Department for International Trade

Trade (Australia and New Zealand) Bill: Explainer

Trade Bill overview

The Trade (Australia and New Zealand) Bill enables the ratification and implementation of the UK's free trade agreements (FTAs) with Australia and New Zealand.

These agreements deliver an important benefit of leaving the European Union (EU) – the UK's ability to conduct its own independent trade policy. They support economic growth and will benefit all the nations and regions of the UK.

Specifically, the Bill will give the government the powers it needs to:

- extend duties and remedies to suppliers from Australia and New Zealand in domestic law for procurement covered by the FTA
- amend the domestic procurement regulations to bring them in line with commitments in the Australia agreement
- make changes to stay compliant over the lifetime of the agreement, for example updating the names of government entities if these change in future.

Once the FTAs take effect, businesses, and citizens all around the UK can start to feel the benefits, including:

- a projected £2.3 billion boost to the UK economy from the Australia FTA and £800 million from the New Zealand FTA[1]
- the elimination of all tariffs on UK goods exports to Australia and New Zealand, from cars, chocolate, Scotch whisky and fashion to buses, excavators and ships
- flexible rules of origin which mean UK businesses can use some imported parts and ingredients and still qualify for the new 0% tariffs when exporting to both countries
- removal of UK import tariffs on goods from Australia and New Zealand including favourites such as wine, swimwear, surfboards, boots, manuka honey and kiwi fruits – paving the way for UK consumers to get more choice, quality products and lower prices
- cheaper access to ingredients, materials and components from Australian and New Zealand for UK manufacturers – such as hydraulic power engines and pressure reducing valves from Australia and make-up and biscuit ingredients from New Zealand
- unprecedented access to the Australian market for UK services, going further than Australia has in any other such deal, meaning businesses from architecture and law to financial services and shipping will be able to compete in both places on an equal footing
- advanced digital provisions which allow UK tech and services firms, creative industries and many other sectors to break into new markets in Australia and New Zealand, including securing the free flow of data
- making business easier through the use of electronic contracts and signatures
- dedicated chapters to support small businesses and help them access opportunities in Australia and New Zealand
- guaranteed rights for UK investors to invest across the Australian economy and a reduced need for them to pass investment review checks in both Australia and New Zealand
- access for British companies to bid for Australian government contracts worth around £10 billion[2] per year on an equal footing with Australian firms, including major infrastructure projects, financial and business services
- new rules making it easier for Brits to live, travel and work in Australia and New Zealand.

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[1] DIT 'UK-Australia FTA Impact Assessment' and 'UK-New Zealand FTA Impact Assessment'

[2] DIT 'Impact assessment of the FTA between the UK and Australia'

Read more about the benefits of the UK-Australia FTA and the benefits of the UK-New Zealand FTA.

While the focus of the Bill is narrow, there are still many common misconceptions around the UK-Australia and UK-New Zealand FTAs, which are addressed below.

Agriculture

MYTH: Providing generous market access to Australia and New Zealand will undercut the UK's farming industry. The UK market will be flooded with foreign imports.

REALITY: Increased imports from Australia are more likely to displace imports from the EU – the source of 230,000 tonnes of UK beef imports in 2020[3] – than to hurt UK farmers.

With respect to sheep meat and beef in particular, it is unlikely that large volumes will be diverted to the UK from lucrative markets in Asia, which are geographically closer to Australia. More than 75% of Australian beef and 70% of Australian sheep meat exports in 2020[4] went to markets in Asia and the Pacific.

For the first 15 years of the New Zealand FTA there will be no new sheep meat access to the UK for New Zealand unless its WTO sheep meat quota into the UK reaches 90% utilisation. We do not believe this is likely to happen.

Furthermore, we import far more beef from the EU than from New Zealand, all at 0% tariff and with no quotas.

In addition, the government is committed to encouraging people to support British produce. 81% of retail beef sales in the UK are under the British logo (according to the National Beef Association) and several major high street retailers have committed to only using 100% British beef, notably Aldi, Morrisons, Marks and Spencer and Waitrose.

MYTH: UK farmers will not be protected by these free trade agreements.

