



Department for
International Trade



Department for
Business, Energy
& Industrial Strategy

Lord Grimstone of Boscobel, Kt
Minister for Investment

Department for International Trade
King Charles Street
Whitehall
London
SW1A 2AH

T +44 (0) 20 7215 5000
E grimstone.correspondence@trade.gov.uk
W www.gov.uk/dit

The Rt Hon Lord Goldsmith QC
Chairman
International Agreements Committee
House of Lords
London
SW1A 0PW

By email: hlintlagreements@parliament.uk

16 June 2020

Dear Peter,

Future Free Trade Agreements between the United Kingdom and Australia and the United Kingdom and New Zealand, and accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

I am writing to inform you that on 17th June 2020 we will be publishing the following documents relating to Free Trade Agreements between the UK and Australia and the UK and New Zealand:

- the Government's negotiating objectives for Australia and New Zealand;
- the Government response to the public consultation on trade negotiations with Australia and New Zealand and;
- a Scoping Assessment setting out our preliminary assessment of the potential long run economic impacts of trade agreements between the UK and Australia and the UK and New Zealand;

In addition, we will be publishing an Interim Update on the UK's accession to Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

I am pleased to enclose an embargoed copy of these documents for your information.

Trade with Australia and New Zealand

New Zealand and Australia rank among our closest friends. We share a language, 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, both nations have always stood up for what is right and maintained a fierce belief in the merits of trade openness, the rule of law, international cooperation and democratic government.

But what we have never had with either is a free trade agreement. 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. Ambitious, wide-ranging free trade agreements with old friends like Australia and New Zealand are a powerful way for us to do that and make good on the promise of Brexit.

From a purely economic perspective, deals with both countries can help deliver the things that our people care about – better jobs, higher wages, greater choice, and lower prices.

Trade agreements with Australia and New Zealand could increase UK exports to Australia and New Zealand by around £1 billion – with beverages firms, the automotive industry and professional services among those expected to benefit. Opportunities for these trade agreements include additional access for UK services and investment, removing tariffs and other barriers to trade in goods and the chance to shape the future of digital trade.

We were Australia's 7th largest trading partner in 2018-19, with UK businesses trading £18.1 billion worth of goods and services with Australia last year. The UK was also the second largest direct investor in Australia and the second largest recipient of Australian Foreign Direct Investment in 2018. An ambitious UK-Australia trade agreement can support this and could increase UK GDP by £500 million and UK workers' wages by £400 million in the long run. A trade agreement can enable Small to Medium Enterprises (SMEs) to export more goods and services to Australia, building on the 13,400 UK SMEs which already exported goods there in 2018.

New Zealand is an open, advanced economy and has a supportive environment for business; it currently ranks first in the world for Ease of Doing Business. A trade agreement can increase our trading relationship, worth £2.9 billion in 2019, even further. The UK was New Zealand's 6th largest trade partner in 2019. New Zealand and the UK also share a particular ambition to work together to promote clean growth through trade – a key contribution to a low-carbon economic recovery.

But perhaps more importantly than the pure economics, both these countries are vital to the UK's future place in the world and our future sovereign capability.

Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

Strategically, our aim is to place the UK at the centre of a network of modern free trade agreements, 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 and New Zealand are both big players in the Asia-Pacific and share our commitment to free trade. They are also prominent members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership – a club of eleven countries representing 13% of global GDP. Both Australia and New Zealand support our membership, and free trade agreements with both countries 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. CPTPP will help us diversify our trade and build a strong, modern trade agreement between countries committed to free and fair trade in the Asia-Pacific region and beyond.

The Interim Update that I am publishing today will reaffirm the Government's interest in accession to CPTPP. Through further engagement with all CPTPP members, the Government will consider its approach to accession and will update the public and Parliament in due course.

Delivering for the whole of the UK

Our negotiation team is ready to deliver for the UK and we have been clear that any future agreements with Australia and New Zealand must work for UK consumers, producers and companies. We

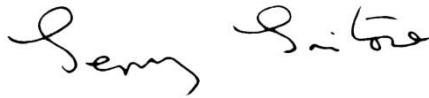
further remain committed to upholding our high environmental, labour, food safety and animal welfare standards in our trade agreement with Australia and New Zealand.

Negotiations will be carried out by video conference, ensuring that talks can progress during the Covid-19 pandemic. In the first round of talks both teams of negotiators will explore respective negotiating objectives and agree a structure and work plan for the coming negotiating rounds. This is expected to take place later in June and into early July. Talks will be carried out remotely initially.

The Government will continue to engage extensively with Parliament, the devolved administrations and the public as we negotiate future trading relationships.

I look forward to working with your committee as they play a significant role in the scrutiny of our free trade agreements, as part of the UK's independent trade policy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grimstone', written in a cursive style.

Lord Grimstone of Boscobel, Kt
Minister for Investment
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