

BCA

Business Council of Australia

# Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland (AUKFTA)

Submission

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# 1. About this submission

The Business Council of Australia welcomes the opportunity to make a submission to the Joint Standing Committee on Treaties (JSCOT) inquiry into the Free Trade Agreement between Australia and the United Kingdom of Great Britain and Northern Ireland (AUKFTA). The Business Council supports the ratification of AUKFTA as soon as possible.

# 2. Key recommendation

The Business Council recommends that the Australian Parliament support the ratification of AUKFTA, and that this ratification occur as soon as possible.

# 3. Overview

## 3.1 Enhanced UK engagement is welcome

The Business Council welcomes the signing of the AUKFTA, which is the first new free trade agreement concluded by the United Kingdom (UK) in the post-Brexit era. The finalisation of negotiations on this comprehensive agreement in well under two years demonstrates both countries' commitment to liberalising trade and underlines the closeness of the Australia-UK relationship.

Australian businesses rely on global markets as a destination for our exports, a source of goods and services and for the pool of talent and new capital. This agreement comes at a particularly important time, as Australia seeks to boost exports to bolster the economic recovery from the COVID-19 pandemic and provide diversification opportunities to Australian businesses. High-quality FTAs also assist Australian consumers, by decreasing the cost of imported products, enhancing competition between businesses, and providing more consumer choice.

The UK is the world's fifth largest economy and is already Australia's fifth largest two-way trading partner and second largest source of foreign investment. Enhancing opportunities for trade with this major advanced market of over 66 million people sends an important message to the world that Australia is open to engagement with the world and remains committed to trade liberalisation despite the experiences of the pandemic and long-standing difficulties in the multilateral trading system.

The early entry into force of AUKFTA will give Australian businesses an advantage as trade competitors seek to negotiate preferential access to the UK market through bilateral FTAs and the UK's potential accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). It will also enhance the opportunities for labour mobility between our two countries, further strengthening people-to-people links and knowledge exchange.

Aside from the positive economic impact, perhaps the most important aspect of AUKFTA is signalling the enduring partnership in the context of increasing geopolitical uncertainty. The UK is seeking to forge a new global role since leaving the European Union in 2020. The UK is expanding its engagement in the Indo-Pacific region, including through a greater diplomatic and military presence, as well as through new trade and investment links. In 2021, in addition to applying to join the CPTPP, of which Australia is also a member, the UK signed the important AUKUS agreement with Australia and the United States. The Business Council wishes to see concrete outcomes from AUKFTA and AUKUS supporting the development of future industries for the Australian economy, leading to significant new commercial opportunities for Australian businesses.

As a long-standing strategic partner with which we share deep historical and cultural links, the Business Council welcomes an enhanced global role for the UK. The UK can make an important contribution to the stability and prosperity of the Indo-Pacific region, to the benefit of Australia and our regional partners.

## 3.2 Building from here

While AUKFTA is a major achievement and a positive development, it is not the finishing line. It should be seen as the start of the beginning of a new and enhanced chapter in the Australia-UK relationship.

More needs to be done. In certain areas, AUKFTA is essentially an in-principle agreement with a commitment to do more work, and there will be limited immediate change upon entry into force. To make the opportunities created by AUKFTA both real now and greater into the future, the Business Council urges that there be a systematic and sustained programme of implementation of AUKFTA and expansion of the foundations within the agreement over time.

## 4. Business Council comments regarding key benefits of AUKFTA

### 4.1 Supporting enhanced trade outcomes to boost Australia's economy

The UK is Australia's fifth-largest merchandise trading partner, with two-way goods trade worth A\$21.9 billion in 2020. The UK is also Australia's third-largest services trading partner, with two-way services trade worth A\$9.9 billion in 2020.

