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International Trade



Department for  
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Dear Peter,

### **Trade negotiations between the UK and Australia**

Thank you for your letter of 26 November, where you requested additional information as part of your ongoing inquiry into the UK's Free Trade Agreement (FTA) being negotiated with Australia. This letter sets out my response in your thematic areas, in addition to an update and overview on negotiations for context.

#### **Update**

I laid a Written Ministerial Statement before Parliament on 14 December providing an update on the third round of FTA negotiations with Australia. Trade negotiators from the UK and Australia held the third round of negotiations for a UK-Australia Free Trade Agreement (FTA) between 23 November and 4 December.

For every area, text was shared before the round. Both sides continued to have detailed textual discussions, and negotiators are now in the process of consolidating texts in several chapter areas. These include digital, telecommunications, customs, rules of origin, procurement, and cross-cutting provisions such as dispute settlement. We also held detailed technical discussions on text in areas such as Investment, Professional Business Services and Financial Services, including on Regulatory Cooperation.

Both sides exchanged their initial goods market access offers before the round. This exchange of goods market access offers is an early milestone, and the speed at which this stage has been reached demonstrates the momentum behind these negotiations. Discussions on market access will continue in parallel with discussions across the Free Trade Agreement.

A trade agreement with Australia is a priority for the Government.

## **Overview**

A trade agreement with Australia could increase UK exports to Australia by up to £900m.<sup>1</sup> Opportunities for this trade agreement includes facilitating trade in services and investment, removing tariffs and other trade barriers to trade in goods, and the chance to shape the future of digital trade.

We were Australia's fifth largest trading partner in 2019<sup>2</sup>, with UK businesses trading £18.6bn worth of goods and services with Australia last year.<sup>3</sup> Through this trade agreement, a reduction in non-tariff barriers to trade in goods and cost savings due to tariff liberalisation on goods could be passed on to both UK businesses and consumers, enabling them to import cheaper intermediate inputs and buy a greater range of Australian goods.

The UK was also the second largest direct investor in Australia and the second largest recipient of Australian Foreign Direct Investment in 2019.<sup>4</sup> 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.<sup>5</sup>

## **Agriculture Market Access and Tariffs**

You asked how the Government will ensure that the interests of UK farmers will be protected and whether UK tariffs for agri-food imports might be reduced over time.

I can confirm that in the third round of negotiations, we exchanged initial goods market access offers with Australia.

This exchange of market access offers is the first and initial offer. We will continue to update Parliament and the public on the outcome of each negotiation round in the usual way. The precise content of the agreement, including on tariffs, will depend on the negotiated outcome.

However, the Government has been clear, including in our public negotiating objectives, that any future deal with Australia must work for UK consumers, producers and companies and the Government will stand firm in trade negotiations to ensure any future trade deals support the livelihoods of farmers and the values of consumers across the UK. Getting a good deal for the whole of the UK is a priority and agriculture concerns remain in the front of our minds throughout negotiations.

## **Food Safety and Animal Welfare**

You asked how the Government will ensure that the UK's food safety and animal welfare standards will be upheld, and whether it intends to address the concerns of witnesses regarding Australia's use of pesticides and antibiotics.

This Government is proud of the UK's world-leading food safety, health and animal welfare standards. We will not compromise these standards nor put the UK's biosecurity at risk as we negotiate new trade deals.

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<sup>1</sup> <https://www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia>

<sup>2</sup> <https://www.dfat.gov.au/trade/resources/trade-statistics/trade-in-goods-and-services/australias-trade-in-goods-and-services-2019>

<sup>3</sup> [ONS, total trade: all countries, non-seasonally adjusted, July 2020 Release](https://www.ons.gov.uk/economy/balance-of-payments/total-trade/all-countries-non-seasonally-adjusted-july-2020-release)

<sup>4</sup> [ABS, International Investment Position, Australia: Supplementary Statistics, 2019](https://www.abs.gov.au/International-Investment-Position-Australia-Supplementary-Statistics-2019)

<sup>5</sup> <https://www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia>

We are strongly committed to a trade policy which benefits the UK as a whole, secures opportunities for our agricultural sector and does so without compromising our domestic standards.

The European Union (Withdrawal) Act 2018 retains our standards on environmental protections, animal welfare, animal and plant health and food safety at the end of the transition period. This includes existing import requirements and provides a firm basis for maintaining the same high level of protection for both domestic and imported products.

We will ensure decisions on the use of pesticides are based on careful scientific assessment and will not authorise pesticides that may carry unacceptable risks. The statutory requirements of the EU regime on standards of protection have been carried across unchanged into domestic law.

The Government also recognises that reducing the use of antibiotics in animals is an important element in our efforts to countering the rise of anti-microbial resistance (AMR). DIT fully supports efforts led by Defra, Public Health England, and NHS England, and at the international level to tackle AMR including driving increased adherence to appropriate regimes for animal antibiotic treatment.

You also asked whether the Government would rule out importing specific products if they do not sufficiently adhere to UK standards, and how the Government views the new legislative framework in Australia.

The UK's food standards, for both domestic production and imports, are overseen by the Food Standards Agency and Food Standards Scotland. These agencies provide independent advice to the UK and Scottish governments.

