Department for
International Trade

UK-Australia
Free Trade Agreement
The UK's Strategic Approach

Contents

Chapter 1:
Strategic case

Introduction

A Free Trade Agreement (FTA) with Australia is part of delivering the Government's top strategic trade priority of using our voice as a new independent trading nation to champion free trade, fight protectionism and remove barriers at every opportunity. The Government's ambition is to secure FTAs covering 80% of UK trade within the next three years, to become a truly Global Britain.

Australia is already an important partner for the UK, and an FTA offers the opportunity to strengthen this relationship. An FTA with Australia could increase UK exports to Australia by up to £900 million.[1] UK businesses traded £18.1 billion worth of goods and services with Australia in 2019[2] and boosting our trade with an FTA will aid our mutual economic recovery. We are Australia's seventh largest trading partner and second largest outside the Asia Pacific.[3] The UK was the second largest direct investor in Australia and the second largest recipient of Australian Foreign Direct Investment (FDI) in 2019.[4] The stock of UK FDI in Australia was £35.6 billion in 2018, while Australia invested £15.9 billion in the UK.[5]

More trade is essential: it can give us security at home and opportunities abroad – opening new markets for business, bringing investment, better jobs, higher wages and lower prices just as we need them most. At a time when protectionist barriers are on the rise, all countries need to work together to ensure long-term prosperity, and international trade is central to this co-operation. The UK sees accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as an important way to combat such protectionism and an FTA with Australia as a key step towards that.

An FTA with Australia needs to work for the UK. We have been clear that any future agreement with Australia must work for UK consumers, producers and companies. We remain committed to upholding our high environmental, labour, food safety and animal welfare standards in our trade agreement with Australia. The Government has been clear that when we are negotiating trade agreements, we will protect the National Health Service (NHS).

Our objectives reinforce this. An FTA with Australia supports the key elements of our trade strategy:

A medium term recovery from the impact of Coronavirus

Coronavirus has shown us the importance of keeping trade flowing and building diverse supply chains that are robust in a crisis. To secure our future prosperity we must now adapt and trade more with all parts of the world to ensure we are not too reliant on any one region.

An FTA between the UK and Australia would keep markets open and help diversify UK businesses' supply chains, supporting the UK's commitment to a clean and resilient recovery from coronavirus. In the face of an increase in export restrictions as a result of coronavirus, we are already working with Australia on immediate challenges, including work in the G20 to ensure supply chains continue to operate smoothly. Now, more than ever, strengthening ties between nations who believe in free trade is a powerful way to defend the principles of open markets and international co-operation, and in doing show that free trade is still the best way forward for the world after coronavirus. A UK-Australia FTA is an opportunity to demonstrate UK leadership in international trade as a tool to support a sustainable global economic recovery.

---

1 This analysis relates to the long run, and implicitly assumes that by that period the economy would have recovered from any impacts of the coronavirus. At this point in time it is too early to identify whether or how the estimated impacts in this document might be affected by the current situation.
2 ONS, UK total trade: all countries, non-seasonally adjusted.
3 Australian Government Department for Foreign Affairs and Trade, Trade & investment data, information & publications.
4 Australian Bureau of Statistics, 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2018.
5 ONS, Foreign direct investment involving UK companies: 2018. These rankings exclude UK Offshore Territories.

An FTA with a like-minded and key ally

With Australia, we share a head of state and a system of common law, and we have a proud shared history. We also have a common set of values. Like the UK, Australia has always stood up for what is right and maintained a fierce belief in the merits of trade openness, the rule of law, international co-operation and democratic government.

We also share a distinguished record of defence co-operation around the globe and the UK and Australia have a close intelligence and security relationship as members of 'Five Eyes' intelligence grouping and the Five Power Defence Arrangement. We work closely together in many multilateral fora including the United Nations, G20, World Trade Organization and the Commonwealth.

The UK and Australia also have strong and enduring people-to-people links with UK nationals accounting for the greatest number of foreign-born residents in Australia.[6] There is strong support for an FTA with Australia amongst the British public, with research showing that 70% of the public support a UK-Australia FTA.[7]

But what we have never had with Australia is an FTA. That can change now the UK has left the EU. Our future success as a country depends partly on using our new-found status as an independent trading nation to strengthen ties with old allies beyond Europe. An ambitious, wide-ranging FTA with an old friend like Australia is a powerful way for us to do that and make good on the promise of Brexit. There are few countries with which we could negotiate as advanced an FTA as we can with Australia in the areas that matter to the UK.

Strengthening the position of UK businesses in the Asia Pacific and moving towards joining CPTPP

Strategically, the UK Government's aim is to place the UK at the centre of a network of modern FTAs, turning our country into a global hub for businesses and investors who want to trade in dynamic areas of the world – especially in the Asia Pacific.

Pivoting towards the Asia Pacific will help diversify our trade, make our supply chains more resilient and make the UK less vulnerable to political and economic shocks in certain parts of the world. This economic security is important at a time of increased turbulence and uncertainty in the world.

It will also help us forge a leadership position among a network of countries committed to free trade – and strengthen the club of like-minded democracies who share our commitment to advance trade liberalisation, fight protectionism and defend international rules.

Australia is a big player in the Asia Pacific and shares our commitment to free trade. They are also a prominent member of CPTPP – a club of eleven countries representing 13% of global GDP. Australia support our membership, and an FTA with them would be an important step towards our eventual accession.

The UK had more than £110 billion-worth of trade in 2019 with the 11 countries in the group and we are determined to increase our trade through membership.[8] CPTPP will help us diversify our trade and join a strong, modern trade agreement between countries committed to free and fair trade in the Asia-Pacific region and beyond.

The UK Government believes that accession to CPTPP, alongside our bilateral FTA negotiations, and wider trade policy agenda, would promote a liberal free trading agenda in the Asia Pacific that creates an environment for long-term prosperity.

Delivering a cutting-edge agreement that creates opportunities for UK businesses, consumers and workers

The UK and Australia produce a different mix of goods and services, suggesting that there is an opportunity to boost our mutually compatible economies by deepening our trade ties. In the long run, a UK-Australia FTA could increase UK GDP by £500 million and UK workers' wages by £400 million.[9]

---

6 Australian Bureau of Statistics, 3412.0 – Migration, Australia, 2018-19
7 https://www.gov.uk/government/publications/public-attitudes-to-trade-tracker-wave-1

8 ONS, UK total trade: all countries, non-seasonally adjusted
9 This analysis relates to the long term, and implicitly assumes that by that period the economy would have recovered from any impacts of the coronavirus. At this point in time it is too early to identify whether or how the estimated impacts in this document might be affected by the current situation.

Key benefits of an FTA with Australia include:

- **Providing certainty and additional access to markets for UK services businesses** by building on our similar economies, rules and systems and supporting the industries that already makes up most of our trade with Australia. Services accounted for 60% of our total exports to Australia and were worth £6.9 billion in 2019. An FTA with Australia could enhance the ability of professionals in key areas of UK strength, such as accountancy, audit and legal services, as well as engineering and architecture, to move more easily and support the facilitation of recognition of professional qualifications in priority industries such as these. For example there are opportunities for British architects, engineers and construction firms to build new railways, airports and skyscrapers across Australia, whether this is through supporting the construction of the Western Sydney International Airport, the Sydney Metro upgrade to Australia's biggest and busiest Central Station, or Melbourne's new housing plan. An FTA will also strengthen the existing bilateral investment relationship between Australia and the UK.

- **Reduced barriers to trade in goods,** which will make trade easier and cheaper for the UK's existing exporters to Australia, whilst at the same time benefitting UK consumers. For example, in the year to March 2019, the UK was the largest importer of Australian wine by volume,[10] while Australia imported 20 million bottles of Scotch Whisky in 2018, worth £114 million.[11]

- **Shaping the rules for digital trade in a rapidly changing world:** Australia has a track record of innovation on digital trade, having recently agreed the Australia-Singapore Digital Economy Agreement (DEA).[12] An FTA with Australia provides the perfect opportunity to reduce barriers to e-commerce and stimulate investment in new technologies.

- **Strengthening our economic ties, by promoting collaboration on shared global and economic challenges.** As a like-minded partner, an FTA with Australia provides an opportunity to enhance co-operation on technological change, innovation, research and development (R&D), and climate change, including clean growth and the development of low carbon technologies.

- **Enabling small and medium-sized enterprises (SMEs) to export more goods and services to Australia.** 13,400 UK SMEs (including micro enterprises and sole traders) already export goods to Australia, representing over 85% of all UK goods exporters to Australia. Yet SMEs are often disproportionately affected by barriers to trade.

An ambitious and wide-ranging FTA could benefit SMEs across the country through providing clearer information, the easing of customs processes and improved conditions of entry for professionals into Australia. We will seek to reduce trade barriers that will benefit the many SMEs across the UK already exporting their goods to Australia and helping to encourage more to do so.

Creating opportunities for businesses across the nations and regions of the UK

Towns and cities across the UK are already taking advantage of global connections to succeed as competitive international businesses. In 2018, 15,300 UK businesses exported goods to Australia, employing 3.6 million people.[13]

The highest regional benefits from an UK-Australia FTA are expected to go to Scotland, the North East and the North West of England, the West Midlands, South East and London. Opportunities for the regions and nations of the UK include:

- Reducing tariff barriers for our world class food and drink industry could bolster Scotch Whisky exports, with a third of Scotland's goods exports to Australia being beverages in 2018. London businesses would also stand to benefit, since they exported over £40 million of beverages to Australia in 2019.[14]

- Medicinal and pharmaceutical products are important exports to Australia for Wales, the South East, and East of England. These regions could feel the benefits of reduced barriers to trade in these goods.

- The North West of England has recently seen a significant growth in its clothing exports to Australia and could benefit from trade liberalisation in this industry.

- Australia has an advanced financial services market and London could gain from reduced barriers to trade in financial services, which are the UK's fifth highest services export to Australia.

- Liberalisation of Australian tariffs could benefit the Machinery and Transport equipment industry, which is the cornerstone of many regions' exports to Australia. The automotive industry is important to the UK and Australia's bilateral trading relationship; cars are the UK's second highest goods export to Australia. The following regions could benefit in particular: Northern Ireland, the North East of England, the West Midland and East of England.

The Outline Approach published in Chapter 2 sets out the UK's overall objectives for these negotiations. These objectives are informed by one of the biggest consultations ever undertaken with the UK public, businesses and civil society, covering trade with the US, Australia, New Zealand, and our potential accession to CPTPP. Our response to the consultation on Australia can be found in Chapter 3.

10 https://www.wineaustralia.com/news/media-releases/export-report-march-2020
11 Scotch Whisky Association Australia briefing note
12 https://www.dfat.gov.au/trade/services-and-digital-trade/australia-singapore-digital-economy-agreement-fact-sheet

13 HMRC, UK trade in goods by business characteristics 2018.
14 HMRC, Regional trade statistics.

Chapter 2:
Outline approach
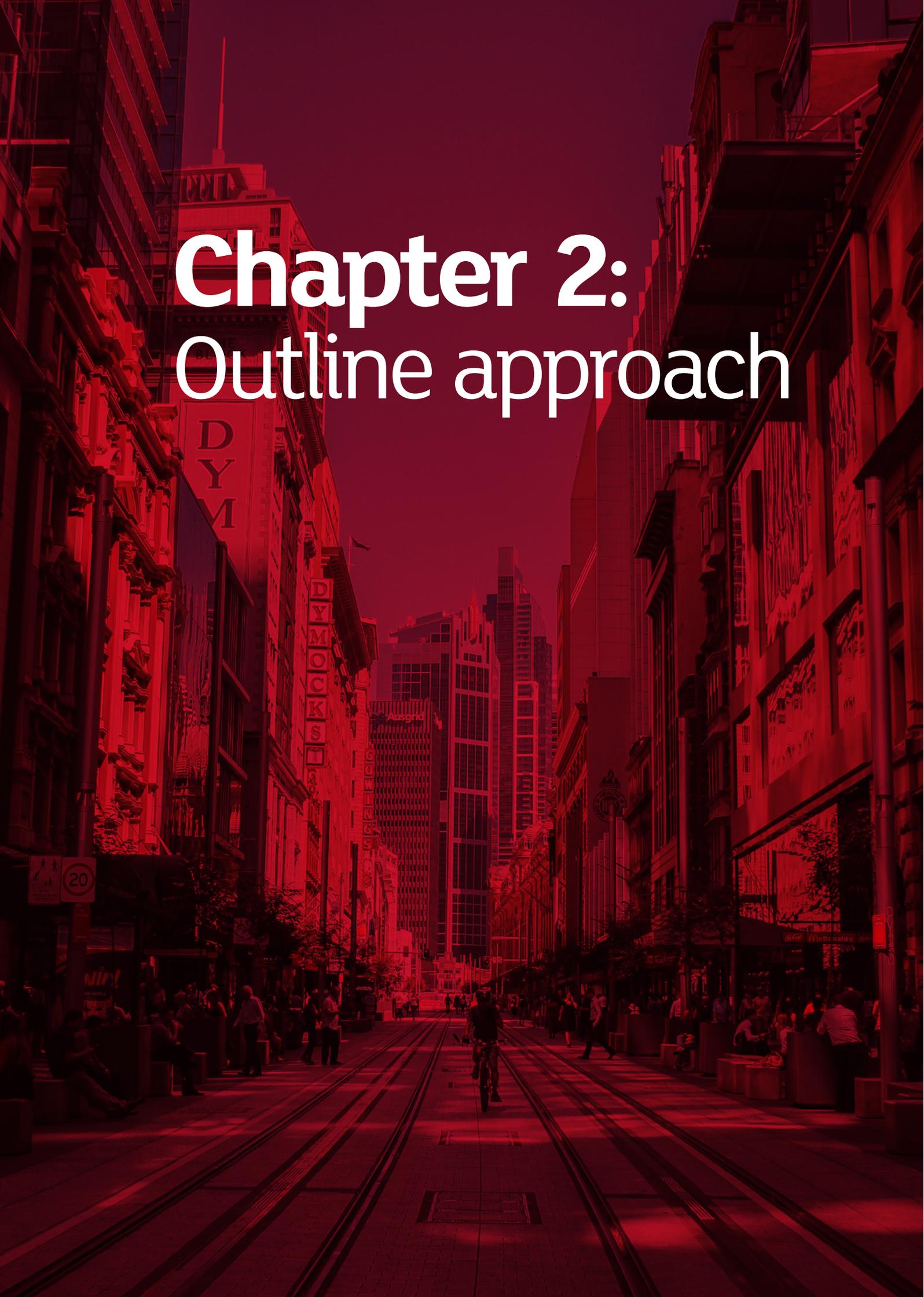
Public Negotiating Objectives for a Free Trade Agreement with Australia

Overall objectives

- Agree an ambitious and comprehensive Free Trade Agreement (FTA) with Australia that strengthens our economic relationship with a key like-minded partner, promoting increased trade in goods and services and greater cross-border investment.

- Strengthen our economic partnership focusing on technology, innovation and research and development (R&D). An FTA with Australia provides an opportunity to enhance co-operation on shared global and economic challenges, including supporting innovation and R&D across our economies. We will seek to set a new precedent with Australia by establishing an ambitious framework for co-operation in these areas, focusing on the role of trade policy in facilitating innovation.

- Increase the resilience of our supply chains and the security of our whole economy by diversifying our trade.

- Futureproof the agreement in line with the Government's ambition on climate and in anticipation of rapid technological developments, such as Artificial Intelligence.

- The Government has been clear that when we are negotiating trade agreements, the National Health Service (NHS) will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The NHS is not, and never will be, for sale to the private sector, whether overseas or domestic.

- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.

- Throughout the agreement, ensure high standards and protections for UK consumers and workers and build on our existing international obligations. This will include not compromising on our high environmental protection, animal welfare and food safety standards.

Trade in Goods

Goods Market Access

- Secure broad liberalisation of tariffs on a mutually beneficial basis, taking into account UK product sensitivities, in particular for UK agriculture.

- Secure comprehensive access for UK industrial and agricultural goods into the Australian market through the elimination of tariffs.

- Develop simple and modern Rules of Origin that reflect UK industry requirements and consider existing, as well as future, supply chains supported by predictable and low-cost administrative arrangements.

Customs and Trade Facilitation

- Secure commitments to efficient and transparent customs procedures which minimise costs and administrative burdens for businesses.

- Ensure that processes are predictable at, and away from, the border.

Technical Barriers to Trade

- Reduce technical barriers to trade by removing and preventing trade-restrictive measures in goods markets, while upholding the safety and quality of products on the UK market.

- Seek arrangements to make it easier for UK manufacturers to have their products tested against Australian rules in the UK before exporting.

- Promote the use of international standards, to further facilitate trade between the parties.

Sanitary and Phyto-Sanitary standards

- Uphold the UK's high levels of public, animal, and plant health, including food safety.

- Enhance access for UK agri-food goods to the Australian market by seeking commitments to improve the timeliness and transparency of approval processes for UK goods.

Good Regulatory Practice and Regulatory Co-operation

- Reduce regulatory obstacles, facilitate market access for UK businesses and investors, and improve trade flows by ensuring a transparent, predictable and stable regulatory framework to give confidence and stability to UK exporting businesses and investors.

- Secure commitments to key provisions such as public consultation, use of regulatory impact assessment, retrospective review, and transparency, as well as regulatory co-operation.

Transparency

- Ensure world class levels of transparency between the UK and Australia, particularly with regards to the publication of measures (such as laws and regulations) affecting trade and investment, public consultation, and the right of appropriate review of these measures.

- Commit, subject to the UK's compliance with its data protection legislation, to prompt and open information sharing between the UK and Australia by setting up regular data sharing to support understanding of the usage and effectiveness of the agreement.

Trade in Services

- Secure ambitious commitments from Australia on market access and fair competition for UK services exporters.

- Agree best-in-class rules for all services sectors, as well as sector-specific rules, to support our world-leading services industry, including key UK export sectors, such as financial services, professional and business services and transport services.

- Ensure certainty for UK services exporters in their continuing access to the Australian market and transparency on Australian services regulation.

Public Services

- Protect the right to regulate public services, including the NHS and public service broadcasters.

- Continue to ensure that decisions on how to run public services are made by UK Governments, including the devolved administrations (DAs), and not our trade partners.

Business Mobility

- Increase opportunities for UK service suppliers and investors to operate in Australia by enhancing opportunities for business travel and supporting the Mutual Recognition of Professional Qualifications (MRPQs).

Digital Trade

- Secure cutting-edge provisions which maximise opportunities for digital trade across all sectors of the economy.

- Include provisions that facilitate the free flow of data, whilst ensuring that the UK's high standards of personal data protection are maintained and include provisions to prevent unjustified data localisation requirements.

- Promote appropriate protections for consumers online and ensure the Government maintains its ability to protect users from emerging online harms.

- Support the reduction or abolition of business and consumer restrictions relating to access to the Australian digital market.

- Ensure customs duties are not imposed on electronic transmissions.

- Promote a world-leading eco-system for digital trade that supports businesses of all sizes across the UK.

Telecommunications

- Promote fair and transparent access to the Australian telecommunications market and avoid trade distortions.

- Secure greater accessibility and connectivity for UK consumers and businesses in the Australian market.

Financial Services

- Expand opportunities for UK financial services to ease frictions to cross-border trade and investment, complementing with co-operation on financial regulatory issues.

Investment

- Agree rules that ensure fair and open competition, and address barriers to UK investment across the Australian economy.

- Establish comprehensive rules which guarantee UK investors investing in Australia the same types of rights and protections they receive in the UK, including non-discriminatory treatment and ensuring that their assets are not expropriated without due process and fair compensation.

- Maintain the UK's right to regulate in the national interest and, as the Government has made clear, continue to protect the NHS.

Intellectual Property (IP)

- Secure copyright, provisions that support UK creative industries through a balanced and effective global framework.

- Secure patents, trade marks, and designs provisions that:

    o protect the UK's existing IP standards and seek an effective and balanced regime which encourages and supports innovation

    o protect UK brands and design-intensive goods whilst keeping the market open to fair competition

    o do not lead to increased medicines prices for the NHS

    o ensure consumer access to modern technology

    o are consistent with the UK's existing international obligations, including the European Patent Convention, to which the UK is party

- Secure provisions that promote the transparent and efficient administration and enforcement of IP rights, and facilitate cross-border collaboration on IP matters.

- Restate the UK's continued commitment to the Doha Declaration TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights) and Public Health, and agreed flexibilities that support access to medicines, particularly during public health emergencies in developing countries.

- Promote effective protection of UK geographical indications in a way that ensures consumers are not misled about the origins of goods while ensuring they have access to a range of products.

Competition

- Provide for effective competition law and enforcement that promotes open and fair competition for UK firms at home and in Australia.

- Provide for transparent and non-discriminatory competition laws, with strong procedural rights for businesses and people under investigation.

- Ensure core consumer rights are protected.

- Promote effective co-operation between enforcement agencies on competition and consumer protection matters.

State-Owned Enterprises (SOEs)

- Provide for open and fair competition between commercially oriented SOEs and private businesses, by preventing discrimination and unfair practices.

- Secure transparency commitments on SOEs.

- Ensure that UK SOEs, particularly those providing public services, can continue to operate as they do now.

Government Procurement

- Secure access that goes beyond the level set in the World Trade Organization (WTO) Government Procurement Agreement (GPA) and is based on clear and enforceable rules and standards.

- Develop improved rules, where appropriate, to ensure that procurement processes are simple, fair, open, transparent and accessible for all potential suppliers in a way that supports and builds on our commitments in the WTO GPA.

- Ensure appropriate regard to public interests and services, including the need to maintain existing protections for key public services, such as NHS health services.

Sustainability

- Seek sustainability provisions, including on environment and climate change, that meet the ambition of both parties on these issues.

- Ensure parties reaffirm their commitment to international standards on the environment, climate change and labour.

- Ensure parties do not waive or fail to enforce their domestic environmental or labour protections in ways that create an artificial competitive advantage.

- Include measures which allow the UK to maintain the integrity, and provide meaningful protection, of the UK's world-leading environmental and labour standards.

- Secure provisions that support and help further the Government's ambition on climate change and achieving Net Zero carbon emissions by 2050, including promoting clean growth, trade in low carbon goods and services, supporting research and development collaboration, maintaining both parties' right to regulate in pursuit of decarbonisation and reaffirming our respective commitments to the United Nations Framework Convention on Climate Change and the Paris Agreement.

- Apply appropriate mechanisms for the implementation, monitoring and dispute resolution of environmental and labour provisions.

Anti-corruption

- Secure provisions that address the trade-distorting effects of corruption on global trade and fair competition to help maintain the UK's high standards in this area.

- Ensure appropriate mechanisms for the implementation, monitoring and dispute resolution of anti-corruption provisions.

Trade and Development

- Seek to ensure that relevant parts of the agreement support the Government's objectives on trade and development, including through co-operation on the monitoring of, and response to, the impact of FTAs on developing countries.

- Support the continued delivery of the Sustainable Development Goals.

Trade Remedies

- Ensure provisions support market access, uphold our WTO commitments, and are underpinned by transparency, efficiency, impartiality and proportionality.

- Secure provisions which facilitate trade liberalisation while protecting against unfair trading practices.

Dispute settlement

- Establish appropriate mechanisms that promote compliance with the agreement and seek to ensure that state-to-state disputes are dealt with consistently, fairly and in a cost-effective, transparent and timely manner whilst seeking predictability and certainty for businesses and stakeholders.

Small and Medium-sized Enterprises (SMEs)

Support UK SMEs to seize the opportunities of UK-Australia trade by:

- ensuring a dedicated SME chapter to facilitate co-operation between the UK and Australia on SME issues of mutual interest.

- ensuring that SMEs have easy access to the information necessary to take advantage of the trade opportunities generated by the agreement.

- ensuring that throughout the agreement SME-friendly provisions are included that support businesses trading in both services and goods.

Trade and Women's Economic Empowerment

- Seek to advance women's economic empowerment and seek co-operation on this aim.

- Promote women's ability to access the benefits of the UK-Australia agreement in recognition of the disproportionate barriers that women can face in economic participation.

General Provisions

- Ensure flexibility for the Government to protect legitimate domestic priorities by securing adequate general exceptions to the agreement.

- Provide for prompt and open information sharing between the UK and Australia, including via preference utilisation data sharing to support understanding of the usage and effectiveness of the agreement.

- Seek opportunities for co-operation on issues related to economic growth, with a particular focus on services, digital innovation, R&D and the low-carbon economy.

- Provide for regular review of the economic relationship between the UK and Australia and the operation of the agreement, including taking into account developments in emerging markets and technologies. Allow for the agreement to be amended when necessary.

Territorial Application

- Provide for application of the agreement to all four constituent nations of the UK, taking into account the effects of the Protocol on Ireland/ Northern Ireland to the EU Withdrawal Agreement.

- Provide for further coverage of the agreement to the Crown Dependencies and Overseas Territories as appropriate.
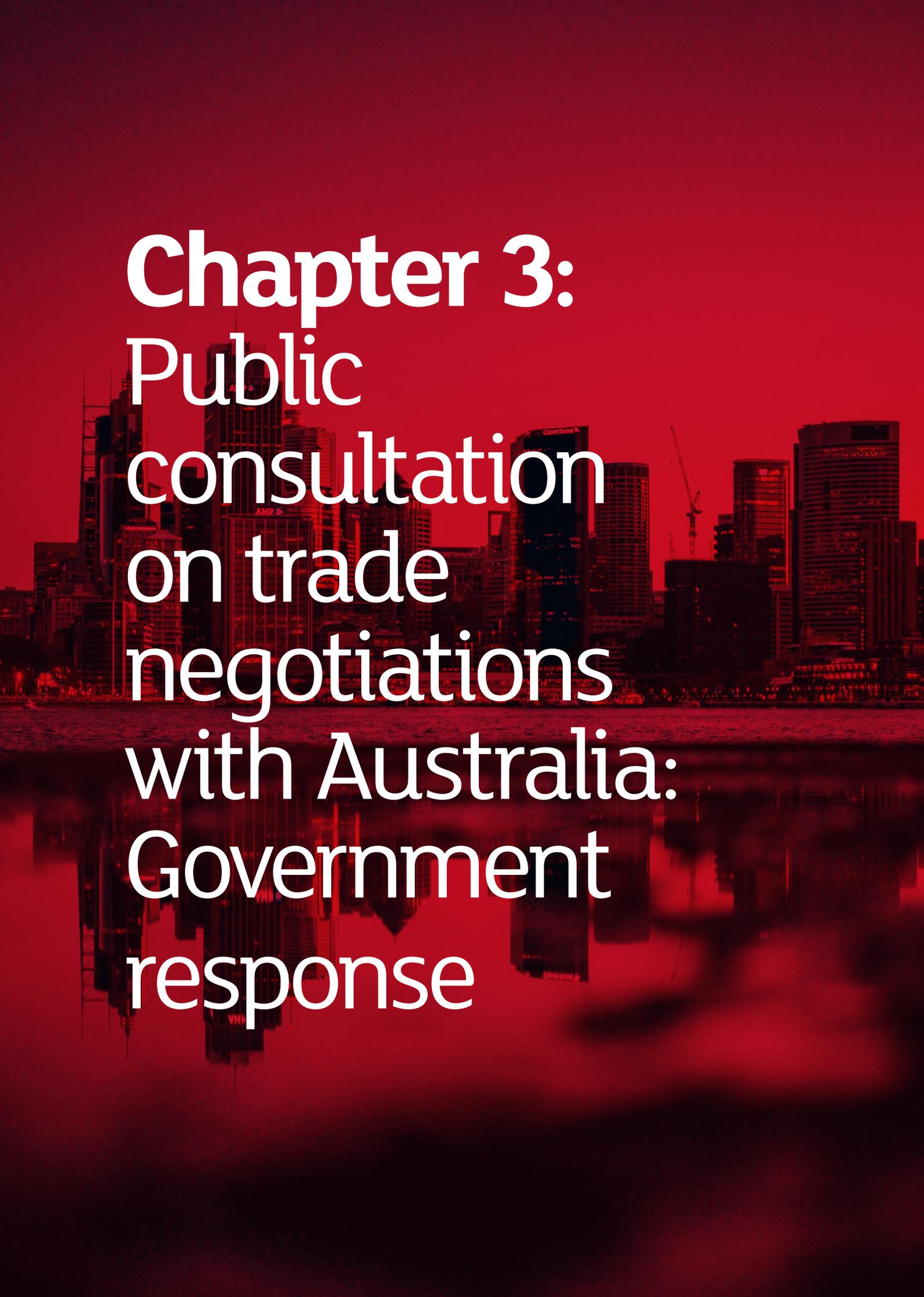
Chapter 3: Public consultation on trade negotiations with Australia: Government response

Included in this chapter

Introduction

Consultation background

On 20 July 2018, the Department for International Trade (DIT) launched a public consultation seeking views on a potential Free Trade Agreement (FTA) with Australia. The public consultation closed on 26 October 2018 after 14 weeks.

There were 146,188 responses received in total on this consultation. 145,905 individual responses were submitted by campaigning groups, of these, 52,396 respondents included specific individual comments in addition to the campaigns' proposed template response. The remaining 283 non-campaign respondents were categorised into five groups: 1) Individuals – 122 responses (2) Businesses – 39 responses (3) Business Associations – 69 responses (4) Non-Government Organisations (NGO's) – 40 responses and; (5) Public Sector Bodies – 13 responses. A full breakdown of responses, including those by specific campaign groups, can be found in DIT's *Public consultation on trade negotiations with Australia: summary of responses*.

Respondents identified a wide range of priorities for a future UK-Australia FTA and their feedback was summarised and grouped according to the 15 policy areas outlined in the consultation. An additional section entitled 'other policy issues' was also included to cover broader comments provided.

This report sets out the Government's response to the Public consultation on trade negotiations with Australia. All points raised were analysed and continue to inform the Government's overall approach to our future trading relationship with Australia, including our approach to negotiating a future trade agreement. Points that might reveal the Government's negotiating position are not responded to in the Government's response. We will continue to draw on consultation responses to inform the Government's policies during negotiations with Australia.

The Government is committed to pursuing a trade policy which is inclusive and transparent. Furthermore, we will continue to engage as collaboratively as possible with a wide range of stakeholders as we look ahead to commencing negotiations.

Policy Response

This section contains the Government's explanation of its policy in relation to the comments raised by respondents in the *Public consultation on trade negotiations with Australia: summary of responses* document, outlining the Government's position on each of the 15 policy areas covered and how this has informed the negotiating objectives set out in Chapter 2. The *Public consultation on trade negotiations with Australia: summary of responses* contains a full summary of what respondents said regarding the policy areas below. Relevant page numbers for that text are included in each of the corresponding policy sections and the full text can be found as an annex within this publication.

The policy areas are:

> Tariffs

> Rules of Origin (RoO)

> Customs Procedures

> Services

> Digital

> Product Standards, Regulation and Certification

> Sanitary and Phytosanitary (SPS) Measures

> Competition

> Government (Public) Procurement

> Intellectual Property (IP)

> Investment

> Sustainability

> Trade Remedies[15]

> Dispute Settlement

> Small and Medium-sized Enterprise (SME) Policy

> Other policy issues raised by respondents

Comments raised by respondents in the 'Summary of responses' under alternative headings.	The policy area containing the Governments response addressing the comments.
Public services including the NHS, Mutual Recognition of Professional Qualifications (MRPQs), Visas and mobility	Services
Product standards, product quality, levels of protection and labelling	Product Standards, Regulation and Certification
Food exports	Sanitary and Phytosanitary (SPS) Measures
Protection of industry and imports	Competition
Geographical Indications (GIs), the disclosure of source codes, safe harbours, copyright and algorithms	Intellectual Property (IP)
Investor State Dispute Settlement (ISDS)	Investment
Human rights	Other issues raised by respondents

During the consultation process respondents also noted that our negotiations with Australia will take place alongside forging our new relationship with the European Union (EU).

Across all sets of negotiations, we will look to maximise opportunities for the UK. The strengths and requirements of the UK economy will be a key driver of the Government's approach to both Australian and EU negotiations. The Government is committed to upholding the UK's high standards for businesses, workers and consumers.

We will continue to listen and respond to our stakeholders' views on this as we develop both our independent trade policy and future relationship with the EU.

15 During the consultation, trade remedies and dispute settlement were considered within the same section. However, as these are different policy areas contained within different chapters of an FTA and, as distinct comments were received relating to these issues in the *Public consultation on trade negotiations with Australia: summary of responses* document, the analysis of responses was separated. In this document, trade remedies and dispute settlement have their own dedicated policy explanation. Therefore, there are now 15 policy areas, as well as other comments provided by respondents, as opposed to the 14 outlined in the consultation and the *Public consultation on trade negotiations with Australia: summary of responses* document.

Tariffs

The summary of what respondents said regarding Tariffs can be found on page 20 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

Trade in goods between the UK and Australia has increased over the last ten years, supported by low tariffs on a large number of UK and Australian exports. The Government shares the view that a further reduction or removal of Australian tariffs can offer great opportunities for UK businesses.

In a UK-Australia FTA, we will seek to remove tariffs for all UK exports, making them more competitive in the Australian market. Similarly, Australia has indicated its intention to seek to reduce or remove UK tariffs on Australian exports in a UK-Australia FTA. Increased imports from Australia could provide savings and wider choice to UK consumers and cheaper inputs to UK businesses. However, concerns have also been raised about the impact of increased competition from cheaper Australian exports on the UK market, as well as on preferential access enjoyed by developing countries into the UK market. The Government will therefore ensure a balanced approach to tariff negotiations that considers the best possible outcome for products where tariff liberalisation could have a significant impact.

Rules of Origin (RoO)

The summary of what respondents said regarding RoO can be found on page 21 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

RoO are a key component of any trade agreement, as they define which goods can benefit from the liberalisation achieved in the agreement. They also ensure that only goods from countries which are party to the agreement benefit from lowered tariffs.

The Government shares respondents' views that RoO need to be prioritised in an agreement with Australia. We will seek simple and modern rules that facilitate trade between the UK and Australia, while also addressing any unfair and unreasonable practices to circumvent tariffs or quotas. Equally, we will reflect UK industry requirements and consider existing (as well as opportunities for future) supply chains.

We note respondents' concerns over the complexity and cost of administrative arrangements to comply with RoO, and particularly recognise the case for RoO which are, as far as feasible, simple and easy to understand.

Customs Procedures

The summary of what respondents said regarding Customs Procedure can be found on page 22 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

Ensuring that customs procedures at the border are as facilitative as possible makes importing and exporting easier. Reducing customs delays and costs could increase the ability of businesses, especially SMEs, to trade efficiently with Australia. The Government recognises the views that customs procedures need to be efficient for both UK importers and exporters, and that, to ensure compliance burdens are minimised in customs, the UK should seek to be at the forefront of global customs policy and committed to reducing customs frictions.

In our negotiations with Australia, the Government recognises the case for seeking efficient, predictable and transparent customs procedures that reflect the needs of UK exporters and importers, promote supply chain security and advance customs co-operation in a way that minimises compliance burdens for businesses. The Government has taken note of the view that fees and charges related to customs should not act as a barrier to trade. Furthermore, comments made by respondents on the UK's custom arrangements with the EU will be discussed as part of the UK's future economic relationship with the EU.

Services

The summary of what respondents said regarding Services can be found on page 24 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

The UK and Australia share a common commitment to support the further global liberalisation of Trade in Services. A UK-Australia FTA will provide significant opportunities to both UK services exporters and suppliers.

Australia was our tenth largest services export market in 2019, with services accounting for more than half of our total (goods and services) exports. The UK exported more than £6.9 billion of services to Australia in 2019.[16]

As the second largest exporter of services in the world as of 2018,[17] the Government wants to ensure that UK services businesses and individuals maintain their world-leading position by seeking greater trade liberalisation across services sectors, providing certainty and improved access to Australia's services markets. In addition, the Government will seek to create and enhance opportunities in key UK export sectors identified by stakeholders, including financial services and professional business services.

The Government acknowledges that some respondents highlighted the physical distance between the UK and Australia. It also notes that for some respondents this presents an opportunity to work across time zones and boost productivity.

The Government recognises that facilitating temporary movement of business people is important to promoting cross-border trade in professional services between the UK and Australia. The Government will aim to increase opportunities for service suppliers and investors to operate in Australia and the UK by enhancing opportunities for business people and supporting further Mutual Recognition of Professional Qualifications (MRPQ) whilst maintaining the UK's high professional standards.

The Government has listened to concerns on business mobility raised by UK respondents and will be looking to include business mobility with Australia in an FTA. More broadly, it should be noted that the UK Government is already working to improve the travel environment in relation to business mobility, as, for example, since May 2019 eligible Australian passport holders have been able to use eGates at UK airports and Eurostar terminals, improving security and fluidity at the border for eligible business travellers.

The Government recognises the significant potential to expand opportunities for UK financial services and ease frictions to trade and investment in financial services sectors highlighted by respondents. The Government will seek an ambitious agreement with Australia for financial services and will consider how to promote deeper co-operation on regulatory issues and build on existing precedents of co-operation, such as the UK-Australia FinTech bridge.

The Government notes the concerns from respondents on protecting UK public services under a UK-Australia FTA. The Government has been clear that it will protect the UK's right to regulate in the public interest and protect public services, including the NHS, in a future trade deal with Australia.[18]

The Government's position is definitive: the NHS is not, and never will be, for sale to the private sector, whether overseas or domestic. When we are negotiating trade agreements, the NHS will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The Government is fully committed to the guiding principles of the NHS – that it is universal and free at the point of need. The Government will ensure that no trade agreement will alter these fundamental facts and that decisions about public services are made by the Government, including the devolved administrations DAs, not our trade partners.

Digital

The summary of what respondents said regarding Digital can be found on page 26 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

Digital trade underpins the UK economy and is vital to both services and goods exporting businesses. In recognition of this fact, the Government will ensure that a future FTA with Australia includes cutting-edge digital trade provisions and builds on existing best practice to maximise opportunities across the UK economy. The UK's digital trade provisions will aim to reduce the costs of international trade, facilitate the co-ordination of global value chains, reduce barriers to digital trade, and help connect businesses and consumers.[19]

The Government has listened to responses from stakeholders on the desire for robust online protections for consumers, and the need for provisions to support innovation and cyber co-operation. The Government also agrees that protecting an open internet is an important principle.

---

16 ONS – UK total trade: all countries, non-seasonally adjusted.
17 WTO Trade in Commercial Services: https://timeseries.wto.org/

18 For example, see the Government response to the e-petition 'Don't put our NHS up for negotiation'
19 See 'The Impact of Digitalisation on Trade', OECD.

The Government notes stakeholders' concerns regarding data protection and privacy standards in the UK and will ensure that robust protections for personal data are maintained. The Government will seek to guarantee the free flow of data and eliminate unjustified data localisation requirements. Cross-border data flows are an important facilitator of both digitally enabled and digitally delivered trade in goods and services. For example, it is estimated that more than 52% of UK services exports to Australia (approximately £2.8 billion) were delivered remotely in 2018, a large proportion of which was due to cross-border data flows.[20] Eliminating unjustified data localisation requirements further reduces costs to businesses trading overseas, which can be prohibitive for SMEs.

The Government has listened to responses on the benefits of telecommunications trade for consumers and businesses, and recognises the value of ensuring more competitive market conditions for the UK telecommunications sector. The Government agrees that there is value in seeking to improve market access for UK service providers to Australia.

The Government recognises the key role of the UK's Audio Visual (AV) and Creative Industries sectors to the UK economy and consumers. The UK AV sector exported £177.4 million of services to Australia in 2018, while the Creative Industries sector exported £741.6 million of services to Australia in the same year.[21] The Government notes the strong case for ensuring both world-leading sectors are supported by a UK-Australia FTA, including by ensuring the UK's high standards are maintained and the UK's public service broadcasting model is protected.

Product Standards, Regulation and Certification

The summary of what respondents said regarding Product Standards, Regulation and Certification can be found on page 28 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

One of the main barriers to international trade, especially for SMEs, comes from differences between countries in what producers need to do to show that their products are safe and effective for that market.

Trade agreements can help to overcome obstacles to trade, for example through bringing together experts to scrutinise different approaches and identify where these achieve the same levels of safety and performance.

The Government agrees with respondents that there are opportunities available in this area in a UK-Australia FTA, while also acknowledging that it is crucial to ensure that UK requirements for product safety and performance remain high. We further agree that there are opportunities to reduce administrative costs for UK exporters when exporting to Australia and will seek to pursue such opportunities where possible. The Government will continue to ensure the safety and quality of products on sale in the UK, recognising the important role that international standards play.

The Government is fully committed to upholding the UK's high levels of consumer, worker, and environmental protections in trade agreements. The UK's reputation for quality, safety, and performance drives demand for UK goods and is key to our long-term prosperity. The Government has no intention of harming this reputation in pursuit of a trade agreement.

The UK is committed to the transparent and predictable development of regulation and will therefore seek provisions in a future FTA with Australia that ensure good regulatory practices.

Sanitary and Phytosanitary (SPS) Measures

The summary of what respondents said regarding SPS can be found on page 30 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

The Government recognises respondents' concerns about food standards and animal welfare. Now we have left the EU, the UK will decide how we set and maintain our own standards and regulations and we have been clear that we will not compromise on our high standards of food safety and animal welfare. The UK's reputation for high quality food and agricultural products is recognised internationally and underpins our exports of these products. Any trade agreement with Australia must work for UK consumers, farmers and companies and the Government will strongly defend our right to regulate in these areas in the public interest.

The Government's manifesto has made it clear that 'in all of our trade negotiations, we will not compromise on our high environmental protection, animal welfare and food standards'.

The UK's food regulators will continue to ensure that all food imports into the UK comply with those high standards. Without exception, imports into the UK will meet our stringent food safety standards - all food imports into the UK must be safe and this will not change in any future agreement. In line with responses from business, we recognise the opportunities through a trade agreement to streamline procedures for UK food exports into Australia.

Competition

The summary of what respondents said regarding Competition can be found on page 31 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

The UK and Australia are both countries with robust competition rules, which allow businesses to compete freely and fairly to the benefit of consumers. The Government recognises respondents' views that UK businesses should be protected from unfair competition. The Government can see a sound case for an ambitious competition chapter that reflects and reinforces these strong regimes.

Provisions for fair, effective and transparent competition rules could underpin liberalisation of trade between the UK and Australia. The Government will also seek provisions for co-operation with Australia on competition and consumer protection matters.

Government (Public) Procurement

The summary of what respondents said regarding Government Procurement can be found on page 33 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

In trade agreements, the Government will look to secure more extensive market access to international procurement markets, creating much greater opportunities for UK businesses.

The Australian procurement market is valued at £140 billion and we currently have some access under the World Trade Organization (WTO) Agreement on Government Procurement (GPA), which Australia joined in 2019. Bilateral trade negotiations provide an opportunity for the Government to pursue the greater UK access that stakeholders have called for. During these negotiations, the Government will seek to maintain our high standards for businesses, workers, consumers and the environment.

There were some comments calling for the UK's international procurement obligations to favour UK domestic suppliers, but the UK's domestic regulations that apply to Government procurement require contracting authorities and contracting entities to treat suppliers equally and without discrimination. These principles continue to apply now that the UK has left the EU.

The Government can endeavour to maximise UK access to Australian markets via a number of routes, ensuring that a UK-Australia FTA is mutually beneficial. This is likely to include seeking additional market access commitments from Australia; addressing specific procurement trade barriers which the GPA does not already address to ensure greater access for UK businesses and ensuring that the procurement process in Australia is simple, fair, open, transparent and accessible for all potential suppliers, especially SMEs.

There were a number of comments from respondents relating to the protection of public services. The UK's obligations under the WTO GPA do not apply to the procurement of clinical healthcare services. Furthermore, they do not apply to the procurement of goods or services indispensable for national security or defence purposes. This will not change in any future trade deal, and we will not include such procurement of clinical healthcare services, or goods and services necessary for national security or defence, in a deal with Australia. Moreover, the Government will ensure that any commitments in a UK-Australia FTA have regard to areas of public interest, whilst ensuring that we remain in line with our existing international commitments under the GPA. Nor will these commitments undermine our ability to maintain the high standards for goods and services that are procured for the public sector, including where these reflect environmental or safety considerations.

Intellectual Property (IP)

The summary of what respondents said regarding IP can be found on page 34 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

A balanced and effective IP regime is an essential element of a vibrant and creative economy and an effective global trading system, providing confidence and protection for investors, entrepreneurs, inventors and creators to turn new ideas and innovations into products and services, contributing to economic growth. At the same time, it ensures consumers are clear about the origins and quality of products that they buy. The UK has a balanced and effective IP regime that is widely recognised as world-leading and respondents expressed the importance of maintaining this. A UK-Australia FTA serves as an opportunity to promote this balance between rights holders, users and consumers and to continue to set global standards.

Respondents raised concerns around copyright protection in Australia, with several acknowledging the Australian Government's recently held consultation on copyright modernisation. The Government agrees with some respondents' views that the copyright framework should encourage growth and support creativity and innovation, whilst ensuring there is an appropriate balance between creators being fairly remunerated for their work and providing fair access to that content.

Several respondents called for the protection of existing UK Geographical Indications (GIs) through a UK-Australia FTA. The Government will seek to ensure consumers are not misled about the origins or quality of a product, balanced against the need to ensure fair competition and consumer choice. The Government will continue to engage with industry on how we protect UK food and drink as we consider future trade opportunities across the world, where our GI products will play an important role as exemplars of high-quality British food and drink.

With regard to the enforcement of IP, respondents identified the opportunity for the UK and Australia to become more joined up in fighting various forms of piracy. The Government is committed to promoting the transparent and effective administration and enforcement of IP rights, and views this FTA as an opportunity to raise standards of IP enforcement, particularly in the digital environment.

Respondents raised concerns around the compatibility with international obligations to which the UK is already bound, such as in the European Patent Convention (EPC). The Government recognises the responsibility of continuing to comply with international treaties on IP, to which it is already party, such as the EPC, when negotiating with Australia. There are clear benefits for countries seeking a trade agreement with the UK to have access to patent protection in the UK and other EPC parties through the European Patent Office.

Some respondents called for greater protection of undisclosed test data in Australia. The Government is committed to ensuring adequate protection of undisclosed test data submitted during the marketing approval process for new pharmaceutical products, agri-chemicals and biologics.

There was concern about how we strike the right balance in the level of IP protections, particularly in the areas of pharmaceuticals and patents. The Government recognises that an effective global IP system needs to strike a balance between supporting research and innovation, through the incentives created by the patent system, and reflecting wider public interests, such as the dissemination and affordability of medicines. In negotiating a UK-Australia FTA, we are committed to maintaining this balance. The UK and Australia are already committed to the Doha Declaration on the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights) and Public Health and the UK will continue to support it having left the EU. The Doha Declaration allows the world's least developed countries, who are members of the WTO, to remain exempt from patents on pharmaceuticals until 2033 if they so wish. Additionally, the Government is committed to ensuring that patients have access to the medicines they need at prices that are affordable to the NHS.

Investment

The summary of what respondents said regarding Investment can be found on page 36 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

The Government recognises the importance of maintaining and increasing investment flows between the UK and Australia, which make a valuable contribution to both economies through creating jobs and increasing competition and choice for consumers. The Government will ensure that the trade agreement provides legal certainty for businesses seeking to invest in Australia, through reducing barriers to investment and ensuring legal

certainty.The Government has noted the responses on ensuring investors have accurate information to support investment decisions and on the need to ensure that investors can move their capital. Such provisions are consistent with international best practice and the UK will seek to ensure this in future agreements.

The Government notes the views expressed on the potential inclusion of investment protection and an associated Investor State Dispute Settlement (ISDS) mechanism. The Government believes that UK investors operating in Australia should receive the same standard of treatment as Australian investors investing in the UK. The Government notes the views that have been expressed on ISDS and is clear that that any legal mechanism for resolving investment disputes must reflect modern approaches, deliver fair outcomes of claims, require high ethical standards for arbitrators, and include transparent proceedings. The Government will ensure that its right to regulate in the public interest continues to be protected, particularly with regard to the environment and provision of public services.

Sustainability

The summary of what respondents said regarding Sustainability can be found on page 38 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

The Government is firmly committed to maintaining our high domestic standards of environmental protection, as well as to reaffirming and maintaining our commitments to international environmental standards. The responses to the consultation made clear that the public strongly shares these views. We will continue to consider how our FTAs can be used to pursue strong environmental commitments and, in particular, to support the Government's aims in the low carbon economy.

Respondents were equally clear in their desire for upholding the UK's high labour standards and respecting our international commitments in this area. We share this desire and are committed to securing a deal that in a way promotes our own high standards and meaningful protections for workers. We will also seek, where appropriate through our FTAs, to improve protections such as the elimination of all forms of forced labour and modern slavery. Some concerns were also expressed around the impact on jobs from more trade with Australia. It is a fundamental objective of FTAs to promote growth of the economy and jobs, therein increasing opportunities for UK workers.

We will apply appropriate mechanisms for the implementation and monitoring of labour and environment provisions.

Trade Remedies

The summary of what respondents said regarding Trade Remedies can be found on page 39 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

Trade remedies act as a safety net to protect UK businesses from injury caused by unfair trading practices, such as dumping and subsidies, or injury caused by unforeseen surges in imports. The UK has developed a new trade remedies framework which will help to create fair competition for British industries so they can compete with overseas producers that benefit from unfair practices.

We recognise the respondents' desire for the UK to promote free and fair trade in a way that is transparent, proportionate, in-line with our existing commitments in the WTO and in a way that ensures appropriate protection for industries where necessary. As a result, the Government is committed to seek trade remedy provisions in free trade agreements which support market access, uphold our WTO commitments, and aim to ensure trading relationships encourage alignment with the key principles underpinning the new UK trade remedies regime of transparency, efficiency, impartiality and proportionality.

The UK will seek to negotiate trade remedy chapters which facilitate trade liberalisation, act as an appropriate safety net for industries threatened by import surges or unfairly traded imports.

Dispute Settlement

The summary of what respondents said regarding Dispute Settlement can be found on page 41 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

Dispute settlement is commonly used in reference for the formal state-to-state mechanism for resolving disputes where one or more parties consider that there has been a breach of obligations under the relevant international trade agreement and it has not been possible to resolve the dispute informally.

