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Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
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The Australian Taxpayers' Alliance (ATA) welcomes the opportunity to make a submission to the committee on Australia's trade and investment relationship with the United Kingdom.

The ATA is a grassroots, free-market advocacy group, consisting of over 25,000 members nationally. The ATA stands for the principles of limited government, personal responsibility and removing the regulatory burdens upon individuals or businesses.

The ATA submits that the reduction of trade barriers and strong economic links are integral to strengthening our economy and improving opportunities for Australian consumers and businesses.

The nature of Australia's current trade and investment relationship with the UK

The ATA notes that Australia already has significant links with the United Kingdom based on historical ties and the social, cultural and legal commonalities that are a product of those ties. These ties have resulted in strong outcomes in trade and tourism to the present, including being the largest trading partner for

Australia in the European Union and the second largest source of total foreign investment in Australia. The value of two-way trade is worth around \$27.0 Billion which includes \$12.1 billion in Australian exports.¹

The ATA also notes that the commonalities are a key factor in promoting and enabling trade opportunities. This includes shared language and a legal system based in common law rather than civil law. In the 2016 Australian International Business Survey, 73 percent of businesses that identify the UK as their most important market believe that the ease of doing business was the same or better than in Australia.²

Possible implications for Australia's trade and investment relationships with the UK and the European Union consequent to the UK's exit from the European Union

The ATA cautions that considerations about possible implications should be made without reliance on a assumption about the nature of the UK economy upon leaving the European Union. The reliability of economic forecasts is limited given the wide range of speculation but also given the recent history of mainstream opinion being incorrect on the performance of the UK economy. Many economists predicted an immediate slowdown of the UK economy after the referendum, however the UK economy has continued to grow of the second and third quarters of 2016.³

Whatever impact the implementation of Article 50 has on the economy, over the long term, many of these will be offset through natural market mechanisms as was the case in the immediate aftermath of the referendum. In addition, strengthening trade ties between the UK and key trading partners such as Australia would also provide a boost to the economy and improve investor certainty reducing any impacts further.

¹ <http://dfat.gov.au/geo/united-kingdom/Pages/united-kingdom-country-brief.aspx>

² Australian International Business Survey 2016 – Highlights Reports, Figure 10, p9.

³ <https://www.wsj.com/articles/u-k-economy-held-steady-after-brexit-vote-1482487799>

Barriers and impediments to trade and investment with the UK

The ATA believes that tariffs and limitation on movement of labour are impediments to trade and investment with the UK. Exports from Australia to the UK are subject to the EU Common External Tariff because the UK is part of the EU, driving up the costs of those goods and making them less competitive in the UK.

Furthermore, visa restrictions and caps also reduce the ability of companies to recruit talented workers as well as increase difficulties for companies establishing overseas operations in the other country.

Opportunities to expand trade and investment links

The ATA notes difficulties in negotiating Free Trade Agreements with the European Union given that the EU requires approval from all respective governments and in some cases regional governments for any deal. As such the UK being no longer bound by concerns of countries with different economic and political interests provides a key opportunity to implement a Free Trade Agreement with the UK. In addition, improving access to Australia for UK companies allows Australia to further establish its position as a base for companies wishing to expand into the Asia Pacific Region.

In addition, the need to transition the UK economy away from a reliance on tariff free imports and unrestricted movement of labour with the EU provides a strong opportunity for Australia to improve its position in negotiations to ensure fair outcomes for Australian workers and Australian businesses.

The ATA also believes that consideration should be given to a four-country economic agreement between Australia and the UK as well as New Zealand and Canada. It is also worth noting the difficulties the Canadian government has in strengthening its Trade relations with the EU through Free Trade Agreements. Whilst trade with the EU is still beneficial and useful for all countries, the commonalities between these four countries because of historical ties make them the most ideal combination for a multinational trade agreement. The

improved ease of doing business, strong historical relations and positive attitudes of citizens towards the respective nations provides an ideal platform from which a new multilateral agreement can be formed.