REALITY: Both agreements include safeguards for the most sensitive parts of the UK farming community.

The UK-Australia deal includes:

1. Tariff-rate quotas – these last up to 10 years, depending on the product, and automatically apply higher tariffs to imports above a certain volume threshold (known as the quota). Additionally, on sheep meat, if volume thresholds under tariff-rate quotas are consistently filled in years one to 10, the UK can periodically reduce the volume thresholds of the quotas or safeguards by 25%.
2. Product-specific safeguards - these have a similar effect from year 11 to year 15 of the agreement, imposing high tariffs – of 20% for beef and sheep meat – above a volume threshold. If the product-specific safeguards for sheep meat are triggered in this period, the UK can periodically reduce the volume thresholds of the quotas or safeguards by 25%.
3. General bilateral safeguard mechanism – this applies to all products and will provide a temporary safety net for UK producers threatened with serious injury from increased imports as a result of tariff liberalisation under the FTA. This protection will last for a

[3] HMRC Trade Info

[4] DIT 'UK-Australia FTA Impact Assessment'

product's tariff liberalisation period plus 5 years in order to allow domestic industries time to adjust.

The UK-New Zealand deal includes:

1. Tariff liberalisation for sensitive goods staged over time to allow time for adjustment.
2. Tariff-rate quotas and product-specific safeguards for a range of the most sensitive agricultural products, including beef, sheep meat, cheese, butter and apples. These measures will limit the volume of duty-free imports permitted and, in the case of beef and sheep meat, will be in place for 15 years.
3. A general bilateral safeguard mechanism for all products, providing a temporary safety net for producers threatened with serious injury from increased imports as a result of tariff liberalisation under the FTA. For beef, the transition period is 15 years. For sheep meat, the transition period is 20 years. This will allow the farming sector significant time to adjust.
4. Even after these protections expire, the UK will still be able to apply global safeguards under the WTO, as we have with steel.

MYTH: These FTA deals will not help British farmers export their goods.

REALITY: Australia is one of the most important destinations for UK food and drink exports and this trade deal will bring opportunities to boost exports from every part of the UK, in a sector which contributes £120 billion to our economy.

UK food and drink exports to Australia have more than doubled in the last decade. They will benefit from the elimination of tariffs on all products, including biscuits, whisky and gin (previously 5%) and cheese (previously up to around 20%).

The deals will also immediately remove all tariffs on UK exports to New Zealand, including food and drink such as gin (up to 5%), chocolate (5%), pork (5%) and wine (5%). UK exporters will be able to do business at lower costs and gain an advantage over international rivals in the New Zealand import market, a market which is expected to grow by around 30% by 2030[5].

The agreements also prioritise helping more small businesses sell their goods to Australia and New Zealand for the first time. This could help resolve the barriers frequently cited by food and drink exporters, such as complex labelling and sanitary and phytosanitary requirements.

Animal welfare and food safety

MYTH: Australia and New Zealand's lower food safety and animal welfare standards will mean lower-quality produce ends up on UK shelves.

REALITY: All food and drink products imported into the UK will continue to have to comply with our rigorous import requirements as well as UK food regulations. For example, hormone-treated beef is banned in the UK and will not be allowed to enter the UK market. The Food Standards Agency and Food Standards Scotland will continue to protect our food standards.

Imports of animal products are also covered by the Sanitary Agreement and the UK's imports regime.

Both FTAs contain stand-alone animal welfare chapters and non-regression clauses. These mean the partner countries pledge not to lower their animal welfare standards to undercut each other.

[5] DIT 'Global trade outlook - September 2021 report'

The independent Trade and Agriculture Commission (TAC) report on Australia concluded that unsafe Australian products were unlikely to be imported in most cases and that there were safeguards in the deal to maintain animal welfare and environmental standards.

The TAC examined concerns about mistreatment of animals, mistreatment of the environment and dangerous practices with pesticides, with chairman Prof Lorand Bartels saying they were "just not well-founded, or they were a bit exaggerated or misunderstood"[6].

The TAC's report on New Zealand concluded that the UK-New Zealand FTA would not require the UK to change existing levels of statutory protections. In the case of environmental matters, the FTA goes beyond existing WTO obligations. The TAC added that New Zealand would not be able gain a trade advantage by lowering its standards of protection.