The Government considers an effective dispute settlement mechanism to be an appropriate part of an FTA. Effective dispute settlement mechanisms give the parties and stakeholders the confidence that commitments made under the agreement can be upheld, and that any disputes will be addressed fairly and consistently.

The Government recognises that respondents want a dispute settlement mechanism that is robust, transparent, and based on existing international mechanisms, such as those found at the WTO and under many existing FTAs.

Some respondents stated that stakeholders should, where possible, be involved in the dispute settlement process. The Government recognises the importance of this issue and is interested in engaging with stakeholders on this further. Respondents were also clear that they did not want lengthy or costly dispute settlements in a future FTA with Australia. The Government recognises this and sees the case for establishing appropriate mechanisms that enable disputes to be resolved in a timely manner, while also providing predictability and certainty for businesses and stakeholders.

Small and Medium-sized Enterprise (SME) Policy

The summary of what respondents said regarding SME's can be found on page 42 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

SMEs are an integral part of the UK economy. Over 99% of private sector businesses in the UK are SMEs. However, barriers to trade disproportionately affect SMEs and may even stop them from exporting altogether. The Government is committed to seeking an FTA that reduces potential barriers to trade so as to benefit the 13,400 SMEs[22] that exported goods to Australia in 2018 and create opportunities for new SME exporters. The Government recognises the varied needs around the opportunities and the risks for SMEs. We will want to discuss further with stakeholders on how even SMEs, including those with limited capacity to engage on trade policy issues, can best take advantage of the benefits achieved through the agreement as regards to a potential specific SME chapter and SME-friendly provisions throughout the agreement. We will also seek commitments from Australia to make information about rules relating to trade and investment more transparent and easily accessible, and to co-operate with the UK on trade issues beneficial to SMEs.

Other policy issues raised by respondents

The summary of what respondents said regarding Other policy issues raised by respondents can be found on page 43 of the *Public consultation on trade negotiations with Australia: summary of responses* annexed below.

Policy explanation

Women's Economic Empowerment

We recognise that gender equality is an important issue for the public. We further recognise that the distributional impacts of trade can be gendered, and that women continue to face barriers in accessing the opportunities of free trade.

The UK is committed to exploring trade policy best practice in order to develop our own approach to advancing women's economic empowerment through trade. We will also explore opportunities with our partners to reflect this in our future FTAs. We will seek to build our evidence base on how the impacts of trade vary by gender, including by exploring options for conducting gender-focused trade analysis.

---

22 UK trade in goods by business characteristics 2018

Human Rights

We recognise that respondents highlighted the protection of human rights more generally as a part of their concerns. The UK has a strong history of protecting human rights and promoting our values globally and we will continue to encourage all states to uphold international human rights obligations.

Trade and Development

Some respondents raised issues that specifically addressed the Government's commitment to support developing countries to reduce poverty through trade enshrined in the White Paper *Preparing for our future UK trade policy.*

To deliver on our public commitment to ensure our trade and development policies remain mutually reinforcing, we will assess the impacts of trade agreements on developing countries and consider measures to address risks and maximise opportunities for development.

Next Steps

As we have been developing our independent UK trade policy, DIT continues to consult with stakeholders through both informal and formal mechanisms. These include dialogues with the Secretary of State for International Trade, Ministers and Officials.

To ensure that our new agreements and our future trade policy work for the whole of the UK and its wider UK family; Parliament, the DAs, Crown dependencies, Overseas Territories, local Government, business, trade unions, civil society and the public from every part of the UK will have the opportunity to engage and contribute.

This will be delivered by:

- open public consultations, to inform our overall approach and the development of our policy objectives

- use of the Strategic Trade Advisory Group (STAG), to seek informed stakeholder insight and views on relevant trade policy matters

- use of Expert Trade Advisory Groups (ETAGs), to contribute to our policy development at a detailed technical level

- engagement outreach events across the UK nations and regions.

The STAG's principal purpose is for the Government to engage with stakeholders on trade policy matters as we shape our future trade policy and realise opportunities across all nations and regions of the UK through high level strategic discussion. The STAG's remit extends across the breadth of trade policy. Current membership of the STAG can be found on the Strategic Trade Advisory Group page on Gov.uk.

The objective of the ETAGs is to enable the Government to draw on external knowledge and expertise to ensure that the UK's trade policy is backed up by evidence at a detailed level and is able to deliver positive outcomes for the UK. We will draw on the expertise of these groups to gather intelligence for informing the Government's policy positions.

DIT is committed to ensuring we will have appropriate mechanisms in place during negotiations to inform the Government's position. As we move forward, we will review our approach to engagement, and consider whether existing mechanisms are fit for purpose. We welcome further and ongoing feedback and input from stakeholders during this process.

The Government is committed to ensuring that our trade policy is transparent and subject to appropriate parliamentary scrutiny. During negotiations, the Government will publish regular updates on negotiations.

After launching negotiations, we will be working closely with our Australian partners to agree a high-quality and mutually beneficial trade agreement which furthers the UK's key interests. Throughout this process we will reflect on the responses to the public consultation conducted in 2018 and work closely with our domestic partners, including the devolved administrations DAs, and stakeholders to deliver a high quality agreement for the whole of the UK.

Chapter 4:
Scoping Assessment for a bilateral Free Trade Agreement between the United Kingdom and Australia

Summary

The Department for International Trade (DIT) is preparing for negotiations with Australia. This Scoping Assessment provides a preliminary assessment of the potential long run impacts of a Free Trade Agreement (FTA) between the UK and Australia prior to the launch of negotiations.

The importance of trade and investment links between the UK and Australia

Australia is the UK's 11th largest non-EU trading partner and 20th largest globally. Total trade between the two countries was worth £17 billion in 2018, with just under half of this being goods trade. UK exports to Australia have been on an upward trend – growing from £4.3 billion in 2000, to £11.9 billion in 2018.[23] The UK is the second largest recipient of Australian foreign direct investment, and the UK is the third largest direct investor in Australia.[24]

UK Businesses and UK Jobs

In 2018, 15,300 VAT registered businesses exported goods to Australia, employing 3.6 million people. 5,600 businesses employing 3.1 million people, imported goods from Australia.

15,300
UK business export
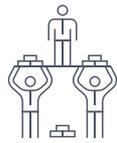
3.6 million
Employees work in these businesses

Goods trade

The UK's largest good export to Australia is cars and trucks. The UK's largest imported good from Australia is lead.

£757 million
Car & Truck exports

£267 million
Lead imports

Services trade

Personal travel is the UK's largest export and import service to and from Australia.

£1.2 billion
Personal travel exports

£794 million
Personal travel imports

Source: HMRC and ONS data, 2016-2018 annual averages.

Scope to further enhance trade and investment

A UK-Australia FTA has the potential to generate benefits for the UK. Australia has removed trading barriers for other major economies, such as South Korea, the US, and members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This means UK firms face higher barriers. An FTA provides the UK with the opportunity to remove barriers and increase opportunities for UK businesses and investors.

The aim of enhancing the UK-Australia trading and investment relationship through an FTA is supported by the public. A recent DIT survey found that 70% of UK public support the UK establishing an FTA with Australia.[25]

The potential impact of a UK-Australia FTA

International evidence suggests that FTAs can reduce the costs of trade and investment, by eliminating tariffs and reducing non-tariff measures (NTMs) and regulatory restrictions to services trade. The analysis in this Scoping Assessment draws on robust evidence and the best tools available for assessing the impacts of an FTA. The results should be interpreted with caution, due to inherent uncertainty, and should not be considered as an economic forecast for the UK economy.

As the final details of the negotiated FTA are not yet known, ahead of negotiations the modelling is based on two plausible scenarios representing different depths of agreement. Scenario 1 represents substantial tariff liberalisation by the UK, full tariff liberalisation by Australia, and a 25% reduction in the levels of actionable NTMs affecting goods and regulatory restrictions to services affecting services trade between the UK and Australia. Scenario 2 represents a deeper trade agreement, with full tariff liberalisation and a 50% reduction in actionable NTMs and regulatory restrictions to services.

23 ONS (2020), UK total trade: all countries, non-seasonally adjusted.
24 Australian Bureau of Statistics, 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2018.

25 https://www.gov.uk/Government/publications/public-attitudes-to-trade-tracker-wave-1

The scenarios used for modelling are based upon the UK's current tariff schedule (the EU's 'Common External Tariff'). Following a consultation, the UK has recently announced the UK Global Tariff (UKGT) schedule, which will apply following the end of the transition period. The estimates do not take into account the UKGT.

Coronavirus has had a major impact on most major economies. Its economic impact is expected to be highly significant for the next few years. However, the analysis of the impact of a trade agreement with Australia relates to the long term. It is too soon to say what the lasting impacts of the pandemic will be on international trade and domestic sectors. Our analysis therefore implicitly assumes that in the long term, the UK, Australian and global economies will have recovered from the impacts of the coronavirus. At this point in time it is too early to identify whether or how the estimated impacts in this document might be affected by the current situation.

In the short term, changes in barriers to trade and investment in response to the Coronavirus pandemic will affect the flow of trade, as countries take measures to address the crisis. In the longer term, the economic benefits from FTAs are driven by a sustained reduction in barriers to trade and investment, with greater benefits derived from reducing larger barriers, enabling a larger increase in trade to follow. Where barriers to trade and investment have increased in response to the Coronavirus pandemic, the economic benefits from reducing barriers via an FTA could also increase, if those increases in trade and investment barriers were to be sustained into the long term. And similarly, where barriers are reduced in response to the Coronavirus pandemic, such as a reduction in tariffs on imports of medical goods, an FTA provides an opportunity to sustain those reductions and the equivalent benefits.

Scenario 1:
UK substantial tariff liberalisation, Australia full tariff liberalisation, and a 25% reduction in NTMs

Change in GDP
£0.01% (£200m) ↑

Exports to Australia
3.6% ↑

Imports from Australia
7.4% ↑

Total exports
0.1% ↑

Total imports
0.0%

Scenario 2:
Full tariff liberalisation and a 50% reduction in NTMs

Change in GDP
↑ £0.02% (£500m)

Exports to Australia
↑ 7.3%

Imports from Australia
↑ 83.2%

Total exports
↑ 0.3%

Total imports
↑ 0.1%
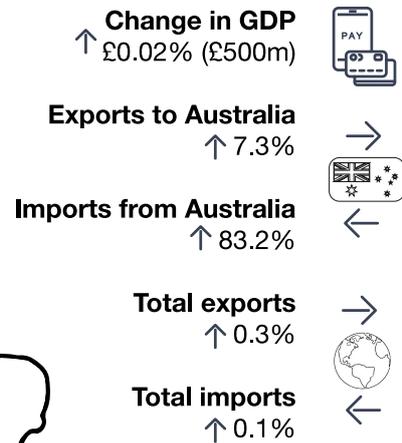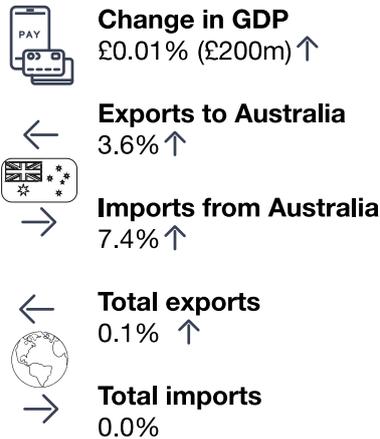
Source: DIT modelling; central estimates for GDP impacts. £ values in 2018 terms

A trade agreement with Australia could increase UK GDP in the long run by around 0.01% or 0.02% under scenario 1 and scenario 2, respectively. This is the equivalent to an increase of £200 million or £500 million compared to its 2018 level. This increase reflects changes to the underlying economy brought about by a reduction in barriers with Australia through an FTA. These reduced costs for firms and consumers, result in changes to domestic specialisation and the composition of imports. Productivity gains are driven by resources moving to where they are more productive, including between sectors and industries, as well as between firms within sectors.

In the long run, overall UK output is estimated to increase under both scenarios, with deeper liberalisation (scenario 2) indicating higher productivity gains from further specialisation within and between sectors through the reallocation of resources to more productive firms. Increases in UK output reflect increases sectoral output across the majority of UK sectors in scenario 2. In both scenarios, productivity gains are expected to drive increases in take-home pay for workers. In the deeper liberalisation, the agriculture and semi-processed food sectors are estimated to see a fall in output and employment relative to the baseline as resources move towards expanding sectors. The reallocation of resources drive some of the overall gains from the agreement.

UK goods and services are expected to become relatively more competitive in Australia, and exports to Australia are expected to increase by 3.6% or 7.4%, depending on the scenario. Firms would be able to expand trade as the result of the reduction in trade costs on both imported inputs and exported outputs to Australia, generating productivity gains. This could also lead to an increase in the global competitiveness of UK firms, as exports to other countries outside of the agreement are also estimated to grow.

Imported goods and services from Australia facing lower trade costs could drive efficiency gains for UK businesses relying on or switching to inputs from Australia. UK consumers may also benefit if cheaper consumer goods become available. In the long run prices adjust to higher demand, but under both scenarios, imports from Australia increase by 7.3% in scenario 1 and 83.2% in scenario 2. The large increase in imports from Australia reflects assumed tariff and NTM reductions in sectors where Australian producers are relatively competitive, including categories such as semi-processed foods and agriculture.[26]

Changes on imports of specific products are not modelled, but given the current pattern of UK imports of semi-processed foods from Australia, it is expected that the increase in imports would, in part, comprise sheep meat (including lamb) and bovine meat. While UK imports from Australia could increase by an estimated 83.2%, overall UK imports estimated increase by a more modest 0.1% in the long run. In 2018 UK imports from Australia were just under £5.1 billion (1% of UK total imports).

The modelling estimates an increase in the long run level of the average real wage in the UK of around 0.01% (£100 million) in scenario 1 and 0.05% (£400 million) in scenario 2.

The UK economy is expected to grow as a result of a UK-Australia FTA. Based on the distribution of sectoral value added, a scenario with less liberalisation has the potential to increase long run output across all nations and regions of the UK. Under a scenario of greater liberalisation, output may fall relative to the baseline in Northern Ireland, reflecting a higher concentration in sectors where output falls relative to the baseline.

The lowering of tariffs through a UK-Australia FTA could reduce both the price of imported consumer goods and of imported intermediate goods (used as inputs for domestic production) from Australia. Both consumers and importing businesses may directly benefit from lower tariffs, with total annual tariffs on Australian imports under the UK's current tariff schedule, estimated to be between £32 million and £41 million per year. Non-tariff trade cost reductions can drive import prices even lower, creating further direct benefits captured in the macroeconomic analysis above.

The economic impacts of a UK-Australia FTA may have wider social and environmental implications. A preliminary assessment of the labour market impacts finds that there is no evidence to suggest that females, ethnic minority groups and those who report having a disability are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline. Workers who are male, white, or older workers (over 65 years old) are more concentrated in sectors where employment is estimated to fall relative to the baseline.

---

26 Competitiveness here is based on Revealed Comparative advantage (RCA) or, export specialisation. See table 1 in the report for further detail.

The extent to which the UK-Australia FTA impacts the environment is dependent on the negotiated outcome, which will determine changes in the pattern of trade and economic activity. Changes in the UK's production and global trading patterns could favour UK sectors which are currently more emissions-intensive and could impact transport emissions. This Government is committed to ensuring that a UK-Australia FTA will not threaten the UK's ability to meet its environmental commitments, or its membership of international environmental agreements, and will pursue opportunities to further environmental and climate policy priorities.

Finally, GDP in Australia is estimated to increase by 0.01% or 0.06% in scenario 1 and 2, respectively, equivalent to an increase of £100 million or £700 million compared to its 2018 level, demonstrating that a UK-Australia FTA can drive economic gains for both countries.

Next steps

Following the conclusion of negotiations and once the text of a UK-Australia agreement is known, a full impact assessment will be published prior to implementation. DIT will continue to review the potential economic impacts of FTAs, and the final impact assessment will update and refine the preliminary estimates of the scale and distribution of impacts outlined in this Scoping Assessment.

1. Background

An FTA is an international agreement which seeks to increase trade and investment between its signatories by removing or reducing tariffs, NTMs and regulatory restrictions to services prohibiting trade and investment between partner countries.[27]

Trade and investment barriers make it more difficult and costlier to trade or invest overseas. By removing or reducing them, FTAs can make it easier for businesses to export, import and invest. FTAs can also benefit consumers by providing a more diverse and affordable range of imported products.

The Government is committed to a transparent, inclusive and evidence-based approach to trade policy. A public consultation on a potential FTA between the UK and Australia was held between July and October 2018.

The aim of the Scoping Assessment is to provide Parliament and the public with a preliminary assessment of the broad scale of the potential long run impacts of an eventual FTA between the UK and Australia prior to the launch of negotiations. The content of any eventual FTA is not yet known. Once the provisions of the agreement have been negotiated, the Government will publish a full Impact Assessment based upon the provisions of the agreement.

This Scoping Assessment includes the rationale for an FTA with Australia, a description of the approach used for assessing its potential impacts, the results from modelling two scenarios for a UK-Australia FTA and sensitivity analysis.

The analysis throughout the Scoping Assessment is based upon the UK's current tariff schedule and does not account for the introduction of the UKGT following the end of the transition period.

The economic impact of the coronavirus is expected to be significant in the near future. It will affect both the supply and demand for goods and services and could drive significant changes to the pattern of trade between the UK and Australia. However, the analysis of the impact of a trade agreement with Australia relates to the long term. It is too soon to say what the lasting impacts of the pandemic will be on international trade and domestic sectors. Our analysis therefore implicitly assumes that in the long-term, the UK, Australian and global economies will have recovered from the impacts of the coronavirus. At this point in time it is too early to identify whether or how the estimated impacts in this document might be affected by the current situation.

In the short term, changes in barriers to trade and investment in response to the Coronavirus pandemic will affect the flow of trade, as countries take measures to address the crisis. In the longer term, the economic benefits from FTAs are driven by a sustained reduction in barriers to trade and investment, with greater benefits derived from reducing larger barriers, enabling a larger increase in trade to follow. Where barriers to trade and investment have increased in response to the Coronavirus pandemic, the economic benefits from reducing barriers via an FTA could also increase, if those increases in trade and investment barriers were to be sustained into the long term. And similarly, where barriers are reduced in response to the Coronavirus pandemic, such as a reduction in tariffs on imports of medical goods, an FTA provides an opportunity to sustain those reductions and the equivalent benefits.

27 Further background on Free Trade Agreements can be found in the Information note for the public consultation on a bilateral free trade agreement between the UK and Australia (DIT, July 2018). https://www.gov.uk/Government/consultations/trade-with-australia

2. Rationale for an FTA with Australia

This section provides an overview of the current UK-Australia trade and investment relationship and sets out the rationale for further trade liberalisation by highlighting tariff, NTMs that exist in goods trade and regulatory restrictions to services trade.

Australia was the UK's 11th largest non-EU trading partner and 20th largest globally in 2018. Total trade between the two countries was worth £17 billion in 2018, with just under half of this being goods trade. UK exports to Australia have been on an upward trend, growing from £4.3 billion in 2000, to £11.9 billion in 2018. The UK was an important investment partner for Australia. The UK is the second largest recipient of Australian direct investment, and the UK was the third largest direct investor in Australia in 2018.

A UK-Australia FTA has the potential to generate benefits for the UK. There is scope to further enhance this trade and investment relationship - Australia has removed trading barriers for other major economies, such as South Korea, Japan and the US, as well as members of the CPTPP bloc meaning UK firms face relatively higher barriers. Evidence shows that UK firms continue to face barriers which could be addressed. An FTA provides the UK with the opportunity to remove barriers and increase opportunities for UK businesses and investors.

The aim of enhancing the UK-Australia trading and investment relationship through an FTA is supported by the public. A recent DIT survey found that 70% of UK public support the UK establishing an FTA with Australia.[28]

2.1 Policy objectives

An FTA with Australia represents an opportunity to strengthen the economic relationship between the UK and Australia.

Specific policy objectives for negotiations with Australia are set out in the Outline Approach for negotiations, found in chapter two of the document. The overarching objectives are to:

- Agree an ambitious and comprehensive FTA with Australia that strengthens the economic relationship with a key like-minded partner, promoting increased trade in goods and services and greater cross-border investment.

- Secure broad liberalisation of tariffs on a mutually beneficial basis, taking into account UK product sensitivities, in particular for UK agriculture.

- Strengthen our economic partnership focusing on technology, innovation, research and development (R&D). As a like-minded partner, an FTA with Australia provides an opportunity to enhance co-operation on shared global and economic challenges, including supporting innovation and R&D across our economies. We will seek to set new precedent with Australia by establishing an ambitious framework for co-operation in these areas, focusing on the role of trade policy in facilitating innovation.

- Increase the resilience of our supply chains and the security of our whole economy by diversifying trade.

- Future-proof the agreement in line with the Government's ambition on climate and in anticipation of rapid technological developments, such as Artificial Intelligence.

- The Government has been clear that when we are negotiating trade agreements, the National Health Service (NHS) will not be on the table. The price the NHS pays for drugs will not be on the table. The services the NHS provides will not be on the table. The NHS is not, and never will be, for sale to the private sector, whether overseas or domestic.

- Secure an agreement which works for the whole of the UK and takes appropriate consideration of the UK's constitutional arrangements and obligations.

- Throughout the agreement, ensure high standards and protections for UK consumers and workers and build on our existing international obligations. This will include not compromising on our high environmental protection, animal welfare and food safety standards.

28 https://www.gov.uk/Government/publications/public-attitudes-to-trade-tracker-wave-1

2.2 Overview of the UK – Australia trade relationship

Similar to the UK, international trade is an important part of the Australian economy. Since the mid-2000s Australia's policy of trade liberalisation has predominantly focused on bilateral and plurilateral agreements. Australia is currently party to 13 trade agreements covering 20 countries.[29] These trade agreements have reduced the tariffs faced by countries party to these agreements.

Since the 1970s, Australia has pursued a policy of unilateral, bilateral and multilateral trade liberalisation, with average tariffs falling from 18.6% in 1991 to 0.9% in 2017.[30] A report by the Centre for International Economics found that Australian GDP in 2016 was 5.4% higher than would have been the case in the absence of the trade liberalisation over the previous thirty years.[31] Further, the research found that trade accounted for one in five jobs in Australia.

Chart 1: Australian applied tariff rate, all products, weighted average (%) 1991 to 2017 [32]
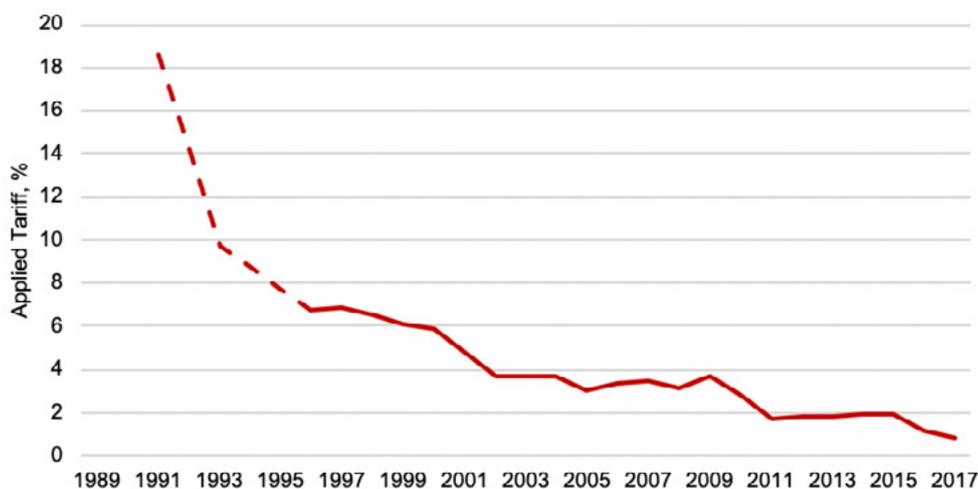
Source: World Bank staff estimates using the World Integrated Trade Solution database (WITS).

Australia has relatively low tariffs across all goods products and has reduced them further as part of bilateral and regional trade agreements. On services, Australia has consistently committed to greater liberalisation under its FTAs than under its World Trade Organization (WTO) commitments. As a result, UK exporters face greater barriers to trade in the Australian market than exporters based in these countries.

On investment, Australia has included investment as part of FTAs, for example those signed with the US, South Korea, Japan and China. This means that UK firms looking to invest in the Australian market may be asked to meet more stringent conditions than investors from countries which have FTAs with Australia.

Over the past decade, Australia has been a rapidly growing advanced economy. The different trade specialisations of the Australian and UK economies suggest that there are potential gains from enhancing trade.

Over the past decade, Australia has consistently ranked as one of the fastest growing advanced economies.[33] In 2017, Australia had the world's 10th highest GDP per capita, at $53,794[34](£41,739).[35] This compares to the UK's GDP per capita of $39,954 (£31,001), which ranked 22nd highest in the world.[36] The average Australian consumer spent $31,407 (£24,369) per year on goods and services.[37]

Despite both the UK and Australia being advanced economies, there are differences in economic structure. Table 1 below shows the areas of Revealed Comparative Advantage (RCA), or relative export specialism, for the UK and Australia. Each country is relatively specialised in exports within sectors where the RCA index is greater than zero (highlighted green in the table below). These can be considered as a proxy for the specialisms of the UK and Australian economies.

29 Australian Government Department for Foreign Affairs and Trade, Australia's free trade agreements (FTAs).
30 World Bank Development Indicators.
31 The Centre for International Economics, 'Australian trade liberalisation: Analysis of the economic impacts', October 2017.
32 Dashed lines indicate years where data is incomplete and some interpolation has been done.
33 International Monetary Fund, World Economic Outlook Database, April 2019.
34 World Bank Development Indicators, current US dollars, 2017. Ranking excludes Macao.
35 Converted using Bank of England annual average spot exchange rates for 2017.
36 Excluding Macao and Hong Kong.
37 World Bank Development Indicators.

Table 1: Revealed Comparative Advantage (RCA) by sector[38]

		UK RCA	AUS RCA
Agri-foods	Agriculture	-0.67	0.62
	Beverages and tobacco products	0.28	0.05
	Semi-processed foods	-0.41	0.29
	Processed foods	-0.23	-0.12
Industry	Chemical, rubber, plastic products	0.31	-1.29
	Electronic equipment	-1.52	-0.98
	Energy	-3.07	4.86
	Manufactures of materials	-1.29	0.29
	Motor vehicles and parts	0.03	-0.82
	Other machinery and equipment	-0.93	-1.52
	Other Manufacturing	-0.03	-0.13
	Other transport equipment	0.39	-0.26
	Paper and printing products	-0.01	-0.13
	Textiles, apparel, and leather	-0.94	-0.58
Services	Business services	3.74	-0.33
	Communications	0.33	-0.03
	Construction	-0.06	-0.08
	Financial services	2.49	-0.12
	Insurance	0.55	-0.03
	Other services (transport, water, dwellings)	0.46	0.05
	Personal services	0.29	0.08
	Public services	0.18	0.17
	Wholesale and retail trade	0.10	0.02

Source: GTAP 9 (2011) and DIT Calculations.

2.3 Overview of exisiting trade and investment relationship

Australia is already an important trade and investment partner for the UK. This is particularly the case in the vehicles, machinery, chemicals, travel services, financial services and professional business services sectors.

Australia was the UK's 12th largest export market in 2018, accounting for nearly 2% of the UK's total exports. In 2018, total trade between Australia and the UK was £17 billion.[39] The UK is one of Australia's biggest trade and investment partners, representing Australia's eighth largest trading partner and 3.2% of its total trade in 2018.[40] In 2018, the UK was the second largest recipient of Australian direct investment, representing 17% of Australia's outward Foreign Direct Investment (FDI), and the third largest direct investor in Australia, representing 10% of its inward FDI.[41] Australia was the 12th largest investor in the UK and the ninth largest recipient of UK FDI as of 2018.[42]

Of all UK exports to Australia in 2018, 40% were goods. Bilateral trade data in Chart 2 illustrates the goods sectors in which the UK exports the most to Australia and Australia exports the most to the UK. The three goods sectors in which the UK exported the most to Australia in 2016-2018 were vehicles and aircraft, machinery and electrical equipment, and chemicals. The three goods sectors in which the UK imported the most from Australia were pearls and precious metals, base metals, and machinery and electrical equipment.

39 ONS (2020), UK total trade: all countries, non-seasonally adjusted.
40 Australian Government Department for Foreign Affairs and Trade, Trade & investment data, information & publications.
41 Australian Bureau of Statistics, 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2018.
42 ONS, Foreign direct investment involving UK companies: 2018. These rankings exclude UK Offshore Territories.

38 23 Sectors are an aggregation of the 57 GTAP Sectors.

Chart 2: Sector shares of UK goods exports and imports to/from Australia as a proportion of total goods exports and imports to/from Australia (annual average shares 2016-18)[43]
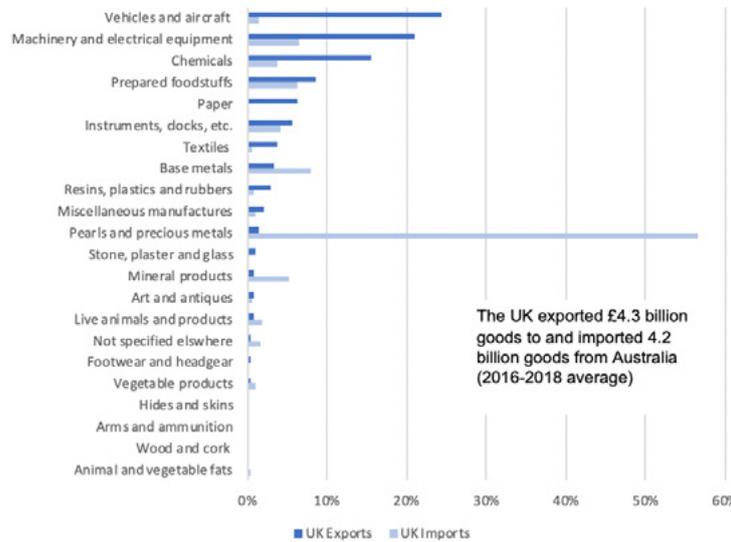
Source: HMRC trade statistics by commodity code. Sectors classified according to Harmonised System Sections. Data uses an average from 2016 to 2018.

Of all UK exports to Australia in 2018, 60% were services.[44] Chart 3 below shows that the most important sectors for bilateral services trade between Australia and the UK are travel, transport, 'other business services' and financial services. 'Other business services' captures professional services includes auditing, accounting and legal. Contrary to the pattern of goods trade, the pattern of the UK's service exports to Australia is broadly mirrored by the pattern of Australia's service exports to the UK.

Chart 3: Sector shares of UK services exports and imports to/from Australia as a proportion of total services exports and imports to/from Australia (annual average shares 2016-18)[45]
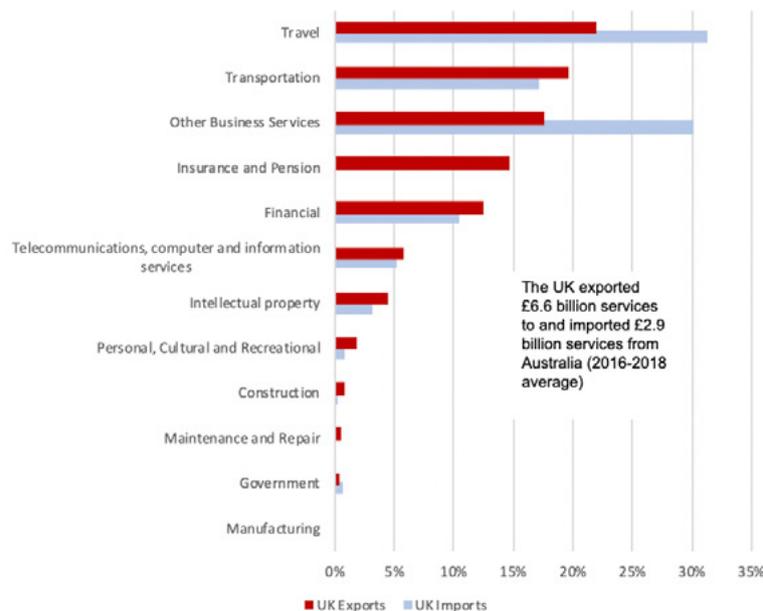
Source: ONS (2020), UK trade in services: service type by partner country, non-seasonally adjusted.

---

43 Some bars do not appear due to size. When this is this case, the sector share is small and positive.
44 ONS (2020), UK total trade: all countries, non-seasonally adjusted.
45 Some bars do not appear in cases where values are supressed by ONS for disclosure issues.

The UK's regional goods trade with Australia is most concentrated in the North East, from which 2% of the region's exports are to Australia.

Chart 4: UK nations and regions goods exports to Australia as a share of total goods exports, 2018

Exports destined for Australia as a % of total exports

	0.7 — 1.1
	1.1 — 1.4
	1.4 — 1.7
	1.7 — 2.1

Scotland
£335m, (1.1%)

North East
£268m, (2.0%)

Northern Ireland
£157m, (1.8%)

Yorkshire and The Humber
£297m, (1.6%)

North West
£435m, (1.6%)

East Midlands
£245m, (1.1%)

West Midlands
£565m, (1.7%)

East of England
£413m, (1.5%)

Wales
£135m, (0.8%)

London
£379m, (1.0%)

South West
£299m, (1.4%)

South East
£511m, (1.1%)
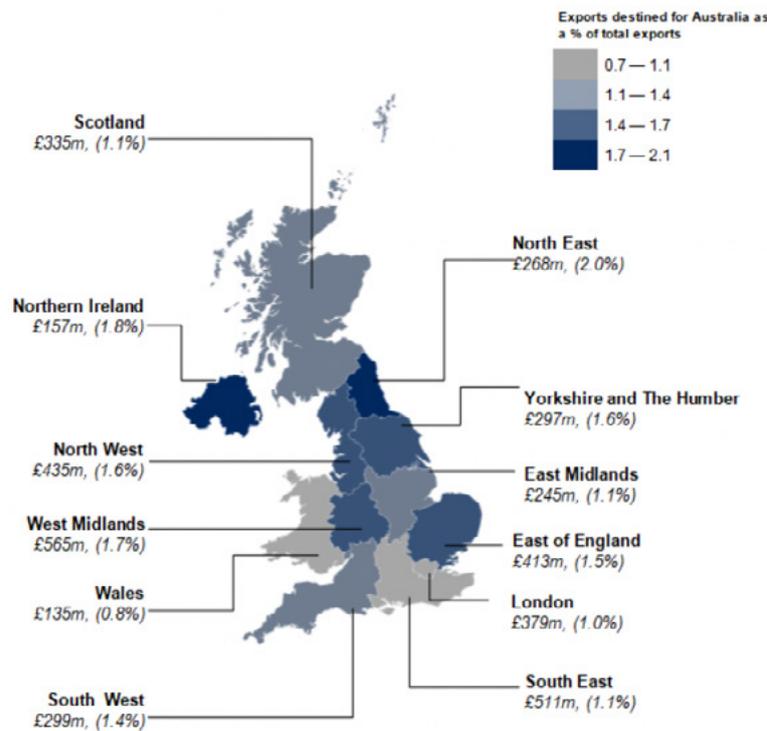
Source: HMRC Regional Trade Statistics.

Table 2 below highlights the importance of Australia for each UK nation by top goods sectors. This highlights the diversity between exports in different UK nations to Australia.

Table 2: Top three UK goods exports to Australia by nation (annual average 2016-18)

Nation	Goods exported	Values, £ million
England	Road vehicles	£862.4
	Miscellaneous manufactured articles (e.g. pens, pencils, brushes)	£386.5
	Medicinal & pharmaceutical products	£245.7
Northern Ireland	Machinery specialised for particular industries	£45.2
	Medicinal & pharmaceutical products	£26.7
	General industrial machinery & eqp. & machine pt	£11.6
Scotland	Beverages	£109.7
	Feeding stuff for animals (not incl. unmilled cereals)	£38.4
	General industrial machinery & eqp. & machine pt	£32.4
Wales	Other transport equipment	£21.1
	Medicinal and pharmaceutical products	£21.0
	Professional, scientific & controlling ins & app n.e.s.	£11.7

Source: HMRC Regional Trade Statistics

Trade with Australia is also important for a wide range of UK businesses, including small and medium-sized enterprises (SMEs).

SMEs (firms employing less than 250 employees) are important to the UK economy. In 2018 these made up over 99% of the total number of private sector businesses, representing 60% of employment and 52% of private sector turnover.[46] UK SMEs play an integral role in engaging with the international economy. SMEs are increasingly international traders in their own right. For example, in 2018, 97% of businesses exporting goods were SMEs, representing 28% of the UK's total exports.[47] SMEs also form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

A wide range of UK firms already export to and import from Australia, across many industries. Table 3 below sets out the UK industries which trade goods with Australia, identifying the industries which are relatively reliant on goods trade with Australia. 32% of exporting aerospace firms traded with Australia. 30% of electronics firms that exported in 2018 sent goods to Australia. A large proportion of UK businesses exporting to and importing from Australia are in the services sector.

Table 3: Number of UK VAT registered businesses trading with Australia, 2018

UK Sector	Number of Businesses Importing from Australia	% of Importing Businesses which Import from Australia	Number of Businesses Exporting to Australia	% of Exporting Businesses which Export to Australia
Agriculture and food	186	1%	800	11%
Mining, petroleum products and waste	59	3%	180	10%
Chemicals	72	5%	416	27%
Pharmaceuticals	26	9%	70	29%
Electronic and electrical equipment	382	9%	1,223	30%
Other machinery and equipment	165	5%	956	29%
Motor vehicles, transport equipment	72	5%	291	22%
Aerospace and related machinery	30	16%	59	32%
Other manufacturing	303	2%	1,914	15%
Services	4,010	2%	8,988	8%
Unknown	249	1%	400	5%
Total	**5,554**	**2%**	**15,297**	**10%**

Source: HMRC, UK Trade in Goods by Business Characteristic 2018

The UK currently participates in two trade-related EU-Australia agreements, which have been transitioned into UK-Australia agreements to ensure continuity.

The first of these, the EU-Australia Mutual Recognition Agreement on Conformity Assessment, promotes trade in goods and facilitates market access by making it easier for businesses to demonstrate the conformity of products with certain regulatory requirements. The second of these, the EU-Australia Wine Agreement, facilitates and promotes trade in wine and recognises Geographical Indications.

The UK has worked closely with Australia to transition these agreements into UK-Australia agreements to ensure continuity following the end of the transition period.

The UK has also made other arrangements with Australia. Examples include the FinTech Bridge signed in March 2018 - which facilitates greater Government-to-Government and regulator-to-regulator co-operation - and a Memorandum of Understanding signed between the UK and Australian Space Agencies in October 2018 that builds on co-operation in areas such as space science, space policy, law and regulation.

An FTA with Australia would allow the UK to build on this growing trade and investment relationship, both in the sectors covered by these arrangements and more widely.

---

46 BEIS Business Population Estimates (BPE, 2018).
47 HMRC, UK Trade in Goods by Business Characteristics 2018; estimates based on HMTC OTS and ONS IDBR data.

Further scope to maximise trade and investment potential (UK-Australia barriers)

While there are strong trade and investment links between the UK and Australia, evidence on trade and investment barriers between the two countries suggests that there is scope to further enhance this relationship.

DIT has consulted widely on stakeholders' priorities for an FTA with Australia. The evidence gathered from these exercises includes:

> responses from DIT's public consultation

> DIT's Public Attitudes to Trade Tracker

> targeted stakeholder engagement across UK nations and regions

Responses from DIT's public consultation

In July 2018, the UK Government launched an online consultation for members of the public, businesses, trade experts and any other interested organisations to submit their views on an FTA with Australia.[48]
A summary of responses to that consultation, outlining the views of the public was published on 18th July 2019.[49]

Public attitudes to trade tracker

In September 2018, DIT commissioned a nationally representative survey of the UK public to examine public attitudes towards trade and to understand the public's priorities as they relate to trade policy, and how these may change over time.[50] This found that 70% of the UK public support the UK establishing an FTA with Australia, with the remainder saying they neither support nor oppose this (13%), they didn't know (13%) or they opposed the UK establishing an FTA with Australia (5%).[51]

Evidence on barriers in UK-Australia trade in goods

The average tariff on UK-Australia goods trade is relatively low but varies by type of good. WTO data suggests that Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) are the most prevalent NTMs on goods trade.

Tariffs

Following a consultation, the UK has recently announced the UK Global Tariff schedule, which will apply following the end of the transition period. The calculations below do not take into account the UKGT. The simple average applied tariff on Australian goods imported into the UK is 6%, based on Most Favoured Nation (MFN) rates currently applied by the UK. For UK goods exported to Australia, this tariff is 2%. However, on a trade-weighted basis (which accounts for the specific value of bilateral UK-Australia trade in different sectors), the average tariff is 2% for Australian goods imported into the UK and 3% for UK goods exported to Australia.[52]

The above headline figures contain a variety of applied tariffs, which vary across different types of goods. The current UK average tariffs across broad categories vary from 0% on vegetable plaiting materials to around 35% on sugars and confectionary. Australia's tariffs vary from 0% on live animals to 5% on knitted fabrics.

48 Public consultation on a bilateral free trade agreement between the UK and Australia (DIT, July 2018) https://www.gov.uk/Government/consultations/trade-with-australia
49 Summary of responses to public consultation on a bilateral free trade agreement between the UK and Australia (DIT, July 2018) https://www.gov.uk/Government/consultations/trade-with-australia
50 DIT, Public attitudes to trade tracker: wave 1, 2019.
51 Percentages do not add to 100% due to rounding.
52 Simple average tariffs represent the mean unweighted average across all HS chapters. A trade weighted tariff accounts for patterns of trade. Source: International Trade Centre MacMap tariff data and HMRC trade data, 2018.

Chart 5 below illustrates the tariff barriers UK firms would currently face under an MFN scenario compared to the average tariff barriers faced by the trade partners with which Australia had an FTA in force in 2017.[53] The chart presents an average across each sector and doesn't show the full range of tariffs that may exist within each sector. As highlighted below, the UK exporters face higher tariffs in the Australian market than those of several other major countries. A UK-Australia FTA would seek to address this.

Chart 5: Australian simple average MFN tariffs on UK exporters, compared to simple average tariffs faced by Australia's FTA partners, 2017[54]
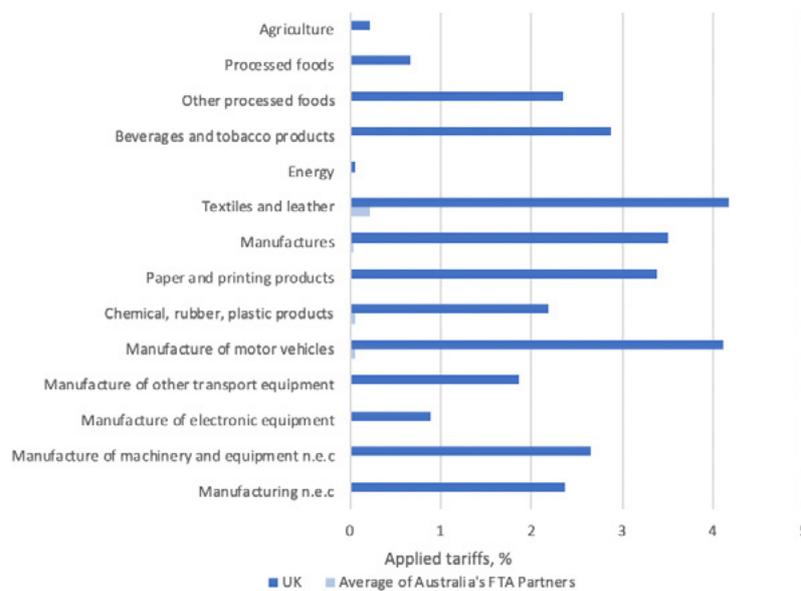
Source: World Integrated Trade Solution system (WITS), 2017 data.

---

53 FTA partner countries include: Chile, China, Japan, South Korea, Malaysia, New Zealand, Singapore, Thailand, United States. The CPTPP Agreement is not included.
54 When no bar is visible this does not necessarily mean the applied tariff is zero.

Non-tariff measures on goods

NTMs on goods are defined as measures other than ordinary customs tariffs that can potentially have an impact on international trade. This includes customs controls and differences in national regulatory regime. Evidence from the WTO's Integrated Trade Intelligence Portal (I-TIP) suggests that most NTMs faced in Australia in 2018 fall under the categories of SPS and TBT.[55] SPS is a category which covers any standards a country applies to ensure food safety, animal health or plant health standards. TBT measures refer to mandatory technical regulations and voluntary standards that define specific characteristics that a product should have, such as its size or shape (see Chart 6).

Chart 6: NTMs in the UK and Australia, by frequency[56]
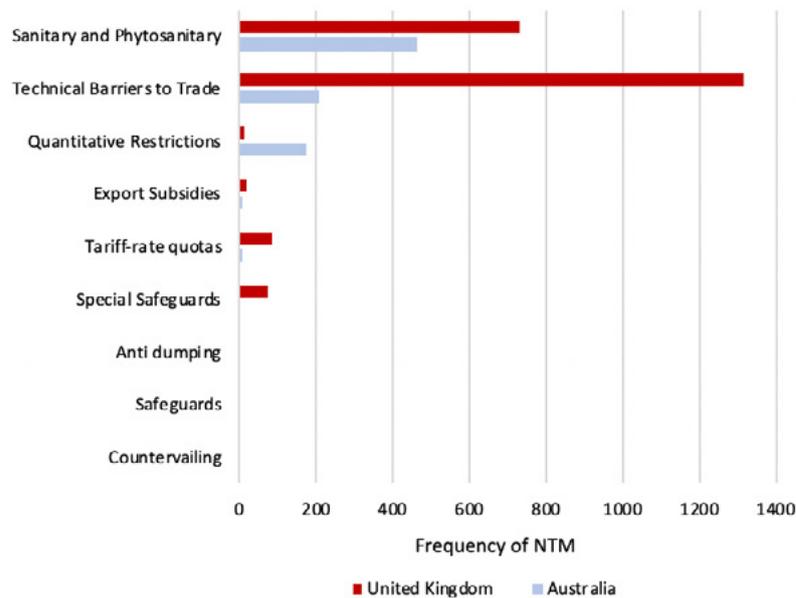
Source: WTO, Integrated Trade Intelligence Portal (I-TIP). NTMs either initiated or in force.

Evidence on barriers in UK-Australia trade in services

Trade in services is important for both countries. Data from the OECD highlights the restrictions that are in place that affect foreign providers of services, including digital services trade.

In 2018, over 60% of UK exports to Australia were in services. The UK's total services trade with Australia, imports plus exports, has increased by over 30% in the last decade from £6.4 billion in 2008 to £10.0 billion in 2018.[57] The Organisation for Economic Co-operation and Development (OECD's) Services Trade Restrictiveness Index (STRI) provides a measurement of regulatory restrictions to trade in services across 22 sectors, with 0 representing a sector which is completely open to foreign service suppliers and 1 representing a sector which is completely closed. The sectors with the highest levels of restrictiveness in Australia are courier services, air transport and logistics cargo handling. By type of restriction, the restrictions in Australia are highest for its restrictions on foreign entry (for example equity restrictions on business ownership), and transparency of regulations.

---

55 Comparisons of the I-TIP data across countries may not be accurate due to reporting methods (for example, not all measures in partner countries are notified by reporting countries).
56 There is a possibility that some NTM types (TBT and SPS) may be double counted. Due to the fact that a single measure may have to be notified to various WTO committees (for example, a measure on chemicals might be notified to both TBT and SPS committees), any aggregate of the different types of notified NTMs is likely to be marginally overestimated.
57 ONS (2020), UK total trade: all countries, non-seasonally adjusted.

Chart 7: UK and Australia Services Trade Restrictiveness Index (STRI)
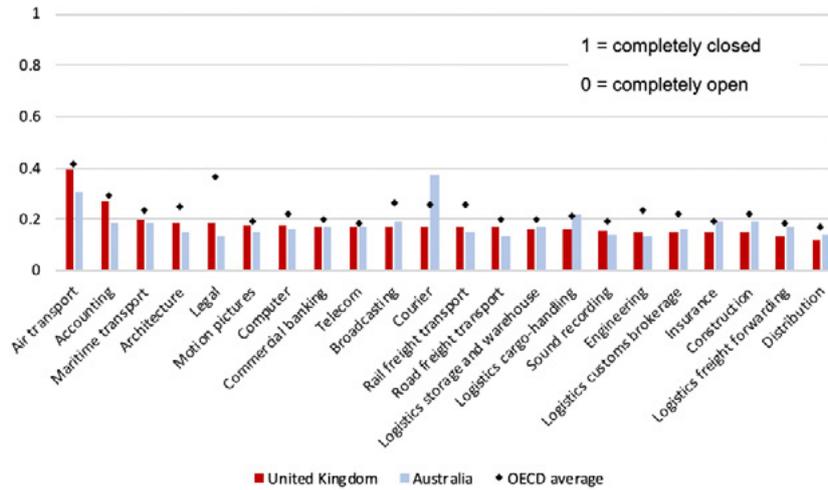
Source: OECD Services Trade Restrictiveness Index (STRI), 2018.

Evidence on barriers in UK-Australian trade in digitally enabled services

The OECD's Digital Services Trade Restrictiveness Index (Digital STRI) builds on the STRI by identifying cross-cutting barriers that affect all types of services traded digitally across five broad categories. The index shows that Australia is relatively more open to foreign trade in digitally traded services than other OECD countries on average (see Chart 8). The majority of Australia's digital trade restrictiveness falls under the category of 'infrastructure and connectivity'; that is, restrictions related to communication infrastructures essential to engaging in digital trade, for example cross-border data flows.

