLE

FTA Negotiations: Agreement in principle

GOODS

Trade in Goods [Note, see also Goods Market Access]

Australia and the UK commit to establishing mechanisms that will provide for the liberalisation of tariffs on each other's goods and that will address non-tariff barriers to trade between our two countries. Australia and the UK will commit to providing the most liberal possible treatment for goods of interest to both countries, while taking into account product sensitivities.

Commitments in the Trade in Goods Chapter will include:

- A commitment for the UK and Australia to eliminate customs duties on originating goods of the other country in accordance with the tariff elimination schedules [to be finalised].
- A commitment on technical consultations on non-tariff measures at the request of either the UK or Australia.
- Establish a Committee on Trade in Goods.
- Australia and the UK will share tariff preference utilisation data.

Goods Market Access

Australia and the UK commit to the liberalisation of tariffs on trade in goods between our two countries, while taking into account product sensitivities.

Commitments will include:

- Full liberalisation of UK originating goods entering Australia.
- Full liberalisation of Australian originating goods entering UK, while taking account of UK product sensitivities. This includes but is not limited to:
 - ⊖ Increasing TRQ volumes on beef over 10 years, with access to a duty-free transitional quota of 35,000 tonnes on EIF, rising in equal instalments to 110,000 tonnes in year 10. In the subsequent 5 years (year 11-15 after entry into force) a product specific safeguard will be applied on beef imports exceeding a further volume threshold rising in equal instalments to 170,000 tonnes, levying a safeguard duty of 20% for the rest of the calendar year. Out of quota tariffs will remain at MFN until year 10 and then be eliminated.
 - ⊖ Increasing TRQ volumes on sheep meat over 10 years, with a duty-free transitional quota of 25,000 tonnes on EIF rising in equal instalments to 75,000 tonnes in year 10. In the subsequent 5 years (year 11-15 after entry into force) a product specific safeguard will be applied on sheep meat imports exceeding a further volume threshold rising in equal instalments to 125,000 tonnes, levying a

- safeguard duty of 20% for the rest of the calendar year. Out of quota tariffs will remain at MFN until year 10 and then be eliminated.
- ⊖ Tariffs on sugar will be eliminated in equal instalments over 8 years with a duty-free quota of 80,000kt tonnes on EIF rising in equal instalments to 220,000 at year 8.
 - ⊖ Tariffs on dairy will be eliminated in equal instalments over 5 years. There will be a duty-free transitional quota for cheese of 24,000 tonnes rising in equal instalments to 48,000 tonnes in year 5. There will be a duty-free transitional quota for non-cheese dairy of 20,000 tonnes. There will be a further duty-free transitional quota for butter of 5,500 tonnes rising to 11,500 tonnes in year five.
 - ⊖ There will be a permanent duty-free quota of 1,000 tonnes per year for long-grain milled rice, with tariff elimination on EIF for short and medium-grain milled rice.
 - Transitional quotas will be single quotas for the products indicated above, with no additional conditions. Transitional quotas will be managed by the Australian Government on the same basis as Australia’s country-specific quota access under the WTO.
 - ⊖ Neither side will seek additional access or faster tariff reduction through the UK’s accession to CPTPP.
 - Both sides formalise their agreement on splits of TRQs at the WTO and Australia withdraws its objections to the UK’s goods schedule (including AMS) in order to provide certainty to traders in both countries.
 - General bilateral safeguard mechanism for all goods to provide a safety net for industry if they face serious injury from increased imports as a direct consequence of the FTA.

Trade Remedies

Australia and the UK commit to including a chapter on Trade Remedies that will affirm both countries’ rights and obligations under the WTO framework, including safeguards. This ensures Australian and UK businesses can seek protection from unfair trading practices or unforeseen surges in imports

- Affirmation of rights and obligations under the WTO Agreements on Safeguards, Anti-Dumping and Subsidies and Countervailing Measures.
- Application of the “lesser duty rule” consistent with the WTO Agreement when imposing anti-dumping and countervailing duties.

Rules of Origin

Australia and the UK commit to Rules of Origin (RoO) that will facilitate market access and reflect modern production processes, and existing and future global value chains.

Commitments will boost efficiency, reduce costs and cut red tape by making it simpler for traders and customs authorities to prove the originating status of goods. They will include rules for specific products that support each country’s economic and production interests.

Commitments in the Rules of Origin Chapter will include:

- Efficient and low-cost processes to prove originating status of goods, reducing the amount of paperwork at the border for traders and Customs authorities.
- Product Specific Rules (PSRs) which enable traders to make fair use of the reduced tariffs [ongoing].
- No requirement for verification visits by the importing country to ascertain if goods being imported into its territory are originating.
- Low value threshold for declarations of origin that allows for Australia to use the value of AUD 1000.
- PSRs which respect UK sensitivities in agricultural sectors such as fisheries and dairy, and do not include Regional Value Content (RVC) rules for agricultural goods. PSRs which enable UK automotive exports, including an RVC of 25% for cars.

Customs Procedures and Trade Facilitation

Australia and the UK commit to facilitating increased bilateral trade and efficient and transparent customs procedures, while also allowing the UK and Australia to maintain effective customs control. Goods will be released from customs within clear timeframes to provide certainty in the supply chain and reduce costs. Paperwork will be simpler, with more information available electronically. Our systems will boost confidence in the way we trade together, ensuring transparency and predictability at, and away from, the border.

Commitments in the Customs Procedures and Trade Facilitation Chapter will include:

- Goods to be released within 48 hours of arrival at customs where possible to provide certainty in the supply chain and reduce costs.
- Simplified paperwork requirements and a commitment to release shipments within 6 hours where possible for expedited shipments (for example fast-track parcels).
- Release of perishable goods within 6 hours where possible to prevent avoidable loss or deterioration of perishable goods.
- Time period of 90 days for issuing advance rulings to traders.
- Commitment not to require the use of customs brokers for import and export procedures.
- Detail concerning customs procedures to be made easily accessible to traders, including electronically, with review mechanisms available to traders for customs authority decisions.
- Commitment setting out how the UK and Australia may consider further simplification of customs procedures to benefit traders.
- A separate bilateral instrument to be negotiated on Cooperation and Mutual Administrative Assistance in Customs Matters (CMAA) intended to be completed to the same timeframe as the FTA (by Autumn 2021) to support and strengthen customs cooperation.

Sanitary and Phytosanitary Measures

Australia and the UK will commit to provisions that facilitate trade while ensuring protection of human, animal and plant life and health. Imports will still have to meet the same

respective UK and Australian food safety and biosecurity standards. Both the UK and Australia agree the importance of independent SPS regimes.