The ATA recommends the committee consider the possibility of new trade talks and agreements between Australia and the UK to consider expanding these talks and agreements to include New Zealand and Canada, to leverage the larger combined pool of resources, goods and services for the common good of all four countries.

The merits and risks of a possible bilateral free trade agreement with the UK, and potential features of such an agreement

The ATA believes that there are a range of merits of establishing a free trade agreement with the UK. These include improving access to the European markets for Australian business by providing a geographically convenient location for regional headquarters that benefits from shared legal systems and language, improved competitiveness of Australian exports in the UK market, reduced costs for Australian consumers of imported goods and strengthened foreign investment which creates more jobs.

The ATA notes there are some concerns around free trade agreements. In relation to economic impacts, there may be concern about exposing certain less competitive sectors to international competition and the impacts upon jobs in those industries. Firstly, the ATA would highlight that these sectors are already exposed both to low wage countries that can compete even with tariffs but also through existing free trade deals. Secondly, the ATA notes that the UK is not a low wage country and many of our imports from the UK would not impact those vulnerable sectors. Thirdly the ATA believes that where it might hurt some sectors of industry, the government can consider alternative measures such as reskilling of workers in these sectors and supporting them in transitioning to new jobs.

In terms of possible features of an agreement, the ATA submits that consideration should be given to creating favourable immigration conditions between the two countries which ideally would allow for free movement of

citizens between the two countries to live and work using the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) as a basis for such provisions.

The role of Australian governments (State, Territory and Federal) in identifying trade and investment opportunities in the UK, and assisting Australian exporters to access these opportunities

The ATA believes that the best way for governments to help stimulate Australian Businesses and to assist Australian businesses is to reduce taxes and simplify regulations to reduce compliance costs to enable our exporters to become more competitive in the international market. In addition, this would also further attract foreign investment into Australia boosting the capacity of businesses to cater to opening international markets as well as creating new jobs for workers in Australia.

Any other related matters.

The ATA notes that the Minister has ruled out beginning negotiations with the UK because of advice that the UK is not allowed to negotiate new trade deals whilst still in the EU. However there has been suggestion that this advice is incorrect. As noted in the UK telegraph by economist Dr Andrew Lilico, the UK post-Brexit trade policy doesn't fall under "common commercial policy" which the European Union has competence over. Dr Lilico also argues that the EU does not have power over the United Kingdom after Brexit and therefore cannot claim competence in regards to making such deals. In addition, the treaties and relevant legislation are being withdrawn from and repealed and thus losing any legal effect. But Dr Lilico also notes that the members of the European Union are placing expectations on the UK to not use its current position in the EU to influence decisions relating to the EU after the UK has left and likewise it would

be unreasonable for EU members to demand the UK do this but not be able to negotiate its own position.

In addition, the ATA notes that the process of leaving the EU is unprecedented at being unable to negotiate any trade deals until having left is not only unreasonable but would leave the UK with no trade agreements outside of the EU. Given the lengthy timeframe to negotiate trade agreements, this would potentially devastate the UK economy for several years at a minimum. As such the ATA submits that the government must be prepared to act now and act quickly to stabilise confidence for Australian exporters and to reassure Australians investing the UK that it will be in a position to carry on with business as usual after leaving.

Recommendations

The ATA supports improved trade relations between Australia and the UK including through establishing free trade agreements and agreements relating to migration between these countries.

The ATA calls on the committee to examine the possibility of a multilateral trade and migration agreement between Australia, the UK, Canada and New Zealand as part of any consideration of new agreements between Australia and the UK

The ATA believes that the benefits of free trade between Australia and the UK significantly outweigh the risks and that any risks can be easily offset without losing the benefits of this deal.

The ATA calls on the Australian Government to simplify regulations to reduce compliance costs as well as reduce the tax burden on businesses in Australia to improve competitiveness of Australian businesses internationally as well as to attract more foreign investment to further benefit from any improved trade links with the United Kingdom.

The ATA calls on the committee to review the current advice relating to negotiating trade deals with the United Kingdom considering the unprecedented nature of this situation and suggestions the advice is incorrect.

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