Chart 8: UK and Australian digital STRI, by type of restriction
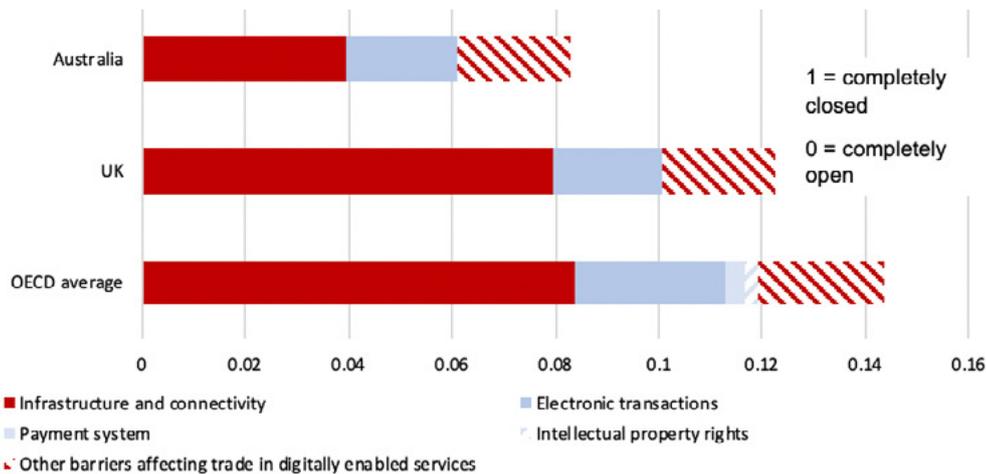
Source: OECD Digital Services Trade Restrictiveness Index (Digital STRI), 2018.

Evidence on barriers in UK-Australia investment

The OECD's FDI Regulatory Restrictiveness Index assesses the restrictiveness of a country's FDI rules across the four main types of restrictions. The index shows that Australia is relatively more restrictive to FDI than other OECD countries on average (see Chart 9). The majority of Australia's FDI barriers fall under the category of 'screening and approval' restrictions. This category includes any obligatory procedures that investors must undergo before obtaining approval for their planned investment.

Chart 9: UK and Australian investment restrictiveness, by type of restriction
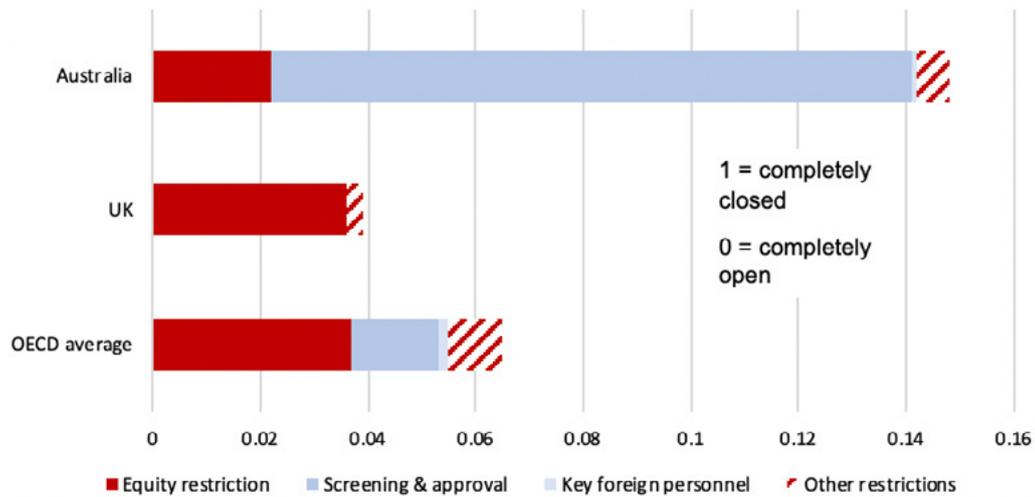
Source: OECD FDI Regulatory Restrictiveness Index, 2018.

Overall, the evidence on existing UK-Australia trade barriers suggests that that there is scope to further enhance the trading relationship, to maximise the trade and investment potential of the two countries.

3. Approach to accessing the potential impacts of a FTA with Australia

The approach used to assess the impacts of a UK-Australia FTA is discussed below.

Tariff data and estimates of NTMs and regulatory restrictions to services from econometric modelling are used as inputs into the Government's Computable General Equilibrium (CGE) model. This is a stylised model of the world economy capturing links between countries and sectors within those countries. The text of an agreement has not yet been negotiated, so scenarios have been created to illustrate the possible impacts of an agreement under different degrees of liberalisation. These two illustrative scenarios represent alternative depths of potential reductions in tariff, NTMs and regulatory restrictions to services, and are used to model a range of long run impacts on the economy. Other analytical approaches are used to assess the impacts on UK nations and regions, protected groups and the environment.

3.1 Tools of analysis

The tools used to estimate the impacts in this Scoping Assessment include econometric modelling, CGE modelling and techniques to explore potential impacts on UK nations and regions, businesses, protected groups and the environment.

International evidence suggests that FTAs reduce the costs of trade and investment, through eliminating tariffs, reducing NTMs or reducing regulatory restrictions to services. In doing so, FTAs can have a wide range of macroeconomic, social and environmental impacts while also having important distributional consequences across economic sectors, groups and individuals. This report employs a suite of economic tools to assess these impacts:

a) Econometric modelling, NTM and tariff analysis: As NTMs and regulatory restrictions to services are not directly observable, gravity modelling techniques are used to estimate the existing level of NTMs and regulatory restrictions to services for a given country. For tariffs, the GTAP 9 database was investigated to understand the current mix of tariffs across sectors.[58] These estimates are transformed into scenario inputs, which feed into the CGE model. Annex B provides further details on the calculation of inputs and econometric specification.

b) Computable General Equilibrium modelling: The primary tool of macroeconomic analysis used in this report is the Government's CGE trade model, GETRADE. The model is a stylised representation of the global economy and trade linkages that capture long run economic responses to changes in trade policy. It can be used to assess macroeconomic variables, such as output, wages, and trade both at the sectoral and economy-wide level. Annex A provides further detail on the model structure and methodology.

c) Impacts on UK nations, regions and main groups: A range of tools are used to further assess the CGE outputs and to explore the potential impacts on UK nations and regions, businesses, protected groups, and the environment. Annexes C, D, E, and F describes the methodologies used for these in further detail.

The results of the overall approach can be interpreted as an estimation of the long run economic impact of the FTA relative to a baseline, with the long run generally assumed to mean approximately 15 years from the implementation of the agreement.

Chart 10: Summary of modelling approach of a UK-Australia FTA

Assessing trade costs	Scenarios	Macroeconomic tools	Outputs

Econometric modelling to estimate the existing level of NTMSs and regulatory restrictions to services. Tariff analysis based on GTAP 9 database

Two scenarios are modelled and compared to the baseline:

• **Scenario 1:** UK substantial tariff liberalisation and Australia full tariff liberalisation. **25%** reduction of actionable non-tariff measures and regulatory restrictions to services.

• **Scenario 2:** deeper trade agreement with full tariff liberalisation and a **50%** reduction actionable measures.

A macroeconomic model considers how the economy may adjust to changes to these trade costs.

Impacts from CGE modelling are shown on:

> GDP

> Welfare

> Trade values

> Sectoral output for 23 sectors

> Wages

Other analytical approaches are used to assess impacts on:

> Nations and regions

> SMEs

> Protected groups

> The environment

---

58 The Global Trade Analysis Project (GTAP) data base is a fully documented, publicly available, global database which contains complete bilateral trade information along with transport and protection linkages. This is combined with data on production, consumption and intermediate use of goods and services to provide a representation of the world economy. Aguiar, A., Narayanan, B. and McDougall, R.,'An overview of the GTAP 9 data base', Journal of Global Economic Analysis, 1(1), pp.181-208, 2016.

Box 1: CGE models and the economic impacts of trade policy

CGE modelling is a standard method for assessing the impact of FTAs used by trade economists and international organisations. The modelling allows for an assessment of the economic impacts across different sectors, nations and regions of the UK, and agents. This approach provides the long run impacts resulting from trade liberalisation, capturing the supply chains between sectors as well as the wider economic interactions between households, firms and Government.

The impacts of trade policy are captured through trade cost reductions in the form of changes to tariffs, NTMs and regulatory restrictions to services (see Box 2 for more information). The model calibrates to an initial equilibrium based on the underlying data, simulates the assumed changes to trade costs, and subsequently adjusts to a new equilibrium accounting for the wider economic impacts from these changes. The adjustment path to the new equilibrium is not modelled but it is typically assumed that the economy adjusts over a 15-year period. A comparison of the initial with the new equilibrium provides the long run economic impact of the trade policy change.

Application to sectors

The sectoral results presented in the next chapter are estimates derived from CGE modelling, which is typically conducted at a high level of sectoral aggregation. This implies that the results cannot provide a full account for impacts on granular sub-sectors and so while a CGE sector may be showing a particular outcome, it is uncertain as to whether all of its component sectors would experience the same direction of impact.

An alternative modelling approach is Partial Equilibrium (PE) modelling. This allows for more granular levels of analyses targeted at sub-sectors and more complex tariff or NTM structures – this is often used for investigating the impacts on specific agricultural commodities and other specific industrial goods. However, it does not consider the wider economic impacts and the potential knock-on effects that may occur as a result of changes to trade policy. Consequently, when comparing the two approaches, PE modelling results are often referred to as the 'first round' impacts while CGE impacts are associated with the longer run economic impacts capturing the wider feedback effects across the economy (for example, reallocation of resources across sectors).

3.2 Inputs and assumptions

The CGE model in this Scoping Assessment combines an assumption for the UK's future trading relationship with the EU (baseline) with two illustrative scenarios for the 'depth' of a potential UK-Australia FTA, as measured by reductions in tariffs, NTMs on goods trade and regulatory restrictions in services trade.

Baseline

The baseline represents the state of the economy in the absence of a UK-Australia FTA. For the purposes of this analysis, stylised assumptions are made to represent a trading relationship between the UK and EU based on a hypothetical FTA, with zero tariffs and an increase in NTM costs based on historical FTAs.[59] These assumptions about the long run relationship are required to establish a baseline for modelling new trade agreements, but do not represent Government policy. The modelling does not explicitly take account of any impacts arising from the Protocol on Ireland/Northern Ireland (in the Withdrawal Agreement).

Because we do not yet know the future relationship with the EU, we have also estimated the impacts against an alternative baseline where the UK trades with the EU under WTO MFN rules.[60] This is to illustrate the potential effects of a UK-Australia FTA in this context, but again does not reflect Government policy. This is assessed in the 'Sensitivity analysis, analytical limitations and risks' section of this document.

An adjustment has been made to tariff inputs on the Motor Vehicles sector (MVH). Ahead of CGE modelling, an assessment was made comparing modelling inputs to other internal estimates based on relevant tariff data. The results of this analysis suggested that the modelling tariff inputs for motor vehicles were above the tariffs that it is expected UK exporters would have faced in the reference period. To reflect this, tariff inputs in MVH were lowered to be set at around 5%. The baseline reflects this lower rate. For further information on the impact on key results of this adjustment, see the 'Sensitivity analysis, analytical limitations and risks' section of this document.

---

59 The details of the modelled average FTA scenario is described in the Government's publication on the long run economic analysis of EU Exit. This represents a hypothetical FTA between the UK and EU in the long run. HMG (2018), EU Exit Long-term economic analysis.
60 This is the modelled no deal scenario in the HMG (2018).

Due to the close relationship between the New Zealand and Australian economies, the baseline used in this modelling also takes account of assumptions regarding lowering the tariff faced by New Zealand exporters in the bovine and meat product sub-sector.[61] This assumption is to reflect market access that New Zealand exporters have through Tariff Rate Quotas (TRQs). Similar to New Zealand, certain Australian products currently have preferential access to the UK through WTO TRQs. An assessment was made as to whether tariff adjustments in the modelling would be required for Australian products eligible to be traded under TRQs. It found that no adjustment was required for these Australian quotas.

Scenarios

As full details of the potential FTA between the UK and Australia are not yet known, two core scenarios have been defined to estimate impacts for a range of potential outcomes. These illustrative scenarios are used to generate the potential magnitudes of impacts but should not be interpreted as specified options for a future agreement. In line with the literature, the provisions within the FTA are modelled as reducing the costs associated with trading between the UK and Australia.

- **Scenario 1** assesses the impact of substantial, but not full tariff liberalisation by the UK, combined with a **25%** reduction in the levels of actionable NTMs affecting goods trade and regulatory restrictions[62] affecting services trade between the UK and Australia. Australia is assumed to fully liberalise its tariffs.[63]

- **Scenario 2** represents a deeper trade agreement. It assesses the impact of full bilateral tariff liberalisation, combined with a **50%** reduction in the levels of actionable NTMs affecting goods and regulatory restrictions affecting services trade between the UK and Australia.

The scenarios do not reflect or assume the presence or otherwise of any specific provisions contained in an eventual UK-Australia agreement. The scenarios are intended to reflect a range of plausible outcomes relating to the depth of an eventual agreement to demonstrate the varying impacts associated with varying degrees of depth.

Considering the uncertainties surrounding the scenarios, the results should be interpreted as providing indicative orders of magnitudes for the expected impacts of a UK-Australia FTA.[64]

The scenarios used for modelling are based upon the UK's current tariff schedule (the EU's 'Common External Tariff'). Following a consultation, the UK has recently announced the UK Global Tariff schedule (UKGT) which will apply following the end of the transition period. The estimates do not take into account the UKGT.

The impacts of additional scenarios and alternative baseline assumptions are outlined in the sensitivity section.

For further details on NTMs, regulatory restrictions to services and actionability, and their derivation see Box 2 and Annex B.

---

61 For more information on this, please see section 3.2.1 of the Scoping Assessment for a bilateral Free Trade Agreement between the United Kingdom and New Zealand.
62 It is common in FTAs for some tariffs and tariff rate quotas to remain after negotiations, particularly in agricultural sectors. Scenario 1 assumes existing treatment is maintained for typically sensitive sectors including beef, lamb, dairy, fruit and vegetables, cereals and sugar.
63 As shown in Chart 5 this is broadly in line with tariff liberalisation outcomes negotiated by Australia's existing FTA partners. In previous FTAs Australia has tended to reduce almost all tariff lines to zero.
64 Modelling assumptions will be updated as negotiations progress and the content of the agreement become known.

<div style="border: 2px solid red; padding: 1em;">

Box 2: NTMs, regulatory restrictions to services and actionability

NTMs and regulatory restrictions to services

NTMs are all measures other than ordinary customs tariffs that can potentially impact international trade. This includes customs controls and differences in national regulatory regime. These only capture barriers to trade flows, not to investment or policy measures affecting domestic productivity.

Services trade is not subject to tariffs. However, services trade can be subject to a range of regulatory restrictions which raise the costs associated with trade in services.

Levels and actionability

As typically assumed in modelling exercises, only a portion of initial NTM levels and regulatory restrictions to services are assumed to be 'actionable' in a trade agreement. The definition of 'actionability'[65] in this context is taken to be the proportion of NTMs which can feasibly be addressed through trade policy measures.

Evidence relating to actionability is limited, but in line with assumptions widely applied in the literature, 50% of the initial levels of NTMs affecting goods are assumed to be actionable. Evidence suggests that regulatory restrictions to services affecting trade in services can be less actionable than those affecting goods. For this reason, a third of the initial levels of regulatory restrictions to services in services sectors are therefore assumed to be actionable.[66]

In reality, actionability for individual goods or services may be either higher or lower than the levels assumed within this modelling. The provisions within the FTA are modelled as reducing the costs associated with trading between the UK and Australia – i.e. reducing the 'ad valorem equivalent' of tariff, NTMs and regulatory restrictions to services which currently exist between the two countries.

Annex B sets out the data and methodology used to estimate the initial levels of NTMs affecting trade in goods and regulatory restrictions affecting trade in services and how these are converted to 'ad valorem equivalents' for the purpose of modelling.

</div>

The implications of each scenario for the assumed reductions in tariff and non-tariff trade costs for each sector are shown in Charts 11, 12 and 13.[67] Box 3 sets out some indicative examples of how various FTA provisions can result in trade cost reductions between countries.

Chart 11 below shows that reductions in tariff barriers faced by UK exporters are the same for both scenarios, as full tariff liberalisation is assumed for Australian imports from the UK. In both scenarios, NTMs and regulatory restrictions on services are estimated to see larger reductions in costs for UK exporters. For Australian exporters, under both scenarios NTMs and regulatory restrictions to services are assumed to see greater reductions in costs than reductions in tariffs. Overall, the reduction in trade costs in scenario 2 illustrate a deeper trade agreement than in scenario 1.

---

65 This assumption is often known as the 'actionability' assumption – the proportion of total barrier that could be actioned upon to reduce in a free trade agreement. For examples and discussion, see Ecorys (2009) or Cuiriak (2018).
66 Petri, P. A. and Plummer, M. G., 'The Economic Effects of the Trans-Pacific Partnership: New Estimates', Peterson Institute for International Economics Working Paper 16-2 (2017).
67 The estimates of the initial levels of NTMs described in Annex B.

Chart 11: Weighted average trade cost reductions in each scenario, percentage point change[68]
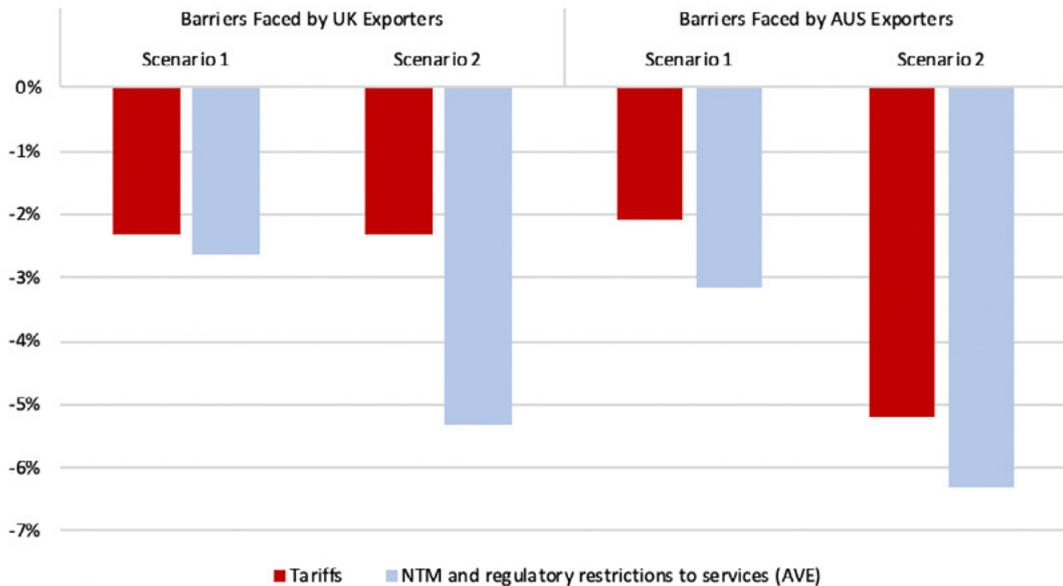
Source: DIT estimates (2020).

Chart 12 shows that tariff reductions are greatest in agri-food sectors.[69] The reduction in NTM and regulatory restrictions to services faced by UK exporters is greater for all three groups under scenario 2. This scenario is where actionable NTMs and service restrictions are assumed to reduce by 50%, a reduction which has the greatest change in services, given initial levels are estimated to be highest.[70]

Chart 12: Weighted average change in trade costs in each scenario, barriers faced by UK exporters, by sector[71]

Source: DIT estimates (2020).

Chart 13 shows that while the reduction in industrial tariff barriers faced by Australian exporters is identical under both scenarios, the reduction in agricultural tariffs faced by Australian exporters is greater under scenario 2. As was the case for UK exporters, the reduction in NTMs faced by Australian exporters is greater under scenario 2 where actionable NTMs and regulatory restrictions to services are assumed to reduce by 50%. This reduction in actionable NTMs is greatest in agri-foods and industrial sectors, where UK's initial levels of NTMs are estimated to be highest.

Chart 13: Weighted average change in trade costs in each scenario, barriers faced by Australian exporters, by sector[72]
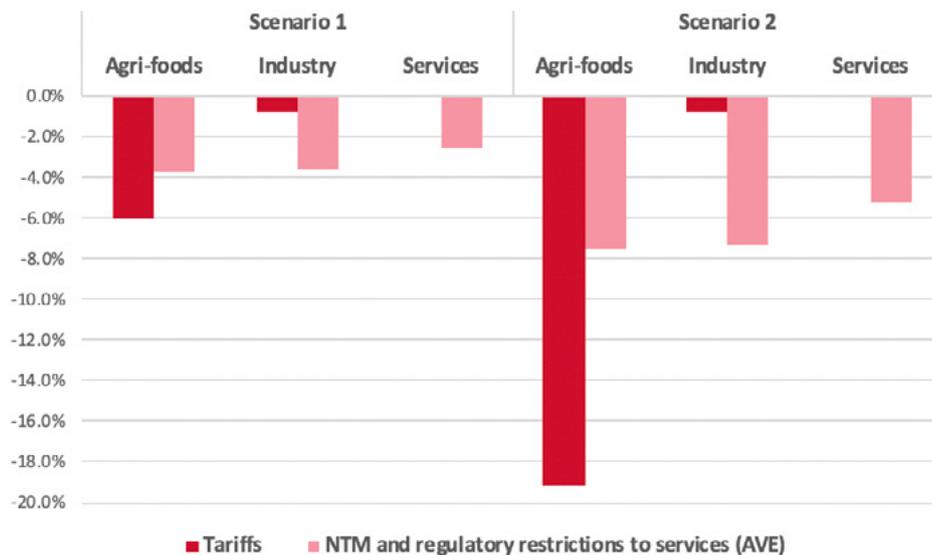
Source: DIT estimates (2020).

The approach set out above is not an assessment of specific provisions of an agreement, as these are not yet known. As such the results should be interpreted as providing an indicative range of expected impacts depending on the depth of a UK-Australia FTA.[73] Box 3 below explains the types of FTA provisions that change the cost of trading internationally.

---

72 Weighting on basis of GTAP 9 trade volume data. Trade costs include tariff and NTMs and regulatory restrictions to services.
73 Modelling assumptions will be updated as negotiations progress and the content of the agreement become known.

Box 3: FTA provisions which reduce the costs of trading internationally

Charts 11 to 13 describe the scenarios relating to the assumed scale of trade cost reductions resulting from the trade agreement. The actual trade cost reductions will be determined by the provisions agreed within the eventual agreement. This box describes examples of the types of provisions within an FTA which can reduce the costs of trading goods and services.

Reductions in costs associated with trading agricultural and industrial goods

The tariff reductions in Charts 12 and 13 reflect the reduction or removal of tariffs on goods trade. The reductions in NTMs reflect generalised assumptions of ambition and do not attempt to model any specific provisions. These could include:

• providing greater certainty to goods traders (for example removing or reducing the gap between maximum tariffs countries have committed to in their WTO schedules and the tariffs they apply in practice)

• providing greater ease for goods traders (for example streamlining customs procedures, reducing administrative costs and reducing delays at the border)

• addressing 'behind-the-border' barriers to goods trade (for example improving bilateral or international co-operation on NTMs)

The CGE modelling does not account for rules of origin (RoO) compliance which may affect estimated impacts.

Reductions in costs associated with trading services

Services trade is not subject to tariffs. However, services trade can be subject to a range of regulatory restrictions which raise the costs associated with trading services. The trade cost reductions in Charts 12 and 13 reflect the reduction or removal of these regulatory restrictions.

From an economic perspective, it is assumed FTAs can reduce the costs associated with trading services by introducing provisions which:

• lower barriers and ensure fair competition (thereby allowing greater market access for foreign service suppliers).

• provide greater certainty to service suppliers by 'locking-in' current levels of market access.

• reduce policy uncertainty on digital trade and flows of data which may positively impact a wider range of industries.

4. Overall impacts of an FTA with Australia

This section presents estimates of the long run impacts of a UK-Australia FTA on welfare, GDP, trade, sectoral output, and incomes in the UK.

A trade agreement with Australia could increase UK GDP in the long run by 0.01% in scenario 1 or 0.02% (within a range of between 0.02% and 0.03%) in scenario 2, which would be sustained over time.[74] This is equivalent to an increase of £200 million or £500 million compared to its 2018 level.[75] This increase reflects changes to the underlying economy brought about by a reduction in barriers with Australia. The reduced costs for firms and consumers result in changes to domestic specialisation and the composition of trade. Productivity gains are driven by resources moving where they are more productive, including between sectors and industries, as well as between firms within sectors. The long run is generally assumed to mean 15 years from implementation of the agreement.

In the long run, overall output (as measured by Gross Value Added) is expected to increase under both scenarios, with deeper liberalisation (under scenario 2) resulting in a higher overall increase in output. In both scenarios, workers are expected to experience increases in real wages overall. Particularly in scenario 2, this would be partly driven by a reallocation of resources between sectors. In the case of deeper liberalisation, the agriculture and semi-processed food sectors both see a fall in output and employment relative to the baseline as resources move towards expanding sectors.

UK goods and services could become relatively more competitive in Australia, with exports to Australia estimated to increase by 3.6% or 7.3%. UK firms could expand production to meet increased demand from Australia, experiencing productivity gains from increasing returns to scale. The productivity gains from a UK-Australia FTA would also result in increased exports from the UK to the rest of the world.

Lower trade costs on imported goods and services from Australia could drive efficiency gains for UK businesses. This could occur either because firms already rely on or switch to inputs from Australia. UK consumers may also benefit if cheaper consumer goods become available. In the long run prices could adjust to reflect higher demand, but imports from Australia are expected to increase by 7.4% in scenario 1 or 83% in scenario 2.

Imports from Australia increase significantly relative to UK exports to Australia in scenario 2 due to the assumed pattern of tariff and NTM reductions, which occur in areas where Australia is relatively specialised such as semi-processed foods. Changes on imports of specific products are not modelled, but given the current pattern of UK imports from Australia within the semi-processed foods sector, it is expected that this would reflect increases in imports of sheep meat (including lamb) and bovine meat. Although imports from Australia could increase by 83.2%, overall total UK imports could increase by a more modest 0.1%. For context, in 2018 UK imports from Australia were just under £5.1 billion (1% of UK total imports).

Welfare gains of around £100 million or £200 million are driven by better paid jobs and changes to the prices and variety of goods and services available to households and firms. Ranges are estimated around the central point estimates to account for uncertainty, giving increases in UK welfare of between £100 million to £200 million in scenario 1 and £100 million to £300 million in scenario 2. The modelling estimates an increase in the long run level of the average real wage in the UK of around 0.01% (£100 million) in scenario 1 and 0.05% (£400 million) in scenario 2.

The UK economy overall is expected to grow and a UK-Australia FTA has the potential to increase long run output across the majority of nations and regions of the UK. Based on the distribution of sectoral value added, a scenario with less liberalisation has the potential to increase long run output across all nations and regions of the UK. Under a scenario of greater liberalisation, while output grows across the majority of nations and regions, output may fall relative to the baseline in Northern Ireland. This reflects a relatively higher concentration of sectors where output falls relative to the baseline, such as semi-processed foods, located in Northern Ireland.

---

74 All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details.
75 Values (in 2018 terms) are used to provide an illustrative pound impact. They do not account for changes in baseline or forecast GDP over 15 years. We do not currently have agreed forecasts for UK GDP over the next 15 years and the CGE model does not produce forecasted pound values.

Finally, GDP in Australia is expected to increase by 0.01% or 0.06% depending on the scenario, demonstrating a UK-Australia FTA can bring economic gains to both parties.

4.1 UK macroeconomic impacts

Results from modelling a UK-Australia FTA show long run increases in the UK's GDP, trade and wages.

In the long run, theory and evidence suggests that international trade increases output and raises living standards through four key channels:

> domestic specialisation allows for each country to place more resources into what it is best at producing leading to higher productivity and real wages

> greater variety of inputs and products for businesses and consumers, increased competition and lower prices leads to more efficient production for businesses, better value for money and increased consumer choice

> access to new markets allows firms to expand their production leading to efficiency improvements where there are increasing returns to scale

> exposure to competition leads to demand shifting away from the least competitive firms while the most productive firms gain new opportunities

The macroeconomic impacts estimated using the CGE model are summarised in Table 4.

While the analysis draws on robust evidence and the best tools available for this type of analysis, there is inherent uncertainty in the results. Results should be interpreted with caution and not considered economic forecasts for the UK economy.

The impacts indicate that a combination of competitiveness of UK exports in Australia, increased competition from Australian firms and price changes are expected to drive productivity gains in the UK. These can in turn lead to an expected long run increase in GDP, welfare and trade with Australia and the rest of the world.

Table 4: Summary of UK macroeconomic impacts, long run change on baseline

	Scenario 1	Scenario 2
Change in GDP	0.01% (0.01% to 0.01%)	0.02% (0.02% to 0.03%)
	£200 million (£200 million to £300 million)	£500 million (£400 million to £700 million)
Change in UK exports to AUS	3.6%	7.3%
Change in UK imports from AUS	7.4%	83.2%
Change in total UK exports	0.1%	0.3%
Change in total UK imports	0.0%	0.1%
Change in real wages	0.02% (£100 million)	0.07% (£400 million)

Source: DIT modelling; central estimates and ranges for GDP impacts. £ values in 2018 terms.[76]

Real GDP

GDP can be defined as either:

> the total value of goods and services produced domestically,

> total domestic expenditure, or

> total income from domestic production.

Equivalent variation and real GDP measure different aspects of the potential impacts of the trade agreement. The former focuses on welfare and the latter looks at the wider economic effects on a country's domestic production value.

---

76 All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details.

Changes to long run GDP in the CGE model are driven by changes to the relative cost of material and factor inputs (labour and capital) which are influenced by reductions in the cost of imports and exports (through lower tariffs, NTMs and regulatory restrictions to services). The increases in GDP derive from a more efficient allocation of resources across the economy. Further, higher returns to capital can increase investment and productivity, which can also contribute to higher long run GDP.

Chart 14: Long run annual impact on GDP, £ billions
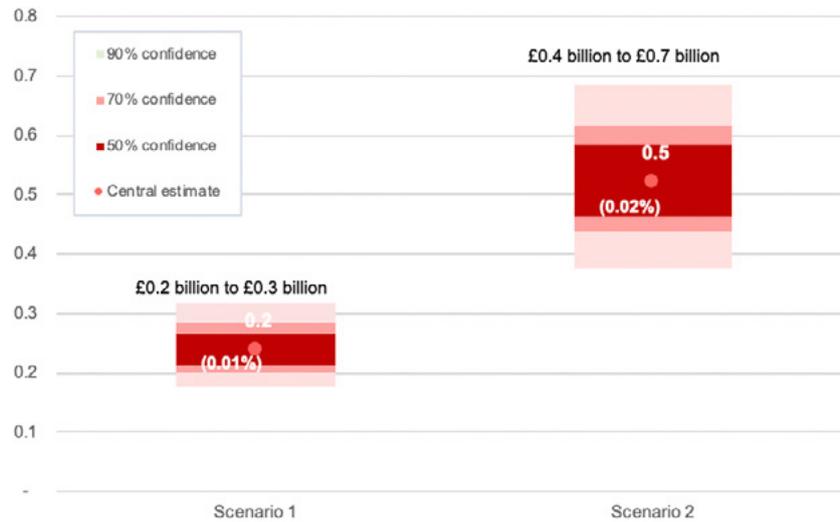
Source: DIT modelling (2020)

A UK FTA with Australia is estimated to increase the UK's long run annual GDP by 0.01% in scenario 1 and 0.02% in scenario 2. In 2018, the GDP of the UK was around £2.12 trillion.[77] This increase would apply to the UK's future GDP, rising in monetary value as the economy grows. Applied to 2018 GDP (£2.12 trillion), it translates into a £200 million or £500 million increase, depending on the scenario.

These are central estimates. To account for uncertainty in the modelling, a range of estimates using 90% confidence intervals shows that the long run annual increase in UK GDP is estimated to be 0.01% in scenario 1, and vary by 0.02% to 0.03% in scenario 2. Using 2018 GDP data, this implies a range of estimates for the increase in UK GDP of £200 million to £300 million in scenario 1 and £400 million to £700 million in scenario 2.

The long run is generally assumed to mean 15 years from implementation of the agreement.

The GDP result can be disaggregated by its components, covering spending by consumers and Government, business investment and net trade (the value of exports minus imports). This is summarised in Table 5.

Table 5: UK GDP impact, by expenditure components of GDP, long run % change on baseline

Percentage point change in component	Scenario 1	Scenario 2
Consumption expenditure	0.01	0.01
Investment	0.00	0.01
Government expenditure	0.00	0.01
Net trade (exports minus imports)	0.01	-0.01
Total UK GDP	**0.01**	**0.02**

Source: DIT modelling (2020)

---

77 ONS Gross Domestic Product at market prices, Seasonally Adjusted.

The modelled trade cost reductions are set out in section 3.2, which show that under both scenarios the estimated reductions for NTMs and regulatory restrictions to services are larger than for tariffs. The exact magnitude of the increase in GDP from an FTA is uncertain and will depend upon the actual trade cost reductions achieved through negotiations.

Trade

UK exports to Australia are estimated to increase by 3.6% in scenario 1 and 7.3% in scenario 2. Using UK trade data for 2018,[78] this would imply an increase in UK exports to Australia of £400 million in scenario 1 and £900 million in scenario 2.

UK imports from Australia are estimated to increase by 7.4% in scenario 1 and 83.2% in scenario 2. Using UK trade data for 2018, this would imply an increase in UK imports from Australia of £400 million in scenario 1 and £4.2 billion in scenario 2.

Imports from Australia increase significantly relative to UK exports to Australia in scenario 2 due to the assumed tariff and NTM reductions, especially in areas where Australia is relatively specialised such as semi-processed foods. Changes on imports of specific products are not modelled but given the current pattern of UK imports on semi-processed foods from Australia, it is expected that this would, in large part, reflect an increase in imports of sheep meat (including lamb) and bovine meat. Although imports from Australia could increase by 83%, overall total UK imports could increase by a more modest 0.1%. For context, in 2018 UK imports from Australia were just under £5.1 billion (1% of UK total imports).

Welfare

The impact of a UK-Australia FTA on overall welfare in the UK is driven by better paid jobs but also changes to the prices and variety of goods and services available to consumers and firms. Welfare in the CGE model is calculated using 'equivalent variation' which estimates the change in income that, in the absence of the agreement, would have given households the same increase in wellbeing.

Chart 15: Long run annual impact on welfare (£ billion)
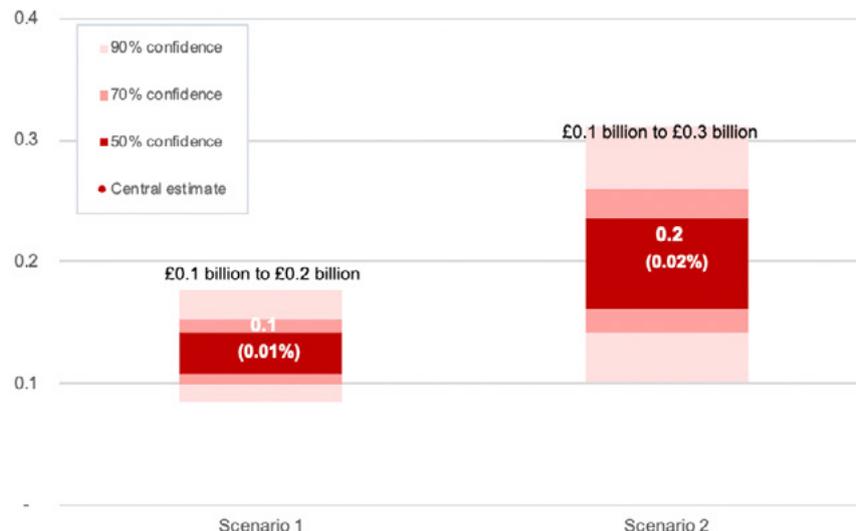
Source: DIT modelling (2020)

A UK FTA with Australia is estimated to increase welfare in the UK by 0.01% in scenario 1 and 0.02% in scenario 2. Using 2018 data, this implies a long run annual increase in welfare in the UK of around £100 million in scenario 1 or around a £200 million increase under scenario 2.[79]

These are central estimates. To account for uncertainty in the modelling, a range of estimates using 90% confidence intervals show that the long run annual increase in welfare could be 0.01% in scenario 1 and vary by 0.01% to 0.02% in scenario 2. Using 2018 data, this implies a range of £100 million to £200 million in scenario 1 and £100 million to £300 million in scenario 2.

---

78 ONS (2020), UK total trade: all countries, non-seasonally adjusted.
79 Note that the £ values are provided to illustrate the potential magnitude of the deal in cash terms in 2018. These do not reflect the actual value of the FTA in long run (approximately 15 years).

4.2 UK impacts on sector Gross Value Added (GVA)

Overall output for the UK is expected to increase. In scenario 2, 20 out of 23 sectors are estimated to increase their output as productivity gains result from further specialisation within sectors and a reallocation of resources across sectors.

GVA is a measure of economic output.[80] The sectoral pattern of changes to GVA can depend on a variety of effects including the scale of assumed trade cost reductions in each scenario, the existing sector trade flows, the relative competitiveness of the sector in relation to trade partners, and the reliance on other sectors' products in their own production.The results in this Scoping Assessment provide an indication of the potential changes from assumed reductions in tariffs, NTMs and regulatory restrictions to services across all sectors. These results are direct outputs of the CGE model (for discussion on sectoral analysis see Box 1). The actual pattern of changes to sectoral GVA resulting from implementation of an agreement will depend heavily upon the provisions of the eventual agreement, which will determine the pattern of trade cost reductions across sectors. Therefore, we may expect to see changes in sectoral results (and other analysis such as the regional results that rely on the sectoral figures) between the Scoping Assessments and final impact assessments.

Under scenario 1, there is little variation in GVA impact across the 23 sectors.

Under scenario 2, the largest increases in GVA are estimated in the energy, other services (transport, water and dwellings) and chemical, rubber and plastic products sectors. Most other sectors also see increases, with 20 out of 23 sectors estimated to be positively impacted by a UK-Australia FTA. A fall in output relative to the baseline is estimated in the semi-processed foods and agriculture sectors.

As the details of a potential FTA between the UK and Australia are not yet known, potential impacts have been estimated for broad scenarios. These impacts illustrate a range of potential outcomes. The scenarios do not reflect any specific provisions that could be contained in an eventual UK-Australia agreement.

Box 4: Impacts on the Agri-Food sector

The specific provisions of a UK-Australia FTA have yet to be negotiated. The two scenarios set out in this Scoping Assessment are intended to provide an illustrative view of what the impacts might be under different degrees of liberalisation. Table 6 sets out the change in UK output (measured by GVA) based on two scenarios (measured by GVA). Under scenario 2 - greater trade liberalisation (further reduction of tariffs and NTMs) - CGE estimates suggest a contraction in output for agriculture and semi-processed foods. The processed foods sector is estimated to expand. The agriculture and semi-processed foods feature amongst those sectors expected to see the largest changes in output. Overall, the UK's total GVA is expected to increase, with gains resulting in part from the estimated reallocation of resources and output across sectors.

Under an FTA where agriculture was extensively liberalised the following mechanisms could come into play:

1. **In the long run, Australian producers may be able to supply domestic retailers and downstream producers at lower cost than domestic producers.** The UK and Australia specialise in the production of different products which is likely to explain the contraction in the UK semi-processed food and agriculture sectors. For example, the trade flow data underpinning GTAP 9 shows Australia has a strong comparative advantage in its exports of livestock meat, dairy products, wheat, swine, poultry and other live animals compared to the UK. However, it is likely that the marginal positive impact on UK output (measured by GVA) in processed foods reflects a combination of a reallocation of resources from industries that experience a decline in output and the fact that processed foods will now have access to inputs at a lower cost.

2. **As other UK sectors expand, resources may move from the agriculture and semi-processed food sectors.** Capital and labour which was used in agriculture and semi-processed food may, in the long run, be reallocated to expanding sectors.

---

80 GVA is an alternative measure of economic output to GDP. At a sector level, it is the output of that sector minus the value of intermediates that have been used to produce the goods and services in that sector. At the national level, GVA is also the equivalent of the value of GDP plus Government subsidies, minus taxes.

Table 6: Changes in UK output (GVA, long run % change)

		Sector GVA Share[81]	Scenario 1	Scenario 2
Agri-food	Agriculture	<1%		--
	Beverages and tobacco products	<1%		+
	Processed foods	1%		+
	Semi-processed foods	<1%		--
Industry	Chemical, rubber, plastic products	2%		+
	Electronic equipment	1%		+
	Energy	3%		+
	Manufactures of materials	2%		+
	Motor vehicles and parts	1%		+
	Other machinery and equipment	<1%		+
	Other Manufacturing	<1%		+
	Other transport equipment	<1%		+
	Paper and printing products	1%		+
	Textiles, leather, and wearing apparel	<1%		+
Services	Business services	23%		+
	Communications	1%		+
	Construction	6%		+
	Financial services	6%		+
	Insurance	<1%		+
	Other services (transport, water, dwellings)	12%		+
	Personal services	4%		+
	Public services	19%		+
	Wholesale and retail trade	14%		

Key:

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (--)

Source: DIT modelling (2020)

4.3 Impact on GVA in UK nations and regions

A UK-Australia FTA has the potential to increase long run output across all nations and regions of the UK. However, under a scenario of greater liberalisation, output in Northern Ireland may decrease relative to the baseline, reflecting a higher concentration of contracting sectors.

International evidence suggests that trade agreements and trade liberalisation more generally have the potential to affect various regions within an economy differently.[82] This is because trade agreements affect sectors differently and the sectoral composition of output and employment vary systematically across regions.

81 DIT calculations using ONS GVA output approach (2018 prices).
82 See, for example: 'Making Trade Work for All' (OECD 2017) and 'Making Trade an Engine of Growth for All' (IMF/World Bank/WTO 2017) for an overview of the international evidence.

As explained further in Annex C, the preliminary assessment below in Chart 16 apportions the UK-wide results to the nations and regions of the UK based upon the sectoral composition of employment in each area, accounting for some second-round effects where a sector is particularly important (or not) for a region.[83]

Based upon the pattern of estimated sectoral GVA changes in Table 6, the results suggest that an FTA with Australia could increase GVA in all nations and regions of the UK in scenario 1 (represented in Chart 16).[84] In scenario 2, all regions and nations, except Northern Ireland, are expected to see an increase in GVA relative to the baseline. DIT's estimates show a potential overall reduction in output on Northern Ireland relative to the baseline. This result is largely driven by the fall in GVA in the semi-processed foods and agriculture sectors, in which Northern Ireland is relatively specialised.[85] As shown in Chart 16, the result depends heavily upon assumptions regarding the degree of liberalisation in the agreement.

Chart 16: Changes in regional value added, long run % change
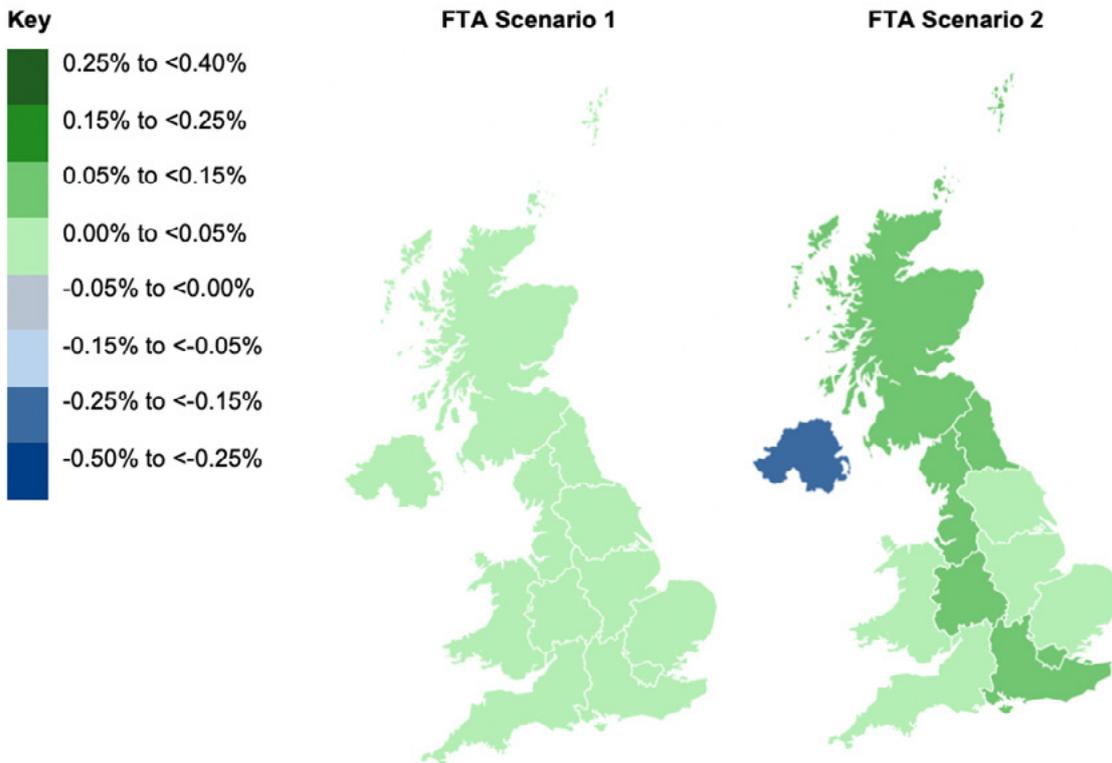
Source: DIT modelling (2020)

---

83 To take account of these second-round effects, the impacts on each nation and region are impacted by a location quotient (explained in detail in Annex C). The location quotient-weighted approach amplifies positive and negative regional results, but for most regions the difference is small. In both scenarios the methods agree on which regions increase or decrease their output relative to the baseline. To acknowledge the uncertainty around the apportionment approach, the maps in Chart 16 use the mid-point of the two methods.
84 The modelling does not explicitly take account of any impacts arising from the Protocol on Ireland/ Northern Ireland (in the Withdrawal Agreement).
85 Annex C provides more detail on the methodology used to provide a preliminary assessment of the impacts of a UK-Australia FTA on UK nations and regions.

4.4 Macroeconomic impacts on Australia

Results from modelling a UK-Australia FTA show long run increases in Australian GDP.

As a result of a UK-Australia FTA, Australian annual GDP is estimated to increase by 0.01% in scenario 1 and 0.06% in scenario 2. Using Australian GDP values for 2018, this would equate to an increase in Australian GDP of £100 million in scenario 1 and £700 million in scenario 2. Summary results for the impact on the Australian economy are set out in the table below.

Table 7: Summary of estimated long run impacts on Australia

Impact	Metric	Scenario 1	Scenario 2
GDP	Change in GDP	0.01%	0.06%
Trade	Change in exports to UK	7.4%	83.2%
	Change in imports from UK	3.6%	7.3%
	Change in total exports	0.1%	0.5%
	Change in total imports	0.1%	0.5%

Source: DIT modelling (2020)

4.5 Impact on developing countries

Developing countries with a higher share of their trade with the UK and Australia, including countries in the Pacific Islands, are more likely to be impacted.

A UK-Australia trade agreement could affect output in other countries outside of the agreement. On the one hand, increased UK-Australia economic activity may positively affect other countries through increases in the size of the UK and Australia as export markets.[86] On the other hand, consumers and businesses may shift their demand for imports from other countries, preferring cheaper imports from the UK and Australia.[87] The CGE modelling results indicate the GDP impact on developing countries to be negligible, with the exception of the Pacific Islands, where GDP is estimated to decrease relative to the baseline in scenario 2. As referenced in the Outline Approach, the Government will seek to ensure that relevant parts of the agreement support the objectives on trade and development, including through co-operation on the monitoring of, and response to, the impact of FTAs on developing countries.

At this stage, it is not possible to identify the specific countries that are most likely to be impacted. However, Table 8 presents developing countries' dependency on UK-Australia goods trade.[88] The analysis highlights the Pacific Islands to be the region most likely to be affected by a UK-Australia FTA. This is likely in part due to the geographic closeness of the Pacific Islands to Australia.

Table 8: Developing countries' share of goods trade with the UK and Australia[89]

High dependency (Top 20)	Bangladesh, Barbados, Belize, Cambodia, Fiji, Gabon, Grenada, India, Kiribati, Mauritius, Nauru, Pakistan, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Sri Lanka, Tonga, Vanuatu
Low dependency (Bottom 20)	Afghanistan, The Bahamas, Bhutan, Chad, Democratic Republic of Congo, Djibouti, El Salvador, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Marshall Islands, Mongolia, Somalia, South Sudan, Syrian Arab Republic, Tajikistan, Uzbekistan

Source: UN Comtrade database

---

86 Other positive spillover effects may include increased foreign direct investment, higher remittances payments, reduction in compliance costs from harmonising to Australia and UK regulation standards.

87 Other negative spillover effects may include the diversion of economic activity of firms from other countries to the UK and/or Australia (preference erosion), increased compliance costs to adjust to changes in regulations and customs arrangements in the UK and Australia.

88 The direction of the impact depends on a variety of factors, including the extent to which FTA partners compete in each other's markets with third countries.

89 114 countries are included in the analysis. Countries are listed in alphabetical order. High refers to the top 20 countries with the greatest share of goods trade with the UK and Australia, with the highest value recorded for Nauru, where 59% of goods trade in 2015-2017 was with the UK (0%) and Australia (59%). Low refers to the 20 countries with the smallest share of goods trade with the UK and Australia, with the lowest value recorded for Marshall Island, where less than 1% of goods trade was with Australia or the UK. Analysis based on UN Comtrade (2015-2017).

5. Detailed impacts by main groups

This section provides an initial assessment of impacts on UK businesses, consumers and workers.

UK businesses of all sizes may benefit from the opportunity to expand into the Australian market, in terms of increased exports or higher returns from business investment in Australia. Under scenario 2, output in most UK sectors is estimated to expand, and the positive gains from the FTA will be distributed across the economy. While SMEs account for around 51% of total UK business turnover, these businesses represent 62% of turnover in the sectors which are estimated to fall relative to the baseline according to the CGE model results in scenario 2.

Based upon the UK's current tariff schedule, total annual tariff reductions on Australian imports from the UK are estimated to be between £32 million and £41 million per year.