The TAC examined concerns relating to antibiotic usage, pesticide usage and climate change and the report concluded that in all cases, including New Zealand's use of pesticides banned in the UK, it was not a cause for concern. On pesticides, the report concluded the FTA did not reduce the UK's existing rights under WTO law to regulate imports. It also gave the UK "enhanced rights under the FTA to ensure that New Zealand does not fail to 'endeavour' to maintain high levels of environmental protection". The TAC also said it did not consider it likely that New Zealand's existing pesticide rules would put it in breach of this obligation.

MYTH: Australia and New Zealand do not care about animal welfare.

REALITY: Maintaining our high standards is a red line in all our trade negotiations. Australian animal welfare standards are higher than many other countries around the world and are in some cases higher than those in the EU.

RSPCA Australia worked closely with the Australian government to develop improved animal welfare guidelines and standards in 2016. The new standards are in the process of being enshrined in state and territorial law.

Australian RSPCA-approved farms have animal welfare standards closer to the UK's than current Australian legislation, including bans on tethering, hot-iron branding, sow stalls and veal crates and provide similar enrichments for meat and layer chickens.

New Zealand is a global leader in animal welfare and shares the UK's commitment to further improving and advancing our already high animal welfare standards. Both governments have a longstanding recognition of the sentience of animals. The Animal Protection Index[7] ranks both New Zealand and the UK highly compared with others around the world across a range of animal welfare indicators.

The UK and New Zealand already have a Veterinary Equivalency Agreement, meaning we trust and recognise many of their animal health standards as equivalent to the UK.

Environment and climate change

MYTH: These trade deals do not contain environmental safeguards.

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6 [1]'16/04/22 – Farming Today This Week: TAC Report, Scottish land sales, getting in and out of farming' - https://www.bbc.co.uk/programmes/m0016gvh

7 The Animal Protection Index assesses animal welfare standards across 50 countries. The index looks at sentience, legislation, governance and standards. The UK is rated B on the Animal Protection Index (2022). The index ranks countries from A to G. B is this is the highest rating for any country.

REALITY: The Australia FTA:

- provides a vehicle for working with Australia to strengthen its policy response to the climate crisis
- commits the UK and Australia to work collaboratively on climate change and reaffirms their commitments to upholding all their obligations under the Paris Agreement
- ensures neither Australia nor the UK can deviate from their environmental laws to gain an unfair advantage in trade and investment

Under the FTA, the UK and Australia will work together on a range of environmental issues, including commitments to:

- combat illegal logging
- control trade in products which contribute to the depletion of the ozone layer
- prevent pollution from shipping and cooperate on addressing marine litter, including plastics and microplastics
- promote conservation (including of sharks, turtles, seabirds)
- tackle subsidies that contribute to overfishing, and enforcement to deter illegal fishing
- conserve biodiversity and to tackle illegal trade in wild flora and fauna.

The New Zealand FTA:

- sets new benchmarks on a range of issues, going beyond the precedent in several areas and supporting both UK and New Zealand efforts in important areas, from transitioning away from fossil fuels to deforestation and sustainable fisheries
- contains the most comprehensive environmental goods list with liberalised tariffs in any FTA to date, with tariffs removed on products such as electric vehicles and wind turbine parts
- includes ambitious commitments to end electricity generation from unabated coal, take steps to eliminate fossil fuel subsidies where they exist, and pursue an ambitious phase down of hydrofluorocarbons
- includes commitments to tackle environmental challenges such as illegal wildlife trade (including in ivory), air pollution, marine pollution and litter, and promote biodiversity, sustainable agriculture, and the transition to a circular economy
- affirms our commitments to implement multilateral environmental agreements, including the United Nations Framework Convention on Climate Change and the Paris Agreement and preserves the UK's right to regulate including for net zero.

MYTH: By signing this trade deal with Australia, the UK is encouraging poor agricultural practices, especially in relation to forests.

REALITY: Both the UK and Australia have committed to combating illegal logging and related trade, an issue of critical importance to the preservation of our natural environment and biodiversity.