The SPS chapter will include trade facilitative provisions that build on WTO commitments relating to human, animal and plant life and health including:

- Recognition of the principle of equivalence of SPS measures where they achieve the other country's appropriate level of protection.
- Processes regarding the recognition of regional conditions (regionalisation) to build cooperation and promote confidence in the procedures followed by the UK and Australia. Ensure the UK and Australia can take into account the pest and disease status of areas from which goods may be sourced in setting biosecurity measures and apply all concepts of regional conditions, as appropriate, to trade between them, to facilitate trade.
- Recognition of the importance of ensuring that respective SPS measures are based on scientific principles.
- Provisions on transparency and information exchange to facilitate understanding of each other's system.
- Provisions on verification and certification, to facilitate trade through carrying out verifications and agreeing certification requirements.
- Establishment of an SPS Committee to monitor the implementation of the chapter and technical consultation provisions for any specific trade concerns regarding SPS measures.

Animal Welfare and Antimicrobial Resistance (AMR)

- Provisions in a standalone chapter which will cover commitments including:
 - Provisions that affirm Australia and the UK's right to regulate on animal welfare and the right of each of Australia and the UK to establish its own policies and priorities for the protection of animal welfare
 - Provisions committing Australia and the UK to cooperate in relevant international fora on areas of mutual interest, including to promote development of the best possible animal welfare practices
 - An Animal Welfare Working Group to provide a forum for ongoing cooperation and initiatives in areas of mutual interest, review of animal welfare developments and to promote high animal welfare practices
 - Appropriate provisions around non-derogation from respective levels of animal welfare protections for the purpose of encouraging trade and investment between the UK and Australia
 - Appropriate provisions recognising the importance of high levels of animal welfare protection and non-regression

- Appropriate provisions on cooperation on combatting antimicrobial resistance including bilaterally and in relevant international fora on areas of mutual interest.

Technical Barriers to Trade

Australia and the UK commit to provisions that will be aimed at ensuring that technical barriers to trade are non-discriminatory and do not create unnecessary obstacles to trade, while preserving each country's ability to take measures to fulfil legitimate objectives, including for the protection of health, safety and the environment. The commitments in the agreement will result in increased cooperation regarding technical regulations, standards and conformity assessments.

- Provisions that build on the WTO TBT Agreement and the close institutional relationships already in place between Australia and the UK, through increased cooperation regarding technical regulations, standards, and conformity assessments.
- Provisions on transparency and information exchange to facilitate understanding of each other's systems.
- Establishment of a TBT Committee to monitor the implementation of the chapter and with the authority to establish specific working groups.
- Process to give positive consideration to acceptance of technical regulations where they are found to be equivalent.
- Commitment on international standards and to encourage respective standards bodies to cooperate.
- Ongoing discussion of outcomes to address technical barriers to trade in specific sectors that do not constrain public policy making, create new non-tariff barriers or create additional regulatory burdens. This includes continued discussions on UK annex proposals on spirits, cosmetics, medicines, and medical devices, and Australian proposals on wine and organics. Australia and UK commit to use best endeavours to secure agreement in Australia to the UK proposal for a whisky definition in a form enforceable by domestic authorities and to implement in the UK Australia's proposals under the Wine Agreement, both taking account of consultation requirements.

SERVICES

Australia and the UK commit to liberalising services in a manner that strengthens existing bilateral trade, deepens market access and makes it easier for services companies to trade and for professionals to operate in each other's economies. The UK and Australia will commit to high standard rules for all services sectors, including cross border trade in services, professional services, financial services, maritime and delivery services, and telecommunications. This will include full market access to the other market for all UK and Australian service suppliers, including ensuring commitments on services extend to Australian and UK-flagged vessels, except for some specific reservations. The UK and Australia will also commit to Maritime Transport Services and Express Delivery Annexes, a Financial Services Regulatory Co-Operation Annex, and commitments that UK and Australian

lawyers can practise in the other country's territory using their original qualifications and title. On Telecommunications, Australia and the UK commit to access for Australian and UK service suppliers to public telecommunications networks and services in the other country on a non-discriminatory basis.

Commitments in the Services Chapter will include:

- Highly liberal approach to trade in services, including full market access for service suppliers from the other country at central and regional level, except where specific reservations [once regional consultations are complete] are noted in a schedule (i.e. using the “negative listing” approach).
- Services market access liberalisation going beyond the UK and Australia’s respective best precedent to be finalised through a request and revised offer process.
- Professional services provisions, which will deliver long term benefits for UK and Australian professionals who want to work in each other’s territory and have their qualifications recognised without facing unnecessary cost and bureaucracy, primarily through collaboration between UK and Australian accreditation and regulatory bodies aimed at facilitating qualification recognition.
- Legal services provisions which will both guarantee that UK and Australian lawyers can advise clients and provide arbitration, mediation and conciliation services in the other country’s territory using their original qualifications and title, as well as establish and drive collaboration between regulators with the aim of addressing remaining barriers to practise as a local lawyer in the other country’s territory.
- Coverage of UK/Australia-flagged vessels in the services chapter, allowing these to benefit from guaranteed market access and non-discriminatory treatment when operating in Australia/UK and an International Maritime Transport Annex which ensures that UK/Australian shipping companies, vessels and service suppliers have non-discriminatory access to ports and port services, can move empty containers freely and provide feeder services between ports, consistent with each country’s cabotage regimes.
- An Express Delivery Services Annex that ensures a level-playing field for express delivery operators by ensuring postal monopolies do not engage in market distorting practices, while allowing the UK and Australia to maintain their universal service obligations.
- “MFN provisions” which ensure that if UK/Australia provide more generous access to their services markets for other countries, this will be extended to Australia/UK too.
- Commitments to impartiality, transparency and responsiveness by Australian and UK competent authorities, ensuring that their requirements, procedures, and technical standards do not constitute unnecessary barriers to trade across the whole economy.
- Non-discrimination provisions, ensuring that UK/Australia cannot discriminate in favour of its own service suppliers.
- Coverage of the services disciplines where services are supplied by the presence of a national of UK/Australia in the other country.

Financial Services

Commitments in the Financial Services Chapter will include:

- Ambitious provisions that strengthen our trading relationship, address behind-the-border barriers to financial services trade and expand opportunities for cross-border trade provision of financial services.
- Commitment ensuring Australia and the UK recognise the importance of allowing financial service suppliers to offshore their back-office functions and avoid the imposition of arbitrary requirements on the performance of those functions.
- Commitments on the provision of new financial services.
- Provisions which recognise the importance of transparency in facilitating the ability of financial service suppliers to gain access and operate in each other's markets.
- A financial services regulatory cooperation annex which includes
 - commitments to provide a foundation for further enhancing the regulatory cooperation relationship between the UK and Australia
 - commitments on emerging issues
 - commitments on working towards and developing dialogues on mutual compatibility and regulatory deference.