- Businesses could face tariff savings from liberalisation of intermediate goods of between £5 million and £6 million.

- Cost savings due to tariff liberalisation on final goods are estimated to be between £27 million and £34 million, which could be passed to consumers.

Workers of all skill types are expected to benefit from increased wages. The modelling suggests only a small reallocation of employment across sectors, equivalent to between 1 and 5 in every 10,000 employees. These movements in employment do not account for any wider changes in the labour market or any short run adjustment costs as the model assumes that in the long run the overall supply of labour is unaffected by changes in trade costs.

A preliminary assessment of the labour market impacts finds that there is no evidence to suggest that females, ethnic minority groups and those who report having a disability are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline. Workers who are male, white, or older workers (over 65 years old) are more concentrated in sectors where employment is estimated to fall relative to the baseline.

5.1 Impacts on UK businesses

A UK-Australia FTA could positively impact on businesses in the UK and Australia, through export and investment growth, potential tariff savings, and gains for SMEs.

FTAs can generate a range of opportunities and challenges for businesses. Existing exporters and importers can benefit from the new trade opportunities offered by tariff liberalisation and reductions in non-tariff measures and regulatory restrictions to services, while firms that do not currently export may be more incentivised to do so.[90]

FTAs can also benefit businesses by expanding access to cheaper and increased varieties of imported inputs. Greater access to global supply chains are an important source of competitive advantage for businesses.

Some businesses may experience greater competition from imports from Australian exporters. The evidence shows that competition from trade promotes business innovation and growth. Some businesses may expand, creating more jobs, but some businesses, maybe adversely affected due to the increased competition.

90 Annex D provides more detail on the methodology used to provide a preliminary assessment of the scale of the potential impacts of a UK-Australia FTA on UK businesses.

Business growth

FTAs can help businesses expand their presence in a market into which they export. As well as increasing turnover, this can allow businesses to benefit from economies of scale, lowering their operating costs and raising profitability. This can help them attract investment and expand further.

The modelling results estimate a 0.03% increase in business investment in the UK in scenario 1 and an 0.07% change in scenario 2. The increase in investment is driven by the FTA's impact on the returns to capital.

The modelling results estimate a 3.6% increase in UK exports to Australia under scenario 1 and a 7.3% increase under scenario 2. This demonstrates that expanded market access to Australia could create opportunities for UK exporters.

Cost savings due to tariff liberalisation on UK imports of intermediates and capital goods

By reducing tariff on imports, FTAs can reduce costs and expand the choice of imported inputs for UK businesses. This can help to raise their competitiveness.

The extent to which UK firms (and consumers) benefit from reduced tariffs depends on whether importers or exporters bear the burden of the tariff when goods are traded across borders. Although the academic evidence is inconclusive,[91] it is generally accepted that importers in a country bear the cost associated with tariffs.[92]

The magnitude of potential tariff savings for UK businesses that trade in goods with Australia can be calculated by considering the impact on tariffs levied on intermediate goods entering the UK, shown in Table 9. The analysis below is based upon the UK's current tariff schedule. It does not account for the UK Global Tariff (UKGT).

Table 9: Potential scale of tariff reductions owing to tariff liberalisation on UK imports of goods from Australia, £ million per year

	Scenario 1		Scenario 2	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Intermediate and capital goods	4.9	6.0	5.2	6.3

Source: DIT internal analysis, annual average 2017-2018

Note: the upper bound shows the average value of trade that entered the UK from Australia as 'MFN Non-Zero' (thereby paying some tariff) between 2017 and 2018. The lower bound accounts for the percentage of trade which claimed some of duty relief for inward or outward processing between 2017 and 2018. Due to lack of data, we assume a 100% duty relief for this lower bound estimate. Tariff reductions are also subject to RoO. UK consumers and UK businesses which use components imported from the FTA partner will only benefit from cheaper imports if the goods being imported meet RoO requirements. See Annex D for more details.

Scenario 1 assumes that the UK retains tariffs in sensitive sectors; this leads to smaller tariff savings of around £4.9 million - £6 million.[93] Scenario 2 represents the complete elimination of tariffs on goods imports from Australia, and tariff savings are estimated to be around £5.2 -£6.3 million.

Cost savings due to tariff liberalisation on UK exports

UK exporters could benefit from the removal or reduction in tariffs on UK goods exported to Australia, resulting in increased competitiveness for UK products in the Australian market. Increased competitiveness in the Australian market is expected to result in UK firms expanding production and trade.

Although it is generally accepted that tariffs are paid by importers, tariff liberalisation in Australia is likely to result in decreased costs for Australian consumers and UK exporters. In some instances, for example where UK exporters operate under 'Delivered Duty-Paid agreements',[94] decreases in tariffs may not change the prices that are paid by Australian importers but may directly reduce costs for UK exporters. Even if goods are not under Delivered Duty-Paid, lower tariffs will make UK goods more attractive to Australian importers.

The patterns of Australian tariffs combined with the pattern of UK exports suggests that there were around £124 million of tariffs levied on UK exports to Australia annually in recent years (an average of 2017 and 2018). As such, the potential annual reduction in tariff costs under both scenario 1 and 2 is £124 million. Of this £124 million, £35 million were tariffs paid on intermediate goods and £89 million on exports of final goods.

91 A discussion of the literature can be found in Annex D.
92 In some instances, the exporting business may absorb the cost of the tariff, for example when there is a considerable domestic supply of a product, foreign firms may be forced to absorb tariff costs in order to remain competitive in the market or may not trade at all.
93 It is common in FTAs for some tariffs to remain after negotiations, particularly in agricultural sectors. Scenario 1 assumes existing treatment is maintained for typically sensitive sectors including beef, lamb, dairy, fruit and vegetables, cereals and sugar.
94 Delivered Duty-Paid agreements are those in which exporters are contracted to pay for all potential costs, including tariffs and insurance risks, rather than these being paid by the buyer of a product. For an explanation, please see: https://www.incotermsexplained.com/the-incoterms-rules/the-eleven-rules-in-brief/delivered-duty-paid/

Small and Medium-sized Enterprises (SMEs)

SMEs may be defined as:

> Firms employing fewer than 50, and fewer than 250 employees, respectively; and

> Firms not exceeding either (a) £44 million in annual turnover, or (b) an annual balance-sheet total of £38 million.

SMEs play an integral role in engaging with the international economy. They are increasingly international traders in their own right. The data suggest that 97% of businesses exporting goods in 2018 were SMEs, accounting for 28% of total UK goods exports.[95] Moreover, SMEs form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

NTMs to trade addressed in FTAs may have a greater impact on SMEs than on larger businesses. This is because SMEs may have more limited financial and human resource capacities than larger businesses. They may be less equipped to overcome the challenges posed by different regulatory frameworks, have less access to information to help them navigate through trade regulations and absorb the financial risks associated with international trade. This means that FTA provisions which reduce the fixed costs of exporting can provide particular benefits for SMEs. This can raise the number of smaller firms which find it profitable to export, helping to spur innovation and increase productivity.

Using Business Population Estimates turnover data, Annex D shows the distribution of SMEs across the 23 sectors included in the CGE model.

Overall, while SMEs account for around 51% of total UK business turnover (Chart 17), these businesses represent 62% of turnover in the sectors which are estimated to fall relative to the baseline according to the CGE model results in scenario 2. SMEs account for 51% of the turnover in expanding sectors under this scenario, in line with the general business population. [96]

Under scenario 1, estimated changes in output are limited for all sectors, and are therefore not expected to disproportionately affect SMEs.

Some businesses may experience greater competition from imports from Australia exporters than others. At this stage we are not able to compare the impacts on SMEs compared to other businesses in the UK economy.

Chart 17: Share of total business turnover by firm size[97]
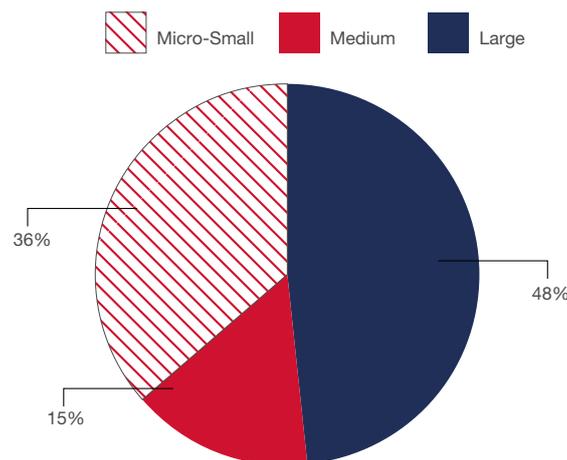
Source: DIT Analysis (2020), calculations based on BEIS Business Population Estimates, 2018.

95 HMRC Trade in Goods by Business Characteristics; estimates based on HMTC OTS and ONS IDBR data'
96 This includes "micro'-sized firms which are included in 'small' firms in the data.
97 Figures may not sum up due to rounding.

5.2 Impacts on UK consumers

Lowering tariff and NTMs through a UK-Australia FTA could benefit consumers directly through increased consumer choice, better product quality and lower prices for imported goods.

Lower consumer prices for a given quality of product (known as quality-adjusted prices), can result from reductions in tariffs and regulatory restrictions which reduce the costs associated with the cross-border trade. Consumers can also benefit indirectly from the lower costs and greater variety of imported intermediate goods that are used by firms to produce final consumption goods and services.

As a result of higher real wages for workers, the modelling estimates show that real consumer expenditure in the UK (a component of GDP) increases by 0.01% under scenario 1 and 0.02% under scenario 2. 5.2.1 Consumer savings owing to tariff liberalisation on UK imports

As shown in Table 10, UK imports of final goods from Australia attracted tariff costs of around £33.4 - £34.3 million annually, based upon the pattern of UK-Australia trade flows between 2017-18 and tariffs in 2018.[98] Based upon the UK's current tariff schedule, these represent the broad magnitude of potential savings for UK consumers resulting from the complete elimination of tariffs on goods imports from Australia under scenario 2 set out above. As previously discussed, the evidence of the extent to which UK consumers, as opposed to Australian exporters and UK importers, will benefit from these tariff reductions is inconclusive.

Scenario 1 assumes that the UK retains tariffs in sensitive sectors (for example on certain agricultural products). In sectors which are liberalised, it is estimated that tariff costs of around £27.1 - £27.9 million are levied annually on final goods. Table 10 below presents the estimates for these scenarios.

Table 10: Potential scale of tariff reductions owing to tariff liberalisation on UK imports of goods from Australia, £ million per year

	Scenario 1		Scenario 2	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Intermediate goods	4.9	6.0	5.2	6.3
Final goods	27.1	27.9	33.4	34.3
Total savings	**32.0**	**33.9**	**38.6**	**40.6**

Source: DIT internal analysis (2020).

If the savings are passed onto consumers, then consumers may also benefit from reductions in the cost of intermediate goods imported by business in the form of lower prices. However, not all of the tariff reductions will pass through into consumer prices, as some businesses may absorb the benefit from the reduced tariff cost on intermediate goods. Calculated in this way, consumer savings when importing final goods are equivalent to the reduction in tariff revenues accruing to the UK Exchequer.

5.3 Impacts on UK workers

Workers can benefit from an FTA through higher incomes and more opportunities for employment. Modelling suggests that the small reallocation of employment across sectors represents a very small proportion of the total UK labour force.

Workers can benefit from FTAs through a variety of channels.

Higher incomes and wages. Where FTAs boost productivity within firms and sectors, and across the economy, this is likely to increase employment opportunities and worker incomes. Where FTAs lower consumer prices, this is likely to benefit workers in the form of higher real wages, meaning that they can purchase more even if wages were constant.

Changes to the composition of employment. Trade liberalisation can affect the structure of the economy over time. Workers may move between jobs and sectors, as changes in the pattern of trade cause some sectors to expand and others to decline. The UK has one of the most dynamic and flexible labour markets in the world, which helps to facilitate adjustment and reduce transition costs for workers.[99]

---

98 The magnitude of potential tariff savings for consumers importing final goods from Australia can be estimated by grouping goods into intermediate or final goods (converting Harmonised System trade data into Broad Economic Categories).
99 For example, the UK is rated as having the fifth most efficient labour market in the world in the World Economic Forum's Global Competitiveness Report, 2016-17, behind only Switzerland, Singapore, Hong Kong and the United States.

The CGE model estimates long run impacts (with the long run interpreted as the period of time taken for the economy to fully adjust to the FTA). Therefore, the model does not provide estimates of the magnitude of any potential short-run impacts, such as the impact on unemployment associated with workers moving jobs within or across sectors or within and across geographical nations and regions of the UK economy. As is common in CGE modelling exercises, the CGE model assumes that both the supply of labour and overall rates of employment and unemployment in the economy are fixed in the long run (i.e. they are assumed to be unaffected by the FTA). This is appropriate as over the long run, the labour market would be expected to adjust over the timeframe and FTAs would not be expected to influence the underlying drivers of the long run employment rate.

This means that the results below show estimates of the impacts on wages (5.3.1) and the composition of employment across sectors over the long run (5.2.2), but do not provide estimates of any potential impacts on the short or long run employment and unemployment rates.

Impacts on wages

The modelling estimates an increase in the long run level of the average real wage in the UK (nominal wages adjusted for the impact of inflation) of around 0.01% (£100 million) in scenario 1 and 0.05% (£400 million) in scenario 2.[100]

The real wage changes can be broken down into type of occupations which vary in their skill levels (Table 11). The results show that all skill types benefit from increasing liberalisation.

Table 11: Change in wages by occupation, %

	Scenario 1	Scenario 2
Managers	0.01	0.05
Technicians	0.01	0.05
Clerks	0.01	0.05
Service workers	0.01	0.05
Labourers	0.01	0.05

Source: DIT modelling (2020).

Impact on sectoral employment

This section presents indicative estimates of long run impacts on the composition of employment across UK sectors.[101]

As was the case for GVA impact, under scenario 1 there is relatively little change in the sectoral composition of UK employment.

Under scenario 2 the sectors in which the greatest proportionate increases in employment is expected are energy, processed foods and other services (transport, water and dwellings). In the long run, employment is estimated to fall in the semi-processed foods and agriculture sectors, compared to the baseline. The modelling assumes no overall changes in UK employment, so this represents a movement of labour between sectors.

---

100 Values were calculated by converting $ to £ using the 2011 exchange rate and then using a GDP inflator to convert to 2018 prices. For comparison, an alternative methodology using the percentage change applied to the total compensation of employees (S1D11 in national accounts), was also used and arrives at the same values to two decimal places.
101 Employment is according to the ILO definition as specified by the relevant LFS indicator (ILODEFR). That is, a person is considered employed if they are 16 or over/16-64 and have been engaged for at least one hour within a 7-day reference period in any activity to produce goods or services. This also includes employed persons 'not at work' i.e. those who did not work in the reference period due to temporary absence or working patterns.

Table 12: Long run changes in employment (long run % change)

		Scenario 1	Scenario 2
Agri-food	Agriculture		--
	Beverages and tobacco products		+
	Processed foods		+
	Semi-processed foods		--
Industry	Chemical, rubber, plastic products		+
	Electronic equipment		
	Energy		+
	Manufactures of materials		
	Motor vehicles and parts		
	Other machinery and equipment		+
	Other Manufacturing		
	Other transport equipment		
	Paper and printing products		
	Textiles, leather, and wearing apparel		
Services	Business services		
	Communications		
	Construction		
	Financial services		
	Insurance		
	Other services (transport, water, dwellings)		+
	Personal services		
	Public services		
	Wholesale and retail trade		

Key:

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (--)

Source: DIT modelling (2020)

Modern, dynamic economies change continuously in response to global developments. This causes an ongoing process of worker and job transition in the labour market. Lower trade barriers and greater import competition could accelerate this ongoing process.

Overall, the modelling suggests that there is a small reallocation of employment across sectors amounting to an estimated 0.01% in scenario 1 and 0.05% in scenario 2.[102] In other words, between 1 and 5 in every 10,000 jobs may be expected to move between sectors as a result of this agreement in the long run. However, it is important to note that this does not necessarily represent the movement of individuals and that the magnitudes are small in comparison with regular changes in the labour market.

These results show the change in the composition of employment across sectors over the long run, but do not provide estimates of any potential impacts on total employment or unemployment rates. The model assumes that both the supply of labour and overall rates of employment and unemployment in the economy are fixed in the long run (i.e. they are assumed to be unaffected by the FTA). This is appropriate, as over the long run, the labour market would be expected to adjust, and FTAs would not be expected to influence the underlying drivers of the long-run employment rate.

---

102 Calculated as the aggregate absolute percentage change of workers between sectors (divided by two) as a proportion of total employment.

The transition of employment across sectors has the potential to generate long run gains for workers involved, for example leading to higher wages. However, some workers may also incur short run adjustment costs and periods of transitional unemployment. The UK has a dynamic and flexible labour market, helping to facilitate adjustment and reduce the transition costs for workers. It is, however, important to ensure that the potential for adjustment costs are not concentrated disproportionately among certain groups of the labour market.

5.4 Preliminary assessment of implications for protected groups in the labour market

Workers can benefit from an FTA through higher incomes and more opportunities for employment. The modelling suggests that the potential small reallocation of employment across sectors represents a very small proportion of the total UK labour force.

Annex E provides descriptive statistics describing the characteristics of workers located in sectors where employment is expected to change relative to the baseline as a result of the agreement.

Workers currently located in sectors where employment is estimated to be lower than would otherwise be the case (as a result of the agreement) cannot be assumed to be adversely affected by the FTA. For example, in some cases, workers who remain in the sector stand to benefit from increases in wages, owing to higher productivity in the sector. In addition, some of the adjustment may take place as workers leaving the labour market are not replaced, with new entrants more likely to find employment in sectors where employment is higher. Any workers who do transition across sectors may incur short run adjustment costs or periods of transitional unemployment but could also benefit from the creation of higher wage jobs in other sectors of the economy. The analysis is based on the structure of the UK workforce from 2015-17, whereas the CGE modelling results reflect the global economy in the long run when the composition of the workforce may have changed.

A preliminary assessment of the labour market impacts finds that there is no evidence to suggest that females, ethnic minority groups and those who report having a disability are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline. Workers who are male, white, or older workers (over 65 years old) are more concentrated in sectors where employment is estimated to fall relative to the baseline.

Gender

• 47% of those in employment in the UK are female and 53% are male.[103]

• In scenario 2, 28% of the workforce in sectors where employment is estimated to fall relative to the baseline are female and 72% are male.

Ethnicity

• 12% of those in employment in the UK are from an ethnic minority group and 88% report that they are white.

• In scenario 2, 3% of the workforce in sectors where employment is estimated to fall relative to the baseline are from an ethnic minority background and 97% are white.

Age

• 12% of those in employment in the UK are aged 16-24, 85% are 25-64 and 4% are over 65.

• In scenario 2, the proportion of workers in where employment is estimated to fall relative to the baseline sectors which are aged 16-24 is around 10%. The proportion of workers in sectors where employment is estimated to fall relative to the baseline which are aged 65+ make up around 15%.

Disability

• Around 12% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010).[104]

• In scenario 2, the proportion of workers in where employment is estimated to fall relative to the baseline sectors which have a disability is estimated to be around 14% and those without a disability are estimated to be around 86%.

---

103 According to DIT Analysis of the ONS three-year pooled APS (2015-17).
104 It is possible that non-response to this question in the APS affects the estimated proportion.

6. The environment

This section presents current environmental policy in the UK and Australia and the potential implications of a UK-Australia FTA on the environment, including a preliminary assessment of the potential implications on UK CO2 emissions, trade-related transport emissions, biodiversity, natural resources and air pollution.

Changes in the UK's production and global trading patterns as a result of a UK-Australia FTA could favour more or less emissions-intensive sectors in the UK and could change levels of transport emissions. The extent of environmental impacts, positive or negative, is dependent on the negotiated outcome of the agreement, which will determine changes in the pattern of trade and economic activity. This Government is committed to meeting its environmental commitments, as the first major economy to set a legally binding commitment to reach net zero greenhouse gas emissions, and as set out in the 25 Year Plan to Improve the Environment. This agreement may provide opportunities to further environmental and climate policy priorities.

6.1 Background – Australia and UK environmental policy and performance

FTAs have the potential to impact the environment, by changing patterns of production, the types of goods and services that are traded and the commitments made by countries in respect of environmental policies and outcomes.

Sustainable development is a key objective of the UK Government, highlighted across the UK's Industrial Strategy,[105] Clean Growth Strategy,[106] Bioeconomy Strategy,[107] and 25 Year Environment Plan.[108] The Climate Change Act commits the UK Government by law to reducing greenhouse gas emissions by at least 100% of 1990 levels (net zero) by 2050, and to set legally binding 'carbon-budgets' to act as stepping stones towards the 2050 target.[109] The UK has met its first (2008-12) and second (2013-17) carbon budgets and is on track to outperform its third (2018-2022).[110] In Australia there are a range of federal laws that enshrine efforts to promote protection of the environment in Australian law, including the Environment Protection and Biodiversity Conservation Act (EPBC).

The UK and Australia are party to a range of multilateral environmental agreements that aim to improve global environmental conditions across a broad range of issues, such as air pollution, chemicals and waste, fisheries, terrestrial ecosystems and biodiversity and species.[111] The UK and Australia are also members of international agreements related to the prevention of climate change including the Paris Agreement.[112]

The findings from the Department for International Trade's public consultation were published in the Government's response on 18th July 2019, and highlighted a number of priorities and concerns related to FTAs and the environment.[113] In line with these responses, a preliminary assessment of the environmental impacts of a future UK-Australia trade agreement has been undertaken.

105 The Industrial Strategy highlights the importance of harnessing cleaner growth and becoming a world leader in the development, manufacture and use of low carbon technologies, systems and services.
106 The Clean Growth Strategy sets out the UK's reaffirmed ambition to promote the ambitious economic and environmental policies to mitigate climate change and deliver clean, green growth.
107 https://www.gov.uk/Government/publications/bioeconomy-strategy-2018-to-2030
108 The 25 Year Environment Strategy sets out Government action to help the natural world regain and retain good health, calling for a new approach to industry which highlights the importance of sustainable land use and resource efficiency.
109 https://www.theccc.org.uk/tackling-climate-change/the-legal-landscape/the-climate-change-act/
110 The Committee on Climate Change. Available here: https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/how-the-uk-is-progressing/
111 Annex 3 of HMG's 25 Year Environment Plan sets out a non-exhaustive selection of international agreements that the UK is party to which seek to improve the international environment. Available here: https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/678681/25-env-plan-annex3.pdf
112 Including the Kyoto Protocol (1997) and the Paris Agreement (2016).
113 Key concerns raised by stakeholders were that a UK-Australia FTA might: facilitate expansion of polluting industries (including fracking), threaten the Government's ability to regulate to protect the environment or lower emissions, and undermine efforts to tackle illegal, unreported and unregulated fishing which threaten the survival of fish stocks and marine ecosystems.

The Environmental Performance Index (EPI), an internationally comparable index of environmental variables, is used to outline each country's environmental performance. The EPI score reflects how close countries are to the best environmental outcomes for a given measure – a score of 100 indicating a world leading performer. As shown in Chart 18, the UK is better performing than the OECD average in all measures apart from forestry and fishing. Australia performs better than the OECD average in 4 of 11 selected measures.

Chart 18: Environmental Performance Index scores for UK and Australia 2018[114]
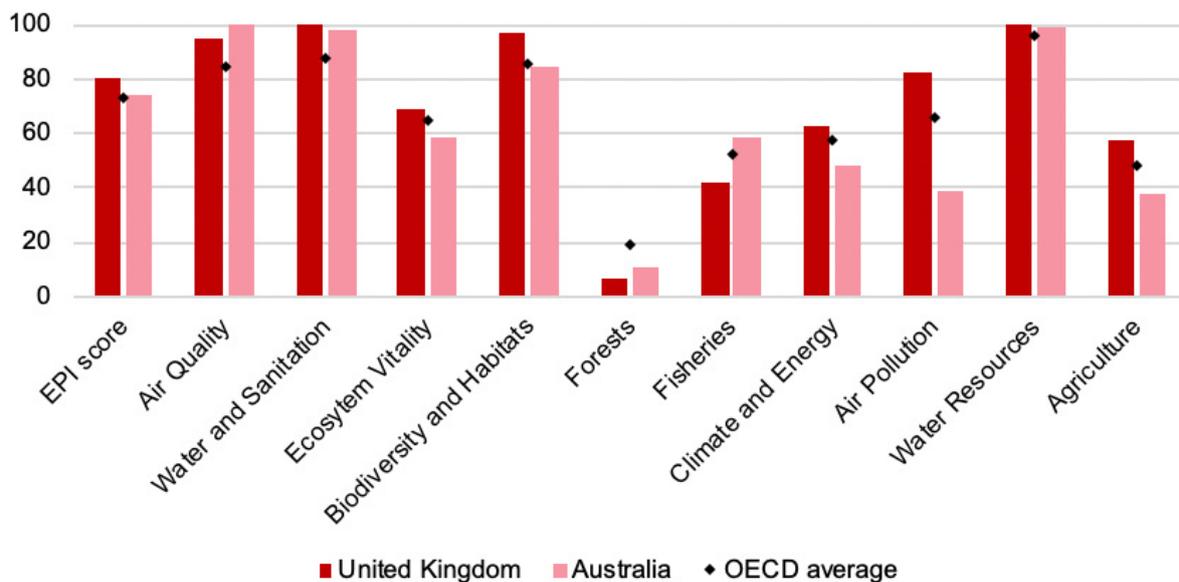
6.2 Potential implications of FTAs on the environment

This Government is committed to meeting its environmental commitments, as the first major economy to set a legally binding commitment to reach net zero greenhouse gas emissions, and as set out in the 25 Year Plan to Improve the Environment. This agreement may provide opportunities to further environmental and climate policy priorities. The overall environmental impact of FTAs is difficult to assess, but environmental impacts, positive or negative, could arise due to the resulting changes in production and trade volumes, shifting of economic activity across different sectors and efficiency gains.

Further economic integration of the UK and Australian economies through an FTA could be used to foster greater co-operation on addressing these environmental issues, both bilaterally and globally.[115]

Assessing the impact of any future provisions is challenging for two reasons: (a) the content of the environmental provisions is not yet agreed, and (b) the currently available empirical studies have not robustly concluded whether provisions in FTAs intended to protect the environment have had a significant effect.[116] This is particularly true when an agreement is between two high income economies, such as the UK and Australia, where high existing environmental standards are expected to already be enforced.

---

114 Source: EPI 2018 https://epi.envirocenter.yale.edu/ EPI is used to illustrate relative performance, there are other international indices which may measure additional environmental performance metrics and give different scores.
115 HM Government (2018), A Green Future: Our 25 Year Plan to Improve the Environment
116 OECD (2018), "Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements". The OECD found a positive relationship between membership of regional trade agreements and improved environmental quality for two out of three pollutants treated as a proxy for environmental quality. However, the extent to which environmental provisions specifically contributed to the improvement could not be concluded with statistical certainty.

However, the economic changes resulting from FTAs have the potential to affect some aspects of the environment including, for example, greenhouse gas emissions, air pollution, water quality and land use. Impacts on the environment may occur:

> as a direct result of greater volumes of bilateral and world trade (for example, from increased production and transport emissions)

> as economic activity shifts between sectors with different levels of emissions (a 'composition effect')

> as economic activity shifts between countries with differing levels of environmental protection[117]

> as increased trade leads to the transfer and adoption of new and potentially more environmentally friendly, technologies as well as production methods (a 'technique effect')

Further, an ambitious and comprehensive trade agreement is expected to bring income gains in both countries, which could be used to pay for measures to mitigate negative environmental impacts, while leaving an economic surplus. However, distributional policies to reallocate benefits towards mitigating measures are outside the scope of this FTA.

CO_2 emissions from UK production

The impact of a UK-Australia FTA on CO_2 emissions is uncertain but potential changes may result from a shift in economic output between more and less CO_2-intensive sectors. This will also be determined by other factors such as efficiency gains, the potential adoption of new technologies, the design of the final agreement or future carbon pricing policies.

A simple preliminary and partial assessment of the potential implications of the estimated shifts in economic activity across sectors for UK CO_2 emissions and land use is outlined in Annex F.

The results of the preliminary assessment suggest that under both scenarios 1 and 2, the resulting shift in sectoral output will marginally move the composition of UK output from sectors that are relatively less CO_2-intensive towards sectors which are, on the whole, more CO_2-intensive. In the UK, power and heat generators, energy-intensive industrial sectors, and aircraft operators must pay for the carbon they emit under the EU Emissions Trading System and will continue to do so under its proposed UK replacement. For these sectors, expansion may translate into greater costs to business which is not captured in the modelling.[118]

The assessment does not account for potential efficiency gains or the potential adoption of new technologies and production techniques resulting from the agreement (which would change the CO_2 intensity of output within sectors). It also does not account for the impacts of any specific environmental provisions in the agreement, nor instances where increases in UK or Australian domestic output displaces output in third countries (where emissions could be higher or lower) due to trade diversionary effects.

Transport emissions

The impact of a UK-Australia FTA on transport emissions is uncertain but potential changes may result from the change to the volume trade, the distance goods are transported and the composition of goods traded.

International transport is responsible for 33% of worldwide trade-related emissions,[119] with shipping freight alone accounting for at least 3% of global greenhouse gas emissions.[120] The extent to which trade affects emissions is dependent on three variables, namely: the type of good being traded, the mode of transport and the distance travelled by those goods. For example, different modes of transport vary greatly in their carbon intensity; one kilogram of cargo flown on a plane generates approximately 100 times the emissions of a kilogram of cargo transported by ship (over the same distance).[121]

---

117 The pollution haven hypothesis (PHH) predicts that trade liberalisation will lead to the relocation of pollution-intensive production from countries with more stringent environmental protections to those with lower protections, where firms will face lower costs of compliance with environmental regulations. This could in theory encourage a 'race to the bottom' where Governments lower environmental protections to give domestic firms a competitive advantage over foreign competitors. However, by harmonising environmental regulations, free trade agreements can reward the most efficient and therefore low-cost producers, with the smallest environmental impacts. The evidence on the PHH is mixed, although newer more credible studies tend to find some support for it (see Broner, Bustos and Carbalho, 2012; Millimet and Roy, 2016; Martínez-Zarzoso, Vidovic and Voicu, 2016).

118 These sectors do not map exactly on to the modelled sectors but are likely to account for the majority of emissions from the 'Energy', 'Chemicals, rubber and plastics' and 'Manufactures' sectors.

119 For example, see A. Cristea, et al., "Trade and the greenhouse gas emissions from international freight transport", Journal of Environmental Economics and Management (2012), http://dx.doi.org/10.1016/j.jeem.2012.06.002.

120 T. Smith, et al., "CO2 emissions from international shipping: Possible reduction targets and their associated pathways," UMAS (2016), http://www.lowcarbonshipping.co.uk/files/ucl_admin/DSA_2016_Co2_emissions_in_shipping.pdf

121 For more information on transport carbon emissions, see BEIS greenhouse gas reporting conversion factors (2018). The mode of transport used will be influenced by the type of good being exported, in particular whether it is perishable or part of a supply process that requires rapid delivery of intermediate products, and the proximity of the export destination to an airport, seaport or rail network.

A UK-Australia FTA is expected to increase the value of total UK goods trade (exports plus imports). As such, we can expect several potential changes to the level of transport emissions, resulting from:

> scaling impacts to transport emissions from increased trade

> increased UK-Australia bilateral trade displacing trade with partners that are geographically closer to the UK, which could increase the distance travelled by transported goods

> a change in the types of goods traded between the UK and Australia and the modes of transport used (transport emissions are aligned with the weight, rather than value of trade; Shifts in the value between sectors where the £ per kg ratio is low, such as agriculture and energy, to sectors where it is high, such as electronic equipment, could reduce transport emissions; Shifts between sectors may also impact transport emissions by changing the overall proportion of goods that are travelling by sea and air freight)

Therefore, despite knowing that an FTA will result in goods being transported across greater distances, we cannot state the extent to which total carbon emissions will be affected. A simple preliminary assessment of the impact of transport emissions from bilateral goods trade as well as simple descriptive statistics are outlined in Annex F.

Air pollution

Increased trade could result in air pollution from additional production and trade-related transport, however, there is also evidence that membership of Regional Trade Agreements (RTAs) is linked to better air quality.

Air pollution negatively affects human health and productivity as well as ecosystem integrity and function. Unlike carbon emissions, many of the impacts of air pollution can be localised and depend on the source of the emissions, the scale of the population in the affected areas and the ecosystems affected. In 2015, the Australian Government established a National Clean Air Agreement which seeks to improve air pollution. Tabled actions under the agreement include presenting a proposal to the National Environment Protection Council, with a view to strengthening SO_2 and NO_2 standards by the end of 2019.[122] The UK has experienced declining national air pollutant concentrations, supported by the UK Department for Environment, Food and Rural Affairs (DEFRA) Clean Air Strategy.[123]

In most places where industrial and domestic pollutant sources impact on air quality, effects tend to be steady or improving over time. Traffic pollution problems buck this trend and are generally worsening worldwide.[124] Air pollution from traffic has been reducing in the UK, but at a slower rate than air pollution from other sources.[125] Air pollution is not captured in the CO_2 emissions modelling, but increased trade could increase pollution from production and trade-related transport. As explained above for CO_2 emissions, the impacts would depend on the volume of goods and transport modes used.

There is evidence that membership of RTAs both with and without environmental provisions, is linked with improvement in two measures of air quality: concentrations of sulphur dioxide and nitrogen oxides.[126] The study does not find a definite causal link, but academics have suggested that rising incomes as a result of free trade increase demand for environmental protections.[127] If this is the case, rising incomes from a UK-Australia FTA could help improve air quality.

The Government has published its Clean Air Strategy which includes new and ambitious goals, legislation, investment and policies. Building on the commitments set out in the Clean Air Strategy, the Government has introduced air quality measures in the Environment Bill, which delivers key parts of the Strategy. Emissions of nitrogen oxides have fallen by 33% since 2010 and are at their lowest level since records began.

122 Australian Government, National Clean Air Agreement, 2015.
123 DEFRA (2019) 'Clean Air Strategy' https://assets.publishing.service.gov.uk/Government/uploads/system/uploads/attachment_data/file/770715/clean-air-strategy-2019.pdf
124 UK AIR: Air Information Resource. https://uk-air.defra.gov.uk/air-pollution/causes
125 Table 301: https://www.gov.uk/Government/statistical-data-sets/energy-and-environment-data-tables-env
126 OECD (2018), 'Assessing the Effectiveness of Environmental Provisions in Regional Trade Agreements'. The OECD found a positive relationship between membership of regional trade agreements and improved environmental quality for two out of three pollutants treated as a proxy for environmental quality. However, the extent to which environmental provisions specifically contributed to the improvement could not be concluded with statistical certainty.
127 Cherniwchan et al. (2016) https://www.nber.org/papers/w22636

Biodiversity, land and water use

Modelling shows an increase in trade and production which may result in increased use of resources.

Species population sizes have seen a 60% decline between 1970 and 2014 globally,[128] highlighting the urgency of action needed to prevent further decline. Some of main dangers worldwide include those arising from invasive alien species, climate change, nutrient loading, pollution, and ecosystem changes. Habitats which are important for ecosystem services, including in particular water-related ecosystem services, continue to be lost and degraded.[129] As mentioned, the UK is committed to tackling these threats as a member of the Convention on Biological Diversity and within the 25-Year Environment Plan. In Australia, the 1993 Environment Protection and Biodiversity Conservation Act (EPBC) is the primary environmental legislation. Both parties are committed to Multilateral Environmental Agreements such as the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change.

All the scenarios modelled predict an increase in bilateral trade and increases in UK and Australian output and total trade. Additional production will result in increased use of resources – water, land and raw materials - and production of waste products. The modelling also estimates a decrease of output in some agricultural sectors in scenario 2. Agricultural land in the UK accounts for 72%[130] of total land use while making up less than 1% UK output.[131] There is limited evidence of an elastic response of land use to increased agricultural output in the UK, therefore land use could remain stable and be used more efficiently instead.

The overall impacts on resource use and biodiversity globally are difficult to fully assess, as some additional production could be the result of trade diversion from less efficient producers based in countries with lower environmental standards. For example, in some large agricultural exporters, deforestation for agricultural land use takes place, with negative consequences both for biodiversity and climate change. Until the final negotiated outcome is known, it is difficult to accurately quantify trade diversionary effects.

The modelled sectors are not disaggregated enough to assess the environmental impacts arising from changes in fishing outputs. However, both the UK and Australia are committed to sustainable fishing practices and combatting illegal, unreported and unregulated fishing

128 WWF, Living Planet Report 2018
129 Secretariat of the Convention on Biological Diversity (2015) Water and Biodiversity: Summary of the findings of (GBO4) and implications for action as they relate to water.
130 Defra (2019) The Future Farming and Environment Evidence Compendium, see https://assets.publishing.service.gov.uk/Government/uploads/system/uploads/attachment_data/file/802006/evidence_compendium_16may19.pdf
131 ONS Nominal and real regional gross value added (balanced) by industry (2017) - agriculture and hunting industry.

7. Labour standards

This section provides an overview of the labour protections in place in the UK and Australia and outlines the potential impacts of an FTA on labour standards. Although it is not possible to assess the exact impact of an agreement on labour issues prior to the conclusion of FTA negotiations, Australia maintains high labour standards and, as such, additional imports from Australia resulting from an FTA should be produced in line with such standards. A UK-Australia FTA is also not expected to impact on the UK's legislation elsewhere related to UK labour issues.

7.1 Labour issues and FTAs

Both the UK and Australia have strong legislation on labour standards.

A UK-Australia FTA is expected to increase imports from Australia, and as such the UK will consume more goods and services that have been produced under Australian labour standards. In line with the priorities and concerns raised through DIT's public consultation, potential impacts of a UK-Australia FTA on labour standards is set out below.[132] Table 13 below provides an overview of the labour protections in place in the UK and Australia.

Table 13: Summary of UK and Australia labour standards

Provision	Description
Wage and statutory leave entitlement	Both the UK and Australia have legislation guaranteeing a national minimum wage, statutory leave, sick pay and paid parental leave.[133]
International Labour Organisation (ILO) conventions	The UK was a founding member of the ILO and has signed and ratified all eight fundamental conventions. Australia was also a founding member of the ILO and has adopted all but one of the Fundamental ILO conventions.[134]
Collective bargaining rights	Both the UK and Australia have legislative acts in place which guarantee the right to collective bargaining.[135]
Preventing labour discrimination	Both the UK and Australia have legislation in place which prevents discrimination of employment on the basis of gender, sexual orientation, ethnicity, religion, race or national origin.[136]
Child labour	Both Australia and the UK have signed the ILO Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour. The UK is also a signatory of the ILO Convention concerning Minimum Age for Admission to Employment, committing to pursue a national policy of having 16 as the minimum age for employment.
Prevention of modern slavery	The UK and Australia have been leading countries in the prevention of Modern Slavery, in particular with the introduction of the Modern Slavery Act in the UK in 2015. Australia has additionally implemented its own Modern Slavery Bill, modelled on similar legislation from the UK, to help combat the practice.

7.2 Potential impacts of a UK-Australia FTA

Australia maintains high labour standards and, as such, additional imports from Australia resulting from an FTA will be produced in line with such standards. A UK-Australia FTA is also not expected to impact on the UK's legislation elsewhere related to UK labour issues. The UK is a world leader in workers' rights and UK will continue to advocate for the highest standards and conditions for its citizens after leaving the EU. The UK-Australia FTA may include specific labour provisions which promote higher levels of labour standards and ensure global standards are adhered to among signatories.

Labour provisions can be used to ensure that partners do not lower their standards in order to gain a competitive advantage in relation to trade. These provisions in trade agreements have become increasingly common over the past two decades,[137] however, there is limited literature as to their effect on working outcomes (for example, on wages).[138] Where impacts have been identified, they have generally been positive[139] and provisions have been found to ease labour market access, narrow the gender wage gap and not divert or decrease trade flows.[140] Cross-country empirical analysis of the impact of labour provisions is difficult for several reasons:

1. different agreements contain different kinds of labour provisions

2. countries improving their labour standards may be more likely to agree to sign-up to ambitious labour provisions (a selection bias effect)

3. labour provisions are a recent addition to FTAs (meaning limited available data), and depend on effective implementation, which is a lengthy and iterative process

---

132 Summary of responses to public consultation on a bilateral free trade agreement between the UK and Australia (DIT, July 2018) https://www.gov.uk/Government/consultations/trade-with-australia
133 The Social Security Contributions and Benefits Act 1992, National Minimum Wage Act 1998 and Working Time Regulations 1998 for the UK and the Fair Work Act 2009 and Paid Parental Leave Act 2010 for Australia.
134 Excluding C138 - Minimum Age Convention, 1973.
135 The Trade Union and Labour Relations (Consolidation) Act 1992 for the UK and the Fair Work Act 2009 for Australia.
136 The Equality Act 2010 for the UK and the Age Discrimination Act 2004, Disability Discrimination Act 1992, Racial Discrimination Act 1975 and Sex Discrimination Act 1984 for Australia.
137 In 1995, 7% of trade agreements in force included labour provisions, rising to 29% by 2016. 'Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements', ILO, 2017.
138 Analysis by the International Labour Organisation (ILO, 2016) could not demonstrate a statistically significant impact on labour market outcomes (for example, wages or working hours) between FTA agreements with or without labour provisions.
139 Doumbia-Henry, C, & Gravel, E. (2006). Free trade agreements and labour rights: Recent developments. Int'l Lab. Rev., 145, 185. For example, Samaan & Lopez (2017) examined labour provisions in the 1999 Bilateral Textile Agreement between Cambodia and the US and found that combining obligations to comply with core labour standards with the incentive of higher exports led to a statistically significant reduction in the gender wage gap in the textiles sector.
140 Summary of ILO research (2016), found in 'Handbook on Assessment of Labour Provisions in Trade and Investment Arrangements', ILO, 2017.

As set out above, Australia also maintains high labour standards, so additional imports from Australia resulting from an FTA should be expected to be produced in line with such standards. Whilst a UK-Australia FTA is expected to increase average real wages in the UK, as set out in Table 11 above, it would have no direct impact on statutory minimum wages or leave entitlement currently offered within a country. More generally, the UK-Australia FTA is not expected to impact on the UK's legislation elsewhere related to labour issues. Prior to the conclusion of negotiations, it is not possible to assess the exact impact of an agreement on labour issues.

8. Sensitivity analysis, analytical limitations and risks

To account for the uncertainty associated with the modelled scenarios, baseline and the modelling assumptions, further analysis using different inputs has been conducted. This section presents modelling results of a limited ambition FTA scenario, an alternative baseline for the future trading relationship between the UK and the EU. Monte Carlo analysis was undertaken to give ranges around the results presented in Section 4 (overall impacts), to account for uncertainty in model parameters. The limitations of the analysis are also explained, both the data limitations and the areas not covered by the model.

8.1 Alternative scenarios

The depth of the final negotiated UK-Australia FTA may differ from the central scenarios used in the modelling. A sensitivity scenario using a limited UK-Australia trade agreement has been modelled and still shows positive economic gains for the UK.

The central estimates presented in this document only account for the potential changes in trade costs resulting from an FTA between Australia and the UK. They do not represent an overall economic forecast, nor do they consider the uncertainty of modelling exercises.

The uncertainty surrounding the inputs and assumptions used to construct the core scenarios is driven primarily by the content of the agreement being unknown. This means that the impacts of the negotiated agreement may fall outside the range of estimated impacts if it is far deeper or limited in scope when compared to the headline scenarios.[141]

To assess the sensitivity of the main results to the choice of scenarios, a number of alternative scenarios are assessed (Table 14).

- Sensitivity A represents a shallow trade agreement. It assesses the impact of the UK implementing substantial tariff liberalisation combined with a 10% reduction in the levels of actionable NTMs affecting goods and services in both the UK and Australia. Australia is assumed to fully liberalise its tariffs.

- Sensitivity B represents a comprehensive trade agreement. It assesses the impact of substantial tariff liberalisation by the UK combined with a 50% reduction in the levels of actionable NTMs affecting goods and services in both countries. Australia is assumed to fully liberalise its tariffs to UK exporters.

141 For example, Egger et al. (2015) 'Non-tariff measures, integration and the transatlantic economy'.

Table 14: Summary of macroeconomic impacts under alterative scenarios

Impact	Sensitivity A Shallow trade agreement	Sensitivity B Deeper trade agreement with substantial but not full tariff liberalisation	Comparison Scenario 1 in Core Modelling
Change in GDP	0.00%	0.02%	0.01%
Change in UK exports to AUS	1.9%	6.9%	3.6%
Change in UK imports from AUS	3.2%	15.7%	7.4%

Source: DIT modelling (2020)

Table 14 shows that under sensitivity A there is estimated to be limited impact on UK GDP, of 0.00%. Under sensitivity B the impact on GDP is estimated to be 0.02%.

8.2 Alternative baseline

UK-EU Relationship

The baseline is based on stylised assumptions to represent the potential long run future trading relationship between the UK and the EU. However, to reflect uncertainty around the future relationship between the UK and EU, a WTO relationship baseline is also modelled.

All modelling outputs are estimated relative to a 'baseline'. The baseline represents the economy in the absence of a UK-Australia FTA. An important assumption in this case concerns the future trading relationship between the UK and the EU. Stylised assumptions are used to represent a future hypothetical FTA between the UK and the EU using assumptions taken from the Government's published long run economic analysis of EU Exit.[142]

The choice of baseline influences the impact of the agreement due to the significant trade diversionary impacts resulting from the UK's future economic partnership with the EU.

To assess the sensitivity of the main results to the choice of baseline inputs, the impacts of scenarios 1 and 2 are assessed against an alternative baseline where the UK trades with the EU on WTO terms and MFN rules. This is illustrated in the 'modelled no deal' scenario in the Government's long run economic analysis of EU Exit.

---

142 Underpinning assumptions taken from HMG (2018), 'EU Exit: Long-term economic analysis: Technical Reference Paper'.

This sensitivity analysis suggests that under an alternative WTO baseline, the impact of a UK-Australia FTA could be an increase in UK GDP of 0.01% to 0.02%, with a central estimate of 0.01% in scenario 1 (equivalent to £300 million based on 2018 UK GDP values) and 0.01% to 0.03%, with a central estimate of 0.02% in scenario 2 (equivalent to £500 million).

Table 15: Summary of macroeconomic impacts under WTO baseline

Impact	Scenario 1 under Core Baseline	Scenario 1 under WTO baseline	Scenario 2 under Core Baseline	Scenario 2 under WTO baseline
Change in GDP	0.01% (0.01%-0.01%)	0.01% (0.01%-0.02%)	0.02% (0.02%-0.03%)	0.02% (0.01%-0.03%)
Change in UK exports to AUS	3.6%	3.8%	7.3%	7.7%
Change in UK imports from AUS	7.4%	8.1%	83.2%	93.8%

Source: DIT modelling (2020)

The impact on the UK of trade with the EU on WTO terms and MFN rules can be found in the Government's published long run economic analysis of EU Exit.

Non-adjusted automotive sector

As set out in section 3.2.1, an adjustment has been made to the baseline for Australia's automotive tariffs. DIT conducted an internal assessment of tariff inputs ahead of modelling. On a trade weighted basis, tariffs on motor vehicles faced by UK exporters are therefore adjusted from the GTAP 9 database (23%) to 5%. Table 16 below sets out the key results.

This sensitivity analysis suggests that under an alternative non-adjusted baseline, the impact of a UK-Australia FTA could be an increase in UK GDP of 0.01% in scenario 1 and 0.02% in scenario 2. Under both scenarios, the GDP impacts are estimated to be slightly larger than under the core baseline. Table 16 below summarises the differences in results.

Table 16: Summary of macroeconomic impacts under a non-adjusted baseline

Impact	Scenario 1 under Core Baseline	Scenario 1 under non - adjusted Motor Vehicles sector baseline	Scenario 2 under Core Baseline	Scenario 2 under non - adjusted Motor Vehicles sector baseline
Change in GDP	0.01%	0.01%	0.02%	0.03%
Change in UK exports to AUS	3.6%	7.5%	7.3%	11.6%
Change in UK imports from AUS	7.4%	8.3%	83.2%	94.0%

Source: DIT modelling (2020)

8.3 Analytical limitations

There are several other limitations not explicitly accounted for in the central estimates or sensitivity analysis described above. This includes data limitations, the statistical uncertainty around model parameters and assumptions and other areas not modelled that could have a potential impact on the results. Uncertainty around model parameters has been accounted for in ranges generated by Monte Carlo analysis.

Data

The data used to produce modelling results is drawn from the GTAP 2011 dataset, which draws on data from 2009, 2010 and 2011, except where adjustments have been made as discussed in more detail in Section 3.2 As such, changes in the pattern of world trade between 2009-11 and 2018 will not be reflected in results produced by the model. Depending on changes in the pattern of trade over this period, this could lead to under- or over-estimation of the impact of a UK-Australia FTA. For example, for a given sector an increase in the proportion of UK exports being sent to Australia between 2011 and 2018 could lead to the model underestimating the UK impact of an FTA with Australia.

Similarly, any changes in tariff schedules between 2009-11 and 2018 will not be reflected in results produced by the model. However, analysis using 2017 tariff and trade data from World Integrated Solutions (WITS) showed that there have not been significant, permanent, changes in tariffs and trade shares between Australia and the UK between 2011 and 2017. The tariff data used for modelling and wider analysis are based upon the UK's current tariff schedule (the EU's 'Common External Tariff'). Following a consultation, the UK has recently announced the UK Global Tariff schedule (UKGT), which will apply following the end of the transition period. The estimates do not take into account the UKGT.

In order to assess economy-wide impacts, the model provides a sectoral aggregation of 23 sectors based on the underlying GTAP dataset. While this is appropriate for looking at broad magnitudes of impact, it may not fully capture the more granular interactions that occur at a sub-sector level. This limitation is common to CGE and macroeconomic analysis.

Model parameter uncertainty and Monte Carlo analysis

Where available, key elasticities have been sourced from academic literature and the GTAP 9 database.

