



Australia-UK Free Trade Agreement negotiations: Fact Sheet

On 15 June 2021, Prime Ministers Morrison and Johnson announced that Australia and the UK had reached agreement in principle on core elements of a free trade deal. While negotiations have not yet concluded, the agreement in principle sets the framework for what will be Australia's most ambitious Free Trade Agreement (FTA) with any country, other than New Zealand. This historic deal with the UK will strengthen our diversification and export-led COVID-19 recovery. Further details on key aspects of the agreement in principle are provided below.

Goods

In 2020 the UK was Australia's fifth-largest goods trading partner, with two-way goods trade valued at \$21.9 billion. The Australia-UK FTA will result in improved goods access to the markets of both countries. Under the Australia-UK FTA, Australia's exporters stand to benefit with 99 per cent of Australian goods by value able to enter the UK duty-free when the agreement enters into force.

Tariffs on Australian wine and short and medium grain milled rice will be eliminated when the agreement enters into force.

Beef tariffs 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 will apply on beef imports exceeding a further volume threshold rising in equal instalments to 170,000 tonnes, levying a tariff safeguard duty of 20 per cent for the rest of the calendar year.

Sheep meat tariffs 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 further volume threshold rising in equal instalments to 125,000 tonnes, levying a tariff safeguard duty of 20 per cent for the rest of the calendar year.

Sugar tariffs 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.

Dairy tariffs will be eliminated over five years. During the transition period, Australia will have immediate access to a duty-free quota for cheese of 24,000 tonnes, rising in equal instalments to 48,000 tonnes in year five. Australia will also have immediate access to a duty-free 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.

Australia's liberalisation of tariffs under the agreement will result in significant gains for UK producers. Australian consumers will benefit from the elimination of tariffs on cars, whisky and the UK's other main exports.

Ease of doing business

The Australia-UK FTA will aim to address non-tariff barriers by improving transparency and will include a commitment to technical consultations on non-tariff measures at the request of either Australia or the UK. Commitments seeking enhanced transparency for customs procedures will also make it easier for Australian companies to do business with the UK.

Services

The UK is Australia's third largest services trading partner, with two-way trade worth \$9.9 billion in 2020. Reflecting the strength of this relationship, Australia and the UK have agreed in principle to establish a strong platform to expand bilateral services trade.

The agreement will include non-discriminatory provisions, ensuring that the UK cannot discriminate in favour of its own service suppliers, as well as Most-Favoured Nation provisions to ensure that the benefits of the UK's future free trade agreements will flow through to Australian service suppliers. The agreement will also include a highly liberal approach to services market access liberalisation going beyond the UK and Australia's respective best precedents. These market access negotiations are ongoing.

This agreement, once finalised, will also include 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.

UK and Australia-flagged vessels will benefit from access and non-discriminatory treatment in each other's market. Through the inclusion of an International Maritime Transport Services annex, the agreement will ensure shipping companies, vessels and service suppliers have non-discriminatory access to ports and port services, can move empty containers and provide feeder services between ports. These commitments will not alter Australia's cabotage regime.

The agreement will provide a level playing field for express delivery operators by ensuring postal monopolies do not engage in market distorting practices, while allowing Australia to maintain its universal service obligations.

Financial Services

The FTA will feature ambitious provisions that address behind the border barriers to financial services trade and expand opportunities for cross-border provision of financial services. Australian financial service suppliers will have increased opportunities to provide financial services into the UK market, including for example the provision of financial services that utilise new technology or are delivered via new methods.

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 FTA will also include specific obligations on transparency relating to financial services regulations, and rules allowing

business to transfer information across borders.

Professional Services

Professional services play an essential role as an enabler of economic activity by facilitating trade and investment across both goods and services through reducing business risk and increasing confidence. There is a longstanding history of collaboration across Australian and UK professions. The agreement will deliver long term benefits for Australian professionals who want to work in the UK through improved recognition of qualifications, licensing and registration processes and requirements.