Telecommunications

Commitments in the Telecoms Chapter will include:

- A commitment to promote competition in our telecommunications markets through adopting and maintaining competitive safeguards and approaches to regulation that prevent anti-competitive practices including through ensuring non-discriminatory treatment.
- A commitment to ensure that service suppliers of both countries have access to and use of any public telecommunications network or service on a timely basis and on reasonable, transparent and non-discriminatory terms and conditions.
- Provisions that ensure the independence of telecommunications regulatory authorities, ensuring that suppliers are independent from our regulators – including through commitments on impartiality and transparency.
- A commitment that any authorisation or licensing requirement will be transparent, while also recognising a country's ability to allow telecoms services and networks to operate without prior authorisation.
- Promotion of transparent and reasonable international mobile roaming rates, and steps to ensure that retail rates and alternatives to roaming are easily accessible for consumers and businesses.
- A commitment to a strategic dialogue and partnership on security and diversification in the telecommunications sector, including on infrastructure and technologies.

MOBILITY

Australia and the UK commit to provisions on temporary entry that will support economic recovery, enhance opportunities for business travel, and encourage people to travel and work in each other's territory, on the basis of reciprocity.

Commitments in the Mobility Chapter will include:

- Companies to sponsor visas committed in the FTA without first having to prove that a national of the country in question could not be hired to do the job, through the reciprocal removal of economic needs tests.
- Australia and the UK to provide balanced guarantees that are broadly reciprocal to maintain visa pathways for service suppliers for a substantial number of sectors - through the binding of these sectors in the FTA.

A wider range of side initiatives alongside the FTA encompassing broader demographics than Business Mobility including:

- The UK and Australia will make unprecedented changes to their Youth Mobility Schemes, making them available to nationals no older than 35 for a total stay of up to 3 years, without having to undertake specified work including regional work, for example on a farm. In line with each country's respective immigration system, the parties will further explore opportunities to enhance the ability for citizens to live, work and travel in each country.
- Agricultural work – the UK and Australia will ensure we can further support agriculture and agribusiness, by outlining visa pathways to facilitate mobility for those involved in agricultural work.
- Innovation and Early Careers Skills Exchange – the UK and Australia will jointly explore dedicated visa requirements, in line with our respective systems, to further enable workplace exchanges which facilitate early career mobility for those involved in innovation across industry, culture and the arts.
- These changes will be made within 5 years to allow for a smooth adjustment in respective systems.

Investment

Australia and the UK commit to investment commitments that will underpin the already strong investment relationship between our two countries and boost the recovery from COVID-19. Commitments will cover all investment, portfolio and FDI and ambitious market access commitments. Investors will get fair treatment and protection from expropriation of assets, while the right of states to regulate in the public interest will be preserved. The agreement will not include an Investor-State Dispute Settlement mechanism. The deal also includes higher investment screening thresholds for UK investors in Australia, meaning fewer UK investments are subject to review by the Foreign Investment Review Board.

Commitments in the Investment Chapter will include:

- Application of Market Access obligation (prohibition of certain quantitative restrictions on investment) at Central and regional level, except where specific reservations [once

regional consultations are complete] are noted in a schedule across the whole economy, using the "negative listing" approaches.

- A new commitment prohibiting all residency and nationality requirements for senior managers and boards of directors, with precise application to take account of the outcome of Australia's consultations, which are seeking to narrow the policy space required as far as possible.
- Most Favoured Nation provisions (covering services and investment) which ensure that if UK or Australia provide more generous access for investment from other countries, this will also be extended to Australian and UK investors.
- Protection for UK and Australian investors, including from unfair or discriminatory treatment, or expropriation of assets without due compensation, reflecting the customary international standard of protection, on the CPTPP model.
- A new provision confirming that economic sanctions are not impacted by the commitment to allow free transfers of funds by investors.
- The investment chapter will not include Investor-State Dispute Settlement.
- Includes all Prohibition of Performance Requirements included in the CPTPP.
- Commitment to consult on the inclusion of additional PPRs (Prohibition of Performance Requirements) to minimise market distortions, potential barriers and bureaucracy faced by investors
 - Headquarters localisation requirements
 - Mandatory levels of research and development
 - Export restrictions
 - Local hiring requirements
- Protections applying to investment in Air services, and liberalisation applying except where explicitly noted in a schedule.
- Investment screening thresholds raised to at least the level Australia gave the US and CPTPP countries.
- Confirmation that the territorial scope of the "Whole of Economy" Market Access provision is the same as in the UK-Canada agreement through textual clarification, enabling incorporation of the outcomes of consultations.

Digital Trade

Australia and the United Kingdom commit to ambitious commitments that will increase opportunities for digital trade across all sectors of the economy, while also ensuring world-leading standards for personal data protection and for legitimate public policy objectives. These will include strong rules on data flows and the prohibition of unjustifiable data localisation requirements to create a more certain and secure online environment and support increased growth in digital trade between Australia and the United Kingdom. It will also include provisions to ensure the recognition of electronic contracts and signatures and legal frameworks on electronic transactions that facilitate e-commerce.

Commitments in the Digital Trade Chapter will include:

- Commitment to enable cross-border data flows and avoid unjustified data localisation commitments, whilst ensuring high standards of data protection.
- Commitment to open digital markets by establishing effective principles that allow businesses to operate fairly and competitively. Recognition that consumers benefit from equal treatment by internet service providers and commitment not to impose customs duties on electronic transactions.
- Commitment to reduce barriers to digital trade by addressing restrictive practices such as requirements for paper-based trade administration documents and a commitment to accept electronic contracts, except in specific circumstances. These exceptions will be published on a single government website, providing clarity for businesses. The UK and Australia will aim to establish interoperable electronic invoicing frameworks and ensure that electronic transactions regulations are implemented in a manner consistent with international frameworks.
- Commitment to provide a safe trading environment for both consumers and businesses, through new and innovative ways to establish protections online, including improved enforcement and compliance provisions that support online consumer protection, personal information protection, and discourage unsolicited commercial electronic messages (spam). This includes commitments to cooperate in the development of a Digital Identities framework, and to help users identify themselves online.
- Commitments to improve the accessibility of publicly available, anonymised government information, for the purpose of economic, social and research benefit.
- Provisions to protect innovation by preventing the forced tech transfer of Source Code and Encryption Keys, subject to legitimate scrutiny by appropriate authorities.
- Commitments to support ongoing cooperation on important digital trade issues, including data innovation and emerging technologies, as well as collaboration to improve opportunities for our innovative Regtech enterprises.
- Commitments to build capabilities and cooperate on evolving cybersecurity threats, helping to shape global standards and effective regulations in digital trade.