The analysis includes ranges around the central point estimates of GDP and equivalent variation, generated by a Monte Carlo statistical process. This accounts for uncertainty in both policy inputs and key structural parameters in the modelling by drawing several thousand input values from their full distributions. The resulting ranges are based on 90% confidence intervals meaning that after accounting for the variation in these parameters, there is a 90% probability that the true value is within the range.

A summary of the parameters varied is provided in Annex A below.

8.4 Investment channel sensitivity

When productivity increases, so too do the returns to capital. Increased returns to capital lead to increases in the capital stock. This endogenous capital channel of impact is included in the core Scoping Assessment results, and this channel is turned off as a sensitivity analysis to understand the importance of accounting for capital accumulation effects.

In the sensitivity analysis of GETRADE with endogenous capital turned off, the impact of scenario 1 and 2 is unchanged.

8.5 Areas not modelled

As detailed in the Government's publication on the long run analysis of EU Exit, there are a number of areas not explicitly modelled:

> ongoing or recently concluded negotiations, including EU-Australia negotiations, EU-New Zealand negotiations, and the United States-Mexico-Canada Agreement

> future domestic policy choices

> global trends such as the rise of global value chains, the increasing importance of services trade, changing demographics, technological advancement, and economic development[143]

> the results set out the potential long run economic impacts of trade agreement scenarios between the UK and Australia, assuming no other changes (this analysis is not a forecast of the UK economy over a specific timeframe and does not model any transitional or short run impacts)

8.6 Risks

There are resource implications for the Government associated with negotiating a UK-Australia FTA. These include staff time as well as the specific costs associated with conducting international negotiations.

The gains outlined in the analysis assume that a negotiated outcome is reached and an agreement implemented. There is a risk where if the agreement were not implemented these gains would not materialise, and the Government would still incur the operational costs associated with pursuing the negotiations.

---

143 EU Exit: Long-term economic analysis, HMG (2018).

9. Summary of analysis and next steps

The Scoping Assessment provides a preliminary assessment of the scale of the potential macroeconomic and distributional impacts of a UK-Australia FTA. These are summarised below in Table 17.

Table 17: Summary of estimated impacts of scenarios

Impact	Metric	Scenario	Scenario 2
Macroeconomic indicators			
Growth	Change in GDP	0.01% (0.01% to 0.01%)	0.02% (0.02% to 0.03%)
		£200 million (£200 million to £300 million)	£500 million (£400 million to £700 million)
Trade	Change in UK exports to AUS	3.6%	7.3%
	Change in UK imports from AUS	7.4%	83.2%
	Change in total UK exports	0.1%	0.3%
	Change in total UK imports	0.0%	0.1%
Businesses / commercial opportunities			
Direct tariff savings on imports of intermediate goods from Australia	Potential annual tariff savings for businesses, owing to tariff liberalisation on imports of intermediate goods.	£4.9 million to £6.0 million	£5.2 million to £6.3 million
Direct tariff reductions on UK exports to Australia	Potential annual tariff savings owing to tariff liberalisation on exports of all goods Australia	£124 million	£124 million
Consumer savings			
Direct tariff savings on imports of consumer goods from Australia	Potential annual tariff savings for consumers owing to tariff liberalisation on goods.	£27.1 million to £27.9 million	£33.4 million to £34.3 million
Workers			
Wages	Change in real wages	0.01% (£100 million)	0.05% (£400 million)
Employment adjustment	Proportion of labour force affected	0.01%	0.05%

Source: DIT modelling (2020); central estimates and ranges for GDP impacts[144]

144 All ranges have been generated by a Monte Carlo statistical process. This draws several thousand input values, covering a range of structural and policy parameters, from their full distributions. The central estimates are not necessarily the midpoint of the range. See technical Annex A for more details.

The estimates are based upon a range of scenarios which relate to the scale of trade costs reductions achieved by the agreement. The provisions in the agreement are not yet known and the estimates are subject to a high degree of uncertainty. If the eventual agreement results in different reductions in trade costs in various sectors to those modelled in this assessment, then the scale and distributional impacts are likely to differ from those outlined here.

Next steps

DIT is committed to a transparent and evidence-based approach to trade policy. Therefore, following the conclusion of negotiations, a full impact assessment will be published prior to implementation. DIT will continue to review the potential economic impacts of FTAs and the full impact assessment will update and refine the preliminary estimates of the scale and distribution of impacts outlined in this Scoping Assessment.

The full impact assessment will include:

> updated modelling of the scale and distribution of impacts based upon refinements to the assumptions underpinning the scenarios in line with further detail of the negotiated outcome and in line with new evidence as it emerges

> further analysis of the sectoral, distributional, social and environmental impacts of the agreement, and of the impacts on developing countries

DIT has established several stakeholder engagement mechanisms to seek expert insight on relevant trade policy matters and to help build the evidence base to support future detailed impact assessments. These groups will enable the Government to draw on external knowledge and experience to further enhance the evidence base underpinning the UK's trade policy.

Prior to implementation of this agreement, DIT will publish a monitoring and evaluation framework explaining how the department intends to monitor and evaluate FTAs. Following implementation of the agreement, over the longer run, DIT will monitor the implementation of the agreement and publish an evaluation of the agreement at the appropriate time.

Technical annexes 10. Annex A: description of Computable General Equilibrium model

The macroeconomic analysis in the report uses the Government's CGE model, GETRADE. The model is based on the standard GTAP model and GTAP 9 dataset (referenced to 2011 as the base year) and has been extended further to incorporate insights from modern economic trade theory. The GTAP model and dataset is one of the most widely used tools for international trade analysis. The following section highlights the key model features and assumptions on model structure underpinning the model. For a full technical description of the model and dataset please see the technical reference paper accompanying the Government's recent publication on the long run economic analysis of EU Exit.[145]

10.1 Model features

There are a number of model features that capture key channels of impact arising from international trade:

> **Ricardian comparative advantage** – the gains from trade arising from specialisation across countries

> **Armington varieties** – using a variety of imported inputs in intermediate production can help firms lower production costs

> **Krugman scale effects** – changes to the number of firms in the economy can affect aggregate productivity

> **Melitz effects** – lower trade costs can lead to changes in the number of firms active in each bilateral trade route which affects productivity

> **Capital accumulation** – changes in productivity resulting from changes to trade costs can affect returns to capital, the level of investment and capital in the economy, and a change in the capital to labour ratio

> **Mode 3 trade in services** – services firms can access other markets by establishing a commercial presence

---

145 HMG (2018b), 'EU Exit: Long-term economic analysis technical reference paper'.

10.2 Key assumptions on model structure

The model is based upon a set of structural assumptions describing the interactions between agents in the domestic economy, and the trade linkages between different regions.

This encompasses a number of standard structural assumptions including:

> full employment of labour and capital; this is because in the long run the economy would have time to adjust to new trade policy and displaced workers would be reallocated to jobs in other sectors[146] (the model assumes a fixed labour supply)

> perfect labour mobility between sectors in the same country but not between skill type or different countries

> two types of capital: sector-specific capital, which cannot move between sectors, and mobile general-purpose capital which can

> countries are linked only via trade in goods and services; the primary trade policy lever impacting these links are tariffs, NTMs and regulatory restrictions to services

10.3 Monte Carlo analysis

The analysis includes ranges around central point estimates generated by a Monte Carlo statistical process. The ranges are based on 90% confidence intervals meaning that after accounting for the variation in these parameters, there is a 90% probability that the true value is within the range. The process is identical to that used in HMG's EU Exit: Long-term Economic Analysis publication (HMG, 2018). However, given the focus is on the value of an FTA with a new country partner there are two key differences that have been introduced into the process:

> the Monte Carlo analysis includes statistical distributions around NTM reduction estimates between the UK and the new FTA country partner

> the parameters in the Monte Carlo analysis affect the UK-EU baseline as well as the FTA impacts. In order to isolate the uncertainty around the FTA results the Monte Carlo analysis is sequentially run, first for the EU exit baseline in isolation and then again for the EU exit baselines with the FTA scenario switched on; the difference between the Monte Carlo results of each run provides the distribution underpinning the ranges reported for the FTA's impact; these two ranges are required to elicit the ranges presented in this documentA summary of the parameters varied is provided below. For further detail on the parameters common to both this analysis and EU exit, see HMG's publication on EU Exit: Long-term Economic Analysis (HMG, 2018).

Table 18: Summary of the parameters varied for Monte Carlo analysis

Parameter	Definition	Distribution used	Range of values
UK-FTA partner NTMs	Estimated NTM levels on UK-FTA partner trade (AVE)	Log-normal	Statistical distributions estimated econometrically around central estimates
UK-EU NTMs	Estimated NTMs on UK-EU trade (AVE) with an FTA and No Deal baseline	Log-normal	Statistical distributions estimated econometrically around central estimates
NTM symmetry parameter	Parameter to reflect the fact that NTM increases on leaving an FTA may not be as high as joining one (applied only to the UK-EU relationship in the baseline)	Uniform	70-100% (midpoint 85%)
Technical and rent-generating NTM ratio	Ratio of NTMs assumed to be efficiency-reducing or rent-generating	Uniform	55:45 – 85:15 (midpoint 70:30)
Sigma	Firm-level elasticity of substitution between varieties	Uniform	2 – 5 (midpoint 3)
Etav	Scalar altering the magnitude of the bilateral export supply elasticity	Uniform	0.5 – 1.5 (midpoint 1)

Source: DIT (2020), HMG (2018)

---

146 As argued by Petri and Plummer (2017:10), the assumption is used in most applied models of trade agreements.

10.4 Sectors

Table 19 shows how the sectors provided in the source data (GTAP 9) are grouped together for the purposes of the Scoping Assessment analysis.

Table 19: Sector grouping

Sector group	Sector name	GTAP 9 code	Sector description
Agri-foods	Agriculture	PDR, WHT, GRO, V_F, OSD, C_B, PFB, OCR, CTL, OAP, RMK, WOL, FRS, FSH	Paddy rice; Wheat; Cereal grains n.e.c.; Vegetables, fruit, nuts; Oil seeds; Sugar cane, sugar beet; Plant-based fibers; Crops n.e.c.; Bovine cattle, sheep and goats, horses; Animal products n.e.c.; Raw milk; Wool, silk-worm cocoons; Forestry; Fishing
	Beverages and tobacco products	B_T	Beverages and tobacco products
	Semi-processed foods	CMT, OMT, VOL, MIL, PCR, SGR	Bovine meat products; Meat products n.e.c.; Vegetable oils and fats; Dairy products; Processed rice; Sugar
	Processed foods	OFD	Food products n.e.c.;
	Chemical, rubber, plastic products	CRP	Chemical, rubber, plastic products
	Electronic equipment	ELE	Electronic equipment
	Energy	COA, OIL, GAS, OMN, P_C, ELY, GDT	Coal; Oil; Gas; Minerals n.e.c.; Petroleum, coal products; Electricity; Gas manufacture, distribution

Sector group	Sector name	GTAP 9 code	Sector description
Industry	Manufactures of materials	LUM, NMM, I_S, NFM, FMP	Wood products; Mineral products n.e.c.; Ferrous metals; Metals n.e.c.; Metal products
	Motor vehicles and parts	MVH	Motor vehicles and parts
	Other machinery and equipment	OME	Machinery and equipment n.e.c.;
	Other manufacturing	OMF	Manufactures n.e.c.;
	Other transport equipment	OTN	Transport equipment n.e.c.;
	Paper and printing products	PPP	Paper products, publishing
	Textiles, apparel, and leather	TEX, WAP, LEA	Textiles; Wearing apparel; Leather products
Services	Business services	OBS	Business services n.e.c.;
	Communications	CMN	Communication
	Construction	CNS	Construction
	Financial Services	OFI	Financial services n.e.c.;
	Insurance	ISR	Insurance
	Other services (transport, water, dwellings)	WTR, OTP, WTP, ATP, DWE	Water; Transport n.e.c.; Water transport; Air transport; Dwellings
	Personal services	ROS	Recreational and other services
	Public services	OSG	Public administration, defense, education, health
	Wholesale and retail trade	TRD	Trade

11. Annex B: Derivation of modelling inputs

This annex outlines the methodology used to estimate the initial levels of NTMs affecting trade in goods and regulatory restrictions affecting trade in services. These are then applied to the modelling as set out in section 3.2 (see box 2).

11.1 Methodology

NTMs and regulatory restrictions to services are policy measures that can influence trade by changing what can be traded, and at what price. These can increase the cost of trade and therefore reduce the amount that is traded, even though NTMs and regulatory restrictions to services can serve legitimate public policy objectives. Some NTMs and regulatory restrictions to services may also increase trade – for example, the enforcement of high product standards may increase consumer demand for some goods.

NTMs and regulatory restrictions to services can be hard to observe and are often wide-ranging, resulting in difficulties in estimating the costs they place on businesses. There is a growing body of literature estimating how NTMs affect trade (most commonly expressed in terms of *ad valorem* tariff equivalents).[147] There are two main approaches to estimating the scale of measures affecting trade between partners in the literature: direct (observing how prices have changed due to barriers or FTAs) and indirect (inferring the impact of NTMs and regulatory restrictions from distortions in the patterns of trade).[148]

This assessment uses the indirect approach. Building upon best practice in the literature, a gravity model is used to provide estimates of the levels of NTMs and regulatory restrictions to services to trade in various countries. Gravity modelling is an econometric framework for estimating the determinants of international trade patterns. It is referred to as the 'workhorse model of international trade', due to its ability to consistently explain patterns of international trade.[149] The NTM estimation methodology used here follows from one developed by the Centre d'Études Prospectives et d'Informations Internationales (CEPII).[150]

The gravity model assesses the patterns of trade between each country in the dataset (120 countries) for 30 sectors for the years 2004, 2007, and 2011. It controls for the impact of a range of common characteristics between countries. The specifications for the gravity model are set out in Box 5 on the next page. The importer-time fixed effects can be used to estimate the level of NTMs and regulatory restrictions into each country.

For each sector and each year, a benchmark country is identified as the country which has the highest importer-time fixed effect. This corresponds to the country which is observed to trade the most given its observed characteristics. This benchmark fixed effect is used as a proxy for the 'free trade' level of barriers that would exist across countries and other countries' fixed effects are then compared to this to estimate how distorting the overall levels of barriers to trade are for exporters to each country. This 'trade distortion' is then converted into an *ad valorem* tariff equivalent using the formula beside:

147 This represents the equivalent tariff (as a % of the value of the good) that would restrict trade by the same amount as the NTMs. For example, if a labelling requirement were to increase the cost of wine production by 3%, the impact of the labelling requirement would be estimated as equivalent to a 3% tariff.
148 For further discussion of each approach see: Chen, N and Novy, D. (2012) "On the measurement of trade costs: direct vs. indirect approaches to quantifying standards and technical regulations." World Trade Review, Volume 11
149 For a discussion of the history and uses of gravity modelling, see Head, K & Mayer, T, 2014. "Gravity Equations: Workhorse, Toolkit, and Cookbook," Handbook of International Economics, Elsevier.
150 See Fontagne et al, "Estimations of Tariff Equivalents for the Services Sectors", 2011, CEPII & Fontagne et al, "Estimated Tariff Equivalents of Services NTMs", 2016, CEPII Working Paper.

$$ln(1 + AVE)^{1-\sigma} = u_i - u_{free\ trade}$$

Box 5 - Gravity Model Specifications

The specification for goods[153] and agriculture sectors is:

$$Ln(imports_{ij}) = \beta_1 + \beta_2 EU + \beta_3 FTA + \beta_4 EEA + \beta_5 Ln(Distance_{ij}) + \beta_5 Border_{ij} + \beta_6 History_{ij} +$$
$$\beta_7 OfficialLanguage_{ij} +$$
$$\beta_8 EthnicLanguage_{ij} + \beta_9 Ln(Tariffs_{ij}) + \beta_{10} CommonHistory + \beta_{11} TimeDiff_{ij} + 0.8 Ln(GDP_i) +$$
$$\beta_k \sum_{i=1}^{n*t} \alpha_i + \beta_l \sum_{j=1}^{n*t} \gamma_j + \varepsilon$$

The specification for services[154] trade is:

$$Ln(imports_{ij}) = \beta_1 + \beta_2 EU + \beta_3 FTA + \beta_4 EEA + \beta_5 Ln(Distance_{ij}) + \beta_5 Border_{ij} + \beta_6 History_{ij} +$$
$$\beta_8 EthnicLanguage_{ij} + \beta_9 TimeDiff_{ij} + 0.8 Ln(GDP_i) + \beta_k \sum_{i=1}^{n*t} \alpha_i + \beta_l \sum_{j=1}^{n*t} \gamma_j + \varepsilon$$

Where:

- The natural logarithm of imports between exporter i to importer j is the dependent variable in the regression

- EU is a dummy variable equal to 1 when both countries are members of the EU

- FTA is a dummy variable equal to 1 when both members are partner to an FTA

- EEA is a dummy variable equal to 1 if trade is between Norway and an EU member

- Distance relates to the bilateral distance between each trading partner

- Border is a dummy variable equal to 1 where trading partners share a common border

- History is a dummy variable equal to 1 where trading partners were part of a colonial relationship

- Official Language is a dummy variable equal to 1 where both trading partners share an official common language

- Ethnic Language is a dummy variable equal to 1 where the language spoken by more than 9% of the population is the same

- Time Difference in hours (between capital cities)

- Common History is a dummy variable equal to 1 where trading partners shared a colonial history since 1945 (for example, Commonwealth states)

- For goods and agriculture sectors, the natural logarithm of tariffs between each country is included. To remain consistent with DITs CGE modelling, the coefficient of tariffs is constrained to be equal to 1 minus the elasticity of intra-imports from the GTAP CGE model

- GDP for the importer in each year is included, so separate the impact of economic size from the importer-year fixed effect, the coefficient is constrained to 0.8 to avoid the problem of multicollinearity with the importer-time fixed effects[155]

- α_i represents a set of exporter-year fixed effects controlling for exporter specific characteristics that are prevalent in each year

- γ_j represents a set of importer-year fixed effects, controlling for importer specific characteristics that are prevalent in each year

---

153 The only exception is for the automotive sector, where an additional variable is added to control for membership of UN Economic Commission for Europe, which regulates international standard in vehicles.

154 The only exception is for the automotive sector, where an additional variable is added to control for membership of UN Economic Commission for Europe, which regulates international standard in vehicles.

155 0.8 is chosen in line with Fontagne et al. (2011)'s judgement as it represents the most reliable estimate of GDP's impact.

12. Annex C: Methodology and results for preliminary assessment of impacts on production in the nations and regions of the UK

12.1 Methodology

The modelling apportions the UK-wide GVA shocks from the CGE modelling to the NUTS 1 regions of the UK nations and regions.[156] Firstly, we take the sectoral shocks from the CGE modelling, set out in Table 6, and apply these to the GVA of the relevant sector in each region. The full impact in each nation and region is derived by summing the impact on each sector in a region to give the percentage change from the baseline level of GVA for each nation or region, as set out below:

$$Shock_r = \sum_{s}^{s} Share\ of\ GVA_{rs} \times National\ Shock_s$$

where r stands for NUTS 1 region and s stands for sector.

There is a risk that this approach underestimates the overall impact in each region because it does not account for second-round effects from a shock resulting from the concentration of, and UK regional specialisation in, different industries. To take this into account and to provide a sensitivity check, the model weights the shock using location quotients (see Box 6 for an explanation of how the location quotients are calculated). For each sector, the shock for each region is derived by multiplying the location quotient for that sector and region by the estimated impact for each sector in each region. The sectoral changes are constrained to ensure the overall change in a sector matches the sectoral change from the CGE results. For this method:

$$Shock_r = \sum_s^S Share\ of\ GVA_{rs} \times National\ Shock_s \times Location\ Quotient_{rs} \times Constraint_s$$

where r stands for NUTS 1 region and s stands for sector.

The location quotient-weighted approach amplifies positive and negative UK regional results, but for most regions the difference is small. In both scenarios the methods agree on which regions are estimated to increase or decrease their output relative to the baseline. To acknowledge the uncertainty around the apportionment approach, the maps in Chart 16 use the mid-point of the two methods.

Box 6: Location Quotients

Location quotients are used to reflect how concentrated or specialised a sector is within a given nation or region. The location quotient is calculated by dividing a sector's employment share in a region by the employment share in the UK. A value of 1 indicates that that an industry's share of employee jobs in the region is the same as its share of employee jobs nationally. A value greater than 1 means that the industry makes up a larger share of employee jobs in the region than at the national level (i.e. the nation or region is particularly specialised in a sector). For example, Northern Ireland has a location quotient of 4.63 for semi-processed foods, meaning the share of jobs in the semi-processed foods sector in Northern Ireland is over four times the share of jobs in the sector in the UK as a whole. Table 20 presents employment-based location quotients for UK by nation and region.

Table 20: Specialisation of sectors across the 12 NUTS 1 nations and regions of the UK (using location quotient approach)

	Sectors (27)	NE	NW	Y&H	EM	WM	East	London	SE	SW	Wales	Scotland	N. Ireland
Agri-Food	Agriculture	0.61	0.65	1.15	1.12	1.14	1.33	0.03	0.93	1.40	2.07	2.03	2.32
	Semi-processed foods	0.56	1.06	2.09	1.98	1.47	1.14	0.16	0.17	1.57	1.59	0.90	4.63
	Processed foods	1.01	1.43	1.74	2.34	0.90	0.64	0.45	0.50	0.93	1.07	1.11	1.16
	Beverages and tobacco products	0.32	0.78	1.23	0.60	1.15	1.54	0.37	0.40	1.36	0.82	2.98	1.34
Industries	Petroleum and coal products	2.27	1.45	2.36	0.03	1.13	0.15	0.03	0.95	0.39	2.37	2.15	0.08
	Mining and extraction	0.85	0.24	0.73	1.16	0.09	0.29	0.38	0.32	0.63	0.99	6.63	1.37
	Textiles, leather and wearing apparel	1.58	1.49	1.32	3.28	0.91	0.41	0.46	0.35	0.54	0.64	1.48	1.06
	Other manufacturing	0.81	1.27	1.35	1.92	1.57	0.95	0.23	0.64	1.22	0.90	1.11	1.92
	Paper and printing products	0.81	0.98	1.22	1.09	0.65	1.29	1.32	0.94	0.80	0.94	0.54	0.65
	Chemical, rubber, plastic products	1.83	1.57	1.37	1.66	1.22	0.96	0.16	0.84	0.83	1.29	0.81	1.55
	Metals	1.70	1.25	1.43	1.13	1.75	1.02	0.23	0.73	0.85	2.03	0.71	0.93
	Motor vehicles and parts	2.61	1.33	0.62	0.70	3.89	0.60	0.18	0.70	0.75	1.29	0.29	0.93
	Other transport equipment	0.50	1.49	0.18	1.98	0.71	0.90	0.12	0.76	2.86	1.89	0.85	1.79
	Electronic equipment	0.76	0.65	0.34	1.15	0.95	1.27	0.26	1.90	1.42	1.46	1.17	1.57
	Other machinery and equipment	1.61	0.84	1.28	1.23	1.63	1.38	0.26	0.96	1.23	0.80	0.88	1.21
	Manufacturing n.e.c.	1.00	0.93	1.49	1.56	1.06	0.98	0.30	1.00	1.25	2.25	0.65	1.01
	Electricity and gas	1.01	0.93	0.89	1.70	1.21	0.52	0.42	1.18	0.87	1.30	1.78	0.67
Services	Other services (water, dwellings)	0.77	1.08	1.08	1.00	1.24	1.09	0.97	1.13	0.79	0.63	0.83	0.61
	Construction	0.86	0.87	1.05	1.09	0.83	1.20	0.78	1.07	1.14	1.16	1.17	0.90
	Wholesale and retail trade	0.99	1.01	0.99	1.08	1.05	1.03	0.86	1.02	1.13	1.05	0.96	1.08
	Transport services	1.04	1.12	0.97	1.04	0.98	0.99	1.26	0.99	0.67	0.63	0.87	0.96
	Communications	1.53	1.02	0.74	0.42	0.75	1.07	1.04	1.46	0.78	0.69	1.17	0.70
	Financial services	0.61	0.85	0.87	0.46	0.65	0.65	2.23	0.71	1.01	0.50	0.91	0.71
	Insurance	0.41	0.78	0.36	0.12	0.90	0.84	1.24	1.63	0.93	1.80	1.25	0.45
	Business services	0.76	0.93	0.85	0.86	0.84	1.07	1.48	1.10	0.79	0.63	0.79	0.63
	Personal services	0.89	0.81	0.86	0.84	0.90	0.98	1.39	0.99	0.85	0.85	1.13	0.77
	Public services	1.22	1.05	1.08	0.95	1.02	0.92	0.82	0.96	1.07	1.23	1.14	1.22

Source: Business Register and Employment Survey, 2016 (ONS, NISRA) and DIT calculations.

12.2 Results

Based on this approach, Chart 16 presents the estimated changes in UK regional GVA under each FTA scenario modelled, compared to the baseline. It shows there is expected to be a small positive impact across all the regions of the UK from an FTA with Australia under scenario 1. Under scenario 2, all regions are expected to gain, except for Northern Ireland, because of estimated falls in output against the baseline in 'agriculture' and 'semi-processed foods', in which Northern Ireland is relatively concentrated.

12.3 Limitations

The analysis requires several simplifying assumptions and is subject to limitations, for example, it:

> is based on sector results at an aggregate level, so will not fully reflect differences in patterns of production across nations and regions of the UK

> does not explicitly consider the varying trade patterns of individual sectors across each part of the UK

> uses employment location quotients to weight the apportionment of the national, sectoral GVA shock, which may not accurately reflect the structure of regional economies

> assumes the long run structure of regional economies are consistent with employment location quotients calculated using 2016 Business Register Employment Survey data (ONS, NISRA)

> assumes that the sector GVA shock is the same for all regions of the UK, i.e., the CGE model provides only a UK-wide sectoral shock

> does not give any insight into how regions adjust to a new long run equilibrium position

> the modelling does not explicitly take account of any impacts arising from the Protocol on Ireland/ Northern Ireland (to the Withdrawal Agreement)

The aim is to provide a high-level overview of potential UK regional impacts, using an intuitive analytical approach rather than precise point estimates or forecasts.

13. Annex D: Methodology and results for preliminary assessment of potential impacts on businesses, including SMEs

FTAs can generate a range of opportunities and challenges for businesses. Benefits arise from increased trade liberalisation as firms gain greater market access to cheaper, and more varied, imported inputs. SMEs may benefit from increased trading opportunities but may also face more competition from products sold by businesses from the partner country.

This annex sets out the methodology for providing an approximation of the potential scale of tariff savings for UK businesses on the imports of intermediate and final goods. The impacts on UK SMEs and one-off costs associated with familiarisation of the agreement are also discussed.

13.1 Calculating the scale of improved market access for businesses and cheaper production inputs owing to tariff liberalisation

Methodology

UK imports from Australia

The order of magnitude of potential tariff savings for businesses and consumers importing goods from Australia are calculated using trade flow data in 2017 and 2018 at the 8-digit product classification (HS2017) sourced from HMRC.

The HMRC data is aggregated into the UN's 'Broad Economic Categories' via the conversion table developed by the UN. The BEC classification of goods is then assigned to the two basic kinds of domestic end-use categories as laid out in the System of National Accounts (SNA), namely – intermediate or final goods.[157]

Before aggregation, the trade data is matched to corresponding data for applied tariffs in 2018 in the UK from the MacMaps database.

The initial scale of tariff liberalisation is calculated by multiplying the 2-year average import values over 2017 and 2018 with the corresponding EU common external tariffs. In line with the assumptions set out for the modelling above in scenario 2 – that the UK eliminates its import tariffs with Australia – this presents a simplified estimate of the total potential tariff liberalisation from the agreement.

Upper and lower estimates are provided. To calculate the upper estimate, we multiply the estimated level of tariff reductions by the percentage of trade that entered the UK from Australia as 'MFN Non-Zero' (thereby paying some tariff). This includes trade that is not required to pay the full MFN tariff rate. For example; TRQs that the UK offers to non-EU countries through the WTO; duty relief that is granted for goods traded under inward and outward processing rules; and suspended duties under international agreements. This percentage is estimated from 2017-2018 trade flow data from the EU Comext Database.[158,159]

To calculate the lower estimates, we multiply the figure calculated in the step above by the percentage of MFN Non-Zero trade that claimed no duty relief for inward or outward processing (2017 and 2018 average from EU Comext).[160] Due to lack of data, this assumes 100% duty relief for trade claiming duty relief. The final estimated results are aggregated to a single figure.

It is important to note that reductions in tariff costs facing importers also reflect an equivalent reduction in Government tariff revenues on these products, which may be offset by increased tax revenues from higher economic activity in the UK.

UK exports to Australia

The order of magnitude of potential tariff savings for businesses exporting goods to Australia are calculated using trade data from ITC-TradeMap for the year's 2017-2018 at the 8-digit product classification (HS2017).[161] The ITC-TradeMap data is aggregated into the UN's 'Broad Economic Categories' via the conversion table developed by the UN. The BEC classification of goods is then assigned to the two basic kinds of domestic end-use categories as laid out in the SNA, namely – intermediate or final consumption goods.[162] Before aggregation, the trade data is matched to corresponding data for applied tariffs in 2018 in Australia which are downloaded from the MacMaps database.

The initial scale of tariff liberalisation is calculated by multiplying the average import values over the period with the corresponding tariffs. It is not possible from published datasets to replicate the adjustments made for UK exports that is undertaken for UK imports.

---

157 See accompanying manual of the fifth revision of BEC https://unstats.un.org/unsd/trade/classifications/bec.asp. For the purposes of this analysis, goods that are allocated as 'Capital Goods' are treated as 'Intermediate', as they are likely to be purchased by businesses.
158 EU-Extra Imports by Tariff Regime. Trade that enters the UK under an 'Unknown' import regime is excluded from the analysis.
159 Such as under the Tariff-rate Quota with an in-quota tariff rate that is not zero.
160 For information about inward processing, see https://www.gov.uk/guidance/inward-processing, and for outward processing see https://www.gov.uk/guidance/outward-processing-relief-opr. Goods not claiming some form of duty relief are recorded as 'normal' trade in 'Stat regime' in the EU database. This adjustment may slightly understate potential tariff reductions, as it assumes that processing trade receives 100% tariff relief, which is unlikely to be the case.
161 Specifically imports into Australia from the United Kingdom.
162 See accompanying manual of the fifth revision of BEC https://unstats.un.org/unsd/trade/classifications/bec.asp

Limitations

Following a similar approach widely applied in the literature, the calculations aim to provide an indication of the magnitude of direct savings owing to tariff liberalisation.[163] They are subject to a number of limitations:

> they are based upon current trade patterns and do not take into account the likely changes in trade patterns resulting from the price changes, Therefore, these estimates may understate the gains to UK businesses and consumers from reduced tariffs if trade were estimated to increase after price effects

> the analysis is based on the UK's current tariff levels and does not take into account future changes to its MFN tariff levels

> the proportion of the savings passed through to consumers is not known, as some businesses may consume final goods or and not fully adjust the prices of their products/services to UK consumers

13.2 Impact on SMEs

SMEs may be defined as:

> Firms employing fewer than 50, and fewer than 250 employees, respectively; and

> Firms not exceeding either (a) £44 million in annual turnover or (b) an annual balance-sheet total of £38 million.

SMEs represent a key component of the UK economy: in 2018 these made up over 99% of the total number of private sector businesses, representing 60% of private sector employment and 52% of private sector turnover.[164] UK SMEs play an integral role in engaging with the international economy. SMEs are increasingly international traders in their own right. For example, in 2018, 97% of businesses exporting goods were SMEs, representing 29% of the UK's total exports.[165] Moreover, SMEs form a key part of the supply chain for larger UK and global firms, by producing intermediate goods used to manufacture other goods.

SMEs typically face larger impacts from trade barriers than larger firms, since larger firms are better able to leverage influence or exploit economies of scale to reduce the associated costs and risks of internationalisation. This is particularly the case where trade barriers represent fixed costs to businesses, as regulatory and NTMs can be burdensome to comply with.This section considers the variation of SMEs across sectors of the economy in order to compare with the estimated pattern of impacts across sectors set out in Table 6.

Methodology

The CGE model presents the indicative impact on each of the 23 sectors of the model, as identified in the main results section (Table 6).

The BEIS Business Population Estimates (BPE) show that the concentration of SMEs varies markedly across sectors of the economy.[166] The BPE data classified according to the Standard Industrial Classifications (SIC), are mapped to the sectors included in the modelling.

Table 21: SMEs in the profile of UK Businesses

Business size (# of employees)	No. of Businesses	% of Total Businesses	Employment Contribution (number of employees)	% of Employee Contribution	Turnover Contribution (£ million)	% Turnover Contribution
None	4,278,225	75.5%	4,643,000	17.1%	274,917	7.2%
1 to 49	1,346,940	23.8%	8,242,000	30.5%	1,123,586	29.1%
50 to 249	34,835	0.6%	3,399,000	12.6%	595,003	15.3%
> 249	7,510	0.2%	10,743,000	39.7%	1,868,106	48.4%
Total	**5,667,510**	**100.0%**	**27,027,000**	**100.0%**	**3,861,612**	**100.0%**

Source: BEIS Business Population Estimates (2018)

---

163 For example, see, "Consumer benefits from EU trade liberalisation: How much did we save since the Uruguay Round?" Lucian Cernat, Daphne Gerard, Oscar Guinea and Lorenzo Isella - Chief Economist Note, DG Trade, Issue 1, February 2018.
164 BEIS Business Population Estimates (BPE, 2018).
165 HMRC Trade in Goods by Business Characteristics (2017).
166 BEIS Business Population Estimates (BPE) combines a number of data sources on the business population (UK Business: Activity, Size and Location (ONS), Business Demography (ONS) and Small and Medium Enterprise Statistics (BEIS)) to generate holistic estimates for all active businesses, including sole-traders and unregistered businesses See Economic & Labour Market Review (Vol. 5, No. 4) (ONS). Please note in the turnover data, there is no data for Financial Services and Insurance sectors.

Table 22: SMEs across sectors by number and turnover

GTAP sector	Sectoral distribution of SMEs	SMEs Turnover by Sector (£ million)	Estimated Contribution to Turnover		
			Micro/Small	Medium	Large
Agriculture	2.78%	38,196.4	81.50%	9.00%	9.50%
Beverages and tobacco products	0.27%	9,861.8	15.82%	18.12%	66.07%
Processed foods	0.40%	29,585.3	15.82%	18.12%	66.07%
Semi-processed foods	0.81%	14,792.7	15.82%	18.12%	66.07%
Chemical, rubber, plastic products	0.40%	14,792.7	15.82%	18.12%	66.07%
Electronic equipment	0.50%	4,930.9	15.82%	18.12%	66.07%
Energy	0.13%	28,325.1	14.14%	9.13%	76.73%
Manufacture of materials	0.13%	19,723.6	15.82%	18.12%	66.07%
Motor vehicles and parts	0.94%	4,930.9	15.82%	18.12%	66.07%
Other machinery and equipment	0.40%	34,516.2	15.82%	18.12%	66.07%
Other Manufacturing	0.54%	9,861.8	15.82%	18.12%	66.07%
Other transport equipment	0.27%	14,792.7	15.82%	18.12%	66.07%
Paper and printing products	1.34%	29,480.9	24.48%	16.61%	58.91%
Textiles, leather, and wearing apparel	0.40%	14,792.7	15.82%	18.12%	66.07%
Business services	22.39%	378,980.3	44.65%	16.38%	38.97%
Communications	1.07%	19,619.1	30.37%	15.58%	54.05%
Construction	17.50%	238,945.7	62.10%	13.00%	24.90%
Financial services	1.02%	-	-	-	-
Insurance	0.51%	-	-	-	-
Other services (water, dwellings)	8.62%	154,104.0	36.53%	13.93%	49.54%
Personal services	8.97%	79,056.7	28.17%	10.66%	61.16%
Public services	15.57%	128,310.3	44.66%	14.70%	40.64%
Wholesale and retail trade	15.04%	723,604.3	35.07%	16.31%	48.62%

Source: DIT Internal Analysis of BEIS Business Population Estimates (2018), no turnover data available for Financial and Insurance sectors.

SMEs are present in all sectors of the economy, but four sectors - Construction, Business Services, Public Services, and Retail and Wholesale Trades – are estimated to make up over two-thirds of the total number of UK SMEs (Table 22).

The data on sectors where SMEs are located above are combined with the sectors where output is expected to increase or decrease relative to the baseline, as set out in Table 6 of the main report.

Results

While micro, SMEs account for around 51% of total UK business turnover, these businesses represent 62% of turnover in the sectors which are estimated to fall relative to the baseline according to the CGE model results in scenario 2 (Chart 19). Under scenario 2, SMEs account for 51% of the turnover in expanding sectors relative to the baseline, which is in line with the general business population.

Chart 19: Distribution of impacts by firm-size in each scenario[167]

Total Turnover by Firm Size

Micro-Small   Medium   Large

36%

48%

15%

Scenario 1
Firms across unaffected sectors

Micro-Small   Medium   Large

36%

48%

15%

Scenario 2
Firms across unaffected sectors

Firm Size across Contracting Sectors

Micro-Small   Medium   Large

38%

48%

14%

Firms across unaffected sectors

Micro-Small   Medium   Large

35%

49%

16%

Firm Size across Expanding Sectors

Micro-Small   Medium   Large

36%

49%

15%

Source: DIT Analysis (2020). Calculations based on BEIS BPE 2018 turnover data. Note that data is unavailable for financial services or insurance sectors,

---

167 Figures may not sum up due to rounding.

Limitations

The aim of the analysis is to provide an indication of whether the potential implications of long run changes to the sectoral composition of output are likely to exert a disproportionate impact on SMEs.

The preliminary analysis is in line with best practice in this area but requires several simplifying assumptions and is subject to several limitations:

- this approach does not take into account whether SMEs may be more or less affected by changes in trade barriers than other businesses, for example for reasons set out above

- mapping the Standard Industrial Classifications to the sector aggregations used in the GTAP modelling requires several simplifying assumptions which could result in biases in the estimated distribution of SMEs across GTAP sectors

- BEIS BPE data captures data on unregistered and sole traders, however it does not allow for disaggregation between small and micro businesses and there is no available turnover data for finance or insurance sectors

13.3 Business administration costs for goods trade

There are administration costs incurred by businesses associated with trading internationally. For example, for goods trade there may be administration costs associated with meeting the requirements of border procedures. In the UK, businesses exporting outside of the EU must acquire appropriate licenses and certification and make customs declarations to HMRC through the National Export System.

FTAs have the potential to affect the administration procedures facing businesses trading internationally. Some provisions, such as those which streamline customs and border procedures, can reduce the administration costs. Other aspects of trade agreements may give rise to increases in business administration costs which should be weighed against the overall benefits of the agreement.

Businesses have the option to choose whether to trade with a partner under a new FTA or the current WTO MFN trading terms. Therefore, there is no net cost to businesses for those who do not wish to trade under a new FTA. Below are two broad areas where choosing to trade under an FTA has the potential to increase business administration costs.

Potential changes to RoO requirements

FTAs provide an opportunity for members to liberalise tariffs on a preferential basis. In order to ensure that only members of an FTA can benefit from these preferential trade arrangements, the parties to the FTA need to agree a set of rules of origin to determine which goods imported from a partner country can qualify for preferential tariff treatment under the agreement. However, implementing, administering and complying with RoO can generate costs for businesses. For example, businesses can submit RoO forms to HMRC to process free of charge.

There are a wide range of product-specific rules used to determine whether goods have been substantially produced or transformed within the FTA countries and thereby qualify as originating under an FTA. It is therefore not possible to provide a preliminary assessment of the impact of the FTA on the costs associated with RoO at this stage as the implied changes to RoO are not yet known.

One-off familiarisation costs

There are costs associated with business becoming familiar with the agreement. Whilst there is data on the number of businesses that trade in goods there is limited data on the number of businesses that trade in services. In addition, one would hope that access to preferences under an agreement would encourage further businesses to begin trading with Australia. It is therefore not possible to comprehensively estimate the one-off familiarisation cost to businesses trading in goods and services.

The one-off familiarisation cost could affect around 15,323 VAT registered businesses that exported goods to Australia in 2018 and 5,519 VAT registered businesses who imported goods from Australia in 2018.[168] As mentioned above, data is not available on the number of businesses that trade in all service sectors. However, for context, of all UK exports to Australia in 2018, £4.8 billion (40%) were goods and £7.2 billion (60%) were services. In addition, of all UK imports from Australia in 2018 £2.2 billion (43%) were goods and £2.9 billion (57%) were services.

---

168 HMRC Regional trade statistics interactive analysis: first quarter 2019– proportional business count method https://www.gov.uk/Government/statistical-data-sets/regional-trade-statistics-interactive-analysis-first-quarter-2019

14. Annex E: Methodology and results for preliminary assessment of potential impacts of various groups in the labour market

This annex assesses the implications of the agreement for various groups in the labour market, including gender, ethnicity, disability, and age.[169]

The international evidence suggests that trade agreements and trade liberalisation have the potential to affect various sectors of the economy and groups differently.[170] This is because consumption patterns and employment patterns can differ systematically across groups.

14.1 Methodology

The CGE modelling assumes that a UK-Australia FTA would not impact on overall UK employment. However, the model presents indicative impacts on the number of jobs located within each of the 23 sectors of the model. For the purposes of estimating potential impacts on groups in the labour market we only include sectors in which employment changes by more than +/- 0.05%. The analysis shows the proportion of the workforce in each sector that come from particular groups. The analysis does not infer changes in employment levels for each group nor other work-related impacts such as whether these groups see a change in pay or productivity.

169 These characteristics are a subset of those protected under Equalities Act 2010. Other characteristics are not analysed due to a lack of data covering their demographics across sectors of the economy.
170 The characteristic that has been studied in the greatest depth is gender. (UNCTAD, 2017) uses a method similar to the one used in this annex and (OECD, 2018) extends this approach to look at how women are affected as a result of impacts to global value chains.

Table 23 presents data from the Annual Population Survey (2015-17) (APS) showing estimates of the proportions of those employed in each of the 23 sectors with various characteristics.[171]

Table 23: Proportion of employment by sector and protected characteristics[172]

GTAP Sector (23 Disaggregation)	Women	Disabled	Ethnic Minorities	Age (16-24)	Age (65+)
Agriculture, forestry, and fishing	27.4%	15.6%	1.4%	10.0%	18.2%
Semi-processed foods	28.4%	7.6%	9.5%	8.2%	2.1%
Other processed foods	38.0%	11.6%	13.8%	9.7%	1.5%
Beverages and tobacco products	26.0%	9.8%	5.8%	7.8%	1.5%
Energy	21.2%	8.8%	7.0%	8.2%	2.6%
Textiles, apparel, and leather	52.0%	11.8%	15.6%	9.7%	3.8%
Manufactures	16.6%	10.6%	4.6%	10.2%	4.4%
Paper and printing products	35.8%	11.5%	9.0%	7.5%	4.0%
Chemical, rubber, plastic products	31.6%	9.6%	8.1%	8.5%	2.5%
Manufacture of motor vehicles	16.0%	10.4%	8.4%	9.6%	2.2%
Manufacture of other transport equipment	14.4%	9.6%	5.5%	10.5%	2.5%
Manufacture of electronic equipment	27.2%	8.6%	10.5%	8.4%	3.0%
Manufacture of machinery and equipment n.e.c.	19.0%	10.9%	6.5%	8.2%	3.2%
Manufacturing n.e.c.	31.9%	12.9%	6.1%	8.8%	4.0%
Other services (transport, water, dwellings)	26.3%	12.5%	15.9%	7.7%	4.2%
Construction	12.2%	10.2%	5.4%	10.4%	3.6%
Wholesale and retail trade	48.5%	13.2%	14.1%	24.6%	3.4%
Communications	26.6%	10.3%	14.2%	7.8%	1.2%
Financial services	43.3%	8.9%	15.7%	8.2%	2.1%
Insurance	46.5%	10.4%	9.0%	11.6%	1.6%
Business services	39.6%	11.1%	12.9%	9.0%	4.7%
Personal services	55.2%	12.8%	8.4%	19.1%	4.9%
Public services	68.7%	13.4%	11.8%	7.7%	3.3%
Total	**46.9%**	**12.2%**	**11.6%**	**12.1%**	**3.7%**

Source: ONS 3-year Annual Population Survey (Mapped using an internal DIT GTAP-SIC mapping)

The estimated employment changes in various sectors are combined with the data from the APS to consider the characteristics of the workforce within sectors where employment may decline or expand relative to the baseline over the long run. The results focus on whether the protected groups are disproportionately concentrated in sectors where employment is estimated to fall relative to the baseline to see whether such groups are more or less likely to work in these sectors. This does not imply other work-related impacts such as changes in wage.

14.2 Descriptive Statistics

Gender

> Based upon DIT's analysis of the APS, 47% of those in either full-time or part-time employment in the UK are female and 53% are male.

> The preliminary analysis suggests that, in scenario 1, there are no sectors that are estimated to see employment fall relative to the baseline.

> In scenario 2, the proportion of workers that are female in sectors where employment is expected to decrease relative to the baseline is 28%, which is less than the proportion of females in the total workforce (47%). Therefore, female workers are not disproportionately concentrated in sectors that are expected to reduce the size of their workforce relative to the baseline.

---

171 The sectoral data from the labour force survey are based upon the SIC 2007 classification which are mapped to GTAP sectors.
172 Employment is defined as set out in the ILODEFR. For further information see Labour Force Survey User Guide: Details of LFS variables 2019.

Chart 20: Gender breakdown for the labour market as a whole and for the sectors where employment is estimated to fall relative to the baseline

Total Labour Force

■ Women   ■ Men

53%   47%

Labour Force in Contracting Sectors (Scenario 2)

■ Women   ■ Men

72%   28%
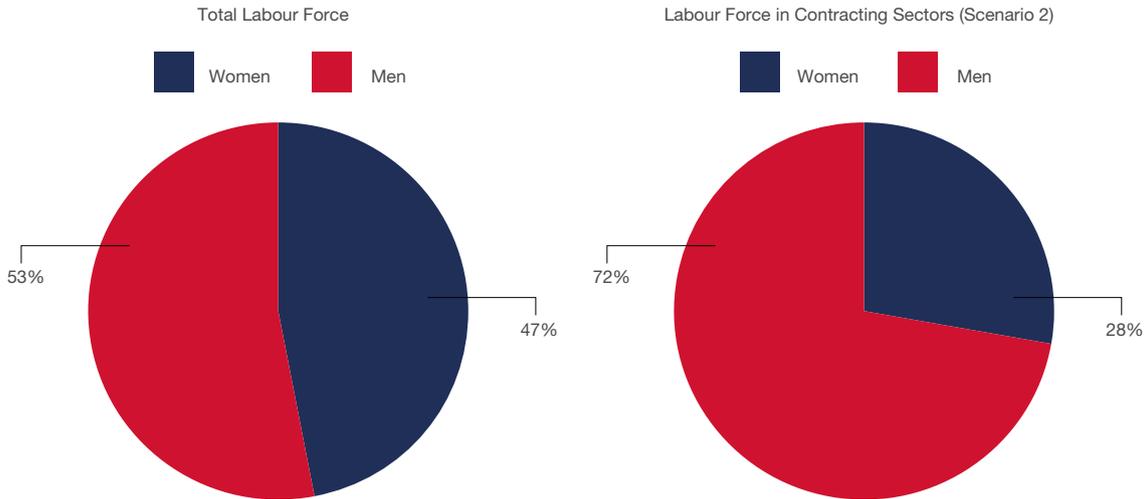
Source: DIT internal analysis using Annual Population Survey

Ethnicity

> Based upon DIT's analysis of the APS, around 12% of those in employment in the UK are from an ethnic minority background and around 88% are white.

> The preliminary analysis suggests that, in scenario 1, there are no sectors that are estimated to see employment fall relative to the baseline.

> In scenario 2, the proportion of workers in sectors where employment is estimated to fall relative to the baseline which are from an ethnic minority background is 3%, which is lower than the 12% of ethnic minority workers that make up the total workforce. Therefore, workers from an ethnic minority background are not disproportionately concentrated in sectors that are expected to reduce the size of their workforce relative to the baseline.

Chart 21: Ethnicity breakdown for the labour market as a whole and for the contracting sectors in scenario 2

Total Labour Force

■ White   ■ Ethnic Minority

88%   12%

Labour Force in Contracting Sectors (Scenario 2)

■ White   ■ Ethnic Minority

97%   3%
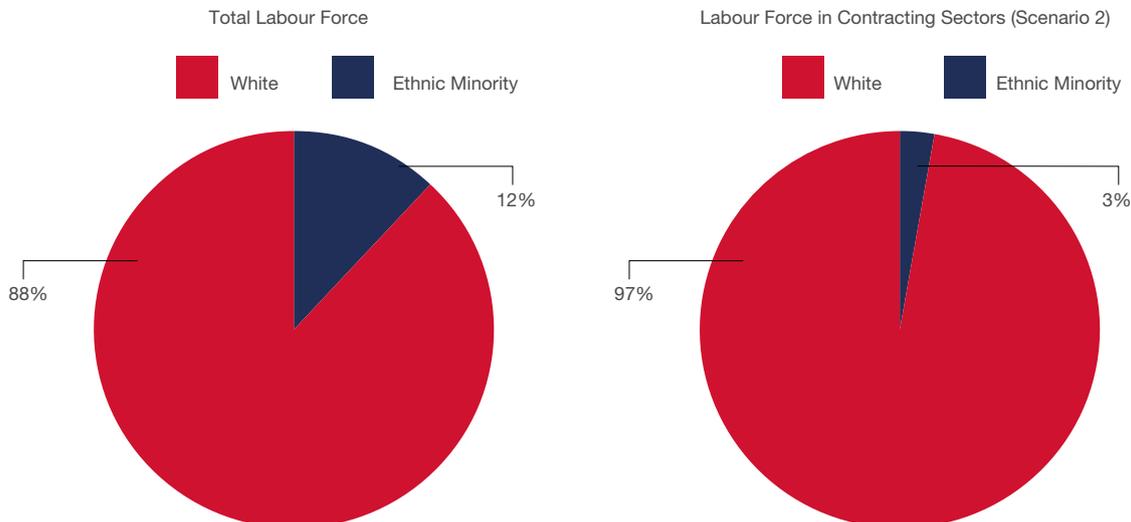
Source: DIT internal analysis using Annual Population Survey

Age

> Based upon DIT's analysis of the APS, around 12% of those in employment in the UK are aged between 16-24, 84% are aged between 25 and 64 and 4% are 65+.