The Business Council considers that AUKFTA will help to further boost this trade through:

- **Tariff removal.** Removing almost all remaining tariffs on Australian goods immediately will boost Australian producers and allow them to compete on a more level playing field with competitors such as the EU. This will be particularly significant for those sectors that currently have a greater need for expansion in markets outside China, such as wine. The eventual elimination of all tariffs on beef and sheep meat, sugar and dairy products is welcome, following a phased in period in which Australia will have duty-free transitional quotas. AUKFTA will also see tariffs phased out on British imports such as cars, whisky, confectionery, biscuits, and cosmetics, which is to be welcomed.
- **More efficient customs processes.** The Business Council strongly supports measures that will reduce the amount of paperwork at the border, which will support producers in both countries. Procedures to allow for Declarations of Origin (DOO) to be either self-declared by the producer or exporter or completed by an authorised issuing body are welcome. Set timeframes for customs clearances will assist to improve supply chain security and reduce costs, as will recognition of equivalence on SPS measures.
- **Greater mobility for workers and professionals.** People to people links between Australia and the UK underpin our historic ties. Promoting greater movement of workers between Australia and the UK, whether working holiday makers or skilled migrants, will further deepen these links and assist in filling skills shortages. Increasing the cut off age to 35 for access to youth labour mobility schemes and removing work requirements is a sensible move to boost the two-way flow of young workers. Securing access to the UK market for Australians working as contractual service suppliers and independent professionals on the same terms as EU nationals, together with provisions to support streamlined mutual recognition of qualifications, should provide greater opportunities for Australian professionals in the UK, assisting career development, and promoting international engagement. Greater worker mobility between the UK and Australia should also improve productivity by exposing workers to different technologies and techniques and promoting knowledge transfer across sectors.

It should be recognised that there remain impediments to some of the opportunities presented by AUKFTA regarding promotion of more and easier talent flows, for example around differential salaries in the legal services sector. These are issues that will require additional work to address as part of ongoing efforts around implementation of the agreement.

- **Supporting digital trade.** New rules around data sharing, commitments to support interoperable e-invoicing and use of electronic contracts and measures to address paper-based trade administration documents will assist to facilitate trade in the modern economy. The commitment to not impose customs duties on electronic transactions will provide greater certainty for businesses.
- **Better access for services providers.** The commitments made will lower the barriers for Australian service providers, including in professional services (legal, accounting, taxation, architectural, engineering, urban planning, and landscape architecture), business services (computer and related services; research and development; real estate; rental and leasing; advertising, management consulting), financial services, telecommunications services, and transport services. Commitments on Most Favoured Nation treatment will capture any future liberalisation that may occur as the UK negotiates other FTAs with competitors.
- **Encouraging innovation.** The agreement will foster stronger competition between service providers, increase access to UK expertise and technology, and provide for lower cost access in Australia to UK goods, helping to spur innovation. The pilot program for a new visa pathway for UK innovators and early career development to come to Australia should assist as Australia seeks to build the future industries our economy needs.
- **Enhanced opportunities to access UK government procurement market.** Commitments that go beyond those included in the WTO Agreement on Government Procurement (GPA) will provide greater access for Australian goods, services, and construction suppliers into the substantial UK government procurement market, including SMEs and Indigenous-owned businesses. Exceptions in the agreement protect Australia's SME and Indigenous procurement programs as well as essential security, health, and welfare services.

## 4.2 Providing greater support and certainty for investment

Foreign investment is as critical as ever to the Australian economy, and measures to help reverse the current net outflow of capital from Australia are much needed. The UK is already the second largest source of investment into Australia, with total investment in Australia reaching \$737.6 billion in 2020.

The Business Council considers that AUKFTA will help to support further investment by the UK into Australia, which will assist with generating future growth and more jobs for the Australian economy. The BCA welcomes:

- Australia raising the monetary investment screening threshold for UK investors;
- UK investment protections covering portfolio as well as direct investment;
- commitments not to introduce new discriminatory regulation that could distort investment; and
- commitments that make it easier for Australian businesspeople and investors to stay in the UK for longer to conduct business operations.

## 4.3 Supporting greater cooperation on social and environmental issues

AUKFTA will help to strengthen bilateral cooperation across a range of environmental issues, which will assist to drive the transition to a low carbon future. Commitments to promote trade and investment in environmental goods and services provide important signals to businesses.

The inclusion of provisions around promoting animal welfare and combatting antimicrobial resistance demonstrate the high standards that Australia and UK share in agricultural production, sending an important message about Australia's commitment as a high-quality and responsible producer in the agricultural supply chain.

Importantly, the agreement reserves Australia's policy space to implement measures to provide preferential treatment to Indigenous Australians as well as providing opportunities and revenue streams for Indigenous exporters. The BCA also welcomes commitments in the agreement designed to promote businesses led or owned by women.



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