Intellectual Property

Australia and the United Kingdom will commit to ambitious intellectual property (IP) provisions that support our vibrant economies through adequate, effective and balanced protection and enforcement of IP rights and that encourage innovation and creativity. The agreement will include provisions on copyright, design rights, patents, trade marks, artists resale rights, trade secrets and test data. These commitments will not lead to increased medicines prices in either country. The deal will also include a commitment that if Australia introduces bespoke GI schemes for spirits and agri-foods, the UK will be able to put forward GIs for potential protection subject to Australia's legal procedures.

Commitments in the IP Chapter will include:

- Commitments in support of our vibrant creative sectors, including high standard provisions on copyright, designs and the enforcement of IP rights online.

- Commitments underpinning the IP in our world-leading innovation sectors, including provisions on patents, trade secrets and test data. These provisions will not require regulatory changes and will not affect the price of medicines in either country.
- A commitment to discuss measures to ensure adequate remuneration for music performers and producers.
- A commitment for Australia to make all reasonable efforts to join the UK as a member of the multilateral Hague Agreement on Industrial Designs, to provide new benefits for designers in both countries.
- A commitment to begin a process which will result in reciprocal arrangements for artist resale royalties, to provide new income streams for our visual artists.
- No other commitments to implement regulatory changes to IP settings for either the UK or Australia.
- Commitments to protect our much-loved brands and trade marks. The deal will also include a commitment that if Australia introduces bespoke Geographic Indication (GI) schemes for spirits and agri-foods, the UK will be able to put forward GIs for potential protection subject to Australia's legal procedures. If such schemes are not introduced no later than two years after entry into force of the FTA, the GI provisions in the FTA will be reviewed by Australia and the UK. UK GIs that the UK intends to propose for protection may be named in a non-binding sideletter.
- Provisions on cooperation and working towards a multilateral outcome at the World Intellectual Property Organisation (WIPO) Intergovernmental Committee on genetic resources, traditional knowledge and traditional cultural expressions.

Government Procurement

Australia and the UK will make commitments that maximise opportunities for our suppliers to participate in each other's government procurement markets, and drive value-for-money outcomes. Commitments will go significantly beyond current WTO GPA baselines. The UK and Australia will also include a precedent setting article requiring covered procurement notices to be published electronically, ensuring Australian and UK suppliers will always have access to the same information about procurement opportunities.

Commitments in the Government Procurement Chapter will include:

- New provisions on integrity in procurement practices.
- A requirement for all notices related to procurement covered by the chapter to be accessible by electronic means, free of charge.
- Cooperation to promote the international liberalisation of government procurement markets, including sharing best practices, facilitating greater participation (including by SMEs), exchanging statistics and data, and sharing information about upcoming procurement opportunities of interest to suppliers from both countries.
- A side letter committing to negotiate local government/smaller administrative unit procurement coverage, should Australia agree to cover local government procurement in another trade agreement.

- Precedent-setting offers, with final offers to be negotiated.

Competition

Australia and the UK commit to including provisions aimed at competition policy and consumer protection. This chapter will provide for effective competition law and enforcement that will promote open and fair competition, and promote cooperation between national competition authorities.

Commitments in the Competition Chapter will include:

- Provisions that maintain national competition laws that proscribe anti-competitive agreements, anti-competitive practices by entities that have substantial market power, address mergers with substantial anti-competitive effects, and maintain a national competition authority.
- Provisions on procedural fairness in the enforcement of Australia and the United Kingdom's national competition law, including a reasonable opportunity to be legally represented.
- Provisions that recognise the importance of consumer protection.
- Provisions that recognise the importance of cooperation and coordination between Australia and the United Kingdom's respective competition and consumer protection authorities to foster effective enforcement.

State-owned Enterprises and Designated Monopolies (SOEs)

Australia and the UK commit to including a chapter on SOEs that will provide rules aimed at ensuring fair treatment and will provide for cooperation in improving rules concerning SOEs in multilateral fora.

Commitments in the SOEs Chapter will include:

- Provisions that provide for open and fair competition between commercially-oriented SOEs and private businesses; for example rules around non-commercial assistance to SOEs and non-discrimination.
- Provisions that ensure SOEs, particularly those providing public services, can continue to operate as they do now.
- Commitment that the UK and Australia share information about their SOEs and cooperate, including at the multilateral level.

Labour

Australia and the United Kingdom commit to a chapter on labour that will lock in high domestic protections for our workers, encourage good business practice and corporate responsibility, and advance our mutual ambition to tackle forced labour and modern slavery.

Commitments in the Labour Chapter will include:

- Provisions that commit the UK and Australia to maintain and effectively enforce their domestic laws and labour standards.
- Provision recognising the right to regulate of each country, which confirms each country to establish its own levels of domestic labour protection and its own priorities relating to labour, and to establish, adopt or modify its labour laws and policies accordingly.
- Provision affirming obligations as members of the International Labour Organization (ILO), including those stated in the *ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up (1998)*.
- All substantive commitments in the chapter to replicate the CPTPP formulation to the greatest extent possible, unless otherwise agreed by the UK and Australia.
- New areas proposed by the UK that are not in the CPTPP Labour Chapter text to contain no new substantive commitments.
- Replication of the CPTPP consultation and enforcement provisions with minor amendments to ensure alignment with the dispute settlement provisions of the whole FTA.
- Provision on tackling modern slavery in supply chains.

Environment

Australia and the United Kingdom commit to a chapter on trade and environment that will contain provisions affirming commitments under multilateral environmental agreements including the Paris Agreement, and to maintain and effectively enforce domestic environmental laws and policies across a broad range of issues. Both countries commit to undertaking cooperative activities, including those targeted at key technologies in the transition to a low carbon and climate resilient economy. The chapter will also contain provisions to encourage trade and investment in environmental goods and services that support shared environmental objectives.

Commitments in the Environment Chapter will include:

- Provisions that commit the UK and Australia to maintain and effectively enforce their domestic environmental laws and policies.
- Provisions that affirm commitments under multilateral environmental agreements.
- Provisions to encourage trade and investment in environmental goods and services which support shared environmental objectives.
- Provision which affirms commitments by each country to tackle climate change, including under the Paris Agreement and acknowledges the role of global trade and investment in these efforts.
- Provision recognising the right to regulate of each country, based on the language used in the CPTPP environment text with the addition of a reference to climate change, that confirms the right of each country to establish its own levels of domestic environmental protection and its own priorities relating to the environment, and the right to establish, adopt or modify its environmental laws and policies accordingly.