> The preliminary analysis suggests that, in scenario 1, there are no sectors that are estimated to see employment fall relative to the baseline.

> In scenario 2, the proportion of 16-24 year old workers who are concentrated in sectors where employment is estimated to fall relative to the baseline is in line with the proportion who make up the total workforce, standing at 10% and 12% respectively. Therefore, 16-24-year olds are not disproportionately concentrated in sectors that are expected to reduce the size of their workforce relative to the baseline.

> In scenario 2, workers aged 65 and over make up 15% of the workforce in sectors where employment is estimated to fall relative to the baseline. Therefore, there is some preliminary evidence that workers aged 65 and over are disproportionately concentrated in sectors where there is an estimated decline in employment relative to the baseline.

Chart 22: Age breakdown for the labour market as a whole and for the contracting sectors in scenario 2
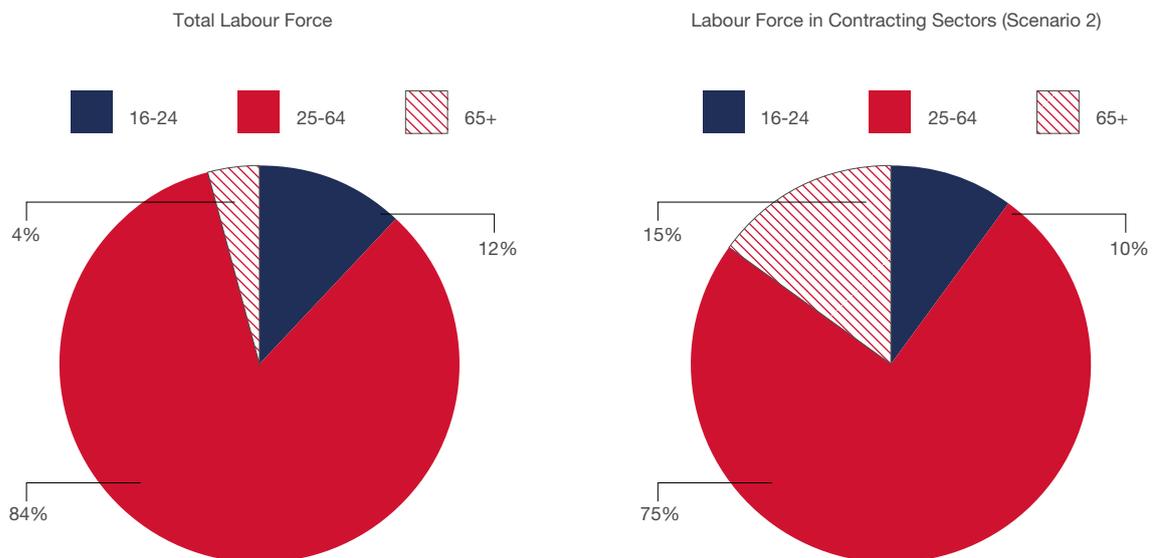
Source: DIT internal analysis using Annual Population Survey

Disability

> Based upon DIT's analysis of the APS, around 12% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010). It is possible that non-response to this question in the APS affects the estimated proportion.

> The preliminary analysis suggests that, in scenario 1, there are no sectors that are estimated to see employment fall relative to the baseline.

> In scenario 2, the proportion of workers which report having a disability in sectors where employment is estimated to fall relative to the baseline is broadly in line with the proportion of the workforce; estimated to be around 14%. Therefore, workers who report that they have a disability are not disproportionally concentrated in sectors where there is an estimated decline in employment relative to the baseline.

**Chart 23: Disability breakdown for the labour market as a whole and for contracting sectors in scenario 2**

Total Labour Force

■ Not Equality Act Disbaled   ■ Equality Act Disabled

12%

88%

Labour Force in Contracting Sectors (Scenario 2)

■ Not Equality Act Disbaled   ■ Equality Act Disabled

14%

86%
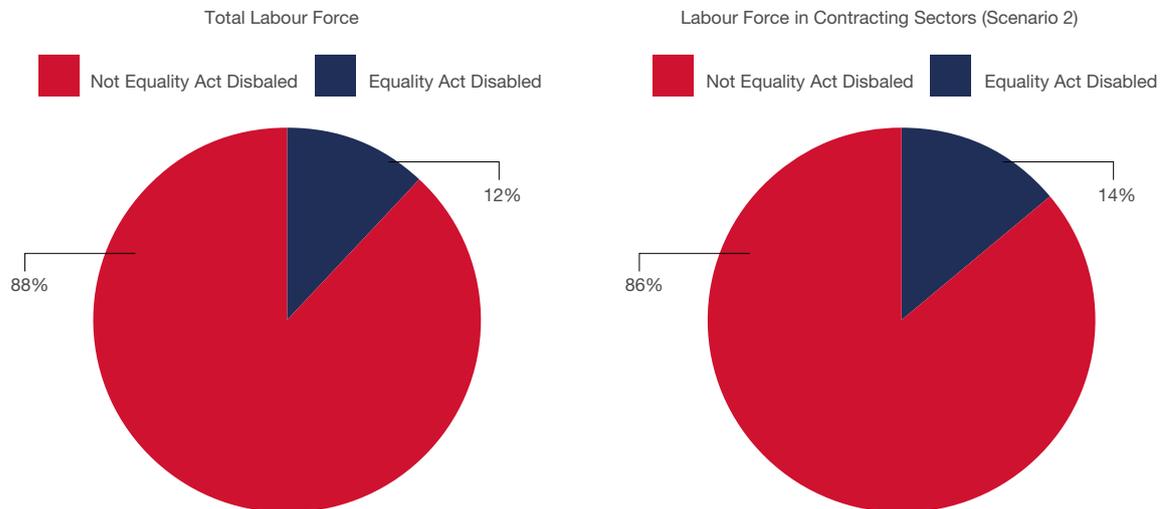
Source: DIT internal analysis using Annual Population Survey

14.3 Limitations

The aim of the analysis is to provide an indication of the potential implications of long run changes in employment in various sectors for various groups. This provides a preliminary assessment as to whether the labour market impacts of the agreement may result in a disproportionate impact on specific groups.

The analysis is in line with international best practice in this area but requires several simplifying assumptions and is subject to several limitations:

> the data from the APS only allows descriptive analysis of where groups are employed in the economy, not inferential analysis of how groups or employers will respond to sectoral shocks, the analysis therefore cannot make inference about how groups will be impacted

> the analysis uses the available data sources to describe the characteristics of workers in sectors which may increase or decrease their employment relative to the baseline under an agreement, It does not assess the welfare impacts of the trade agreements on various groups

> mapping the employment data which is recorded in the APS by Standard Industrial Classifications to the sector aggregations used in the GTAP modelling requires several simplifying assumptions which could result in biases in the estimated distribution of employment across GTAP sectors

> the proportions estimated here are based on a snapshot of the demographics, by only using the years available in the APS, the analysis does not take into account trends that may be present in the proportions

> there is a potential problem of missing data in the APS; Employees in some groups, such as disability, may be less likely to respond to the survey meaning that the data collected is not representative of the true employee demographics

> the analysis is based on the structure of the UK workforce from 2015-17,[173] whereas the CGE modelling results reflect the global economy in the long run when the composition of the workforce may have changed

---

173 The data on the UK total workforce is sourced from the Annual Population Survey, using a 3-year average (2015-17)

15. Annex F: Methodology and results for preliminary assessment of impacts on UK CO^2 emissions, transport emissions and UK agricultural land use

This annex provides a preliminary, partial assessment of the potential implications of the changes in sectoral output and transport emissions from the modelling exercise outlined in Table 6 for CO2 emissions and wider environmental impacts in the UK.

15.1 Methodology

Emissions intensity by sector

Table 24 uses data from the 2011 GTAP database to show the estimated changes in output for the five highest and lowest emission intensity sectors.

Table 24: Emissions intensity by sector

Emissions	Sector	Output change (GVA increase)	
		Sector 1	Sector 2
Highest emission intensive sectors	Beverages and tobacco products		+
	Chemical, Rubber and Plastic Products		+
	Energy		+
	Manufactures of materials		+
Lowest emission intensive sectors	Other services (transport, water, dwellings)		+
	Communications		+
	Financial Services		+
	Insurance		+
	Personal Services		+
	Public Services		+

Key:

Changes in UK Output:

Above 0.5% (++)	0.05 to <0.5% (+)	-0.05 to <0.05%	-0.05 to <-0.5% (-)	Below -0.5% (--)

Source: DIT analysis, GTAP Database

Bilateral transport emissions

Table 25 presents £ per kg ratios and modal shares of goods trade between the UK and Australia, by weight of trade, for the GTAP sectors used in the CGE modelling above. It shows that over 95% of UK goods exports to Australia travel by sea, while over 99% of imports from Australia also travel by sea freight. However, there are considerable differences across sectors.

Table 25: Sectoral £ per kg ratios and modal shares, by trade weight

Sector	% of total exports	£ per kg:	Sea	Air	% of total imports	£ per kg:	Sea	Air
Agriculture, forestry, and fishing	0.2%	24.5	84.8%	15.2%	4.5%	0.6	99.8%	0.2%
Semi-processed foods	0.8%	4.0	98.1%	1.9%	1.7%	2.3	99.4%	0.6%
Other processed foods	15.7%	2.5	98.4%	1.6%	0.2%	4.3	95.6%	4.4%
Beverages and tobacco products	7.4%	4.1	99.6%	0.4%	4.4%	1.4	100.0%	0.0%
Energy	17.6%	0.5	100.0%	0.0%	77.3%	0.3	100.0%	0.0%
Textiles, apparel, and leather	2.0%	17.1	50.7%	49.3%	0.1%	15.8	84.9%	15.1%
Manufactures	10.1%	4.3	97.4%	2.6%	9.0%	9.7	99.7%	0.3%
Paper and printing products	7.5%	6.8	85.1%	14.9%	0.1%	6.7	92.0%	8.0%
Chemical, rubber, plastic products	13.8%	10.1	96.3%	3.7%	1.4%	7.2	95.6%	4.4%
Manufacture of motor vehicles	12.1%	12.8	98.9%	1.1%	0.1%	13.8	93.4%	6.6%
Manufacture of other transport equipment	0.3%	130.4	62.8%	37.2%	0.0%	121.2	66.4%	33.6%
Manufacture of electronic equipment	0.2%	108.6	37.2%	62.8%	0.1%	57.7	75.1%	24.9%
Manufacture of machinery and equipment n.e.c.	11.9%	14.8	94.2%	5.8%	1.1%	16.9	95.2%	4.8%
Manufacturing n.e.c.	0.8%	24.2	83.8%	16.2%	0.1%	16.6	93.1%	6.9%
Total	100%	**7.5**	**95.7%**	**4.3%**	100.0%	**1.6**	**99.8%**	**0.2%**

Source data: HMRC Overseas Trade statistics 2017-18 Data downloads: release period February 2019. Note, UK-Australia trade that has been recorded as travelling by road or rail has been omitted from the table and calculations. In 2017/18, this accounted for 0.03% of UK-Australia trade by weight.

Agricultural land use

Changes to the output of the UK agriculture sector may have implications for agricultural land use in the UK. Increases in agricultural land use are expected to negatively impact other environmental variables, such as biodiversity.

Table 26: UK land use

	(Million Hecatres)
Agricultural	**16.99**
Cropland	7.05
Pasture	9.94
Forest	**5.01**
Built-up land	**0.81**

Source: GTAP Database.

15.2 Results

Greenhouse gas emissions and energy use

The preliminary estimates vary depending upon the scenario. However, DIT's analysis suggests in both scenarios that changes in the UK's production and global trading patterns could favour UK sectors which are currently more emission intensive, driven by the modelled expansion of the 'Energy' and 'Other services (transport, water and dwellings)' sectors.

Total transport emissions

Different modes of transport vary greatly in their carbon intensity. For example, one kilogram of cargo flown on a plane generates approximately 100 times the emissions of a kilogram of cargo transported by ship (over the same distance).[174]

The type of good being exported, and particularly whether or not it is perishable, will determine the mode of transport used. The location of the export destination, and particularly the proximity to an airport, seaport or rail network will also have an influence. Therefore, even if an FTA results in goods being transported across greater distances, we cannot state the extent to which carbon emissions will be affected. These effects will primarily result from goods trade. Modern FTAs are increasingly focussed on removing regulatory restrictions to services trade, a UK strength, where transport costs are less important.

The environmental effects of increased services trade are particularly difficult to quantify, as not all commercial transactions are recorded as they cross the border. For example, the movement of persons associated with services trade is captured in business travel statistics, but these records are not industry-specific and thus difficult to attribute to increases or decreases in specific service sectors. It is nonetheless recognised that services that involve the movement of persons will have a different environmental footprint than services that do not. However, many cross-border services would likely be those without a physical component, such as IT services. These types of services would be less likely to have negative environmental impacts.

Bilateral transport emissions

The following analysis only considers the impact of transport emissions from bilateral trade and doesn't account for changed trading patterns with other countries resulting from the UK-Australia deal (for example, trade diversion away from other countries such as Canada and Japan). Table 27 sets out the estimated changes in total trade between Australia and the UK in both scenarios it is estimated that the total weight of trade would increase. There are two explanatory factors; firstly, scaling impacts mean that assuming no change in the sectoral proportions of goods traded, an increase in the value of trade would lead to a 1:1 increase in the weight of trade. Secondly, in both scenarios, expanding sectors with low £ per kg, such as energy products, explain why the estimated increase in weight of trade is higher than the estimated increase in value of trade. Assuming no change in the modal proportions of goods traded, increases in the weight of trade would be expected to lead to an equivalent increase in transport emissions. However, in both scenarios, sectoral shifts may partially offset emissions by increasing the proportion of trade that is transported by ship.

Table 27: Estimated changes in bilateral trade and modal proportions

Scenario	% change in value	% change in weight	Proportion travelling by ship	Proportion travelling by air
Baseline	n/a	n/a	98.9%	1.1%
Scenario 1	26.0%	72.7%	99.2%	0.8%
Scenario 2	26.9%	77.8%	99.3%	0.7%

Source data: DIT Analysis, HMRC Overseas Trade statistics 2017-18 Data downloads: release period February 2019. Note, UK-Australia trade that has been recorded as travelling by road or rail has been omitted from the table and calculations. In 2017/18, this accounted for 0.03% of UK-Australia trade by weight.

Approximation of impacts on agricultural land use

The size of the expected change would vary depending upon the scenario. In the UK, under scenario 1, there is an expected increase in agricultural production. Under scenario 2, there is an estimated decrease in agricultural production. Decreased agricultural production could reduce the intensive use of chemical inputs and reduce threats to biodiversity.

---

174 For more information on transport carbon emissions, see BEIS greenhouse gas reporting conversion factors (2018). The mode of transport used will be influenced by the type of good being exported, in particular whether it is perishable or part of a supply process that requires rapid delivery of intermediate products, and the proximity of the export destination to an airport, seaport or rail network.

15.3 Limitations

The preliminary assessment requires a number of simplifying assumptions and does not assess the full environmental impacts of the agreement. For example, the analysis:

> uses data on emissions and land use from the 2011 GTAP database

> assumes that the emissions-intensity of sectors remains unchanged by any regulatory or technological developments

> assumes that the value to volume ratio of and mode of transport used by goods sectors remains unchanged

> does not consider the impact of environmental provisions within an agreement

> does not consider the impact of the agreement on a range of relevant environmental indicators

The aim is to provide a high-level overview of potential environmental impacts. The estimated environmental impacts will depend on the eventual sectoral distribution of GVA changes as well as the impacts of any environmental provisions included. Due to the limitations above, the results should not be interpreted as a comprehensive assessment of the environmental impacts of the agreement.

Appendix to the Scoping Assessments – Estimates of combined impacts

The analysis presented in the Scoping Assessments for the UK-Australia and UK-New Zealand Free Trade Agreements (FTAs) is a preliminary assessment of the broad scale of the potential long run impacts of an eventual FTA between the UK and each partner. As these are two separate negotiations, the impacts of each agreement are assessed in isolation from each other. That is, in the case of the UK-Australia FTA, the analysis does not assume that the UK has implemented an FTA with New Zealand. Likewise, in the case of the UK-New Zealand FTA, the analysis does not assume that the UK has an FTA with Australia.

Trade creation and diversion effects resulting from free trade agreements mean that the pattern of the UK and each partner's trade is affected by both the nature of the individual agreement between the UK and partner country but also any agreements between either party and other countries. This means that, in general, the combined impacts of trade agreements cannot be accurately captured by simply summing the individual impacts from each agreement.

This appendix should be read in conjunction with the Scoping Assessments relating to the UK-Australia and UK-New Zealand FTAs. It presents additional estimates to those included in the Scoping Assessments and briefly describes how they have been derived.

Table 1 below present estimates of the long-run impacts of an FTA between the UK and both Australia and New Zealand combined. The approach to generating the combined estimates is aligned to the approach used to generate the estimates presented in each of the Scoping Assessments; the scenarios (the scale of assumed reductions in tariff and non-tariff measures assumed to apply for each country) as well as the data used and model structure applied are exactly the same. The modelling approach is explained in further detail in each of the Scoping Assessments.

Table 1: Estimates of the long-run impacts of a trade agreement between the UK and both Australia and New Zealand combined under an Average FTA EU exit relationship

% change in macroeconomic indicators	Scenario 1: Substantial tariff liberalisation by the UK and full liberalisation by partners, and a 25% reduction in non-tariff measures for both Australia & New Zealand	Scenario 2: Full tariff liberalisation and a 50% reduction in non-tariff measures for both Australia & New Zealand
GDP	0.01	0.02
UK exports to Australia and New Zealand	3.61	7.33
UK imports from Australia and New Zealand	11.18	47.24
Total UK exports	0.13	0.43
Total UK imports	0.05	0.20

Source data: DIT modeling (2020)

Comparing the estimated percentage increases in UK exports to 2018 levels, UK exports to Australia and New Zealand are estimated to increase by around £1 billion in scenario 2.

Public consultation on trade negotiations with Australia

Summary of responses

18 July 2019

Contents

Foreword from the Secretary of State for International Trade and President of the Board of Trade

The United Kingdom is on the cusp of a new era in our great trading history. For the first time in nearly 50 years, we will have the freedom to pursue an independent trade policy to build a stronger, fairer and more prosperous country, more open and outward-looking than ever before.

The Government, led by my Department for International Trade, has been preparing for the United Kingdom to have an independent trade policy after we exit the European Union. We have made great strides forward. We have opened 14 informal trade dialogues with 21 countries from the United States to Australia to the United Arab Emirates. We have also been working closely with our existing trading partners to ensure the continuity of European Union trade deals. The United Kingdom's trade with countries with which we are seeking continuity[1] accounted for £139 billion or 11 per cent of the United Kingdom's trade in 2018.[2]

We have already signed a number of these continuity agreements which replicate the effects of the existing agreements, as far as possible. This includes Switzerland, which is one of our key trading partners and worth 2.3 per cent[3] of the United Kingdom's total trade. Other agreements have been signed with Israel, the Palestine Authority, Chile, the Faroe Islands, Eastern and Southern Africa, Caribbean countries, Iceland and Norway, Fiji, Papua New Guinea, Colombia, Peru and Ecuador.[4] We have also agreed in principle an agreement with Korea which will be signed shortly. In addition to this, we have also signed Mutual Recognition Agreements with Australia, New Zealand and the United States. We will continue to work tirelessly to deliver the maximum possible continuity and certainty for when we leave the European Union.

In addition, we have made significant headway on the United Kingdom's future independent membership of the World Trade Organization: we have submitted our proposed commitments on goods and services; established our own independent trade remedies system (the Trade Remedies Authority); and published the Export Strategy and launched 14 working groups and a number of trade reviews with key partners.

The Government is determined to build a new economic relationship with the European Union. One which sees the United Kingdom leave the Single Market and the Customs Union to seize new trading opportunities around the world, while protecting jobs, supporting growth and maintaining security co-operation. We recognise that our Future Economic Partnership with the European Union will have considerable and immediate implications for the way the United Kingdom can develop its future trade policy, in terms of its trading agreements with the rest of the world. We will continue to listen and respond to our stakeholders' views on this as we develop our own independent trade policy in parallel with the direction of the future relationship negotiations with the European Union.

---

[1] This excludes Turkey (plus San Marino and Andorra) which is part of a customs union with the European Union, and excludes Japan, as the Economic Partnership Agreement only came into force on 1 February 2019.
[2] UK total trade: all countries, non-seasonally adjusted, October to December 2018.
[3] UK total trade: all countries, non-seasonally adjusted, October to December 2018.
[4] The trade continuity agreement with Iceland and Norway would only apply in a No Deal scenario. All others would apply after the proposed Implementation period as well.

An independent trade policy means we can negotiate trade agreements specifically tailored to the United Kingdom, building links with old friends and new allies, enabling the United Kingdom to take advantage of emerging sources of growth and to deepen ties with our established partners to create shared and sustainable growth.

In July last year, we launched consultations on new free trade agreements. The consultations demonstrated the United Kingdom's intention to seek free trade agreements with the United States, Australia and New Zealand, as well as the United Kingdom potentially seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, a plurilateral agreement with 11 existing members).

We have engaged fully with the devolved administrations, and consulted extensively with stakeholders across the business community, civil society, academia and the general public on priorities for trade negotiations to ensure we represent the interests of the whole of the United Kingdom in any future negotiation.

We have received 601,121 responses to the four consultations on future trade agreements. I would like to thank all those who took the time to contribute to this consultation. The Government is committed to an inclusive and transparent trade policy, so today, I am publishing a summary of the consultation responses we received across the four consultations.

The Rt Hon Dr Liam Fox
Secretary of State for International Trade and President of the Board of Trade

Introduction

Background

1. As the United Kingdom (UK) leaves the European Union (EU), we will have an independent trade policy for the first time in nearly 50 years. This will give us the opportunity to forge new and ambitious trade relationships around the world, and to enter into new Free Trade Agreements (FTAs) with other countries or groups of countries.

2. The Government remains committed to building a deep and special trading partnership with the EU, but through our new independent trade policy, we can also take advantage of shifts in the global economy: According to the IMF, 90 per cent of the world economic growth over the next five years is forecast to come from outside the EU[5]; and 54 per cent of the UK's exports of goods and services are now traded outside the EU[6], compared with only 46 per cent in 2006.

3. Through negotiating FTAs, we can work with our trading partners around the world to break down barriers to trade in goods and services, ensure that UK businesses are treated fairly, and protect our right to regulate and maintain high standards, creating the conditions for individuals and businesses to prosper. Our ambition is to:

   - Increase economic growth and productivity, through increased trade and investment, promoting greater competition and innovation.
   - Provide new employment opportunities, including higher-skilled jobs, from greater specialisation, increasing wages and opportunity across the UK.
   - Deliver a greater variety of products for consumers at a lower cost while maintaining quality.

Why this Free Trade Agreement?

4. An early priority for the UK's independent trade policy will be to negotiate a comprehensive FTA with Australia. A UK-Australia FTA would further cement our existing bilateral partnership, which is built on our shared heritage and values and extensive people-to-people links. The UK and Australia already enjoy a strong and growing trade relationship, with UK-Australia trade worth £15.3 billion in 2018.[7] The UK is the third largest investment partner in Australia and the 9th most popular destination for UK Foreign Direct Investment (FDI). Australia is the 13th largest source of FDI in the UK.[8]

5. Australia is also one of our closest allies, sharing the same head of state, HM the Queen, and cooperating extensively across security, prosperity and defence. We are both active supporters of the international rules-based system and the UK works closely with Australia in many multilateral forums including the United Nations (UN), G20, World Trade Organization (WTO) and the Commonwealth. We are both strong advocates of free trade and, at a time of rising

---

[5] DIT calculations based on the IMF World Economic Outlook database, updated April 2019.
[6] Source: ONS Balance of Payments 2019Q1.
https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/balanceofpayments
[7] UK total trade: all countries, non-seasonally adjustment, October to December 2018.
[8] ONS Foreign direct investment involving UK companies: 2017 (rankings exclude UK offshore territories.

protectionism, our co-operation sends a strong message and provides the opportunity to negotiate the highest quality FTA.

A transparent and inclusive trade policy

6. As set out in the Trade White Paper *Preparing for our future UK trade policy* published in October 2017, the Government is committed to pursuing a trade policy which is inclusive and transparent. To ensure that any future FTA works for the whole of the UK, the Government is therefore committed to seeking views from a broad range of stakeholders from all parts of the UK. In July 2018, the Government published DIT's *approach to engagement for the pre-negotiation phase of trade negotiations* setting out its plan for pursuing new trade negotiations collaboratively by engaging with the widest range of stakeholder groups, as it takes forward its free trade agenda. For new FTAs, we have run broad open consultations. We will continue to engage as widely as possible as we look ahead to negotiations potentially starting soon.

7. On 20 July 2018, the Department for International Trade (DIT) launched four 14-week public consultations seeking views on potential FTAs with the United States (the US), Australia and New Zealand, and potential accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). To support this, the Government ran a series of events around the UK to promote the consultations. All four consultations closed on 26 October 2018. This document sets out the findings from the responses received.

8. DIT welcomed feedback and comments from all interested parties to the consultations. Across the four consultations, the Government received over 600,000 responses including those submitted by campaigns. They have been analysed and are informing the Government's overall approach to the four potential future trade deals. The consultation feedback will also support the Government in meeting its commitment to delivering a UK trade policy which will benefit the UK economy, and businesses, workers, producers and consumers.

9. While many respondents welcomed the opportunities that an independent trade policy will bring as we leave EU, many respondents also mentioned the importance of the UK's future economic relationship with the EU. We recognise that the UK's future trade policy, including our ability to negotiate FTAs, will depend on the scope and substance of our future economic relationship with the EU. While comments on the UK Government's vision for the Future Economic Partnership (FEP) with the EU were outside the scope of the questions asked in this FTA consultation, they have, however, been included in our analysis.

What we asked

10. Each consultation was based on a series of questions concerning the respondent's priorities and concerns regarding the relevant agreement. The questions were broad to ensure the consultation exercise was inclusive and would encourage participation from a wide range of stakeholders. We received responses from individuals, businesses, business associations, public sector bodies, trade unions and other non-governmental organisations (NGOs). The online survey covered a range of policy areas which are typically included in any comprehensive FTA.

These were:

Tariffs	Rules of Origin (RoO)	Customs Procedures	Services	Digital
Product Standards, Regulation and Certification	Sanitary and Phytosanitary (SPS) Measures	Competition	Government (Public) Procurement	Intellectual Property (IP)
Investment	Labour & Environment	Trade Remedies and Dispute Settlement	Small- and Medium-sized Enterprise (SMEs) Policy	Other

Respondents were also able to submit additional comments not related to the areas listed above. A full list of all the questions asked during this consultation is available in Annex A.

This report

11. This document is a summary of what respondents said in the *consultation on trade negotiations with Australia* (the consultation). The evidence provided from the responses to this consultation (as summarised in this document), will inform the Government's overall approach to our future trading relationship with Australia, including our approach to negotiating any trade agreement. As we look ahead to finalising our negotiating objectives, we will continue to actively consider the consultation feedback to inform this work. Decisions made as a result of this consultation will therefore be published alongside our negotiating objectives before potential negotiations start. This report, therefore, does not set out Government policy with respect to future trade policy, but simply provides a summary of what consultation respondents have told us. The Government will take all responses to this consultation into account. A number of respondents raised points which fell outside the scope of this consultation. However, they have still been included in the statistical analysis.

12. We also received a large number of responses from outside the UK. The views provided in these responses will be analysed carefully and considered.

13. This document does not contain a list of the respondents or contain any personal or organisational details of the respondents. Their views are summarised in the following sections of this report but are not attributed to any individual respondent or business. The figures in this

document refer to those who responded to the consultation, so should not be treated as statistically representative of the public at large.

14. The Government does not intend to publish any individual consultation responses it received. Many organisations have published their own responses independently.

15. DIT commissioned the research agency Ipsos MORI to analyse responses for all four consultations and produce statistical analysis with a summary of the overall findings. This analysis supplements the review of consultation feedback undertaken by the Government. Ipsos MORI developed a code frame to allow for systematic statistical analysis of the responses. The codes within the code frame represent a 'theme' based on an amalgamation of responses submitted and are intended to comprehensively represent all responses. The code frame and methodology, produced by Ipsos MORI, have been published alongside this report.

Overview of the responses

16. On the closure of the consultation on a potential UK-Australia trade deal, the Government had received 146,188 responses, submitted via the online survey and by email or post.

Table 1: A breakdown of the overall response numbers

Total number of emails, letters and online survey responses received	**146,188**
Online survey responses	**219[9]**
Post	**1**
Emails [non-campaign]	**63**
Emails [campaign]	**145,905**

17. Respondents were categorised into one of the following five groups:

➢ **An individual** – Responding with personal views, rather than as an official representative of a business, business association or another organisation.

➢ **Business** – Responding in an official capacity representing the views of an individual business.

➢ **Business association** – Responding in an official capacity representing the views of a business representative organisation or trade association.

---

[9] 220 participants had completed the online response form on the Citizen Space platform, but one response was discounted as it was a duplicate.

- ➤ **Non-governmental organisation (NGO)** – Responding in an official capacity as the representative of a non-governmental organisation, trade union, academic institution or another organisation.

- ➤ **Public sector body** – Responding in an official capacity as a representative of a local government organisation, public service provider, or another public sector body in the UK or elsewhere.

Online consultation portal

18. The Consultation Portal was hosted by Citizen Space (an online software tool) and contained an online survey with a total of 67 questions. This was tailored to each of the five respondent groups with additional questions for certain groups. The survey for each group asked what areas of an FTA respondents viewed as being priorities and concerns and offered respondents the opportunity to select from across 14 trade policy areas relevant to an FTA. Respondents were also given the opportunity to submit supplementary comments and to raise any other issues. In addition, business respondents and business organisations were asked to select their top priority area and top concern. Respondents could simply answer the online survey questions selecting from the 15 options for priorities and concerns with textboxes available for additional comments. While many respondents chose not to submit additional comments after filling in the questionnaire, these responses are still subject to the same analysis and will be taken into account in developing our policy.

19. Of the 67 questions, there were five general questions for all respondents to answer, 11 specific questions for individuals, ten specific questions for NGOs, 17 questions for businesses, 15 specific questions for business associations and nine specific questions for public sector bodies. See Annex A for the full list of questions asked.

20. Table 2 shows a breakdown of the number of Consultation Portal responses per respondent group.

Table 2: Total Consultation Portal responses broken down by respondent group

Respondent group	Number of responses
Individual	117
Non-governmental organisation (NGO)	27
Business	34
Business association	34
Public sector body	7
TOTAL	**219**

Respondents' demographic profile

21. The online survey gave respondents the option to provide additional data about themselves or their organisation. This included questions such as their geographical location, age, gender, size of business and the number of businesses the business associations represent. Using this data, we have provided a detailed breakdown of respondents' profiles in Annex B.

Responses via email and post

22. Some respondents opted to submit their responses to the consultation via email. On request, questions from the Consultation Portal survey were made available to respondents. In this case, the majority of respondents submitted a letter with specific comments tailored to the needs and circumstances of their organisation. The table below (see table 3) shows a breakdown of the number of responses by respondent group. Over two thirds of the responses sent via email were from business and industry.

Table 3: Total number of email responses broken down by respondent group

Respondent group	Number of responses
Individual	5
Non-governmental organisation (NGO)	12
Business	5
Business association	35
Public sector body	6
TOTAL	**63**

23. One response was submitted by post from an NGO.

Campaign responses

24. A campaigning group (38 Degrees) organised and actively encouraged responses from its members to the consultation. Nearly 150,000 responses were submitted.

Table 4: Breakdown of the number of campaign responses

Campaigning Organisation	Number of Responses	Title of Campaign
38 Degrees	145,905	*Submission to DIT's consultation on future trade deals*

25. We have not categorised responses in any way other than how they were received. In the summary of responses section of this document, which summarises the detailed comments received by respondents, responses have been considered in the relevant policy area where they would be in a typical FTA.

Consultation feedback

Consultation events

26. As part of DIT's work to promote all four consultations, we held 12 'Town Hall' and roundtable events across the UK, seeking views from a broad range of stakeholders. Additionally, the Minister of State for Trade Policy, George Hollingbery MP, chaired a webinar (openly advertised on Twitter) with over 100 people registering. The webinar was specifically designed to discuss FTAs with specific relevance to how Small- and Medium-sized enterprises (SMEs) operate.

Table 5: Location, date and partner organisation of each event

Location	Date	Partner Organisation
Edinburgh	5 September 2018	The Scottish Council for Development and Industry
Manchester	21 September 2018	British American Business
Exeter	28 September 2018	Confederation of British Industry
Birmingham	1 October 2018	British American Business
Norwich	3 October 2018	Confederation of British Industry
Belfast	4 October 2018	Invest Northern Ireland
London	5 October 2018	Confederation of British Industry
Nottingham	8 October 2018	Geldards
Durham	10 October 2018	British Chambers of Commerce
Leeds	12 October 2018	Trades Union Congress
Cardiff	15 October 2018	British Chambers of Commerce
Reading	17 October 2018	Federation of Small Businesses
Webinar	22 October 2018	Federation of Small Businesses

27. The events were intended to encourage individuals and businesses from all parts of the UK to participate in the consultations. We partnered with leading business associations and other representative organisations to host these events with each event adapting to meet the needs and interests of the registered attendees. In total, there were over 300 attendees with a broad spectrum of trade policy interests.

28. The events were chaired by either the Secretary of State, a minister or a senior official from DIT. Leading country and policy team experts from the department were also available to answer questions. These events allowed us to hear first-hand from a range of experts from across business, trade unions, NGOs, consumer groups and other civil society representatives. Events were held under the Chatham House Rule, with comments not attributed to stakeholders. This facilitated an open and honest discussion. Feedback from attendees was positive with the events being reported as informative and valuable.

29. From these events, we gathered the following feedback to all four consultations:

   ➢ Appetite for engagement was high. Stakeholders valued the opportunity for a genuine dialogue with ministers and senior officials, an opportunity to exchange views, gather information and to be involved in the policy-making process.

   ➢ Stakeholders welcomed the Government's commitment to an inclusive and transparent trade policy and asked for this transparency to continue throughout the negotiation process. They requested more digital content on trade to be made available, and for the Department to signpost main issues to assist them accessing pertinent information.

   ➢ Levels of general knowledge of FTAs were mixed.

   ➢ Many businesses were engaged but were open about the fact that the FEP with the EU and EU-Exit contingency planning was their main focus. This was consistently seen as the more immediate priority for business.

30. Understanding of FTAs varied across different stakeholder groups, with there being mixed levels of awareness about the impact of trade deals and their wider benefits to the general public. DIT recognises the need to raise awareness of future FTAs and their impact at both local and national level. The insights gained from these events will inform DIT's stakeholder engagement plans for any future stakeholder consultation exercises and for any future engagement during potential trade negotiations. The Government will continue to build upon its commitment to deliver an informed, inclusive and transparent trade policy.

Engagement with Devolved Administrations, Crown Dependencies and Overseas Territories

31. As set out in the Trade White Paper *Preparing for our future UK trade policy* the Government is committed to ensuring the devolved administrations (DAs) have a meaningful role in trade policy after we leave the EU. To develop and deliver a UK trade policy that benefits businesses, workers and consumers across the whole of the UK we will take into account the individual circumstances of England, Scotland, Wales and Northern Ireland. Working closely with the devolved administrations to deliver an approach that works for the whole of the UK continues to be a priority for DIT.

32. During the consultation, we took steps to engage widely in Scotland, Wales and Northern Ireland, including holding round tables in Edinburgh, Cardiff and Belfast.

33. The Scottish and Welsh Governments have provided views on the potential UK-Australia FTA via written responses and during discussion with DIT ministers and officials. We welcome and thank both Governments for these views.

34. The Northern Ireland Civil Service has published technical data in relation to Australia and trade and discussed this data with DIT officials. We thank them for this information.

35. DIT will continue to actively engage with the devolved administrations regarding any new potential trade deal with Australia through a new DIT/DA Ministerial Forum and our regular Senior Officials Group and Policy Roundtables.

36. We recognise the interest in potential UK FTAs from the Crown Dependencies and Overseas Territories, including Gibraltar, and remain fully committed to engaging them as we develop our independent trade policy for the UK. The Secretary of State for International Trade made this commitment clear in his letter to the Chief Ministers of the Crown Dependencies [and Overseas Territories] at the launch of the consultations in July 2018. Discussions between DIT and the Crown Dependencies continue on a range of Trade Policy topics.

37. We will continue to seek views from the Crown Dependencies and Overseas Territories, including Gibraltar, during any potential future FTA negotiations to ensure that their interests and priorities are properly taken into account.

Engagement with Parliament

38. The Government is committed to providing Parliament with the ability to inform and scrutinise new trade agreements as we progress with developing our future trade policy. The Secretary of State for International Trade, Minister of State for Trade Policy and the Government's Chief Trade Negotiation Adviser held a briefing session on the FTA consultations, open to all Members of Parliament (MPs), on 12 September 2018. Twenty-four MPs attended, and the questions were-wide ranging, covering all four consultations. Comments sent to DIT by MPs on behalf of their constituents were also considered as part of our analysis of the consultation feedback. The House of Commons International Trade Committee also published a report on UK-US Trade Relations, to which the Government responded on 10 July 2018. We will consider the Committee's conclusions from its inquiry on Trade and the Commonwealth: Australia and New Zealand.

39. On 21 February 2019 there was a debate in Government time in the House of Commons on the four potential new FTAs. The purpose of this was to help the Government to understand parliamentarians' priorities for the new FTAs before formulating our negotiating objectives.

40. On 28 February 2019 we published a paper, *Processes for making a free trade agreement after the United Kingdom has left the European Union,* which sets out proposals on public transparency for future FTAs and the role of Parliament and the devolved administrations. This included confirmation that at the start of negotiations, the Government will publish its Outline Approach, which will include our negotiating objectives, and an accompanying Scoping Assessment, setting out the potential economic impacts of any agreement. The Government stands by its commitment to ensure that Parliament has a role in scrutinising these documents

so that we can widen the range of voices heard and ensure that as many views as possible are taken into account before commencing negotiations.

41. The Government plans to draw on the expertise and experience of Parliamentarians throughout negotiations, working closely with a specific parliamentary committee, or alternatively one in each House. We envisage that the committee would have access to sensitive information that is not suitable for wider publication and could receive private briefings from negotiating teams. This would ensure that the committee(s) was able to follow negotiations closely, provide views throughout the process and take a comprehensive and informed position on the final agreement.

Summary of responses

General Themes

Respondents across all stakeholder groups provided a wide range of comments on their priorities and concerns regarding a future UK-Australia FTA. More detailed analysis can be found in the 'Analysis of responses by policy area' section. The summary below sets out the key themes raised within the five policy areas which received the greatest volume of substantive comments. We also received a large volume of campaign responses, not all of which included individual comments. These are summarised in the 'Summary of campaign responses' later in this document.

The UK's existing labour standards and environmental protections should not be reduced or negatively impacted by any future FTA with Australia

Across all stakeholder groups, respondents raised the importance of maintaining the UK's high labour and environmental standards. It was felt that a UK-Australia FTA should protect workers' rights and should not adversely impact wages or job security. Respondents also reflected that increased trade generated by an FTA could contribute to climate change through additional transport activity and carbon emissions. Respondents reflected that an FTA provided an opportunity to ensure that the levels of protection and standards for both countries were aligned to the highest level.

There could be benefits to the UK from lowering or removing tariffs with Australia, but there may be some industries that would be best supported by maintaining existing tariffs

A number of comments focused on the potential benefits of reducing or removing tariffs between the UK and Australia. The perception was that this could further enhance trade between both countries and that it should be a key priority for a future FTA, as long as Australia did not stand to benefit more than the UK. Stakeholders stressed the importance of protecting some sectors by maintaining existing tariffs. In particular, respondents highlighted concerns that a reduction in tariffs (and an FTA more broadly) could have on certain sectors such as agriculture. It was recommended by some stakeholders that tariffs should be maintained in these sectors or reduced over time to manage any negative impacts to UK industries.

Any UK-Australia FTA should ensure a level playing field for UK businesses

Respondents highlighted that an FTA could increase competitiveness for UK products and ensure a fairer and level playing field for businesses operating in Australia. However, many stakeholders emphasised the importance of ensuring that an FTA did not negatively impact UK producers and businesses by exposing them to increased competition. Any reductions in standards through an FTA were seen as having the potential to make UK businesses more vulnerable to unfair competition. Stakeholders also highlighted the need to protect UK businesses from practices that were perceived as being unfair, such as undercutting producers by flooding the market with cheap imports.

The UK's existing product standards should be maintained through any future UK-Australia FTA

Stakeholders identified the importance of ensuring the UK's high product standards were not reduced or compromised through an FTA with Australia. Some recommended that standards should continue to align with those applied in the EU, and that standards should be harmonised across all future trading partners to reduce bureaucracy and ensure quality and consumer safety. Respondents stressed the importance of reducing the regulatory and administrative burden of product certification (particularly on SMEs), while balancing this against retaining high standards.

A future UK-Australia FTA could have a beneficial impact on services trade between both countries

Respondents highlighted the opportunities that an FTA could provide in terms of increasing services trade between both countries. Mutual Recognition of Professional Qualifications (MRPQs), and inclusion of provisions to support greater movement of skilled workers between both countries were identified as having the potential to benefit trade. Respondents also highlighted that areas such as digital and financial services should form part of an FTA, noting these were areas of comparative strength for both countries. Concerns focused on ensuring that Australia did not stand to benefit more than the UK from any services provisions.

Other main themes

In addition to the above, a number of key themes were reiterated through the comments received through the consultation. A significant number of stakeholders raised the importance of protecting public services, with particular reference to the National Health Service (NHS). This was mirrored in the responses received through the 38 Degrees organised campaign. The Government has made its position clear that decisions about public services will continue to be made by UK Governments, including the devolved administrations, and not future trade partners.

Other key messages included requesting that the UK maintain the UK's high food and Sanitary and Phytosanitary (SPS) Measures with concerns focused on the potential negative impacts on consumers of lowering food and SPS standards. In addition, stakeholders raised the importance of protecting the UK's Intellectual Property (IP) through any future UK-Australia FTA and ensuring that more widely, FTA provisions helped reduce the administrative and financial burdens of trade between both countries.

Stakeholders were positive about the potential for a UK-Australia FTA but highlighted that it should not compromise or negatively impact on the FEP with the EU.

Overview of Priorities

Respondents who completed their consultation response via the online survey, were classified into different respondent groups (Individual, NGO, Business, Business Association and Public Sector Body) and asked a series of questions (set out in Annex A).

All respondent groups were asked what they wanted the UK Government to achieve through a UK-Australia trade agreement and which of the 14 policy areas provided (as set out below) best described the priorities outlined in their previous answer. Business and business association respondents were also asked what they wanted the UK Government to achieve by reference to the 14 policy areas, and were provided with a supplementary question, asking which of these policy areas is their top priority.

The table below shows the top three policy areas selected as a priority for each of the different respondent groups.

Table 6: Top priorities selected by different respondent groups

Type of respondent *(Total number)*	First most selected priority *(Total selected by)*	Second most selected priority *(Total selected by)*	Third most selected priority *(Total selected by)*
Individuals *(114)*	Product Standards, Regulation and Certification **70**	Tariffs **69**	Customs Procedures **63**
Businesses *(32)*	Tariffs **10**	Services **7**	Trade Remedies and Dispute Settlement **4**
Business Associations *(31)*	Tariffs **10**	Product Standards, Regulation and Certification **5**	Services **5**
NGOs *(26)*	Tariffs **17**	Product Standards, Regulation and Certification **14**	Labour and Environment **14**
Public Sector Bodies *(6)*	Tariffs **4**	Competition/ Investment **3**	Sanitary and Phytosanitary Measures **3**

Overview of Concerns

All respondent groups were asked what concerns they had about a UK-Australia trade agreement and which of the 14 policy areas provided (as set out below) best described the concerns outlined in their previous answer.

Business and business association respondents were also asked about their concerns by reference to the 14 policy areas, and were provided with a supplementary question, asking which of these policy areas was their top concern.

The table below shows the top three policy areas selected as a concern for each of the different respondent groups.

Table 7: Top concerns selected by different respondent groups

Type of respondent (Total number)	First most selected concern (Total selected by)	Second most selected concern (Total selected by)	Third most selected concern (Total selected by)
Individuals *(88)*	Product Standards, Regulation and Certification **44**	Labour and Environment **37**	Tariffs **36**
Businesses *(27)*	Services **8**	Tariffs **6**	Digital **3**
Business Associations *(27)*	Tariffs **7**	Services **7**	**N/A**
NGOs *(25)*	Product Standards, Regulation and Certification **13**	Tariffs **13**	Sanitary and Phytosanitary Measures/Intellectual Property **11**
Public Sector Bodies *(5)*	Tariffs/Competition **3**	Product Standards, Regulation and Certification/Labour and Environment **2**	Sanitary and Phytosanitary Measures/Rules of Origin **2**

Analysis of responses by policy area

This section contains a detailed analysis of the free text comments submitted. The feedback has been summarised with reference to the 14 policy areas and other comments provided and grouped by respondent type: (1) Individuals (2) Businesses (3) Business Associations (4) NGOs (5) Public Sector Bodies. Please note that where respondent feedback from across these different groups reflected similar views, comments or issues highlighted might overlap. Technical terms can be found in the glossary located in Annex C.

Tariffs

Overall, respondents were positive about the potential benefits of a trade agreement with Australia. There was a strong preference for either lower tariffs or their complete removal, with businesses explaining how they could benefit from this and the resulting increased trade between the UK and Australia. However, the need for protection of the UK market was also highlighted in many responses. A few respondents, notably from the agricultural food sector, stressed the importance of maintaining certain tariffs or reducing them gradually over time to protect UK producers' and farmers' livelihoods.

Individuals

Thirty-one individual respondents prioritised tariffs in their comments with the main message being that the reduction or removal of tariffs should be a key priority for an FTA with Australia. Some individuals highlighted the importance of reducing both tariffs and non-tariff barriers to facilitate trade and promote increased trade flows between the UK and Australia. Eighteen individuals called for an FTA without any tariffs on goods. However, three individuals flagged concerns, including the need for the UK not to diverge from existing EU tariffs and standards given the EU is the UK's biggest market. There was also concern expressed about future FTA provisions, including those on tariffs, being more beneficial to Australia.

Businesses

Twenty-four businesses asked for the UK Government to prioritise tariffs in a future FTA with Australia. Eleven businesses called for the removal or reduction of tariffs, citing the opportunities this could bring from increased trade between both countries, with one respondent noting that promoting electronic commerce (e-commerce) could be one such opportunity. Responses included requests for reductions on specific tariffs, such as for grain, or their removal for products such as raw cane sugar and wine. Many respondents called for any changes to tariffs to be fair to both the UK and Australia and not negatively impact UK industries or agriculture. A need to respect the WTO Pharmaceutical Tariff Elimination Agreement was also raised (to note, Australia is already a participant). Some respondents asked for any future trade negotiation to aim for trade liberalisation for all products manufactured by the life sciences industry. Seven businesses expressed general concerns, with one commenting specifically about the potential significant impact on the affordability of UK products and competitiveness. There were concerns about whether the outcome of negotiations between the UK and Australia would be fair and equal.

Forty-five business associations raised tariffs as a priority in their comments and welcomed the removal or reduction of tariffs which could greatly benefit particular UK industries, for example, cosmetics, spirits, books, journals and newsprints. Representatives of the Scottish salmon sector also indicated support for removal of tariff rate quotas (TRQs). One respondent highlighted the potential benefits for the automotive sector of removing of Australian automotive tariffs. However, there was a wider recognition that in some cases reducing or removing tariffs might increase competition faced by UK business or reduce benefits from tariff preferences granted to developing countries. Twenty-six business associations raised concerns about tariffs which included points about the affordability of high shipping costs between UK and Australia singled out for comment.

NGOs

Fifteen NGO respondents raised tariffs as a priority in their comments. Responses highlighted potential benefits from a reduction of tariffs. Ensuring that exceptions were available for agricultural food products was also highlighted by respondents as being a priority. A few respondents favoured the reduction or removal of tariffs and TRQs. Seeking improved terms of trade for products manufactured or designed in the UK (eg in the textile industry) was also flagged as being important. Eleven NGOs highlighted concerns around the impact of tariff reduction on UK businesses. Comments included the need to consider how this might interact with domestic reforms, such as the withdrawal from the EU Common Agriculture Policy.

Public sector bodies

Six public sector bodies referenced tariffs as being a priority in their comments and four as a concern. Responses tended to focus more on non-tariff barriers and one respondent was of the view that given Australia currently does not impose tariffs on certain products (eg most seafood) any tariff reductions negotiated in an FTA would not significantly improve the terms of trade for UK exporters.

Rules of Origin (RoO)

Respondents, particularly businesses and business associations, tended to highlight the importance of RoO for current global supply chains, including those involving the EU. A common theme among business association respondents, who expressed views on behalf of their members, was to call for further simplification and support in understanding RoO. Comments were also raised by respondents in this section on Geographical Indications (GIs) however, in an FTA, GIs are contained within the IP chapter and therefore have been considered in that section.

Individuals

Individuals did not specifically raise RoO as either a priority or a concern in their comments. However, a comment was raised calling for RoO, as well as market access and regulatory aspects of trade policy, to be designed to facilitate trade and not impede it. The impact that changing RoO may have on the quality of imported products was noted as a concern.

