



European Australian Business Council

EABC SUBMISSION

AUSTRALIA-UNITED KINGDOM FREE TRADE AGREEMENT

March 2022

Introduction

The European Australian Business Council (EABC) welcomes the opportunity to lodge a submission on the Australia-United Kingdom FTA (A-UKFTA) signed on 17 December 2021.

The submission below summarises the views expressed through internal stakeholder consultations but should not be considered the position of any specific individual, corporate, or other member of the EABC.

About the European Australian Business Council (EABC)

The EABC is a peak member-based association which promotes the trade and investment relationship between Australia and Europe as a whole. The European market of over 500 million consumers presents extensive opportunities for Australian exporters and investors, whilst for European companies Australia's strong economy and strategic location in the Asia Pacific region offers opportunities for goods, services and investment.

As an independent, private sector-led initiative, the EABC works with Australian and European governments, diplomatic missions and business promotion agencies, bilateral chambers of commerce and industry associations, to promote business opportunities in both directions. The EABC has long-championed and welcomed the launch of FTA negotiations between Australia and European partners, including the European Union, post-Brexit United Kingdom (UK) and the European Free Trade Association (EFTA) to establish new and ambitious frameworks for stimulating increased trade and investment flows.

The EABC welcomes the Australia-United Kingdom FTA

The EABC strongly supports the announced modern, comprehensive and ambitious FTA between Australia and the UK. The UK is historically an important economic and strategic partner for Australia with a common commitment to liberalised free trade, underpinned by shared heritage and values. In 2019–20, the UK was Australia's fifth largest trading partner with Australian exports worth over \$21 billion. It is Australia's second largest source of investment after the United States - total investment in Australia reaching \$778.7 billion in 2020 or 19.5% of total foreign investment in Australia. The UK is also the second largest international destination for Australian investment, reaching \$615.2 billion in 2020 or 20.2% of Australia's investment abroad.

A-UKFTA offers the possibility to strengthen the bilateral relationship to drive increased two-way trade in goods and services, economic growth and job creation. Through improved market access for goods and services, A-UKFTA will ensure Australian exporters a competitive edge when entering the UK market, as well as provide Australian businesses and consumers with greater access to competitively priced goods and services, new technologies and innovative practices. Faced with a global war for talent, the ambitious provisions around movement of people, non-discrimination, and commitments to facilitate mutual recognition of qualifications are all welcome news for business. A-UKFTA also offers the opportunity to increase investment flows between our two countries, growing and diversifying the Australian economy, as well as facilitating a strong and resilient economic recovery from COVID-19.

We welcome the FTA as it notably provides for:

- ▶ Great improvement in market access for goods and services as well as investment flows between the two countries. Of note, this agreement will immediately eliminate tariffs on more than 99 per cent of Australian goods exports to the UK, currently valued at around \$9.2 billion upon entry into force. Tariffs on beef and sheepmeat will be completely eliminated after ten

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years with safeguards for another five years; tariffs on sugar will be completely eliminated over eight years; and tariffs on dairy will be removed over five years. The gained market access will enable Australian exporters to sell goods to the UK more competitively, creating new opportunities to reach more customers.

- ▶ Unprecedented access for Australian investors and services industries to the UK market. Australian service suppliers and investors will be able to compete in the UK market on a guaranteed equal footing, the A-UKFTA providing non-discriminatory provisions to ensure neither the UK or Australia can discriminate in favour of its own services or investors. A Most-Favoured-Nation clause also futureproofs the deal, ensuring the benefits of the UK's future FTAs will be automatically granted to Australian service suppliers and investors thus ensuring competitiveness.
- ▶ Further investor protection and best practices for investment. The UK has agreed for the first time in an FTA to include investment protections covering portfolio as well as direct investment, a key outcome for Australian funds, including super funds investing in the UK market. UK businesses will also be encouraged to invest in Australia under the “best practice investment rules”.
- ▶ Increased mobility for professionals and young workers as well as the encouragement of relevant professional bodies to operate mutual recognition systems in their own sectors. These measures will encourage the exchange and the transfer of talent alleviating the shortage of skills which is severely handicapping businesses in Australia. The EABC is also pleased to note the provisions facilitating business travel - a crucial contributor to growing investment and trade.
- ▶ Access to government procurement contracts. The A-UKFTA frees the ability of UK and Australian companies to access government procurement markets in both countries. Australian businesses will be guaranteed the right to bid for UK government procurement opportunities in a wide variety of areas - a market worth an estimated half a trillion dollars annually. Opening government procurement markets can only be welcome as it will favour economic efficiency and encourage better allocation of resources whilst giving taxpayers value for money.
- ▶ Facilitating digital trade. Australia and the UK commit to ambitious commitments that will increase opportunities for digital trade across all sectors of the economy. The digital chapter ensures the banning of unjustified data localisation requirements or requirements to transfer source code as well as the free flow of trusted data and high standards for personal data protection. It also provides for the legal recognition of electronic contracts (except in specific circumstances), signatures and various electronic trust services – a welcome initiative as it will help cut red tape for businesses.

Further clarity during the implementation of the Innovation Chapter

A-UKFTA also stands out due to its world first dedicated chapter for innovation in a free trade agreement. We welcome the pledge by the two governments to “*support innovation in their respective economies, including by fostering opportunities in innovation-intensive industries and encouraging trade in innovative goods and services*”. The A-UKFTA innovation chapter also provides a mechanism for the UK and Australia called “*Strategic Innovation Dialogue*” to discuss the impact of innovation on trade, including on regulatory approaches, commercialisation of new technologies and supply chain resilience.

During the implementation phase of A-UKFTA, clarification as to how the governments will foster the innovation cooperation between the two countries would be greatly appreciated so businesses and researchers can effectively make use of the new opportunities offered. Channelling knowledge, skills and investment will be critical to ensure competitiveness in fast paced innovative markets. Further information and engagement with stakeholders on the Strategic Innovation Dialogue would also be welcome (format, entry into force...).

As Australia, the UK, and the United States also agreed under AUKUS to develop and deepen collaboration on high-tech initiatives such as artificial intelligence, cybersecurity, and quantum cryptography, it will also be crucial to clarify the implication for businesses to channel investments efficiently, avoiding duplication and missed opportunities of constructive research and business cooperation.

We welcome ambitious and comprehensive FTAs struck bilaterally which contribute positively towards the momentum of greater regional and multilateral trade liberalisation including strengthening commitments to the WTO rule-based multilateral trading system.

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