- Provisions that affirm commitments to combating illegal wildlife trade, conservation, marine pollution and protection of the Ozone Layer.
- Provisions with commitments on several areas of environmental protection including fisheries, biodiversity, combatting illegal logging and wildlife trade and conservation.
- Provisions that recognise the importance of, and to cooperate on, sustainable forestry management, circular economy, marine litter and air quality
- All substantive commitments in the chapter to replicate the CPTPP formulation to the greatest extent possible unless otherwise decided by the UK and Australia.
- New areas proposed by the UK that are not in the CPTPP environment text to contain no new substantive commitments.
- Replication of the CPTPP consultation and enforcement provisions with minor amendments, including to ensure alignment with the dispute settlement provisions of the whole agreement.

SMEs

Australia and the UK commit to including a chapter on SMEs which will affirm their critical role in the economies of the countries. The chapter will commit both the UK and Australia to publish information about the Agreement which is considered useful for SMEs, and include provisions that facilitate cooperation between the UK and Australia, including to identify ways to help SMEs take advantage of the FTA.

Commitments in the SME Chapter will include:

- Establishing and maintaining a website of information for SMEs interested in trading, investing, or doing business with the other country.
- Facilitating cooperation between the UK and Australia, such as through the exchange of information on programs to assist SMEs participation in global markets.

Good Regulatory Practices

Australia and the UK commit to including a chapter on GRP which will contain provisions that support a transparent and predictable regulatory environment for business. Commitments to make regulatory measures public in plain language and online will ensure they are accessible.

Commitments in the GRP Chapter will include:

- Provisions on consulting publicly and rigorously assessing information when designing new regulations.
- Commitment to consider whether public policy objectives can be achieved more effectively when reviewing existing regulations
- Provisions on publishing information online about regulations and how they are developed.

- Commitment to encourage regulatory authorities to communicate and cooperate on current and future regulation.

Trade and Gender Equality

Australia and the United Kingdom commit to including a chapter on Trade and Gender Equality that will contain provisions aimed at addressing barriers for women to access the benefits of trade and investment. This will include provisions on co-operative activities on access to markets, business/leadership networks and finance, data collection, and a dialogue mechanism to work together to address barriers.

Commitments in the Trade and Gender Equality Chapter will include:

- Provisions on Co-operative activities that aim to address barriers for women in trade such as lack of access to markets, business/ leadership networks and finance.
- Provisions on exchange of information on approaches to data collection, analysis and monitoring of trade and gender equality.
- A dialogue mechanism to support implementation.

Development

Australia and the UK commit to including a chapter dedicated to development issues, a first for a bilateral FTA between two developed countries, that will include provisions relating to joint activities.

Commitments in the Development Chapter will include:

- Provisions addressing: bilateral cooperation that may encompass an exchange of information in relation to experiences, best practices, technical assistance and capacity building; and monitoring the FTA that each country will undertake in a way that does not create regulatory burdens.

Cross-cutting (General Provisions and Exceptions, Initial Provisions and General Definitions, Final Provisions)

The United Kingdom and Australia commit to general provisions and exceptions that will support issues such as national security, public health and policy-making discretion in matters of taxation and macroeconomic management, consistent with international best practice in these areas.

Commitments in the Cross-cutting Chapters will include:

- National Security Exception, that sets out the parameters in which the UK and Australia can take national security related measures that would otherwise violate the terms of the FTA.
- A standalone provision recalling provisions across the FTA allowing parties to protect their respective public health systems, including the NHS and Medicare.

- Temporary Safeguard Measures Exception and Taxation Exception to permit policy-making discretion in matters of taxation and macroeconomic management, consistent with international best practice in these areas.
- Ensuring that the UK-Australia FTA will take into account the effects of the Protocol on Ireland/Northern Ireland.
- Provisions to explain how the FTA will apply to the four constituent nations of the United Kingdom, the Crown Dependencies and Overseas Territories (including Gibraltar) including a mechanism for future extension.
- Ensuring that the general exceptions apply to the whole of the investment chapter.

Transparency and anti-corruption provisions

Australia and the UK commit to best-practice transparency and anti-corruption provisions. The UK and Australia want to commit to the promotion of transparency in government decision-making and encourage the participation of the private sector and civil society in these pursuits. Both countries will outline their shared ambition to combat the distorting impact of bribery and corruption in trade and affirm their international obligations on bribery and corruption at the OECD and United Nations.

Commitments will include:

- The criminalisation of bribery including bookkeeping relating to bribery and corruption, enforcement and a reasonable statute of limitations regarding bribery and corruption offences.
- Promoting integrity among Public Officials for example through training and promoting transparency in the behaviour of public officials in the exercise of public functions.
- Encouraging the participation of the private sector and civil society for example through activities and public education programmes.
- Addressing the harmful effects of facilitation payments; prohibiting the tax deductibility of bribes; whistleblowing.
- Cooperative provisions on embezzlement and money laundering, and asset recovery.
- Provisions on the publication of information with respect to matters covered by the FTA, building upon both of our strong domestic processes that are already in place.

Dispute settlement

The UK and Australia commit to an effective and timely dispute settlement mechanism, that will provide a clear avenue and prompt progress to arbitration if required, boosting certainty and flexibility for Australian and UK traders.

Commitments will include:

- Effective and timely dispute settlement mechanism, that effectively prevents forum shopping and allows prompt progress to arbitration if required, complemented by Rules of Procedure and Code of Conduct that provide certainty and flexibility.

Innovation

Australia and the UK commit to including a world-first innovation chapter in the agreement. The chapter will provide a mechanism for the UK and Australia to discuss the impact of innovation on trade, including regulatory approaches, commercialisation of new technologies, and supply chain resilience, and ensure that our FTA remains fit for purpose as our economies grow.

Commitments will include:

- Establishment of a Strategic Innovation Dialogue as a standing institution to support trade and economic growth through collaboration between the UK and Australia on innovation and associated trade matters, including regulatory approaches, commercialisation of new technologies, and supply chain resilience.
- Specific co-operation to encourage the development and adoption of emerging technologies and associated trade.
- Recognition of the importance of future-proofing the UK-Australia FTA, and commitment to taking developments in innovation into account when updating the FTA.