Fourteen businesses raised RoO as being a priority in their comments, and five identified it as being a concern. On content requirements, one responding business, based on its experience in extractive and metal industries, recommended using the regional value content (RVC) approach as the most effective way of determining product specific RoO. Some business respondents recommended allowing products to benefit from diagonal cumulation with the EU, along with calls to simplify and harmonise RoO. Ensuring the similarity of RoO to be applied in future UK FTAs with those already agreed in EU FTAs, was flagged as being important in reducing administrative burdens. One business, with global supply chains, was concerned that products developed in the UK might not be considered in the future as originating in the UK due to components coming from overseas and being sourced from within the supply chain.

Business Associations

Thirty-two business associations referenced RoO as being a priority for a UK-Australia FTA and 19 viewed it as a concern. Due to the importance of their global supply chains, some business associations highlighted that some of their members would not be able to meet restrictive RoO requirements. As a result, business associations requested alternative requirements for determining origin which were more reflective of global supply chains. Seven respondents suggested diagonal cumulation with the EU or other countries, seeking RoO that were compatible with the future EU-UK relationship, or replicating EU-standard preferential RoO.

Eight business associations called for simplifying or minimising the administrative burden of RoO. Suggestions included self-certification, use of electronic preferential origin documentation and certification, trusted trader relationships and standard rules between major trading blocs. Other respondents sought greater flexibility for imports to the UK market and highlighted vulnerability to dumping, with some respondents suggesting a link between RoO and dumping practices. One respondent included a need for tight, well-defined RoO to avoid circumvention. They suggested the change of tariff heading as being a preferred approach or, in certain cases, the use of regional content thresholds of more than 50 per cent.

NGOs

Three NGOs referenced RoO as being their priority in their comments, and two identified it as a concern. One respondent suggested that RoO cumulation requirements between the UK and Australia, as well as other developed countries, should be set at 25 per cent, which they regarded as being a world-leading liberal standard and highlighted as being well below the lowest threshold set in CPTPP - namely originating materials representing at least 30 per cent of the value of goods - and thresholds set in other trade agreements.

Public sector bodies

Public sector bodies did not specifically raise RoO as either a priority or a concern in their comments, although a concern was raised over the potential impact of removing current regulations on RoO.

Customs Procedures

Most of the comments raised by respondents focused on the need to have efficient and cost-effective customs procedures in place to ensure that they do not impose an administrative or financial burden for economic operators, notably SMEs, and do not interfere with the operation of many industries, for example, those which work based on supply chains and 'just in time' deliveries.

Individuals

Three individual respondents raised custom procedures as a priority in their comments. Responses focused on the need to keep the administrative burden as low as possible (particularly for small exporting businesses) to make trade with Australia as easy and frictionless as possible. Respondents suggested we look towards similar customs procedures as currently applicable in trade between Australia and the EU. One respondent suggested that new technology, such as a blockchain ledger, could be introduced to record and enhance trade in goods between Australia and the UK by reducing the need for customs intermediaries. Two individuals marked customs procedures as a concern, with the need to reduce 'red tape' being mentioned repeatedly.

Businesses

Twenty-one business respondents viewed customs procedures as a priority in an FTA with Australia. Most comments related to minimising the regulatory burden with requests to improve the overall speed of custom clearances and to keep paperwork minimal. Suggestions included using the Integrated Cargo System or another electronic/online system. Several respondents called for customs-related requirements to be reduced, eg limited to certification proving origin, specifically for food. Respondents also made reference to the WTO Trade Facilitation Agreement, which contains provisions for effective co-operation between customs and other appropriate authorities on trade facilitation and customs compliance issues. The recommendation was to build on this agreement by standardising approaches to customs legislation to give certainty to traders. A concern expressed by some Australian wine producers was the effect of possible queues and delays at borders and ports in the UK once the UK has left the EU, given the UK is currently the central European hub for the flow of Australian wine exports moving across Europe. Seven business respondents raised customs procedures as a concern. Comments included the effect on 'just in time' supply chains once the UK has left the EU with the potential for delays in obtaining or transferring component parts to and from overseas leading to high levels of storage and inefficiencies.

Business Associations

Twenty-five business associations called on the UK Government to prioritise customs procedures in a future FTA with Australia and 18 raised concerns. As with businesses, reducing bureaucracy and costs were the main recommendations made by business associations. These included the potential impact on electronic transfer of data, checks carried out in transit to avoid delays in ports, as well as investment in infrastructure of ports and airports to ensure effective handling of merchandise. Respondents also raised the issue of disproportionate costs and burdens for SMEs, suggesting customs procedures should be effective, but 'light touch'. The frequency of changes in Australian regulations was also raised as an issue as they require manufacturers to frequently adjust information on the product or in the export documents. One respondent referred to the need

for valuation and transfer pricing policies that are consistent with Organisation for Economic Co-operation and Development (OECD) guidelines.

NGOs

Four NGOs raised customs procedures as a priority with the focus on minimising administrative burdens for UK businesses trading with Australia. One respondent emphasised the benefits that trade facilitation measures could bring about for business thus leading to enhanced levels of economic activity. One NGO asked for robust customs procedures to be maintained for agricultural produce entering the UK from Australia. Five NGOs raised concerns, including anti-business customs practices, which could lead to costly customs delays. Moreover, the issues of import duties and border Value Added Tax (VAT), VAT payment systems, trade finance (including letters of credit), and marine, aviation and transport insurance and reinsurance were raised.

Public sector bodies

No public sector bodies commented on customs procedures as a priority or a concern in their feedback.

Services

Respondents recognised the importance of services in trade agreements, covering several sectors including professional and financial services. Feedback was largely sector specific with comments relating to particular requirements for those industries. For financial services, respondents covered a broad range of sub-sectors which included asset management, banking, insurance, financial technology (FinTech), green finance and infrastructure finance. The importance of MRPQs was referenced. Respondents also emphasised the need for FTAs which prioritised the movement of skilled workers, allowing businesses access to the best talent. Relevant comments on public services, including the NHS, were also raised in the consultation sections on investment and Government procurement but have been considered in this section.

Individuals

Thirteen individuals viewed services as a priority for a future FTA with Australia, and five raised concerns. Generally, individuals' views on an FTA with Australia were positive, with many pointing to historic and cultural links between the two countries. Many individuals identified greater MRPQs and a reciprocal streamlined visa system as being their priority, with respondents calling for movement of professionals and workers between Australia and UK to be prioritised. One respondent stated that they would like to see the UK join the Trans-Tasman Travel Arrangement (TTTA) which could facilitate intra-company transfers in areas of mutual benefit to both economies. Some respondents emphasised they did not want any future FTA to negatively impact existing public services, specifically the NHS. Similar concerns were raised about the perceived threat to NHS services from private healthcare companies if public services were liberalised in a UK-Australia FTA. The impact of distance on trading services with Australia was also perceived by some individuals as being a potential issue.

Businesses

Businesses

Twelve businesses referenced services trade, particularly professional and financial services, as a priority and identified a preference for MRPQs to be included in a future FTA with Australia and the need for the flexibility to recruit overseas staff and for staff temporarily moving to work overseas. One business specifically highlighted the need for measures enabling the temporary movement of workers and professionals for business reasons, while other businesses highlighted the need for measures reducing visa fees, minimising experience thresholds for intercompany transfers and extending the Australian skilled occupations visa eligibility list. Business respondents who called for an FTA to prioritise the movement of highly skilled professionals in order to enable their global business networks to grow, emphasised the heavy reliance that businesses have on cross border activity and movement.

For financial services, both business and business associations had a particular interest in supervisory and regulatory co-operation, highlighting the opportunities for the asset management sector, including streamlining of regulatory reporting, mutual recognition, and the example of the Asia region funds passport. Several businesses stated that a key priority for a UK-Australia FTA was maintaining access to both countries market insurance and reinsurance businesses through cross-border trade and establishment. Several respondents identified that they would like to see the removal of restrictions in relation to retail, banking and insurance. These respondents also called for the UK to use its expertise as a leading hub for green finance to cooperate with Australia's similar expertise. Recognition of licences and certificates and harmonisation of regulations were also identified as priorities across several sectors. In total eight businesses expressed concerns on trade in services, with several respondents remarking that an FTA could not benefit the UK as much as Australia, with regards to trade in services.

Business Associations

Twenty-two business associations viewed trade in services as a priority in their comments. Business associations also wanted financial services to be at the forefront of policy development for the future trading relationship with Australia, with particular interest in closer regulatory co-operation. One respondent identified that Australia has invested over £1.8 billion (as of 2016) in UK financial services and is the second largest investor in the UK's insurance sector.

Some respondents stressed that trade in services is particularly important to SMEs seeking to export services and called for the inclusion of tailored SME provisions in a services chapter of an FTA. There was also a request for an FTA to liberalise the movement of skilled workers and MRPQs and to see the implementation of the Customs Declaration Services, which could ease the administrative burden on SMEs when exporting. It was noted by one business association that minimising the bureaucracy of visa applications provides an opportunity for the UK, as they felt the UK is currently losing out on Australian business ventures to the US due to UK visa restrictions on highly qualified personnel. Ten business associations raised concerns about a potential UK-Australia FTA, with a recurring concern about Dispute Settlement Mechanisms in a potential FTA and encouraged the UK Government to consult industry and civil society.

NGOs

Thirteen NGOs viewed trade in services as a priority, with several respondents calling for the frictionless movement of services. Some NGOs called for the inclusion of MRPQs in a services

chapter of a potential UK-Australia FTA, including certificates and licences. Some NGOs saw the greatest opportunity for increased trade flows to be trade in services, with one stating that the difference in time zones is beneficial as services and support can be provided from various offices and across time zones, boosting the globalised services industry. NGO respondents also commented that the UK is a leader in financial services and called for the UK's high regulatory requirements to be protected. Thirteen NGOs raised concerns on a number of services related issues, including ISDS and a lack of transparency in any potential negotiations. One NGO raised concerns around the limited role of the devolved administrations stating that any future trade agreement may affect devolved matters. Respondents also commented on the importance of protecting public services, including the NHS.

Public sector bodies

Five public sector bodies asked the UK Government to prioritise trade in services, with two raising concerns. Many respondents were keen for a bilateral FTA with Australia, noting the ease by which financial and related professional services could do business and use expertise in the region and that UK businesses could expand in this market. Public sector body respondents also highlighted the need to ensure free movement of skilled workers between Australia and the UK. Comments also referenced the value in harmonising services standards. Several public sector bodies also identified the benefits of free movement of financial services employees and welcomed strong financial services elements in any future FTA. Respondents also identified that cross-border trade in financial services supports competition across financial markets and provides a wide range of choice to customers. One respondent identified that in 2017, the UK exported £832 million of financial services to Australia, up from £814 million in 2016.

Public sector bodies expressed concerns that an FTA could potentially lead to the privatisation of public services. One public sector body called for the uncertainties and timeframes surrounding visa applications to be addressed, flagging the benefits that reciprocal business visas could bring to both the Australian and UK businesses and markets. There was also a comment about excluding public services, including the NHS, from the scope of FTAs.

Digital

A recurring theme of the feedback was the need for free flow of data, with respondents highlighting the importance of effective data protection and the need to prevent data localisation. There was general support for global rather than national responses to the tax challenges of digitisation and for rules on digital goods not being a barrier to trade. With regards to telecommunications respondents, many respondents wanted to enhance non-discrimination clauses to protect net neutrality and ensure better market competition. Some respondents also used the consultation as an opportunity to express their opposition to any changes to current EU platform liability rules.

Many respondents were of the view that Australian businesses can already access the UK's Audio-Visual (AV) market. A number of respondents focused on how an FTA might adversely affect the UK's AV ecosystem, with one respondent making particular reference to the positive impact of the UK's Public Service Broadcasting (PSB) system to the success of UK businesses abroad. Some respondents were also of the view that advertising time is discriminatory against non-Australian content, and that media businesses are subject to foreign ownership restrictions.

Respondents from the newspaper industry called for there to be no unjustified restrictions on the cross-border publication dissemination of UK newspapers, in print and online, or news brands subscriptions and advertising services. Responses from the gaming sector were positive, emphasising the need to maintain frictionless trade and break down barriers where these existed with trading partners.

Individuals

Three individuals raised digital as a priority in their comments and two raised it as a concern. Comments included enforcing every party's right to regulate data in the national interest to protect privacy. The opportunity to enable content to be shared between Australian Broadcasting Corporation (ABC) and the British Broadcasting Corporation (BBC) to help counter use of Virtual Private Networks (VPN) and illegal torrenting was also flagged by one respondent. One respondent perceived data and privacy protections to be weaker in Australia.

Businesses

Thirteen businesses prioritised digital in a UK-Australia FTA and nine raised digital as a concern. Businesses called for alignment of digital regulatory requirements across future UK FTAs, including through reference to internationally accepted standards (for example, one respondent called for alignment with Information Commissioner Office (ICO) guidelines on Big Data), as well as mutually recognised standards. Three businesses commented that it is important to ensure free flow of data and two businesses raised the control of data movements across borders as being particularly important. Data protection and privacy were also key concerns for three businesses.

Business Associations

Fourteen business associations referenced digital as a priority while 15 identified this area as a concern. Business associations called for several areas to be covered in a UK-Australia FTA. These included calls for the UK's Enterprise Act to form a part of a future FTA and for it to reflect the Digital Economy Act of 2017 for user data. There were also requests for the FTA to align with the ICO guidelines on Big Data; for a data sharing agreement with Australia; and calls for co-operation on data ethics and Artificial Intelligence (AI). Four business associations mentioned the importance of ensuring that an FTA with Australia does not have compulsory data localisation. Data protection and privacy was a concern for six respondents. Some respondents asked for the Government to consult at a detailed sectoral level throughout the negotiation process.

NGOs

Three NGOs viewed digital as being a priority and two NGO respondents referenced this area as a concern in their comments. Two NGOs raised the importance of maintaining current arrangements with the EU on digital trade policies. NGOs also wanted a UK-Australia FTA to ensure the free flow of data, aligning data protection regulations and prioritising economic growth. One NGO recommended ensuring digital trade remains untaxed and that provisions should be included to stop governments from imposing requirements that restrict digital services. The need to enforce data privacy obligations to ensure that data flows as smoothly as possible was also commented upon.

Three public bodies prioritised digital in their comments, with no public sector bodies raising concerns in their response. One respondent suggested that cyber security could be a potential market for UK businesses in Australia. Two public sector bodies mentioned the importance of increasing co-operation and partnership in the digital economy.

Product Standards, Regulation and Certification

This policy area covers technical regulations, voluntary product standards and the procedures to ensure that these are met. Standards and measures to protect humans, animals and plants as well as to regulate food, animal and plant safety are discussed under the SPS section of this document.

The terms 'standards' and 'technical regulations' are used frequently in trade agreements when addressing 'technical barriers to trade'. While the word 'standard' is used informally to mean a level of quality or attainment, in the context of trade agreements 'standards' have a formal technical meaning. 'Standards' in this sense are voluntary documents developed through consultation and consensus which describe a way of, for example, making a product, managing a process, or delivering a service. While standards are voluntary, when cited in a regulation, their use can become compulsory. Standards are not set or controlled by the Government. 'Technical regulations' are mandatory requirements set out in the legislation and they are controlled by governments and legislators (Parliament in the UK). For regulated products and services, standards can be used to support compliance.

A significant number of responses focused on product standards, regulation and certification with a need to maintain current high standards and continue to align UK standards and regulations with those applicable in the EU. There were a number of in-depth sector specific responses focusing on regulatory frameworks and potential sectoral annexes to the future FTA. Relevant comments regarding standards that were raised in the consultation section on labour and environment have been considered in this section.

Individuals

Seventeen individual respondents viewed product standards, regulation and certification as a priority and nine as a concern. Several respondents asked for existing regulations for products and consumer rights to be maintained or improved to ensure a high level of quality and safety. Some respondents also commented on harmonising arrangements between trading partners, either through aligned standards or aligned certification. The most frequently raised concern was in relation to the impact of lowering standards and levels of protection which might result from trade liberalisation and increased trade flows with Australia. This included concerns about the potential impact from low quality imported goods and the potential for reduced control over what could be imported into the UK.

Businesses

Fifteen businesses referenced standards in their comments as being a priority in a future trade agreement with Australia, with an emphasis placed on maintaining current UK standards and aligning with the EU. A key focus was on the need for mutual recognition of conformity assessments, regulatory co-operation with Australia and alignment of future FTA provisions to EU

FTAs. Some respondents also stressed the benefits of Mutual Recognition Agreements (MRAs). This allows states to officially recognise the results of inspections and tests conducted in another state as being equal to their own inspections and testing. As such MRAs are perceived to reduce administrative burdens, time delays and costs, eg the need to re-test imports or exports. In this context, they noted that the UK currently benefits from the EU-Australia MRA on conformity and called for this to continue after we leave the EU.

Respondents were also in favour of the UK being involved in international co-operation related to development of international standards which could be then applied by the UK and its partner countries. Some respondents supported greater co-operation towards recognition of the equivalence of applied technical regulations and standards to facilitate trade. One respondent was in favour of alignment between the quality mark of the British Standards Institution (Kitemark) with an Australian equivalent to facilitate marking and recognition of high-quality products which are safe for consumers. Three businesses expressed concerns which focused mainly on the need to prevent low quality imports that do not meet UK standards and regulations from entering the UK. There was also unease around the amount of regulation and bureaucracy connected with the adoption of national product standards and the effect of a lack of harmonisation with standards used internationally.

Business Associations

Thirty-three business associations viewed product standards, regulation and certification as being a priority for a future FTA with Australia and 18 expressed concerns. Many respondents stressed a need for simplified procedures and reduced regulatory and administrative burden, particularly for SMEs. For example, through mutual recognition of inspection results, while at the same time balancing this with the need to maintain high standards, and not permit imported products which do not adhere to these. Some respondents also highlighted the importance of the UK remaining aligned with standards and regulations used in the EU. Continued alignment with standards and regulations used in the EU including co-operation with the European Medicines Agency (EMA) was flagged as a top priority for the pharmaceutical industry associations who responded.

Some respondents were also in favour of MRAs between the UK and Australia to facilitate trade. One respondent thought the UK Government should seek, through the FTA, to strengthen co-operation with Australia on standards, technical regulations and conformity assessment procedures, with a view to increasing the mutual understanding of their respective systems and facilitating access to markets. It was suggested that regulatory dialogues could be established both at the horizontal and sectoral levels. The UK and Australia could exchange information, simplify technical regulations and conformity assessment requirements (when appropriate), as well as choose or refer to the most relevant standards in areas which might affect trade. Greater co-operation in the development of international standards, guidelines and recommendations was also supported. Specific detailed comments were made on standards and regulations covering the following sectors: publishing, cosmetics, automotive sector and food and drink. Respondents also flagged the challenges faced by SMEs in complying with technical regulations and standards in international trade. Others referenced benefits of the EU-Australia MRA.

NGOs

Eighteen NGOs prioritised standards, regulation and certification in a future trade agreement with Australia in their feedback. The main focus of the feedback was on maintaining or improving

product standards and consumer protection rights. Other priorities included ensuring that standards applicable in the UK were adopted by all future trading partners and aligning standards with those used internationally. Fourteen NGOs raised concerns, focusing on changes in product standards impinging on consumer rights and protection and the possibility that importing low-quality goods might have a negative impact on standards more generally, through unfair competition and the 'race to the bottom'.

Public sector bodies

Three public sector bodies prioritised standards, regulation and certification in their comments. All comments called for harmonisation or mutual recognition of standards with Australia, in technology and manufacturing sectors, as well as regarding medical devices, medicines and non-medical consumables. One public sector body respondent expressed concerns about the impact of changes to the environmental standards of production.

Sanitary and Phytosanitary Measures (SPS)

This policy area covers standards and measures to protect humans, animals and plants as well as to regulate food, animal and plant safety. Voluntary product standards and the procedures to ensure that these are met are discussed under the product standards, regulation and certification section of this document.

Responses generally centred around the need to maintain high UK food requirements and on SPS. Respondents also expressed concerns that the food standards may be lowered as a result of new trade agreements. Others highlighted a need to continue to align the standards and regulations with those applicable in the EU, as well as pointed to differences between the UK's and Australia's regulatory approach to "hormone beef" and antibiotics.

Individuals

Sixteen individuals viewed SPS as being a priority in a future FTA with Australia and 13 as a concern. A recurring theme in the feedback was the importance of not lowering or compromising on the UK's current high food standards. Five respondents highlighted the need to maintain animal welfare standards. Several respondents focused on continuing to align SPS measures with those applicable in the EU. Many respondents emphasised the need to maintain effective border controls to prevent the spread of diseases, as well as imports of products related to processing practices or farming methods prohibited in the UK (eg "chlorine-washed chicken" and hormones) or subject to different regulation (Genetically Modified Organisms (GMOs) and pesticides).

Businesses

Ten businesses identified SPS as being a priority and four as a concern in their comments. Responses focused on the importance of achieving equivalence in standards and regulations. One respondent suggested that tariffs should only be removed where overall SPS measures are materially equivalent. Some respondents within specific agricultural-food sectors also stressed that SPS measures should not be more stringent than those currently applied by the EU.

Twenty-two business associations referenced SPS measures as being a priority in their response and 18 as a concern. Several respondents advocated the use in an FTA with Australia of EU SPS measures recently agreed with third countries, as well as the continued alignment of UK standards with those applicable in the EU. Some respondents highlighted the importance of food safety regulation being risk-based, minimally burdensome and able to facilitate competition and innovation. There was also a call for the UK Government to consider more carefully the impact on SMEs. Seven respondents emphasised the importance of maintaining and improving standards, including on animal welfare. One organisation expressed concern about a potential reduction of UK standards and the negative impact for domestic producers. Representatives of some sectors, eg cheese and meat (notably beef) highlighted difficulties in exporting these products to Australia on sanitary grounds. Respondents were of the view that the UK Government should address these barriers in negotiations.

NGOs

Twelve NGOs referenced SPS as a priority in their comments and 16 as a concern. Many NGO respondents highlighted the importance of maintaining domestic food standards and the need to prevent the imports of lower quality food produce. Several NGO respondents focused on specific SPS concerns, notably hormone-growth in Australian beef and the negative impacts this may have on UK domestic production. The use of antibiotics in Australian farming practices was also raised with reference made to the UK's official support for the UN World Health Organisation (WHO) Food and Agriculture Organisation (FAO) One Health Antimicrobial Resistance (AMR) Strategy. The rates of food poisoning (notably salmonella) in Australia were also highlighted in a number of NGO responses. Here, the respondents linked high rates of food poisoning with lower standards of animal welfare. Several NGOs referenced continuing to align domestic SPS measures with those applied in the EU.

Public sector bodies

Two public sector bodies prioritised SPS and three expressed concerns relating to food standards which included the potential consequences for the public. One respondent, with an interest in the fishing sector, highlighted that SPS requirements (regarding seafood) in the UK and Australia are already largely aligned through existing SPS arrangements between the EU and Australia. One respondent flagged their concerns for farming producers in their area that might be negatively impacted by a significant increase of Australian produce in the UK market at a time of transition for the farming sector.

Competition

Although the terms 'competition' and 'competitiveness' are sometimes used interchangeably, they have distinct technical meanings. Competition policy covers the rules and regulations concerning the way businesses operate within a market and the enforcement of such rules. Competition laws, for example, typically cover anti-competitive agreements between firms, abuse of a dominant position and merger control. Competitiveness refers to the general ability of a firm to operate in a market compared to other firms that operate in the same market, or the strength of a whole industry or economy relative to another.

Overall, most respondent groups commented on the impact of FTAs on competitiveness, not on competition policy or legal regimes. The respondents referred to high standards applicable in the UK and the related compliance costs in the context of international competitiveness. Some referred also to monopolistic practices of large firms and the need to address them.

Individuals

Fifteen individual respondents referenced competition as a priority in their comments and 15 respondents viewed it as a concern. The main issues raised were around the risk of unfair competition for UK producers, primarily in the farming and meat industry, due to better weather conditions and the potential for lower standards to give imports a comparative advantage. Comments also included the perception (by some respondents) of weaker food, drink, data, privacy and labour protections in Australia which might make UK businesses vulnerable to unfair competition. Alternatively, some respondents were positive about the opportunities arising from more market competition, lower prices for consumers and higher wages.

Businesses

Fourteen businesses prioritised competition and 11 viewed it as a concern in their comments. Many respondents recognised that the UK could be a benchmark for quality in any agreement covering services, digital trade and telecommunications and requested the removal of any trade barriers such as lack of liberalisation, which bars foreign competition. One comment from an international communications company asked for consistent, pro-competitive regulation of business grade wholesale access to communications networks to prevent discrimination by major suppliers. A media company was concerned that a trade deal with Australia might impact, some or all the PSB regime, which allows the UK to compete strongly with other countries in the AV market.

Business Associations

Thirty-one business associations prioritised competition in their comments. Many respondents were positive, with one commenting that the removal of import duties could make UK products more competitive without damaging the local small-scale production. Greater access to the Australian market was considered to increase competitiveness of UK products and ensure a more level playing field for UK companies. Twenty-three respondents raised concerns, with several comments addressing domestic legislation, regulatory environment and standards, in this context. Lower standards or broader definitions of certain product categories (eg spirits) in Australia might put the UK high quality goods (such as whisky) in a disadvantaged position on the Australian market. Other points made included an expectation that products that do not meet UK standards might not be allowed on the UK market. One respondent suggested the UK Government explore the question of competition in the digital sector and stressed that any outcome could have a profound impact on the UK domestic competition regime and should be factored into any FTA discussions. Respondents from the publishing sector, were of the view, that the current competition framework is strong, but they welcomed action to tackle the monopolistic behaviour of large technology firms. Some respondents asked for the Government to secure cross-border collaboration on anti-trust issues and ensure multiple routes to market exist to counter monopolistic behaviour detrimental to consumers.

Thirteen NGO respondents viewed competition as a priority in their comments, and 16 raised concerns. Many NGOs advocated free trade and opening the UK market up to competition in all aspects of the economy. Several NGOs expressed concerns that high domestic standards and therefore relatively high compliance costs applicable to UK enterprises (food producers) might put them in a disadvantaged position, compared to Australian competitors. There were also comments addressing healthcare and social services, including concerns about competitive tendering and liberalised procurement rules.

Public sector bodies

Four public sector respondents referenced competition as being a priority in their comments and four respondents expressed concern. Comments included being able to promote competition, which could boost growth and investment across financial markets. Other respondents made requests for mechanisms addressing anti-competitive behaviour to be developed and to ensure the potential impact on domestic businesses of competition is fully understood and mitigated. There were also comments focused on healthcare and social services, including concerns about liberalised procurement rules and competitive tendering.

Government (Public) Procurement

There were a wide range of views expressed in relation to government procurement. While some respondents advocated opening up central and sub-national procurement markets for foreign bidders, others favoured UK authorities prioritising local suppliers. Many respondents stressed a need for high standards in government procurement, as well as transparent, fair, and stable rules, with sufficient access to accurate information. Comments relating to public services, including the NHS (which emerged as a very high priority issue for all respondents) have been noted in more detail in the Services section of this document. To note, the term 'public procurement' was used in the consultation, however, the term 'government procurement' is more commonly used in the international trade context and will therefore be used.

Individuals

Eight individual respondents viewed government procurement as a priority in their comments with three raising it as a concern. One respondent advocated closer co-operation on military procurement and another suggested amending Public Contracts Regulations (PCR) (2015) to allow companies from Commonwealth countries to now bid for all public contracts above £115,000 in the UK to ensure their equal treatment to that currently enjoyed by EU Member States. Concerns raised by respondents also focused on the need to protect the NHS and other public services against any liberalisation of government procurement rules.

Businesses

Twelve business respondents referenced government procurement as a priority in their comments. Points made included the need to promote high standards in government procurement, with open, fair and transparent rules to support interests of industry, commissioning public authorities and the general public. One respondent stated that this should be combined with simplification of applications and procedures and the use of one portal for all contracts to enable all eligible

companies, including SMEs, to bid and compete on a level playing field. Some respondents were of the view that the UK's potential FTA with Australia could open additional opportunities for UK companies to have access to procurement contracts at central and sub-national level, with Australian commitments under an FTA complementing those under the WTO Government Procurement Agreement (GPA). Some respondents asked for the UK Government to help them navigate through Australia's public policy and regulatory regimes surrounding government procurement. Four respondents expressed concerns, which included concerns about Australia's national interest considerations impacting UK business access to Australian procurement markets (particularly in the defence sector). There were also concerns regarding limited access to information which may put UK companies (as foreign bidders) in a disadvantaged position.

Business Associations

Thirteen business associations commented on government procurement as a priority and seven business associations expressed concerns. Comments included a request for broad market access coverage for goods and services and a desire to access both, central and sub-national government contracts. Some respondents were of the view that removing barriers to government procurement could create new business and employment opportunities. They also requested a level playing field domestically, given that UK companies face competition from foreign bidders in our relatively open domestic market but do not have a comparable access to third countries' procurement opportunities. Feedback was received from specific sectors, for example, railways, construction and financial services, where UK companies have interest in Australian government procurement opportunities. Some respondents also requested greater transparency and access to information about procurement opportunities.

NGOs

Eight NGO respondents had government procurement as a priority and eight respondents raised it as a concern in their comments. Many respondents called for clauses in the agreement to ensure the UK Government and other public authorities could prioritise purchases from local suppliers (eg food industry), pursue social and environmental objectives and support ethical procurement initiatives. Such clauses were thought to promote decent working conditions as well as high quality, locally sourced food. In this context, several respondents expressed concerns that a future FTA may not allow this type of prioritisation.

Public sector bodies

Two public sector bodies prioritised government procurement in their comments and one raised concerns. Echoing responses from other respondents, public sector bodies called for the exclusion of public healthcare services from requirements for fully open competitive tendering or onerous procurement requirements, while adhering to WTO rules of fairness and transparency.

Intellectual Property (IP)

Overall, respondents highlighted the need to protect UK IP standards. A high proportion of responses were from the creative industries flagging issues on copyright. One individual respondent suggested an FTA could be an opportunity to enable content to be shared between the ABC and the BBC to help counter the use of VPNs and illegal torrenting. Responses also focused

on patent policy and its interactions with both the generic and innovative pharmaceutical sectors. NGOs respondents emphasised the need for market access for generic drugs, while businesses and business associations wanted strong IP patent protection for innovative products. Relevant comments on GIs that were raised in the consultation section on RoO are considered in this section.

Individuals

One individual respondent commented on IP as a priority. This respondent advocated that there should not be any anti-business IP practices introduced in an UK-Australia FTA, as well as calling for bureaucracy and regulation associated with IP to be reduced. No individual respondents commented on IP as a concern in their feedback.

Businesses

Seventeen business respondents commented on IP as a priority and four viewed it as a concern in their feedback. The focus for businesses was on protecting existing IP rights through maintaining trade mark, copyright and patent protections. One business highlighted the need in Australia for adequate patent term extension mechanisms, higher levels of regulatory data protection, and an effective mechanism to enable patent disputes to be resolved. Effective patent protection and harmonising IP standards were raised by three SME respondents. The need for robust enforcement for infringement of IP was a common theme in the feedback. There was also a suggestion for a joint trade mark and patent registration scheme with Australia.

Business Associations

Thirty-one business associations prioritised IP in a future trade agreement with Australia and 22 respondents raised it as a concern in their comments. The focus of the feedback was predominantly on maintaining existing IP rights, tackling infringement and pushing towards the harmonisation of standards. We received a significant number of responses from across the creative industries asking for IP rights to be protected, including the Artists' Resale Rights and commitments of minimum terms for copyright protection of 70 years after the death of the creator. Several respondents were concerned about Australia potentially broadening copyright exceptions as the Australian government recently held a consultation on copyright modernisation. Business associations representing the innovative pharmaceutical sector called for alignment on rules on regulatory data protection up to EU norms, and for patent holders to be given notice prior to a third party entering the market.

NGOs

Nine NGOs asked for the UK Government to prioritise IP in a UK-Australia FTA and seven expressed concerns. Some respondents viewed an FTA with Australia as an opportunity to set high standards for copyright protection, including for Artists' Resale Rights. There was some opposition to having wider exceptions and limitations to copyright with a preference for maintaining the UK's current system. There was also a comment around genetic resources and concerns over the interaction with patent policy. One comment was also made about the importance of the UK retaining its flexibility to limit IP rights (as permitted under the WTO TRIPS Agreement) in order to support access to affordable medicines for lower-income countries. One respondent was also

concerned about the loss of GIs on product labelling as a result of a trade agreement with Australia.

Public sector bodies

Five public sector bodies prioritised IP and one raised it as a concern in their comments. One respondent stated that there was a need to safeguard and promote patient access to generic and low-cost medicines by resisting an extension of IP rights favouring rights holders. Several respondents were concerned that the producers in their locality might be exposed to unfair competition from producers in countries that have less IP protection. They also called for existing UK GIs to be protected in Australia, as well as a need to impose rules on origin standards to protect local brands. Other responses referenced the need for mutual respect for IP ownership in an FTA.

Investment

Overall, many respondents, across all groups, wanted to protect public services, including the NHS, by excluding them from the scope of an FTA. However, in a typical FTA, public services are contained within the services chapter and therefore we have considered relevant comments in the services section of this document. Respondents from business and business associations asked for investors' rights to be protected, including some requests for improved access to ISDS. Many respondents saw a future trade agreement giving rise to opportunities to boost investment and gave examples of what they would consider to be beneficial for the UK. Many individuals and NGO respondents raised concerns about ISDS, with the majority opposing its inclusion in a future trade agreement. Relevant comments on ISDS made in the consultation section on trade remedies and dispute settlement are also considered in this section.

Individuals

Two individual respondents viewed investment as a priority in their comments and two viewed it as a concern. One individual respondent was of the view that an FTA with Australia might encourage investment, for example, in the life sciences sector. One respondent suggested it might make it easier for companies in both countries to set up subsidiaries. One individual respondent asked for an ISDS mechanism to be excluded from an FTA, as it may give foreign investors too much power and might restrict the right of the Government to regulate in the public interest. One respondent was of the view that if an investment chapter is included in an FTA, it should help preserve public authorities' right to regulate.

Businesses

Ten business respondents raised investment as a priority in their comments and seven saw it as a concern. One business respondent was of the view that an FTA with strong investment provisions could facilitate investment, for example, in infrastructure, the green economy and regional development. Respondents asked for investment rules to be transparent, stable and predictable to ensure fair treatment of investors, as well as protect and balance the rights of consumers, business and civil society in a sustainable manner. Some business respondents stated that access to an ISDS mechanism may provide an appropriate level of protection for investors. However, respondents also commented that ISDS mechanisms can be costly and inaccessible for SMEs. Larger business respondents tended to be in favour of an ISDS mechanism. Other respondents

expected the remaining barriers to investment, such as requirements related to export or local content, to be removed and equal treatment of investors guaranteed. Several respondents highlighted a need for UK companies to have access to accurate information, eg about the partner countries' economic and regulatory environment, including taxation, to facilitate their investment decisions. In their view, lack of, or restricted access to, important information might lead to investment decision mistakes or increase investment-related risk.

Business Associations

Sixteen business associations viewed investment as a priority in their comments and six saw it as a concern. Business associations provided responses, very much in line with those from business (see previous Business section), these included calls for transparent and stable investment rules, fair treatment of investors and the removal of remaining barriers to investment. It was also suggested that investors should be allowed to transfer their investment-related capital between the UK and Australia. One respondent was of the view, that an FTA could open-up investment opportunities to UK companies, that are already available to enterprises from other countries that have FTAs with Australia. Another respondent warned that opening the UK market for investment should not be at the expense of domestic industry. Some business associations were positive about an ISDS mechanism; however, several respondents were of the view that its potential inclusion might restrict the Government's right to regulate in the public interest. Some business associations observed that ISDS mechanisms are costly and inaccessible for SMEs.

NGOs

Six NGO respondents referenced investment as a priority in their comments and six viewed it as a concern. Several NGOs asked for the right of the Government to regulate in the public interest (eg regarding working conditions, environmental and food standards, and public health) to be preserved and expressed concern that ISDS might undermine this. Some respondents were of the view that ISDS mechanisms should be excluded from an FTA. Several respondents also suggested ISDS also introduce discrimination of domestic investors compared to foreign ones and, that it might not necessarily contribute to increased investment flows. Some respondents also highlighted that its inclusion could lead to high arbitration costs for the Government to cover, irrespective of the ruling. One NGO stated that there was no need to include ISDS provisions, as both the UK and Australian investors have access to fair and impartial domestic legal systems to protect their rights. In this context, some respondents suggested alternative methods of dispute settlement or protecting investor's rights, eg state-to-state dispute settlement or WTO mechanisms. Some respondents stressed an investment chapter should follow the latest international practice, eg provisions on responsible business conduct and its inclusion in an FTA should be preceded by a broad public debate. Some respondents thought an FTA may encourage investment, for example, in research and development.

Public Sector Bodies

Five public sector body respondents viewed investment as a priority in their comments and no respondents raised it as a concern. Many respondents were of the view that there was no need to include ISDS provisions in an FTA between two developed countries with robust legal systems, as investors could turn to national tribunals if they consider their rights to have been violated, and ISDS could undermine the Government's ability to regulate in public interest. Some respondents

thought that if a dispute settlement mechanism is included in an FTA, the system should be transparent and balance the interest of investors and the public. One respondent was of the view that an FTA might open-up opportunities for investment, for example, in infrastructure.

Labour and Environment

Overall, respondents from all groups expressed similar priorities and concerns regarding labour and environment, stressing the importance of maintaining the UK's high labour and environmental standards. One of the recurring concerns was the effect that trading with Australia might have on climate change and global carbon emissions, due to the geographical distance between the UK and Australia. Respondents also stated that the free movement of professionals between the UK and Australia and ensuring MRPQs are in place should be prioritised. However, in a typical FTA these are contained within the services chapter, so relevant comments have been raised there. Respondents also made comments on human rights, public health and quality of life in this section; as they are social aspects of an FTA, relevant comments have been raised in the other issues section of this document. In this section, respondents also commented on standards beyond labour and environment. These comments have been considered in the standards section of this document.

Individuals

Forty-seven individual respondents viewed labour and environment as a priority and 23 raised it as a concern. Individuals called for labour to be prioritised in an FTA with Australia, with four individuals noting that workers' rights must be protected. The impact on wages and job security was also raised as a concern by several respondents. A recurring concern centred around the possible negative impacts that an FTA could have on the environment. Nine respondents raised concerns over the impact that increased transport activity between Australia and the UK could have on emissions, due to the geographical distance between the two countries. This led to eight respondents calling for environmental standards to be maintained.

Businesses

Twenty-two business respondents referenced labour and environment as a priority in their comments. Four business respondents made comments on the need to harmonise labour regulations between Australia and the UK. Two businesses expressed concerns about labour and environment in their comments, including concerns about a potential negative impact on workers' rights. Some respondents perceived there to be limited alignment on labour and environmental standards between the UK and Australia. One respondent stated that a future FTA with Australia should include an environment chapter (or a sustainable development chapter) to cover environmental protections. Many comments made by businesses on the environment called for the UK's high environmental standards to be maintained as well as ensuring that the standards and regulations of both countries (UK and Australia) are aligned at the highest level.

Business Associations

Thirty-three business association respondents viewed labour and environment as a priority in their comments and 16 viewed it as a concern. Three business associations were concerned about the impact that an FTA with Australia could have on workers' rights. One business association highlighted that an FTA with Australia should recognise that economic growth, social development

and environmental protection are interlinked, noting that FTA parties should therefore agree to ensure that economic growth supports their social and environmental goals. Some respondents made specific comments relating to the protection of environmental standards, with one respondent concerned that imports might undercut existing domestic standards and increased imports and exports could potentially increase the UK's carbon footprint. Another respondent mirrored this view calling for products that are being imported from Australia to meet UK standards. One respondent raised a concern that international businesses have the potential to undercut UK farming on environmental and workplace standards and regulations.

NGOs

Twenty NGO respondents viewed labour and environment as a priority in their comments. Many respondents emphasised the need to maintain and improve workers' rights through a trade agreement with Australia. One respondent suggested that an FTA should contain commitments to respect the International Labour Organisation (ILO) labour standards and the Decent Work Agenda. Trade Union respondents were of the view that an FTA with Australia could put at risk the effective implementation of the ILO conventions, enable the exploitation of migrant workers, encourage undercutting workers' rights and lead to job losses. Three respondents noted that current EU legislation for labour rights and working conditions should be maintained or improved, with three comments calling for strong enforcement of labour rights, for example, the introduction of penalties for those who violate labour laws.

Seventeen NGOs raised concerns, with respondents highlighting that a trade agreement with Australia could undermine the UK's environmental and animal welfare standards. Another respondent viewed global sustainable development as a priority in an FTA with Australia, as they claimed this to be in line with international commitments to meet the UN Sustainable Development Goals. One respondent stated that future subsidies should give more consideration to environmental protection, sustainability and labour, as well as land use. One NGO also recommended for environmental provisions to be enforceable through adequate procedures including through citizen and civil society mechanisms.

Public sector bodies

Five public sector bodies prioritised labour and environment in their response, with five raising concerns. Two respondents were concerned that the UK's environmental standards might be negatively impacted by an FTA with Australia.

Trade Remedies and Dispute Settlement

Overall, respondents highlighted a need for an effective state-to-state dispute settlement that is accessible to all and has an effective enforcement mechanism. Most comments on dispute settlement raised in this section by respondents were in relation to Investor State Dispute Settlement (ISDS) mechanisms, however, in an FTA, ISDS is contained within the Investment chapter therefore we have considered the relevant comments there. During the consultation, trade remedies and dispute settlement were considered within the same section, however these are different policy areas contained within different chapters of an FTA. Given we have received distinct comments relating to these issues the analysis has been separated below.

Four individual respondents raised comments on trade remedies and dispute settlement as a priority and two raised it as a concern. Eleven businesses wanted the UK Government to prioritise trade remedies and dispute settlement and two had concerns. Twenty-one business association respondents raised trade remedies and dispute settlement as a priority in their feedback and 14 raised it as a concern. A total of ten NGOs wanted the UK Government to prioritise trade remedies and dispute settlement in future trade agreements (or related talks) with Australia, and 11 indicated they had concerns in these areas. One public sector body raised trade remedies and dispute settlement as a priority, while one public sector body raised these areas as a concern.

The numbers above reflect those who have highlighted trade remedies and dispute settlement as a priority or concern. The detailed analysis below focuses on the specific comments received relating to either trade remedies or dispute settlement.

Trade Remedies

Individuals

On the topic of trade remedies, one individual expressed concern about UK companies being vulnerable to dumping.

Businesses

There were four businesses which referred to or touched upon trade remedies in their responses. One stated that any UK-Australia FTA should reflect WTO trade remedies law while another stressed the importance of trade remedies in an FTA without explaining why. Two businesses expressed concerns about the cost of applying for trade remedies, indicating that the cost can be prohibitive for SMEs.

Business Associations

Ten business associations referred to or touched upon trade remedies in their responses. Most of them called for all types of WTO trade remedies provisions, that is, anti-dumping measures, countervailing duties and global safeguards, to be included in any UK-Australia FTA. Some respondents called for provisions committing the parties to applying the lesser duty rule and an economic interest test in calculating anti-dumping and countervailing duties. Specifically, those respondents called for bilateral safeguard measures which: (a) facilitate consultation between the parties before the imposition of a measure, (b) require compensation to be provided to the exporting party, or enable the exporting party to suspend equivalent concessions, and (c) provide for recourse to the FTA's dispute settlement mechanism. The same respondents stressed the importance of transparency provisions in a UK-Australia trade remedies chapter, such as notification requirements and information-sharing. Moreover, provisions related to trade remedies should be similar to the equivalent provisions in existing EU FTAs.

There was divided opinion on whether WTO trade remedies should be included in the FTA's dispute settlement mechanism or excluded (in which case WTO dispute settlement mechanism would be the only recourse). Some respondents stated that trade remedies should be excluded but did not give reasons as to why. Others argued that trade remedies should be included, given that it

typically takes quite a long time for disputes to be resolved at the WTO level. Two respondents stated that any requests to agree not to use trade remedies against Australia should be rejected.

NGOs

One NGO touched upon trade remedies in their response, calling for the rules on subsidies to be recalibrated to ensure UK producers are not undercut by Australian subsidised imports.

Public Sector Bodies

One public sector body touched upon trade remedies in its response, expressing concern regarding an increase in imports of bovine, porcine and ovine meats as a potential impact of any UK-Australia FTA, which could lead to a decrease in UK production. That respondent requested protection for domestic industry, with a preference for tariff-rate quotas.

Dispute Settlement

Individuals

Four individuals made specific comments on state-to-state dispute settlement, expressing the need for a fast track and independent dispute resolution process. There were concerns raised about losing potential future disputes with Australia and a new dispute settlement mechanism limiting future choices.

Businesses

Nine businesses commented on state-to-state dispute settlement, they would like a dispute settlement mechanism to have effective enforcement provisions. Businesses also noted the importance of negotiating a state-to-state dispute settlement mechanism that is aligned with the existing WTO model, as this will ensure both predictability and enforceability of FTA commitments. There were concerns raised about the length of time it takes to resolve a dispute, therefore businesses would like disputes, especially in urgent cases to be resolved in a speedy manner.

Business Associations

Business associations were overall relatively positive on including state-to-state dispute settlement mechanisms in any UK-Australia FTA, but wanted the process to be unbiased, transparent and robust. Some business associations would like to see the inclusion of referral to an ad-hoc arbitration panel similar to the WTO dispute settlement mechanism.

NGOs

The majority of NGO responses related to ISDS not state-to-state dispute settlement. As mentioned above ISDS-related comments have been addressed in the Investment section of this report. Other feedback argued establishing a mechanism for civil society participation and the disputes mechanisms should go further than state-to-state resolution on environmental matters.

One public sector body raised dispute settlement with none seeing it as a concern. Regarding state-to-state dispute settlement, public sector bodies would like an effective dispute resolution mechanism, especially if a 'deep commitments' FTA is concluded with Australia whereby regulations are harmonised between the parties.

Small- and Medium-sized Enterprise (SME) Policy

Common to many respondents was a recognition of the unique circumstances and barriers that SMEs face. This led to suggestions of standalone SME chapters, reducing administrative burdens and providing extra governmental support to SMEs looking to export.

Individuals

Two individual respondents raised SME policy as a priority in their comments and, two individuals saw it as a concern. The importance of a future FTA minimising administrative procedures was highlighted, with one respondent calling for a reduction to the costs that SMEs face when trading internationally. The disproportionate impact that leaving the EU could have on SMEs was also noted. Concerns focused on the potential increase in bureaucracy that an FTA between Australia and the UK might create for SMEs.

Businesses

Twelve business respondents viewed SME policy as a priority in their comments and three viewed it as a concern. Several businesses saw opportunities in a UK-Australia FTA, and it was suggested that an FTA include specific measures to support SMEs to trade. Three businesses highlighted the potential benefits of supporting UK and Australian businesses to collaborate and access government funding opportunities in both countries. Other points focused on the close connections between the UK and Australia as a good foundation on which UK SMEs could build. There was also a request from respondents for SME access to public procurement (see also comments under the Government procurement section). There were concerns around the need for greater support for SMEs to trade with Australia, access to finance for SMEs and the potential negative impact on SMEs due to a change in trading arrangements. A question was raised as to whether an FTA would equally support both countries.

Business Associations

Twenty-one business associations viewed SME policy as a priority in their comments. Some respondents identified multiple opportunities and were keen for SMEs to be given particular consideration as a group that is disproportionately affected by the cost and resources required by burdensome administrative procedures. Suggestions for how to support SMEs in a future UK-Australia FTA included a standalone SME chapter, providing SMEs with market information, simplifying and harmonising procedures across future FTAs and a greater access to professional advice for SMEs. Eleven business associations raised concerns relating to SME policy, with many responses mirroring those made by businesses. These concerns included ensuring a trade agreement benefited all parties, the lack of funding available to SMEs and the impact that changes to current trading arrangements may have on SMEs.

One NGO respondent viewed SME policy as a priority and three saw it as a concern. The respondent noted that the Government would need to ensure sufficient focus on SMEs in any future UK-Australia FTA and protect SMEs from any negative consequences of a trade agreement. Concerns noted included the potential impact of UK unilateral implementation of grace periods on SMEs, and the impact a trade agreement may have on local SMEs and SMEs in the agricultural sector.

Public sector bodies

One public sector body referenced SMEs policy as a priority and called for a future FTA to prioritise access to resources and funding for SMEs. No public sector body raised SME policy as a concern.

Other policy issues raised by respondents

Respondents raised many points and issues that were outside the scope of the trade policy areas provided. The most frequently made points were on a FEP with the EU. Some respondents emphasised a need to reach an agreement with the EU before negotiating FTAs with other countries given the importance of the EU market for UK companies and the impact which arrangements with the EU may have on the provisions in new UK FTAs. Other respondents stated that they would prefer to remain in the EU over leaving it and negotiating a trade agreement with Australia. Respondents also expressed concerns over DIT's organisational capacity to negotiate and implement multiple new trade agreements concurrently. Others raised gender equality in FTAs and trade policy, and immigration. Remarks were also made in relation to the historical ties between the UK and Australia. Relevant comments on human rights, public health, quality of life and impact assessments that were raised in the consultation section on labour and environment have been considered in this section.

Individuals

Seventy-one individuals raised other issues as being a priority for them, while 50 viewed them as being a concern. This included concerns about animal welfare in any UK-Australia FTA. Among priorities, individual respondents expressed a general support for a trade agreement with Australia and highlighted a need to ensure that the future FTA will provide arrangements which will be fair, balanced and unbiased. Some respondents recognised benefits of a common language and historical links between the UK and Australia. An FTA with Australia was considered as an opportunity for increased trade volumes and economic growth and job creation (seven respondents). Some respondents expressed a concern that the UK may not be able to negotiate an agreement beneficial for the country, while others raised the long time needed to conclude negotiations of a new FTA. The potential negative effect that a trade agreement will have on the quality of life and health of UK citizens was also raised as a concern by one respondent.