Recognising that the accreditation and regulatory responsibilities for professions across both Australia and the UK lie with the professions themselves, the agreement provides a clear framework for those accreditation and regulatory bodies to collaborate with the aim of easing the two-way movement of professionals through streamlined and transparent qualification recognition, licensing and registrations processes and requirements. This will further encourage and drive Australian professionals to be at the forefront of the internationalisation of professional services.

The agreement will guarantee Australian lawyers a right to provide legal advisory services in foreign and international law in the UK, including in arbitration, mediation and conciliation proceedings. The agreement will also include specific provisions for the peak legal profession accreditation and regulatory bodies to work together to reduce remaining barriers for lawyers from each jurisdiction to practise as a local lawyer in the other country's territory.

Telecommunications

Australia and the UK have agreed to high-quality outcomes including rules that ensure service suppliers of both countries have access to and use of public telecommunications networks or services on a timely basis and on reasonable, transparent and non-discriminatory terms and conditions. The parties have agreed to competitive safeguards and approaches to regulation that prevent anti-competitive practices including through ensuring non-discriminatory treatment.

The FTA will also contain provisions that promote 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. Australia and the UK have also committed to an FTA-first strategic dialogue and partnership on security and diversification in the telecommunications sector.

Investment

Australia and the UK have a strong and enduring investment relationship that reflects the deep ties between our countries and our shared traditions of good governance and robust legal systems.

In 2020 the UK was the second-largest source of foreign investment in Australia, in terms of total stock (\$738 billion), and the third-largest source of foreign direct investment (FDI) (\$123 billion). It was also the second-largest destination for Australian foreign investment, with total stock of \$615 billion and FDI of \$135 billion in 2020. Reflecting the strength of this investment relationship, Australia and the UK have agreed in principle that the FTA should include the most comprehensive and ambitious rules on investment either has agreed with a partner, together with modern safeguards to ensure that the right of each government to

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regulate is preserved.

The FTA will include protections for investors, such as guarantees of fair treatment and protection from expropriation, reflecting international law standards with modern safeguards. We have agreed an Investor State Dispute Mechanism is not necessary or appropriate in our bilateral agreement.

Unlike some FTAs to which the UK is a Party, this FTA will cover both FDI and portfolio investment, so that it will benefit Australia's world leading asset management sector, including Australian fund managers active in the UK market supplying essential services and infrastructure such as energy, water and airports.

The FTA will take the most liberalising and transparent approach available to access to the UK market. Business will benefit from high levels of transparency, as each country lists restrictions on foreign investors at both central level and in the regions.

This will support the growth of investment in each country, including as investment expands from traditional sectors like resources and agriculture to services, technology and advanced manufacturing.

Many UK businesses see Australia as a platform for expansion into Asia and intend to use Australia as a base for regional headquarters from which to target Asian markets.

Each country will limit any requirements for senior managers or directors of businesses to be residents of the other country, making it easier for small and medium enterprises to establish. The UK and Australia are also exploring limiting any conditions put on investors by government as far as possible, as these can discourage and distort investment and business decisions.

Through a Most-Favoured Nation provision, we will guarantee that Australian investors' access to the UK market will remain the best the UK offers through future FTAs.

We will also encourage UK investment and boost our COVID-19 recovery by raising the monetary threshold for UK investments requiring Foreign Investment Review Board screening, while also maintaining the important right for Australia to screen investments in the national interest and to safeguard national security.

By bringing in new businesses with connections in different markets, foreign investment from the UK can create more export opportunities for Australian business. Increased UK investment would also encourage competition and increased innovation by bringing new technologies and services to the Australian market, promoting productivity, employment and wages growth. Foreign investment, including from the UK, will play an important role in our post-COVID economic recovery.

Digital Trade

The rapid rise of technology and digitisation is transforming global economies and creating new opportunities for businesses and consumers. Digital trade is also playing a key role in the economic recovery from COVID-19.