The environment chapter with Australia recognises the importance of sustainable forest management and strengthens bilateral cooperation and information-sharing. We have also agreed provisions on promoting and cooperating on the transition towards a circular economy and reducing waste. These go beyond the terms of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, alongside cooperation on further areas including air quality and marine litter.

Australia has also recently signed up to the Glasgow Leaders' Declaration on Forests and Land Use at COP26 which includes a pledge to end deforestation by 2030.

Australia has been reforesting rather than deforesting. The UK would be able to raise the issue of deforestation with Australia in the FTA's Environment Working Group.

Impacts of the deals

MYTH: Australia and New Zealand benefit more from these deals than the UK does.

REALITY: Australia and New Zealand are priority markets and valuable strategic partners in strengthening and increasing a UK network of trade agreements. By removing barriers, we generate more trade with Australia and New Zealand than if we had no agreement.

These new partnerships with Australia and New Zealand are expected to increase bilateral trade by 53% and 59% respectively in the long run. They are expected to boost the UK economy by £2.3 billion and £800 million when compared to projected levels of GDP in 2035[8].

The UK-Australia deal goes further than Australia has ever gone before in giving access to services companies. This means UK services from architecture and legal to financial services and shipping will be able to compete in the Australian market on a guaranteed equal footing.

This could increase exports of UK services to Australia, which were worth £5 billion in 2020. UK investors will also benefit from more access than ever before to opportunities in Australia, with guaranteed rights to invest across the Australian economy. The majority of UK investments will no longer need to be reviewed by the Australian Foreign Investment Review Board – saving time, saving money and cutting red tape for UK investors.

The UK-Australia deal is mutually beneficial in the long run, boosting both economies by £2.3 billion each when compared to projected levels of GDP in 2035.

The UK-New Zealand trade relationship was worth £2.5 billion in 2021; the agreement is expected to significantly increase this by the equivalent of around £1.7 billion in the long run.

MYTH: These FTAs do not boost UK exports, only Australian and New Zealand exports into the UK.

REALITY: UK exports to New Zealand are estimated to increase by £0.7 billion, and UK imports from New Zealand are estimated to increase by £1 billion when compared to projected levels of trade in 2035.

In terms of estimated growth in gross value added (GVA) in absolute terms, the largest contributions are expected to come from expansions in the manufacture of machinery (0.11% or £46 million) and motor vehicles (0.24% or £43 million).

Services sectors are estimated to make the strongest contribution to the estimated growth in GVA as a result of the agreements, especially in terms of:

- wholesale and retail services (0.04% or £105 million)
- public services (0.03% or £82 million)
- other services - transport, water, dwellings (0.03% or £82 million)

[8] DIT 'UK-Australia FTA Impact Assessment' and 'UK-New Zealand FTA Impact Assessment'

UK exports to Australia are estimated to increase by £6.2 billion, when compared to projected levels in 2035 in the absence of the FTA.

The agreement includes immediate tariff-free access on £2.3 billion worth of UK exports. 98% of estimated tariff reductions will come into immediate effect, on UK exports such as cars, Scotch whisky and ceramics. Once staging is complete, in year 6 of the agreement, 100% of UK exports will be eligible for tariff-free access.

Duties of up to 5% will be eliminated on UK exports to Australia such as cars, whisky, some pharmaceutical products, motors, clothing and even Christmas decorations. Tariffs of up to around 20% on UK agri-food products such as cheese will also be eliminated.

Based on historic trade flows, the total annual tariff reductions on UK exports to Australia are estimated to be £115 million at entry into force and £116 million in year 6. This is without considering potential increases in UK exports to Australia resulting from this agreement.

MYTH: We should be focussing on deals with bigger trading partners, such as the US or the Indo-Pacific region, as they will bring the biggest trade benefits.

REALITY: Both Australia and New Zealand are important partners in the Asia-Pacific region. These deals with both Australia and New Zealand complement the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Australia and New Zealand are both leading members and have supported the UK's bid for membership.

These agreements will give the UK access to new supply chains and enable UK businesses to use Australia and New Zealand as a launchpad into Asia.

These trade agreements are an important part in realising the government's ambition to putting the UK at the centre of a network of modern deals spanning the Americas and Indo-Pacific.