DISCLAIMER: this document reflects what the UK and Australian FTA negotiating teams have jointly decided as of 15 June 2021 should be included in the FTA once it is finalised. It does not prejudge the outcome of the FTA negotiations or any further proposals for FTA commitments either the UK or Australia may make after this date. It is also not intended to create any treaty obligations.

ATTACHMENT B: REGULATORY BURDEN ESTIMATE

- The proposed AU-UK FTA provides rules for traders to access preferential tariff treatment over existing business-as-usual arrangements under the UK's MFN tariffs. As this is the first FTA to cover trade between Australia and the UK, the AU-UK FTA may result in a modest increase in ongoing business compliance costs for Australian exporters to the UK.
- The origin documentation requirements under the rules of origin in the proposed AU-UK FTA are some of the easiest to meet, for both exporters and importers. Australian exporters and producers have the option to either
 - a. complete a Declaration of Origin
 - b. provide sufficient information directly to UK importers to enable them to make a claim for preferences – known as 'importer's knowledge'.
- While the costs of self-declaration are minimal, this requirement does create additional costs to businesses for complying with the agreement's origin documentation requirements compared to making claims under the UK's MFN tariffs.
- There is a level of uncertainty regarding the number of traders under the FTA and what origin method traders will utilise in respect of Australian exports to the UK. Accordingly, the estimates of the compliance and administrative costs are largely assumption-driven and should be interpreted as such. There is currently an average of 67,330 export transactions from Australia to the UK per year. Based on the available data, it is possible to gain an appreciation of the order of magnitude of these changes.

Declarations of Origin

- To provide flexibility to exporters and producers, the preferential Declaration of Origin (DOO) can be either self-declared, or completed by an authorised representative such as an authorised issuing body (for example the Australian Chamber of Commerce and Industry or Australian Industry Group) on the exporter or producer's behalf. While we do not expect the latter option to be widely utilised, it may be useful for traders, particularly when a non-preferential certification of origin signed by an issuing body would be required for other purposes, such as to meet specific requirements for letters of credit.
- Where businesses seek this option, the cost of each DOO varies between A\$20 and A\$70 at an average of A\$33. The cost depends on a range of factors, such as whether an applicant is a member of the issuing body and the level of complexity.

Origin based on 'importer's knowledge'

- Under the proposed AU-UK FTA, importers can make a claim for tariff preference without the need for a DOO based on 'importer's knowledge'. For the importer to make a claim for preferential tariff treatment based on 'importer's knowledge', the exporter or producer will need to provide supporting documents to the importer that the good is originating.

- The administrative procedures for business to maintain, store and supply supporting documentation and records may add slight additional administrative costs to business-as-usual practices.

Estimate of Regulatory Burden

- Some costs will be incurred by traders to understand the requirements and benefits of the FTA. It is estimated that all exporters to the UK will undertake a once off administrative cost of around two hours of time to understand the AU-UK FTA rules. The average number of exporters to the UK from 2016-17 to 2018-19 was **6,511**. At a scaled-up labour cost of A\$68.79 per hour, this would result in costs of **A\$895,783 for the first year only**.
- We can assume, based on the trends of similar trading partners, that traders would decide not to utilise the AU-UK FTA for around half of transactions, given the UK already has MFN zero tariffs for many products imported from Australia. As this is business as usual, this would result in an ongoing cost of **A\$0 per annum**.
- Based on practice under other FTAs that allow exporters and producers to choose whether to complete their own DOO, or for the DOO to be completed by an authorised issuing body, we estimate not more than five per cent of transactions (3,367) would use a DOO from an authorised issuing body. Multiplying this by the average costs of DOOs from an issuing body plus an estimated time of 20 minutes for the trader to complete the document estimated at A\$33 per DOO + 1/3 hours x A\$68.79 per hour for each transaction, the expected total cost is **A\$188,316 per annum**.
- It is estimated that the remaining 45 per cent of transactions (30,299 transactions) would be supported by the exporter or producer making a self-declaration or providing supporting documentation to the UK importer. Based on an estimate of completing the self-declaration or providing supporting documentation to the UK importer taking up to 20 minutes, a total cost per year for completion is 30,299 transactions x 1/3 hours x A\$68.79 per hour = **A\$694,756 per annum**.
- Once off costs are **A\$895,783 in the first year**, with additional ongoing costs of not more than **A\$883,072 per annum**. This results in an estimate of total administrative costs of not more than **A\$9,726,503 over 10 years**. It is also important to note that the ongoing administrative costs incurred by a business in preparing declarations of origin or providing supporting origin documentation to importers should reduce over time as traders become more experienced in creating the declarations of origin and start to provide the necessary details to support a claim by 'importer's knowledge' to UK importers as a matter of course.
- **The net effect of this regulatory change would be an increase of A\$972,650 per annum, based on estimated costs across a 10-year timeframe.**

Regulatory Burden Estimate (RBE) Table

Average Annual Compliance Costs (from business as usual)				
Costs (\$m)	Business	Community Organisations	Individuals	Total Cost
Total by Sector	+ 0.973	N/A	N/A	+ 0.973



Benefits for Australia

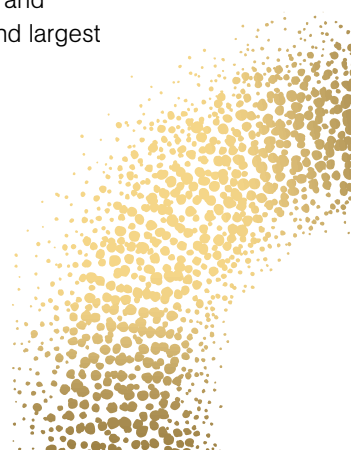
Tying together the shared threads of history, and our commitment to open, rules-based trade, the Australia-United Kingdom Free Trade Agreement (A-UKFTA) will deliver mutual benefits and create a closer and stronger economic future for us both.

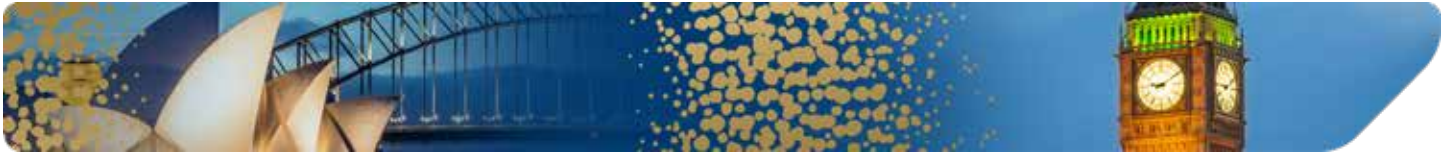


Key Outcomes

The United Kingdom is Australia's fifth largest trading partner. Once the A-UKFTA is in force, it will open up new commercial opportunities for Australian business and promote job creation. It will eliminate tariffs on trade in goods and remove red tape that slows trade down.