The FTA will include ambitious commitments to increase opportunities for digital trade across all sectors, supporting a more certain and secure online environment for businesses in the digital economy. Australia and the UK have committed to enabling cross-border data

flows and avoiding unjustified data localisation, while ensuring appropriate protections for consumers and for legitimate public policy objectives. Barriers to digital trade will be reduced by facilitating acceptance of electronic versions of trade administration documents, contracts and signatures, except in specific circumstances.

Enhanced business and consumer trust in digital trade will be achieved through enforcement and compliance provisions to support the protection of consumers and personal information online, as well as the discouragement of unsolicited commercial electronic messages (spam). Businesses, including SMEs, will be protected from the forced transfer of their product's source code, subject to specific exceptions, supporting innovation and competition.

Australia and the UK will cooperate on establishing interoperable electronic invoicing and digital identities frameworks, to support efficiency and reliability in businesses and consumers' engagement with the digital economy. Accessibility of publicly available, anonymised government information will be encouraged for the purpose of economic, social and research benefit. There will be ongoing cooperation between Australia and the UK on important digital trade issues, such as data innovation, emerging technologies, and the development and adoption of digital standards.

Intellectual Property

The FTA will include ambitious intellectual property commitments that support investment in creativity and innovation. Under the FTA, Australia will make all reasonable efforts to join the multilateral Hague Agreement on Industrial Designs. This will provide new benefits for Australian designers, including our dynamic fashion sector. Membership of the Hague Agreement on Industrial Designs would allow designers to more easily protect their original creations overseas.

The FTA will also begin a process to allow Australian artists to receive royalties when their original works of art are resold in the UK and vice versa. This will provide new income opportunities for Australian visual artists whose works are resold in the UK. This will include Australia's acclaimed Indigenous art sector. The process to implement reciprocal artist resale royalties will include consultation with art sector stakeholders in Australia and the UK.

The FTA contains balanced provisions on the protection of scientific innovations, including patents, trade secrets and test data. These provisions will not affect the price or availability of medicines in Australia, including under the Pharmaceutical Benefits Scheme. Australia will not adopt the UK's settings on medicines – including the UK's longer period of medicines data protection. These commitments will not prevent Australia from taking measures to protect public health.

Australia and the UK have agreed the free trade agreement will contain a commitment that both countries will return to the issue of geographical indications after the UK and EU FTA have both come into force. If Australia agrees to protect EU GIs under a new Australian GIs system, then the UK can put forward its GIs for potential protection subject to Australia's legal procedures. Australia will provide the UK no less favourable treatment on geographical indications than that provided to the EU.

Mobility

Mobility outcomes in the Australia-UK FTA are on track to be the most ambitious outcomes negotiated by Australia outside of our FTA with New Zealand. This reflects the deep and enduring people-to-people links between Australia and the UK.

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For businesses, the FTA will provide more certainty on visa pathways for businesses and professionals working across our two countries. On a reciprocal basis, this will include stronger commitments on access and waiving the requirement for labour market testing on businesses wanting to employ an Australian in the UK, or a UK national in Australia. This will reduce red tape for Australian companies, protect opportunities for Australians in the UK, and bring treatment of UK nationals in Australia to the same level enjoyed by nationals of other FTA partner countries.

Youth mobility is a key area of strength in people-to-people links between Australia and the UK. The FTA will improve on our already successful youth mobility relationship, raising the age limit on participation in both country's programs from 30 to 35 and extending opportunities to stay up to three years. Consistent with treatment of Australians in the UK, Australia will remove the sectoral work requirement for UK nationals in our Working Holiday Maker program. The change will be introduced within 5 years to monitor any impact on the agriculture sector and ensure alternative workforce opportunities are in place.

Australia and the UK are continuing to work on further initiatives to provide opportunities to build even stronger people-to-people links and improve collaboration and skills transfer between our countries. Additional areas include greater mobility opportunities for people working in agriculture, innovation, and for early career development.