MYTH: There has been no consideration of the impact these deals will have on UK nations and regions.

REALITY: These FTAs will deliver benefits to people, businesses and communities throughout the country and support economic growth.

Playing to the strengths of all UK nations and regions, they:

- benefit Scotland's financial services industry
- allow easier market access for engineering services firms in the West Midlands
- provide new opportunities for Welsh fintech companies in Cardiff and Newport
- help carmakers support thousands of jobs in the North East of England
- cut tariffs for Northern Ireland's textiles exporters

The following table shows the projected GDP benefits for each part of the UK for each FTA:

Nation or region	Benefit from Australia FTA	Benefit from NZ FTA
East Midlands	£90 million	£20 million
East of England	£140 million	£35 million
London	£400 million	£130 million
North East	£65 million	£15 million
North West	£189 million	£55 million
Northern Ireland	£20 million	£5 million
Scotland	£120 million	£35 million
South East	£295 million	£85 million

South West	£130 million	£35 million
Wales	£60 million	£15 million
West Midlands	£195 million	£50 million
Yorkshire and the Humber	£100 million	£25 million

Parliamentary scrutiny

MYTH: The UK government has not fulfilled its obligations on scrutiny for these FTAs.

REALITY: Since the passage of the Japan FTA in Autumn 2020 the government has put in place more opportunities for Parliament to scrutinise free trade agreements.

In the case of the Australia FTA, the government has exceeded its statutory obligations, passing the agreement text to Parliament almost 6 months before the start of the official Constitutional Reform and Governance Act (CRaG) scrutiny period in June 2022. The TAC report was passed to the IAC and ITC on 8 April - a week after it was received and in advance of its publication on 13 April 2022.

In addition:

- the full economic case and objectives were published at the start of the negotiations
- full updates were provided at the end of every negotiating round
- the full text of the treaties, including economic impact and explanatory documents were published as soon as possible after the agreements were signed
- the Trade and Agriculture Commission and Food Standards Agency have independently reviewed the trade deals and reported on the impacts
- the International Trade Select Committee has also undertaken a review of the trade deals.

We continue to review arrangements, ensuring they remain fit for purpose.

MYTH: The UK government has not accommodated requests from Parliament to scrutinise trade deals.

REALITY: CRaG provides an effective and robust framework for scrutiny of treaties that require ratification, including free trade agreements. While formally legislated for in 2010 under the previous Labour government, its origins date back almost 100 years.

Under CRaG, the government must lay relevant treaties before Parliament for 21 sitting days before it can ratify them. Parliament has the power to prevent ratification and the House of Commons can do so indefinitely.

In line with this government's commitment to transparency, we have gone well beyond the statutory requirements of CRaG and provided comprehensive information to Parliament to support its scrutiny of our trade policy approach.

In addition, no trade agreement can, of itself, alter our domestic legislation. Any changes to UK legislation that are required for our trade agreements will therefore need to be scrutinised and passed by Parliament in the usual way.

The Lords Constitution Committee recommended in its 2019 report on scrutiny of treaties that:

- existing parliamentary mechanisms, supported by the work of the designated treaties committee, should be sufficient to provide effective scrutiny
- mandates for treaties should not be subject to parliamentary approval
- the UK Parliament should be able to conduct scrutiny of our agreements in a way that is appropriate and bespoke to the UK constitutional context.

Devolved administrations

MYTH: The devolved administrations (DAs) have had no say in the negotiations of these trade agreements.

REALITY: While treaty-making powers are reserved and only the UK government can negotiate and ratify trade agreements, the DAs have been engaged regularly and extensively throughout trade negotiations.

For example, in relation to the negotiations with Australia:

- the Chief Negotiator/Deputy Chief Negotiator held discussions with their DA counterparts approximately 25 times over the course of negotiations
- written information was shared with the DAs in devolved areas of competence
- there were rolling policy discussions at official level - every chapter team held discussions with their DA counterparts at least every 6 weeks
- ministers discussed the UK-Australia negotiations at the Ministerial Forum for Trade with regular updates and substantive discussion taking place in March and July 2021

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