Building on our exceptional people-to-people links, the A-UKFTA will enhance mobility pathways for workers and young people who wish to work in the UK, while making it easier for Australian service companies and professionals to do business there. It will deepen our already strong investment ties with our second largest source of foreign investment.





Goods

The A-UKFTA will deliver better and more certain access to the UK market for Australia's world-class exporters, including farmers and small businesses.

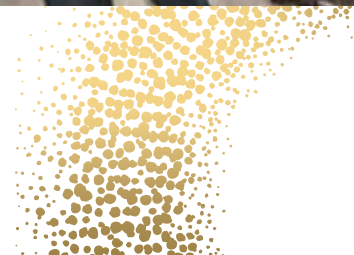
Currently 89 per cent of Australian goods are exported into the UK duty free. From the day the A-UKFTA enters into force, over 99 per cent of Australian goods exports by value to the UK will enter without tariffs. This is commercially significant for around \$9.2 billion worth of annual Australian merchandise trade into the UK.

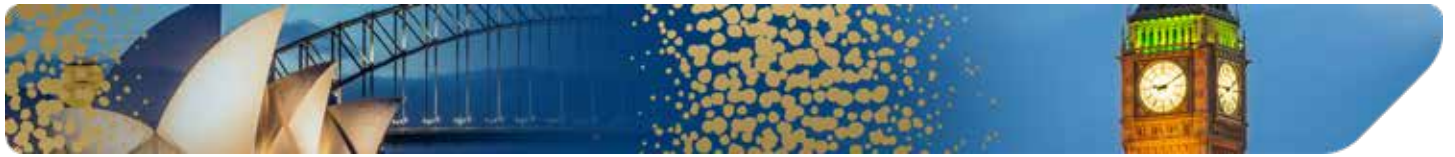
The agreement will see the immediate elimination of tariffs on goods such as wine, short and medium grain rice, honey, nuts, olive oil and food supplements. Furthermore, there will be immediate elimination of tariffs on industrial goods exports, such as auto parts, electrical equipment and fashion goods. For key agriculture products, including beef and sheep meat, sugar and dairy products, Australia will have duty free transitional quotas, with eventual elimination of all tariffs.

The A-UKFTA seeks to smooth out customs procedures to boost efficiency, reduce costs and cut red tape. It will make it simpler for traders and customs authorities to prove the originating status of goods. This includes reducing the amount of paperwork traders need to prepare at the border.

Customs processes will be expedited and cheaper. The agreement requires that goods are to be released from customs within clear timeframes to provide certainty in the supply chain and reduce costs. This will be within 48 hours of arrival at customs where possible, and within 6 hours to prevent avoidable loss or deterioration of perishable goods.

Australia and the UK will remove unnecessary obstacles to exporting and importing between our two countries. The A-UKFTA contains provisions to ensure that technical barriers to trade do not discriminate, while preserving our ability to take measures to fulfil legitimate objectives, including for the protection of health, safety and the environment.

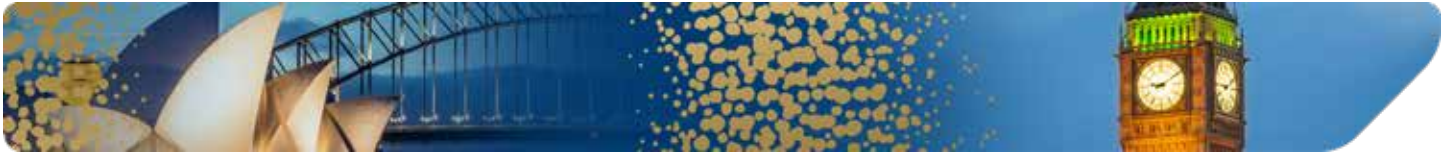




Goods	Highlights
Wine	Elimination of tariffs on entry into force (EIF), saving around \$43 million* annually in duties.
Beef	Elimination of tariffs after 10 years with immediate access to duty-free transitional quotas.
Sheep meat	Elimination of tariffs after 10 years with immediate access to duty-free transitional quotas.
Sugar	Elimination of tariffs over 8 years, with immediate access to a duty-free quota during the transition period.
Dairy	Elimination of tariffs over 5 years, with immediate access to duty-free quotas for dairy products during the transition period.
Rice	Elimination of tariffs for short and medium grain milled rice on EIF. Elimination of tariffs on broken rice over 4 years, with immediate access to a duty-free transitional quota. Access to a permanent annual duty-free quota for long grain milled rice.
Seafood	Elimination of tariffs on most products on EIF, and remaining tariffs over 3 years. Tariffs eliminated on EIF include those on all finfish and the 12% tariff on fresh and frozen rock lobster.
Honey	Elimination of the 16% tariff on EIF.
Horticulture	Elimination of tariffs on most fruits and vegetables on EIF, with tariffs on other products of Australian export interests eliminated over 3 years, and all remaining tariffs eliminated over 7 years.
Wheat, barley and other cereals	Elimination of tariffs over 4 years. Immediate access to a duty-free quota of 80,000 tonnes per year for wheat, and a duty-free quota of 7,000 tonnes per year for barley.
Processed foods	Elimination of tariffs on most processed foods on EIF.
Industrial products	Elimination of tariffs on all Australian origin industrial goods, except ammonia and aluminium where tariffs of up to 6% will be eliminated over 3 years.

* Figures based on 2017-2019 trade.





Mobility

Reflecting our deep people-to-people links, Australia and the UK are committed to offering enhanced opportunities for our people to live and work in each country.

The UK has guaranteed access for managers and specialists across all sectors to undertake three-year intra-corporate transfers to the UK, and for graduate trainees to have one-year transfers.

Australians entering the UK as Contractual Service Suppliers and Independent Professionals will have the same access as European Union nationals. This will provide new opportunities for our service suppliers to work in the UK on contracts for up to a year.

The A-UKFTA will improve working holiday opportunities in the UK for young Australians. Within two years of EIF, eligibility to participate in the UK's Youth Mobility Scheme will be raised from 30 to 35 years of age, and stays of up to three years will be allowed.

To help encourage innovation flows into Australia, a new visa pathway for innovators and early career development will be piloted for UK citizens to come to Australia. This program will be streamlined and capped at 1000 in the first year, rising to 2000 the second year, after which it will be reviewed to assess future implementation.

To assist labour in the agriculture and agribusiness sectors, the A-UKFTA includes a Joint Declaration on Agriculture and Agribusiness Workers detailing the visa pathways available for workers in this sector from both countries. The UK has also been invited to participate in the Australian Agriculture Visa, which is under development.