Businesses

Twenty-five business respondents provided comments on other priorities. Some respondents expressed a preference for a FEP with the EU being prioritised above any UK-Australia FTA and ensuring that a UK-Australia FTA does not jeopardise EU trade with the UK. Nine businesses expressed general support for an FTA with Australia, with some of these respondents highlighting

a need to ensure that a future FTA will be fair and beneficial for both countries. Respondents also emphasised the benefits of a common language and historical links between the UK and Australia. Businesses also called for greater co-operation on development and research between the UK and Australia (four comments). Three businesses raised comments on ensuring high social standards including the quality of life for UK citizens. One business respondent commented on the effect of an FTA on public health, with their response focused on the need to combat global challenges such as the Ebola pandemic and they emphasised that collaboration is needed to combat these. Two respondents also raised concerns about potential negative impacts of the new trade arrangements on their supply chains.

Business Associations

Forty-eight business associations viewed other issues as being a priority. Eleven respondents expressed a general support for an FTA with Australia, with 14 emphasising a need to ensure that any UK-Australia FTA does not jeopardise the UK's trade with the EU or with other partners. Eleven respondents stressed the need to maintain current EU trade agreements, from which the UK benefits as a member state. Business associations noted that the common language and historical ties between the UK and Australia could help facilitate an FTA.

Respondents also commented on student visas and immigration. There was one respondent, in favour of expanding post-study work opportunities by transitioning the Tier 4 pilot to policy (enabling students studying for a master's degree to be able to stay for 6 months after the end of their studies). They called for the Government to consider extending this to 12-months for all and to 24-months for Science, Technology, Engineering and Mathematics (STEM) graduates. One business association respondent suggested that the UK should produce, in consultation with stakeholders, a robust Sustainability Impact Assessment (SIA) that would also include analysis of human rights. Five business associations were of the view that an agreement with Australia may have a negative impact on trade relations with the EU, with four raising concerns over the potential impacts of an FTA on the UK economy and business supply chains.

NGOs

Thirty-five NGO respondents viewed other issues as being a priority for them and 26 as being a concern. Transparency was a common theme raised by eight respondents. Eight respondents raised as a priority and also eight as a concern a need for greater release of information as any deal is negotiated and the appropriate level of parliamentary scrutiny. NGOs called for involvement of devolved administrations, while several advocated further engagement with experts, business associations and civil society organisations, and also with general public, in questions related to trade agreements and their negotiation. Several NGOs expressed concern about the potential erosion of preferential access for developing countries into the UK market, due to tariff liberalisation between the UK and Australia.

There was also a recognition that provisions across FTAs (including, for example, labour rights, IP, and procurement and regulation of public services) can have social impacts, that could be gender based. Several respondents noted that women are financially at a disadvantage in the labour market, with many raising concerns about trade liberalisation increasing the gender wage gap. It was also called for any UK FTA to protect and promote strong labour rights, as well as uphold international commitments on gender equality and other human rights. Some NGO respondents called for the monitoring of gendered impacts over time, and for impact assessments to be

conducted which cover issues including gender equality, human rights, labour rights, environment and the economic impacts of trade agreements in the UK and third countries. Many NGOs also set out that civil society should be engaged with closely on these issues.

Public sector bodies

Eight public sector bodies commented on other issues, with two respondents calling for any trade negotiations to include experts and professional bodies, and two emphasising a need for a trade agreement which would support economic growth and job creation. Two respondents stated that there should be increased co-operation in the artistic and cultural fields. Five public sector bodies raised concerns, with two respondents concerned that concessions may be made in order to conclude a trade deal with Australia quickly. Several respondents were concerned that the UK may not be able to negotiate a trade agreement with Australia that would be beneficial for the UK, and one respondent stated that there may not be enough of democratic scrutiny over the process.

Summary of campaign responses

One campaign group, *38 Degrees* encouraged their members to submit a response to the consultation.

38 Degrees
Submission to DIT's consultation on future trade deals
145,905 members submitted a response to the consultation. Of these, 52,396 respondents included specific individual comments in addition to the campaign's proposed template response. The template response called for the protection of the NHS in future trade agreements, expressing concerns about allowing companies from other countries to deliver NHS (healthcare) services, and undermining the principles of the NHS, removing caps on how much money companies could charge to deliver NHS services and on the potential increase in the price of medicines. The template response asked for laws to be introduced to protect the NHS in future UK trade agreements.
38 Degrees
Additional comments
• Most additional comments made by 40,565 individuals commented on the need to protect the NHS. Respondents commented that the NHS should remain free at the point of use. • 683 comments were raised with regards to EU-Exit, with some stating their desire to stay in the EU and 90 comments raised regarding a second referendum.

We also received one petition on the consultation:

➢ 'Don't put our NHS up for Negotiation' – 38 Degrees - 229,699 signatures. This echoed the issues raised above, calling for the "NHS is kept out of any future trade deals after Brexit".

DIT recognises that respondents who elected to reply via a campaign hold strong views and opinions on the issues highlighted in those campaigns. For this reason, DIT has already made the following commitments:

➢ The Government will not compromise the high quality of British food or agricultural standards in any UK-Australia free trading relationship. We are committed to maintaining high standards on animal welfare and food safety after the UK leaves the EU.

➢ The NHS will never be privatised, and any future trade agreements will not change that.

➢ The Government will continue to ensure that decisions about public services, including the NHS, are made by the UK Governments, including the devolved administrations, and not our trading partners. Protecting the UK's right to regulate public services is of the utmost importance. The UK's public services are protected by specific exemptions and reservations in EU trade agreements and, as we leave the EU, the UK will continue to ensure that the same rigorous protections are included in trade agreements to which it is party.

➢ The Government will ensure that Parliament can inform the Government's approach to negotiations and scrutinise new trade agreements.

➢ The Government will develop an inclusive and transparent future trade policy for the UK.

There were other issues raised by respondents, which were discussed in the Government's White Paper *Preparing for our future UK trade policy*. For instance, the Government's commitment to supporting developing countries to reduce poverty through trade, including through enhancing market access, tackling barriers to trade and promoting investment to allow better uptake of trading agreements was detailed in this White Paper. In other areas flagged by respondents as a concern, the Government is already undertaking work to address many of the issues identified. For example, the Government is focused on promoting gender equality through trade, with activities planned to support these efforts.

Next Steps

The Government is carefully considering the points raised from the public consultations as it develops a new independent trade policy for the UK.

We recognise the importance of developing a trade policy that commands broad public support, with policy objectives that can be met while mitigating the concerns raised by respondents and maximising the benefits felt across UK society and its regions.

The public consultations attracted significant public interest. DIT was grateful to those who took the time to submit responses and attend events. We recognise the strength of feelings on some of the topics raised. The purpose and use of the response feedback gathered from this consultation will be to inform our overall approach to negotiating a potential new trade agreement with Australia. Decisions that are made as a result of this consultation will therefore be published alongside our negotiating objectives before potential negotiations begin. The Government also intends to keep views expressed by respondents in mind for future development and review of trade policy.

DIT worked closely with other government departments during the consultation period and subsequently to analyse the consultation feedback. Prior to entering into any formal negotiations with Australia as part of a follow-up Government Response, the Government will publish its conclusions from this consultation. The Government has also made clear that an Outline Approach, setting out the UK's high-level negotiating objectives, will also be published before negotiations commence.

In preparation for the start of any potential negotiations, DIT is undertaking a programme of work helping to shape the UK's overall approach to negotiations; considering what organisational mechanisms and structures are needed to facilitate trade negotiations and engage effectively with stakeholders throughout. Suggestions made by respondents in this consultation and issues raised will be considered as part of this work.

We will explore ways in which we can build upon the consultation engagement activity. Plans are already in place to work with a range of experts and practitioners to help shape our future trade policy and realise opportunities across the UK. The membership of the Strategic Trade Advisory Group representing a cross section of interests and expertise from civil society, businesses, workers, consumers and academics was announced on 3 April and held its first meeting on 6 June. The group provides a forum for high-level strategic discussions on trade policy matters. The Minister for Trade Policy, George Hollingbery MP, has also announced the first wave of Expert Trade Advisory Groups that will be used to ensure that detailed expert knowledge is available on specific sector and thematic areas to contribute to our policy development at a technical level. The structure and membership of these stakeholder groups will evolve over time according to the needs of the UK's trade negotiations.

We will continue to engage and take into account views from devolved governments, business, civil society groups and consumers to ensure we build a trade policy that works for the whole of the UK.

We recognise there is strong public interest around issues raised in this consultation. The Government will continue to engage with stakeholders in order to understand their concerns and to

help develop UK trade policy. The Government will continue to promote the benefits of free trade and to raise public awareness on trade and inform consumers and businesses about the opportunities that reducing barriers to trade can bring, alongside the broader economic and social welfare gains

Annex A: Consultation Questions

Provided below are the questions that were asked via the online portal on Citizen Space to the consultation on a trade deal with Australia.

Questions 1-5 were asked to all five respondent groups (Individuals, NGOs, Business, Business Associations and Public Sector Bodies). Different questions were then asked to each respondent group based on their answer to question 5, who they were responding as.

The answers to each question were either provided by a tick box or a free text box. A combination of a tick box and free text box was also used on multiple questions. These options have not been displayed below. Only the questions asked is provided.

An overview and a privacy and confidentiality section were also provided before the survey.

1. Do you consent for the voluntary information you provide in this consultation to be used as part of the Government's published consultation response?
2. Do you consent for the Department for International Trade, or organisation working on their behalf, to contact you regarding the responses you have given?

Who are you responding as?

3. What is your name (first name and surname)?
4. What is your email address?
5. Please tell us who you are responding as?
   - An Individual/Non-Governmental Organisation/Business/Business Association/ Public Sector Body

Individual

Individual – about you.

6. Where do you currently live (your main address)?
7. What was your age at your last birthday?
8. What is your gender?
9. To which of these ethnic groups do you consider you belong?
10. Are you a member, supporter or donor of an organisation with an interest in trade?
11. If you are a member, supporter or donor of an organisation with an interest in trade, has that organisation contacted you about UK trade talks or a possible free trade agreement with Australia?

Individual – The UK's future trade relationship with Australia – priorities.

12. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with Australia, and why?
13. Which of the areas of a free trade agreement best describes the priorities that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Individual – The UK's future trade relationship with Australia – concerns.

14. What concerns, if any, do you have about a free trade agreement (or related trade talks) with Australia, and why?
15. Which of the areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Individual – The UK's future trade relationship with Australia – other comments.

16. Is there anything else that you would want to say about the UK's future trade relationship with Australia?

Non-Governmental Organisations (NGOs)

Non-Governmental Organisations (NGOs) – about you.

6. What is the name of the organisation (eg trade union, interest group, charity or academic institution) you are responding on behalf of?
7. Which area does your organisation represent?
8. How many members does your organisation represent in total?
9. Does your organisation have a presence in, or operate in, Australia?

NGOs – Questions about the UK's future trade relationship with Australia.

10. Have any of your members been in contact with your organisation about the prospect of a free trade agreement (or related trade talks) with Australia?

NGOs – The UK's future trade relationship with Australia – priorities.

11. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with Australia, and why?
12. Which of the areas of a free trade agreement best describes the priorities that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

NGOs – The UK's future trade relationship with Australia – concerns.

13. What concerns, if any, does your organisation have about a free trade agreement (or related trade talks) with Australia, and why?
14. Which of the areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

NGOs – The UK's future trade relationship with Australia – other comments.

15. Is there anything else that you would want to say about the UK's future trade relationship with Australia?

Businesses

Businesses – about you.

6. What is the name of your business?
7. What is your Company Number with Companies House?
8. Is your business a subsidiary of a company whose headquarters are based outside the UK?
9. If your business is a subsidiary of a company whose headquarters are based outside the UK, in which country is your parent company's headquarters?
10. Approximately how many employees are currently on your business's payroll in the UK across all sites?
11. Does your business currently employ people in Australia?
12. In what sector does your business predominantly operate in?

Businesses – Exporting, Importing and Investment.

13. Which of the following has your business done or tried to do outside the EU in the last 12 months?
14. Which of the following has your business done or tried to do in Australia in the last 12 months?
15. If you said you did not try to export to, import from or invest in countries outside the EU, or specifically to Australia, is this something that you would like to do in the future?
16. If you said you have (or attempted to) export to, import from, or invest in countries outside the EU, including Australia, did you get assistance from the UK Government in any form?
17. What existing government or business association-led initiatives, if any, support you in doing business with Australia?

Businesses – The UK's future trade relationship with Australia – priorities.

18. What would you/your business want the UK Government to achieve through a free trade agreement (or related talks) with Australia? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business.
    o Tariffs – What would you want the Government to achieve in this area?
    o Rules of Origin – What would you want the Government to achieve in this area?
    o Custom Procedures – What would you want the Government to achieve in this area?
    o Product Standards, Regulation and Certification Information – What would you want the Government to achieve in this area?
    o Sanitary and Phytosanitary Measures – What would you want the Government to achieve in this area?
    o Services Trade – What would you want the Government to achieve in this area?
    o Digital – What would you want the Government to achieve in this area?
    o Competition – What would you want the Government to achieve in this area?
    o Public Procurement – What would you want the Government to achieve in this area?
    o Intellectual Property – What would you want the Government to achieve in this area?

     ○ Investment – What would you want the Government to achieve in this area?

     ○ Social, Labour and Environment – What would you want the Government to achieve in this area?

     ○ Trade Remedies and Dispute Settlement -– What would you want the Government to achieve in this area?

     ○ Small- and Medium-sized Enterprises (SME) Policy – What would you want the Government to achieve in this area?

     ○ Other - What would you want the Government to achieve in this area?

19. Which of these areas is your top priority? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Businesses – The UK's future trade relationship with Australia – concerns.

20. What would be your concerns about a free trade agreement (or related talks) Australia be? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business.

     ○ Tariffs – What would your business's concerns be, if any, in this area?

     ○ Rules of Origin – What would your business's concerns be, if any, in this area?

     ○ Custom Procedures – What would your business's concerns be, if any, in this area?

     ○ Product Standards, Regulation and Certification Information – What would your business's concerns be, if any, in this area?

     ○ Sanitary and Phytosanitary Measures – What would your business's concerns be, if any, in this area?

     ○ Services Trade – What would your business's concerns be, if any, in this area?

     ○ Digital – What would your business's concerns be, if any, in this area?

     ○ Competition – What would your business's concerns be, if any, in this area?

     ○ Public Procurement – What would your business's concerns be, if any, in this area?

     ○ Intellectual Property – What would your business's concerns be, if any, in this area?

     ○ Investment – What would your business's concerns be, if any, in this area?

     ○ Social, Labour and Environment – What would your business's concerns be, if any, in this area?

     ○ Trade Remedies and Dispute Settlement -– What would your business's concerns be, if any, in this area?

     ○ Small- and Medium-sized Enterprises (SME) Policy – What would your business's concerns be, if any, in this area?

     ○ Other - What would your business's concerns be, if any, in this area?

21. Which of these areas is your top concern? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Businesses – The UK's future trade relationship with Australia – other comments.

22. Is there anything else that you would want to say about the UK's future trade relationship with Australia?

Business Association

Business Association – about you.

6. What is the name of the trade association or businesses representative organisation that you are responding on behalf of?
7. What business area does your organisation represent?
8. How many businesses does your group represent in total?
9. Do you have a presence in, or operate in, Australia?

Business Association – Exporting, Importing and Investment.

10. Approximately what proportion of your members export to / invest in Australia?
11. Approximately what proportion of your members have indicated they would like to do more exporting to / investment in Australia?
12. Approximately what proportion of your members import from / have investment from Australia?
13. Approximately what proportion of your members have indicated they would like to do more importing from / seek investment from Australia?
14. What existing UK Government or regional / business group-led initiatives, if any, have your members said support them in doing business with Australia?

Business Association – Questions about the UK's future trade relationship with Australia.

15. Have your members been in contact with your organisation about the prospect of a free trade agreement (or related trade talks) with Australia?

Business Association – The UK's future trade relationship with Australia – priorities.

16. What would your organisation want the UK Government to achieve through a free trade agreement (or related talks) with Australia? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business.
    o Tariffs – What would you want the Government to achieve in this area?
    o Rules of Origin – What would you want the Government to achieve in this area?
    o Custom Procedures – What would you want the Government to achieve in this area?
    o Product Standards, Regulation and Certification Information – What would you want the Government to achieve in this area?
    o Sanitary and Phytosanitary Measures – What would you want the Government to achieve in this area?
    o Services Trade – What would you want the Government to achieve in this area?
    o Digital – What would you want the Government to achieve in this area?
    o Competition – What would you want the Government to achieve in this area?
    o Public Procurement – What would you want the Government to achieve in this area?
    o Intellectual Property – What would you want the Government to achieve in this area?
    o Investment – What would you want the Government to achieve in this area?

- o Social, Labour and Environment – What would you want the Government to achieve in this area?
- o Trade Remedies and Dispute Settlement -– What would you want the Government to achieve in this area?
- o Small- and Medium-sized Enterprises (SME) Policy – What would you want the Government to achieve in this area?
- o Other - What would you want the Government to achieve in this area?

17. Which of these areas is your top priority? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Business Association – The UK's future trade relationship with Australia – concerns.

18. What would your organisation's concerns about a free trade agreement (or related talks) with Australia be? The options below are structured around the typical content of a free trade agreement. Where possible please provide information on the importance of this issue to your business.
    - o Tariffs – What would your organisation's concerns be, if any, in this area?
    - o Rules of Origin – What would your organisation's concerns be, if any, in this area?
    - o Custom Procedures – What would your organisation's concerns be, if any, in this area?
    - o Product Standards, Regulation and Certification Information – What would your organisation's concerns be, if any, in this area?
    - o Sanitary and Phytosanitary Measures – What would your organisation's concerns be, if any, in this area?
    - o Services Trade – What would your organisation's concerns be, if any, in this area?
    - o Digital – What would your organisation's concerns be, if any, in this area?
    - o Competition – What would your organisation's concerns be, if any, in this area?
    - o Public Procurement – What would your organisation's concerns be, if any, in this area?
    - o Intellectual Property – What would your organisation's concerns be, if any, in this area?
    - o Investment – What would your organisation's concerns be, if any, in this area?
    - o Social, Labour and Environment – What would your organisation's concerns be, if any, in this area?
    - o Trade Remedies and Dispute Settlement -– What would your organisation's concerns be, if any, in this area?
    - o Small- and Medium-sized Enterprises (SME) Policy – What would your organisation's concerns be, if any, in this area?
    - o Other - What would your organisation's concerns be, if any, in this area?

19. Which of these areas is your top concern? (the survey listed the 14 policy areas, plus Other and Don't Know. The respondent could select only one).

Business Association – The UK's future trade relationship with Australia – other comments.

20. Is there anything else that your organisation would want to say about the UK's future trade relationship with Australia?

Public Sector Bodies

Public Sector Bodies – about you.

6. What is the name of the public sector body you are responding on behalf of?
7. What area does your public sector body represent?
8. Does your public sector body have a presence in, or operate in, Australia?

Public Sector Bodies – Questions about the UK's future trade relationship with Australia?

9. Have any of your members been in contact with your public sector body about the prospect of a free trade agreement (or related trade talks) with Australia?

Public Sector Bodies – The UK' future trade relationship with Australia – priorities.

10. What would you want the UK Government to achieve through a free trade agreement (or related trade talks) with Australia, and why?
11. Which of these areas of a free trade agreement best describes the priorities that you have outlines above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Public Sector Bodies – The UK's future trade relationship with Australia – concerns.

12. What concerns, if any, does your public sector body have about a free trade agreement (or related trade talks) with Australia, and why?
13. Which of these areas of a free trade agreement best describes the concerns that you have outlined above? (the survey listed the 14 policy areas plus Other. The respondent was able to select all that apply).

Public Sector Bodies – the UK's future trade relationship with Australia – other concerns.

Is there anything that you would want to say about the UK's future trade relationship with Australia?

Annex B: Demographics

Individual respondents' demographic profile

1. The geographical location of respondents varied with responses received from across the UK and Australia. The highest levels of participation were in South East England making up nearly a quarter (24.79 per cent) of responses. Around one in twenty (5.13 per cent) of responses came from respondents based in Australia. See Figure 1 for an overview of the respondents' location.

Figure 1: Location of individuals who responded to the consultation online

Question: Where do you currently live (your main address)?
There were 117 responses to this question
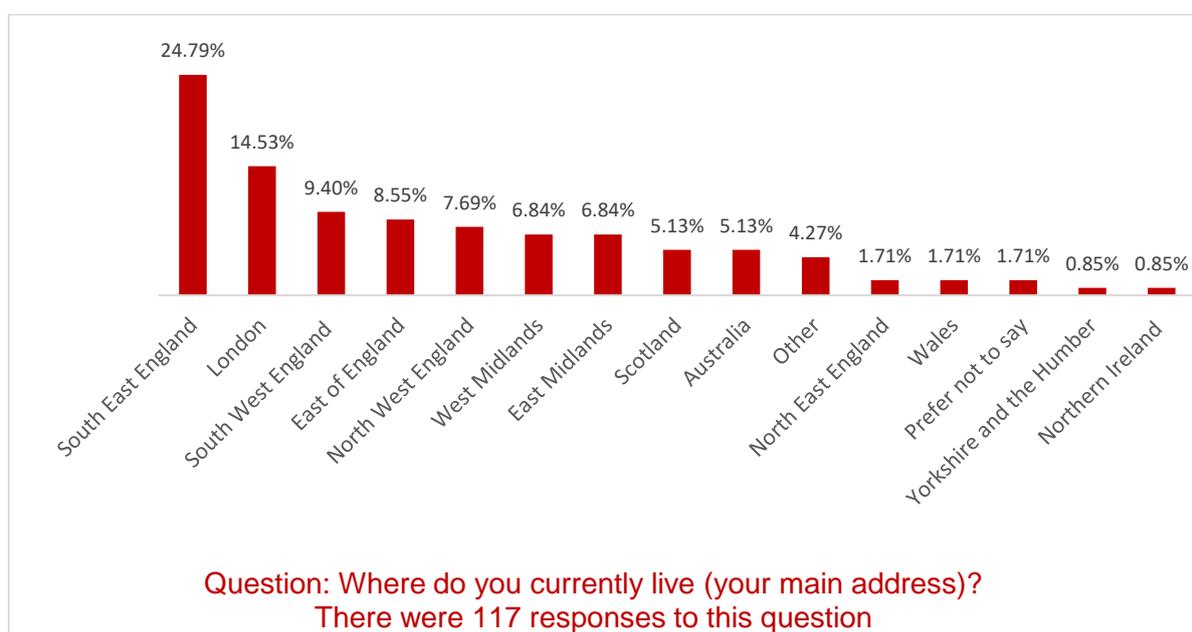
2. The age of respondents to the Consultation Portal varied with 29.92 per cent of respondents under the age of 35. See Figure 2 for a breakdown of the ages of respondents.

Figure 2: Age of individuals who responded to the consultation online

Prefer not to say — 0.85%
65+ — 16.24%
55-64 — 21.37%
45-54 — 12.82%
35-44 — 18.80%
25-34 — 23.08%
18-24 — 5.13%
16-17 — 1.71%

What was your age at your last birthday?
There were 117 responses to this question
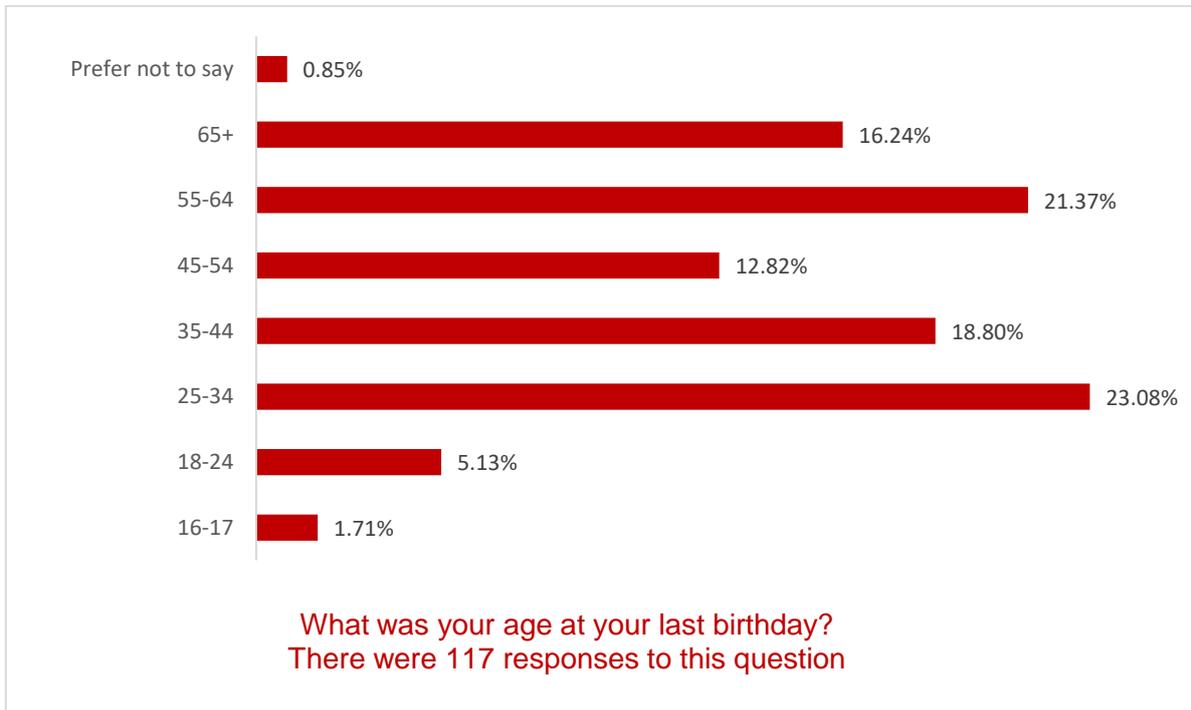
3. Four out of five (79.49 per cent) individuals who responded online were male, with nearly one in five (17.95 per cent) female. The reason for the lower response rate from women is unclear and the Government has identified a need to review our engagement strategy to ensure any future consultations have greater participation from women. The Government is committed to creating a framework for trade that supports female exporters and upholds gender equality.

Table 8: Gender of individuals who responded to the consultation online

Gender Group	Percentage of Responses
Male	79.49%
Female	17.95%
Other	0.85%
Prefer not to say	1.71%
Question: What is your gender? *There were 117 responses to this question*	

Organisation respondent profile

Figure 3. Total number of members that the NGO represents.

Category	Percentage
Not applicable	22.22%
More than 10000	40.74%
5001 - 10000	7.41%
1001 - 5000	14.81%
251 - 1000	7.41%
101 - 250	0.00%
10 - 100	3.70%
0-9	3.70%

Question: How many members does your organisation represent in total?
There were 27 responses to this question

4. Over 60 per cent (62.96 per cent) of NGOs who responded online had more than 1,000 members. Around 10 per cent (7.40 per cent) of organisations had 100 or less members.

Figure 4. Number of UK employees per business

Category	Percentage
0 (self-employed with no employees)	11.76%
1 to 9 employees	17.65%
10 to 49 employees	29.41%
50 to 99 employees	5.88%
500 to 4999 employees	5.88%
5000 or more employees	29.41%

Question: Approximately how many employees are currently on your business's payroll in the UK across all sites?
There were 34 responses to this question
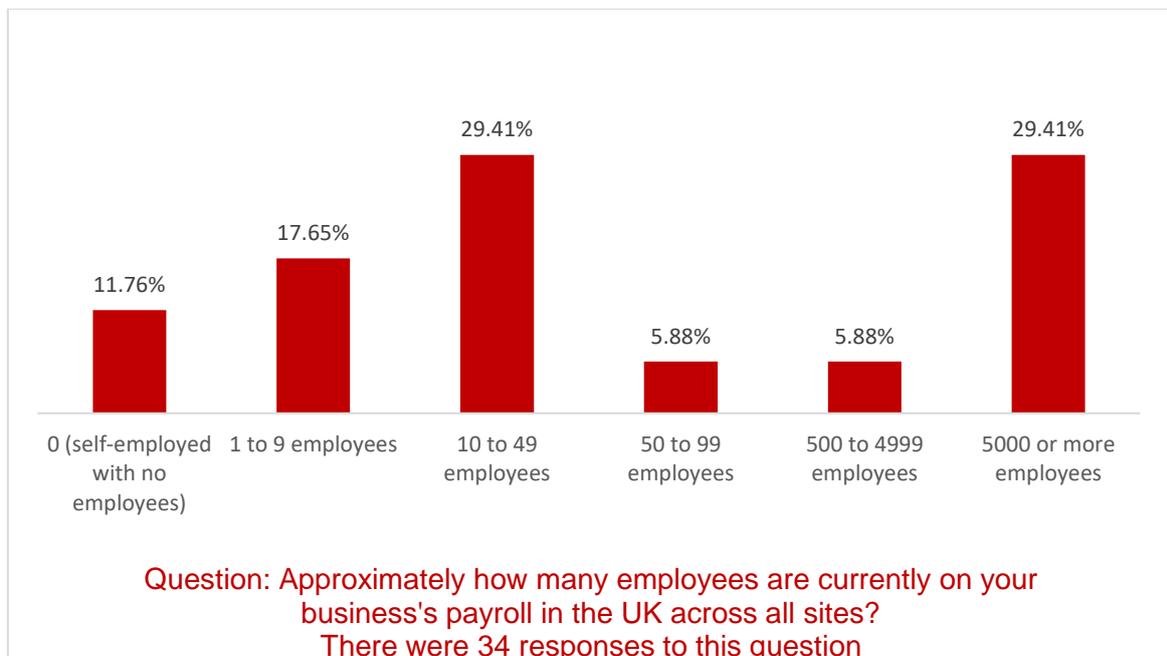
5. 17.65 per cent of businesses who responded online had 1-9 employees. Around 30 per cent (29.41 per cent) of businesses had 5,000 or more employees.

Figure 5. Number of businesses the business associations represents

Question: How many businesses does your group represent in total?
There were 34 responses to this question
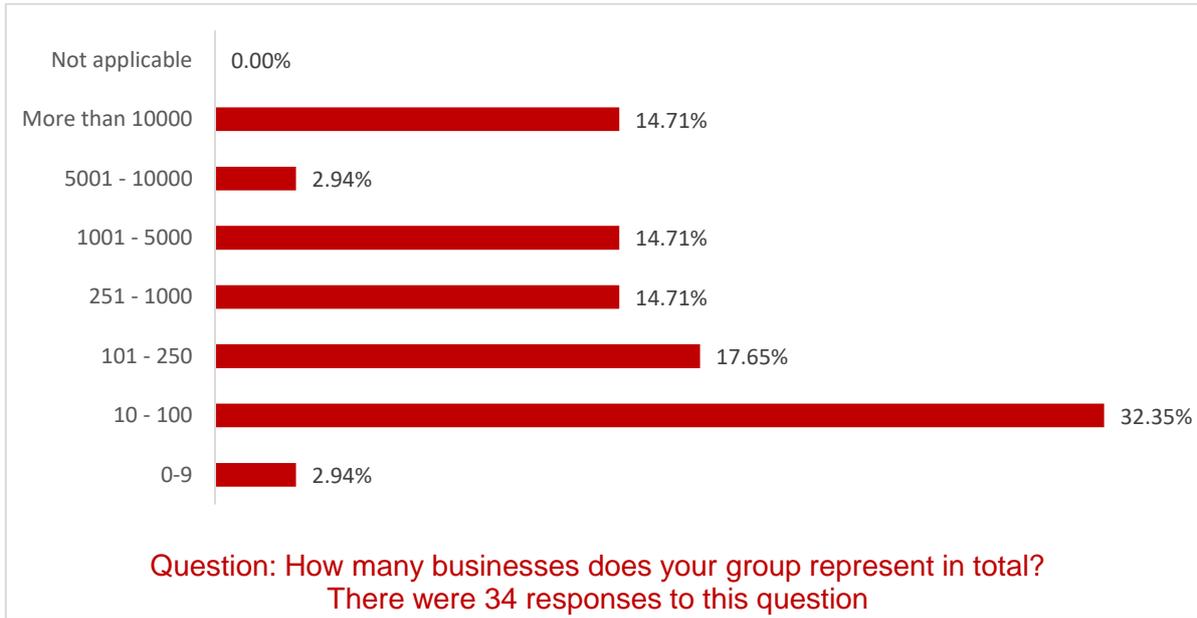
6. Just under one third (32.36 per cent) of businesses associations who responded online represented 251 or more businesses.

Annex C: Glossary

This glossary contains general descriptions of some commonly used trade and investment terms. Some of the terms have meanings that vary within different areas of trade and investment, or between different trade and investment agreements. The descriptions in this glossary are intended to provide a general approximation of these meanings and therefore will not always align with legal definitions or references in legal texts; or with the meaning of these terms in a particular context or area of trade.

Term	Definition/Description
Accession	Means to join or become a part of – eg accession to an international trade agreement by new members, accession to an international organisation or a state's accession to a multilateral treaty already negotiated and signed by other states.
Anti-dumping duty	Under WTO rules, countries can counteract the practice of 'dumping' by imposing additional duties on imported goods found to be 'dumped' and causing injury to domestic producers, after having conducted a domestic investigation (see also Dumping below).
Applied tariffs/Applied rate	Duties that are actually charged on imports of goods. These can be the same, below, but not above, the bound rates (see also Bound Tariffs/rates).
Artist's Resale Rights	The Artist's Resale Right (ARR) is a specific form of copyright, which gives the author of an original work of art the entitlement to royalties each time one of their works is sold through an art market professional (such as an auction house or art gallery). This royalty has the same duration as copyright; life or the author plus 70 years.
Bilateral agreement	An agreement negotiated between two sides. One or both sides could be made up of multiple states, eg the EU-CARIFORUM FTA which has more than 40 parties.
Bilateral Investment Treaty (BIT)	An agreement between two states in which each state affords certain protections to the other state's investors and their investments. This normally includes an obligation not to discriminate or expropriate without compensation. Investors may be provided with a right to enforce these provisions through Investor-State Dispute Settlement, ISDS (defined below). Modern FTAs often include a separate Investment chapter which will have similar provisions.
Bound Tariffs (also known as bound rates)	The maximum rate of duty (ie tax) that can be applied by a WTO Member to an imported product from another WTO Member. Each WTO member has a goods schedule in which it sets out its commitment to these most favoured nation rates.

Business Representative Organisation (BRO)	An administrative body who acts for or on behalf of businesses they represent. Usually runs a membership programme.
CE marking	A certification mark on products traded on the extended Single Market in the European Economic Area (EEA). 'CE' signifies that the product has been assessed and meets the EU's safety, health and environmental protection requirements.
Commercial presence	In the services trade context, refers to having an office, branch or subsidiary in a foreign country. It refers to mode 3 supply of services (see also Mode of supply for services).
Common market / single market	This is a deeper level of economic integration than an FTA. It is a free trade area established between states to give free movement of goods (without tariff and quotas), services, capital and labour between them.
Competition	Ensuring businesses are treated fairly in each other's markets, including the application of competition law, the role of state-owned enterprises and the use of state aid and subsidies.
Competitive Tendering	Competitive tendering is a procurement method where firms bid for the right to run a service or gain a certain contract.
Conformity Assessments	Tests on goods and services to see if they meet the standards required by the country they are to be sold in. In the UK, these tests are carried out by various assessment bodies accredited by the UK Accreditation Services (UKAS).
Cost, Insurance and Freight (CIF)	A recognised international trading term (see Incoterms) meaning the value of goods, including insurance of the goods and transport to the point where they are lifted over the ship's rail at the port of importation. The equivalent for transport other than sea is CPT (cost paid to).
Countervailing Measure (CVM)	Additional duties that WTO rules authorise countries to impose on imported goods to offset state subsidies received in the country of export after having conducted a domestic investigation and establishing that the subsidised imports are causing injury to the domestic industry.
Crypto-assets	Crypto-assets or 'cryptocurrency' are cryptographically secured digital representations of value or contractual rights that can be stored, transferred or traded electronically eg Bitcoins.
Cumulation	When determining the origin of goods for customs purposes, this means the capacity to include materials and/or processing from other countries as qualifying content in determining if an imported good is an 'originating good' and consequently qualifies for preferential tariff treatment.

Customs authority	A government body that administers laws and regulations relating to goods crossing a border, particularly import, export, movement and storage of goods. This can be by: 1) Collecting duties and taxes. 2) Controlling import & export of restricted goods, eg animals, and weapons. In the UK, Customs functions are undertaken by HM Revenue & Customs and Border Force.
Customs Duty	A charge imposed by a country on the import or export of goods.
Customs procedures	Processes and procedures applied by customs authorities to control the export, import and transit of goods. Their improvement and simplification may lower costs and facilitate trade.
Customs union	Distinct from agreements on regulatory alignment, or single market regulatory integration, a customs union treats two or more countries as a single customs territory, eliminating duties and most other restrictive measures on substantially all trade in goods between its members, and collectively applying substantially the same duties and other measures to trade in goods from third countries.
Designation of Origins	See Geographical Indications.
Dispute settlement	The term is commonly used in reference to the formal state to state mechanism for resolving disputes where one or more parties consider that there has been a breach of obligations under the relevant international trade agreement and it has not been possible to resolve the dispute informally.
Distortion	This refers to a situation in which prices and production are higher or lower than levels that would usually exist in a competitive market.
Domestic support	Where a country acts to maintain producer prices at levels above those dominant in international trade.
Dumping	Dumping occurs when goods are exported at a price less than their 'normal value', generally meaning they are exported for less than they are sold in the domestic market or are sold in export markets below the cost of production. WTO rules authorise action to counteract the practice of dumping when dumped imports are shown to cause injury to domestic producers (see Anti-Dumping Duty).
Duty-Free Quota-Free (DFQF) access	This refers to preferential market access for goods, free of import duties or quotas. DFQF on a lasting basis for all "least developed countries" or "LCDs" is included as a target in the UN Sustainable Development Goals. DFQF can be offered

	unilaterally to developing countries, under the WTO 'Enabling Clause'.
Economic Operator Certification	Documentation for the authorisation of a party involved in the international movement of goods in whatever function that has been approved by a national customs administration.
Electronic commerce (e-commerce)	Production, advertising, sale and distribution of products via telecommunications networks.
Environmental Goods Agreement (EGA) / Green Goods	A proposed agreement being negotiated by a group of WTO members seeking to end tariffs for environmentally beneficial products.
European Patent Convention	The European Patent Convention is a multilateral treaty finalised in 1973 establishing the European Patent Organisation, an intergovernmental organisation (non-EU body) that grants European patents.
Excise Duty	A tax or duty on the manufacture of goods. Excise applies in the UK to goods which contain alcohol, mineral oils or tobacco. The charge to excise is payable on purchase or importation.
Ex works	A recognised international trading term (see Incoterms) meaning the value of goods at the point that they left the factory without the addition of any transport, insurance or other costs.
Fair dealing	'Fair dealing' is a UK concept and relates to limited situations set out in UK legislation where the use of a work, protected by copyright, does not require permission or a licence from the rightsholder so long as the use is also considered 'fair'. There is no statutory definition of fair dealing - it will always be a matter of fact, degree and impression in each case.
Fair use	'Fair use' is a defence against a claim of copyright infringement in the US. It constitutes any copying of copyrighted material done for a limited and 'transformative' purpose, such as to comment upon, criticise or parody a copyrighted work.
Financial Technology (FinTech)	Providing or enabling financial services using software and modern technology
Food security	Refers to a situation where the nutritional needs of a country or population are met consistently.
Foreign Direct Investment (FDI)	Investment by an entity in a foreign operation, or establishment of a new operation in another country ("greenfield investment"). Foreign Direct Investment implies significant control of the operation by the foreign entity.
Free circulation	A customs status relating to goods which have had all the taxes and duties paid, are not subject to any other restriction or

	prohibition and can therefore move freely within the relevant customs territory.
Free Trade Agreement (FTA)	A treaty among two or more countries to form a free trade area. This means having zero tariffs (or reduced tariffs) and reducing other regulatory restrictions on trade in substantially all goods and/or services.
Free trade area	Describes territories that have liberalised trade between them in most areas of trade in goods (similar arrangements for trade in services are known as economic integration agreements). Each participating territory applies its own independent trade policy with territories that are not part of the free trade area.
GATS	General Agreement on Trade in Services, a WTO agreement governing trade in services.
GATT	General Agreement on Tariffs and Trade, a WTO agreement governing trade in goods.
Generalized System of Preferences (GSP)	Measures applied by developed countries granting unilaterally preferential (reduced or nil rate) tariffs to imports from developing countries.
Geographical Indications (GIs)	An identification of a product from a particular country, region or locality where a given quality, reputation or another characteristic of the product is essentially attributable to the place where it is produced. For instance, 'Cornish Pasty', 'Welsh Lamb' 'Scotch Whisky' or 'West Country Farmhouse Cheddar Cheese' are UK GIs.
Government procurement	Procurement by government or other public entities of goods and services from the private sector. This usually covers both goods and services, and purchasing, leasing and acquiring by other commercial means.
Government Procurement Agreement (GPA)	A plurilateral WTO agreement, currently among 19 parties, covering the procurement of goods and services by governments and other public authorities.
Gravity model of trade	The prediction of joint trade flows based on the economic sizes and distance between two states. GDP measurements are often used to measure economic size.
Green Finance	Financial instruments or investments in environmental and sustainable projects and infrastructure
Harmonized System (HS)	Forms the basis of how most countries describe and classify goods for the purpose of applying customs tariffs. A system, managed by the World Customs Organisation, that gives different categories of goods a 6-digit number so their characteristics can be recognised and understood.

Import Entry Transaction Fee	The payment charged to process and risk assess imported goods.
Import licensing	Administrative procedures requiring the submission of an application or other documentation (other than those required for customs purposes) to the relevant administrative body as a prior condition for importation of goods.
Import quota	A trade restriction that sets a limit on the quantity of a good that can be imported into a country. Import quotas are generally prohibited by the GATT, other than in limited circumstances.
Incoterms	International commercial terms that are standard terms developed by the International Chambers of Commerce and in common use that define the responsibilities of the seller and the buyer for the sale and delivery of goods. Examples include ex works, FCA (free carrier), CIF (cost insurance and freight), DDU (delivered duty unpaid) and DDP (delivered duty paid).
Intellectual Property (IP)	Creations of the mind, such as inventions, literary and artistic works, designs, and symbols, names and images used in commerce. These creations are protected by law by a variety of intellectual property rights such as patents, copyright, trade marks, design rights and geographical indications.
Investor State Dispute Settlement (ISDS)	A mechanism that allows a foreign investor to bring legal proceedings and seek compensation from a state, if the state has breached its obligations under a Bilateral Investment Treaty (defined above) or an Investment chapter in an FTA. The legal proceedings are usually brought via an arbitration process that is independent of each state's domestic courts.
Inward Processing Relief (IPR)	A customs procedure that allows goods to be temporarily imported duty-free on the condition that they are to be processed and re-exported.
Labour and Environment	In the context of a trade agreement, protection of workers and the environment, consistent with international commitments of a country.
Market access	Conditions set by governments to control which goods or services can or cannot enter their domestic market.
Mode of supply of services	This describes how international trade in services is supplied and consumed, with m**ode 1: cross - border supply** (eg a user in country A receives services from abroad through its telecommunications or postal infrastructure); **mode 2: consumption abroad** (eg nationals of country A travel or move to country B as tourists, students, or patients to consume the services); **mode 3: commercial presence** (eg the service is provided within country A by a locally-established affiliate, subsidiary, or representative office of a foreign-owned and controlled company in country B); and **mode 4: movement of**

	natural persons (eg a national of country B provides a service within country A as an independent supplier (like a consultant or health worker) or employee of a service supplier (like a consultancy firm or construction company).
Most Favoured Nation (MFN)	A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating some WTO members more favourably than others. The MFN obligation requires each WTO member, in its trade with all other WTO members, to give the best ("most-favoured") treatment that it accords in trade with any other WTO member. If, for example, a country lowers tariffs on goods from India, it must also do so on similar goods from Argentina. Exceptions to the MFN principle exist under WTO law, such as in the form of Customs Unions, Free Trade Agreements, Generalized System of Preferences and certain trade remedies. FTAs often contain their own MFN commitments between the treaty partners. Bilateral Investment Treaties also include MFN obligations to investors and their investments from each participating state (party). Under MFN, a host state may not treat an investor from a BIT party less favourably than it does a foreign investor from another country.
Multilateral agreement	An agreement among several countries. At the WTO, multilateral agreements normally refers to agreements reached by all WT members.
Mutual Recognition Agreement (MRAs)	An international agreement by which two or more countries agree to recognise one another's conformity assessments (see conformity assessments above).
Mutual Recognition of Professional Qualifications (MRPQ)	Enables individuals to have their professional qualifications recognised in a state other than the one in which the qualification was obtained.
National Treatment	A non-discrimination principle enshrined in many WTO rules that prohibits a WTO member from treating imported goods or foreign services and services suppliers less favourably than domestic goods or services and services suppliers in its domestic market. The national treatment obligation helps ensure imported goods and services are not unfairly disadvantaged compared with their domestic counterparts. Such obligations may also be included in FTAs between the country parties. Bilateral Investment Treaties also usually contain provisions that parties should not discriminate between domestic and foreign investments.

Natural persons	Refers to people, as distinct from juridical persons such as companies and organisations.
Non-Tariff Barriers (NTBs) or Non-Tariff Measures (NTMs)	Any policy that restricts exports or imports other than a simple tariff.
North America Free Trade Agreement (NAFTA)	North American Free Trade Agreement, comprising Canada, Mexico and the US. This FTA may be replaced by the United States-Mexico-Canada Agreement (USMCA).
Outward Processing Relief	A customs procedure that allows goods to be temporarily exported for processing with goods in another country and then re-imported. On re-importation the element that constitutes the original exported goods in the final imported product are imported free from duty.
PBS	Professional and business services
Plurilateral agreement	An agreement between more than two parties. At the WTO, plurilateral agreements typically refer to agreements reached by several, but not all, WTO members.
Products standards, regulations and certification	'Standards' are documents developed through consultation and consensus which describe a way of, for example, making a product, managing a process, or delivering a service. Compliance with standards is not mandatory. Typically, they are not set or controlled by government or legislators but can be used by legislators to establish a basis for compliance with the law. The term 'standard' is also used informally to refer to a level of quality or attainment.

'Regulations' are legal requirements. In the context of international trade, the term 'Technical Regulations' is used frequently in trade agreements when addressing 'technical barriers to trade'. Technical Regulations are mandatory requirements set out in law – they are controlled by governments and legislators.

Certification is the provision by an independent body of written assurance (eg a certificate) that the product, service or system in question meets specific requirements. |
Protected Geographical Indications	See Geographical Indications.
Quantitative Restrictions (QRs)	Specific limits on the quantity or value of goods that can be imported (or exported) during a specific time period).
Red tape	Excessive regulation or rigid conformity to formal rules that is considered redundant or bureaucratic and hinders or prevents action or decision-making. In trade relations, it imposes an administrative burden on economic operators that will frequently involve additional costs and may have the effect of limiting trade.

Regional Trade Agreement (RTA)	A free trade agreement between a group of countries. Although originally used to describe such agreements when concluded among countries that shared common borders or were located within the same region, it is now often used more generally. For example, in mega-regional free trade agreements such as the CPTPP, the parties do not all border each other.
Regional Value Content (RVC)	A percentage that indicates to what extent a good is produced in the producer's local region. This can be affected by the origin of the good's components or materials.
Regulatory Data Protection	A period during which Company B cannot refer to data produced by Company A to support B's marketing authorisation for a pharmaceutical (generic) or agrochemical (eg a pesticide) drug. This authorisation is a requirement for the generic drug to reach markets.
Rules of Origin (RoO)	Rules used to determine where goods are "from", for example, where they have been produced or had substantial work done to them. This is used in determining appropriate tariff rates, access to preferential trade arrangements or application of trade sanctions.
Safeguard Measures	Actions taken to protect a specific industry from an unexpected build-up of imports. They are generally governed by Article 19 of GATT and the Agreement on Safeguards.
Sanitary and Phytosanitary Measures (SPS)	Measures to ensure that food is safe for consumers, and to prevent the spread of pests or diseases among animals and plants.
Schedule	In WTO context, this is a WTO member's list of commitments to other WTO members regarding how much market access it is prepared to offer and its bound tariff rates.
Small- and Medium-sized Enterprises	Businesses with fewer than 250 employees.
Small- and Medium-Sized Enterprises (SME) Policy	Policy designed in a way which supports Small- and Medium-Sized businesses.
Special and Differential Treatment	WTO agreements contain special provisions which give developing countries special rights and allow other members to treat them more favourably than non-developing members.
Supply chain	The sequence of processes involved in the production and distribution of a good.
Sustainable Development	Development that meets the needs of the present generations without compromising the ability of future ones to meet their own needs. It contains three pillars: economic development, social development and environmental protection.

Tariff binding	A commitment by a country not to increase a customs duty beyond a specified level. (See Bound Tariffs).
Tariff Rate Quota (TRQ)	The application of a higher tariff or tax on certain goods once an agreed quota (amount) of imports is reached.
Tariffs	Refers to customs duties on imports of goods, levied either as a percentage of value or on the basis of a formula (eg 10 per cent or £7 per 100 kg).
Technical Barriers to Trade (TBT)	These are regulations, standards, testing and certification procedures applied to imports and exports which could obstruct trade. The WTO's TBT Agreement aims to ensure that these do not create unnecessary obstacles to trade.
Trade liberalisation	The removal or reduction of restrictions or barriers to trade.
Trade remedies	Measures which allow WTO members to operate a safety net and protect domestic industry from injury caused by unfair trading practices or from injury caused by surges in imports. They are taken in response to subsidies, dumping and import surges. These usually take the form of additional duties on those imports.
Transatlantic Trade and Investment Partnership (TTIP)	The Transatlantic Trade and Investment Partnership is a proposed trade agreement between the European Union and the United States.
Treaty	A treaty is an agreement under international law between states or international organisations.
WTO	The World Trade Organization.
WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)	The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) is the principal WTO agreement on intellectual property (IP) rights and applies to all WTO members. It covers key types of IP, including copyright, trade marks, geographical indications and patents and provides for the minimum standards of IP protection that each member needs to provide.
WTO Trade Facilitation Agreement	The WTO agreement which aims to simplify, modernise and harmonise procedures and controls governing the movement of goods across borders by WTO members.