Services and investment liberalisation

High-quality rules in the A-UKFTA include obligations to provide access to the UK market for Australian service suppliers and investors, to treat Australian and UK service suppliers and investors equally, and at least as well as service suppliers and investors of any other country.

The A-UKFTA has precedent-setting commitments that maintain impartiality, transparency and responsiveness by UK regulators. This will ensure that technical standards and licensing and qualification requirements and procedures are not unnecessary barriers to services suppliers and investors.

The A-UKFTA guarantees that Australian service suppliers will have access to and use of public telecommunications networks and services. It ensures safeguards and approaches to regulation are in place to prevent anti-competitive practices and discrimination in the telecommunications sector.

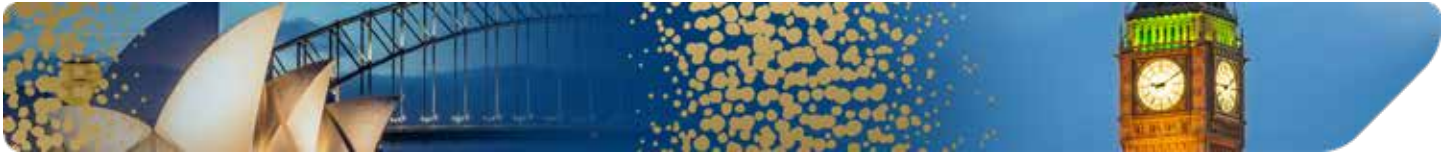
Financial service providers will benefit from expanded opportunities to provide services into the UK and greater certainty around the rules that apply when providing services to UK clients. Cooperation between financial services regulators will be enhanced through targeted dialogues. Provisions on innovative Financial Technology (FinTech) services will enable services that are new, or delivered via new technologies, to be supplied in each other's territory, subject to domestic regulatory requirements.

Additional rules to encourage investment include commitments not to introduce new discriminatory regulation that may distort investment decisions and discourage investment.

Australia has retained its right to screen investment on national and security grounds, while raising the investment screening threshold to match that given to other key investment partners. This will encourage more investment to support Australian growth and jobs by British investors.

Services and investment commitments lock in future liberalisation except in areas of identified sensitivity, where both Australia and the UK have retained policy space.





Professional services

The A-UKFTA will support the bilateral advancement of professional skills, commercial interests and modern value chains. Australian professionals will benefit from provisions to support mutual recognition of qualifications and greater certainty as they enter the UK labour market.

Investor protection

The investor protection outcomes in the A-UKFTA support our strong investment partnership and reflect our mutual confidence in each other's economy. For the first time in an FTA, the UK has agreed to include investment protections covering portfolio as well as direct investment. This is an important outcome for Australian funds, including super funds, investing in the UK market.

There is no investor-state dispute mechanism in the A-UKFTA, reflecting the confidence we share in each other's legal systems.

Breaking down barriers to digital trade

The A-UKFTA will facilitate digital trade by addressing restrictive practices such as requirements for paper-based trade administration documents and making a commitment to accept electronic contracts, except in specific circumstances. Any exceptions will be published on a single government website, providing clarity for businesses. Australia and the UK will aim to establish interoperable electronic invoicing frameworks and ensure that electronic transactions regulations are implemented in a manner consistent with international frameworks. The A-UKFTA also contains a commitment to not impose customs duties on electronic transactions.

Government procurement

The A-UKFTA locks in greater access for Australian goods, services and construction suppliers of all sizes, including small and medium sized enterprises (SMEs) and Indigenous-owned businesses, to the government procurement market of the UK, worth an estimated half a trillion dollars annually.

The Government Procurement Chapter includes commitments that go beyond the benefits Australia already receives from the UK under the World Trade Organization (WTO), creating more opportunities for Australian suppliers to secure UK government contracts.

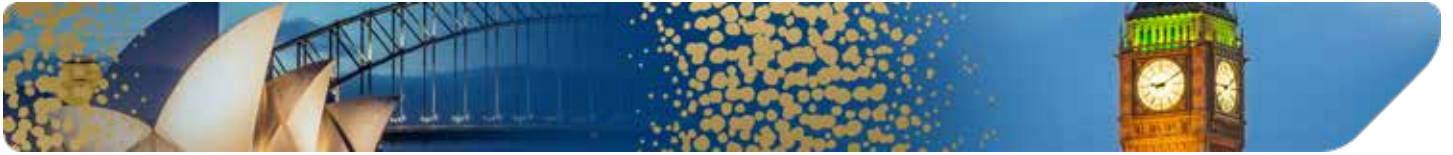
Environment

The A-UKFTA includes commitments relating to a number of environment issues, consistent with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). It affirms commitments by each country to tackle climate change, including under the Paris Agreement, and acknowledges the role of global trade and investment in these efforts. The FTA also identifies bilateral cooperation with the UK on a broad range of environmental issues, including to support the transition to a low carbon and climate resilient economy.

Small and medium enterprises

The A-UKFTA contains a range of provisions which will support SME engagement in bilateral trade. Both countries have committed to providing easy access to information that will assist SMEs interested in trading, investing, or doing business with the other country. In the SME Chapter, both countries recognise the importance of the participation of SMEs, including those owned or led by indigenous peoples, in international trade.





Women

The A-UKFTA includes commitments aimed at supporting women's access to the full benefits that flow from trade and investment. This includes supporting cooperation between Australia and the UK to promote businesses owned or led by women accessing markets, technology, financial services, and business and leadership networks. A dialogue mechanism will support the implementation of commitments on gender equality and women's economic empowerment.

Indigenous

The A-UKFTA includes a range of commitments that will advance Indigenous interests and deliver new opportunities and revenue streams for Indigenous exporters. The FTA will also reserve Australia's right to implement policy measures which provide more favourable treatment to Indigenous Australian people. This will include a broad carve out against investment and cross-border Trade in Services disciplines, as well as preserving Australia's existing government procurement exceptions, including for measures that benefit Indigenous-owned businesses and SMEs more broadly.

Innovation

The A-UKFTA contains Australia's first ever chapter dedicated to innovation. Australia and the UK will establish a Strategic Innovation Dialogue to: promote trade-facilitative innovation policy; cooperate on mutual interests which may include emerging and transformative technologies and supply chain resilience; and encourage trade in innovative goods and services in sectors such as agriculture, health and energy. The chapter recognises the important role that innovation plays to support economic growth by stimulating competitiveness, increasing productivity, encouraging investment, and promoting international trade.