They will continue to do so in order to ensure that all food imports comply with the UK's high safety standards and that consumers are protected from unsafe food which does not meet our high standards. Decisions on these standards are a matter for the UK and will be made separately from any trade agreements.

We are aware of this new legislation and specifically this is the Export Control Act 2020 and the Export Control Rules 2020. Over September and October Australia has made notifications to WTO members about these new rules which the UK Government received. The new framework in Australia brings together and streamlines existing requirements to make it easier for exporters in Australia. This does not change the need for exports from Australia to meet the requirements of the market they are seeking to enter.

### **Trade and Agriculture Commission**

You asked how the Government will take the Trade and Agriculture Commission's (TAC) recommendations into account in practice, and how it will be involved in decision making.

The current Trade and Agriculture Commission is an independent advisory group that will produce a report on trade and agriculture policy. The Government welcomes this and we will review its contents, including any recommendations, after it is published. The report and any recommendations, which will be published in February 2021, will be advisory. The Department will also present the report to Parliament.

Section 42 of the Agriculture Act 2020 places a new duty on the Secretary of State to report on specific FTA provisions. This report must be laid in Parliament before certain FTAs can proceed through the Constitutional Reform and Government process. Alongside this duty, the Government has also committed to placing the TAC on a statutory footing, through an amendment tabled to the Trade Bill.

The statutory TAC will play a new role in scrutiny of FTAs. The Secretary of State will request advice from TAC and will publish the request for advice and guidelines. The TAC will provide advice to the Secretary of State on whether provisions in certain FTAs that relate to agricultural products are consistent with maintaining UK statutory protections for animal and plant life and health, animal welfare and the environment. The Government intends for the TAC's advice to be laid before Parliament alongside the Government's FTA report<sup>6</sup> to assist Parliament's scrutiny of the FTA.

Government also continues to work with Trade Advisory Groups, including the Agri-Food Trade Advisory Group, which is a key forum through which the agriculture sector is able to feed into negotiations. Key stakeholders, such as the National Farmers Union, are represented on both the Trade Advisory Group and the Trade and Agriculture Commission.

### **Healthcare and Pharmaceutical Trade**

You asked what provisions the Government is seeking in healthcare and pharmaceutical trade with Australia.

As set out in our negotiating objectives, we are pursuing modern simplified rules of origin with Australia in recognition of the complex global supply chains which many manufacturers in the life sciences sector rely upon. These rules will ensure that industry is able to capitalise on the tariff liberalisation which negotiators also aim to secure. We are considering the inclusion of sector-specific annexes on technical barriers to trade, including on medicines, that go beyond CPTPP provisions.

Enhanced regulatory cooperation with Australia will also benefit the life sciences sector. We have already successfully negotiated a continuity agreement with Australia on mutual recognition of Good Manufacturing Practice inspections for Pharmaceuticals.

The Government recognises the importance of intellectual property protections to innovative and R&D heavy industries such as life sciences which has been made clear in the UK's negotiating objectives for Australia. We are committed to maintaining an effective intellectual property regime that strikes a balance between incentivising research and innovation and wider public interests, such as affordability. We cannot comment in more detail at this time pending the negotiated outcome.

### **Climate and Sustainability**

You asked how the Government will ensure that the UK's climate and sustainability goals are not undermined by a trade agreement and whether the FTA will contain a chapter on trade and sustainable development with binding commitments.

The Government is committed to upholding the UK's high environmental standards and supporting global decarbonisation. We are clear that more trade will not come at the expense of the environment.

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<sup>6</sup> As per Section 42 of the Agriculture Act 2020.

Our negotiating mandate details that we are seeking provisions on sustainability issues including environment, climate change and labour in the UK-Australia FTA. It also makes clear we will apply appropriate mechanisms for the implementation, monitoring and dispute resolution of environmental and labour provisions. The FTA will support the continued delivery of the UN Sustainable Development Goals.

We are committed to 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.

We have also been clear that our trade policy should support clean growth by promoting clean imports and exports, encouraging investment into the low carbon economy and facilitating cooperation to support our net zero commitments.

### **Financial Services and Investment**

You asked what provisions related to financial services and investment are being pursued through the FTA and other channels.

The Government is seeking ambitious provisions on financial services, such as on financial data and regulatory cooperation. Through greater cooperation between Treasuries and regulators, the UK and Australia will be able to address regulatory frictions that impede trade and investment.

On investment, Australia maintains some sectoral restrictions on foreign investment that could be reduced or removed. These generally take the form of equity restrictions in sectors such as financial services. We are also seeking to reduce foreign-investor-only administrative burdens in certain sectors, such as requirements for company directors to be resident in Australia.

There is already a strong and established relationship between the UK and Australia for financial services, such as through the UK-Australia FinTech Bridge agreement. The FTA offers the opportunity to strengthen this relationship and provide certainty for UK firms in their continuing access to the Australian market.

### **Mobility of Business People**

You asked what provisions the UK are seeking to improve immigration requirements and visa application processes for UK businesspeople seeking to work in Australia, both in the short-term and medium term.

Whilst we cannot go into detail on live negotiations, it is normal practice to include provisions in FTAs on business mobility as these support highly skilled professionals to provide services on a temporary basis in the other country. Stakeholders have told us that they would welcome more certainty and clarity in the Australian visa system.

High-skilled, business mobility is critical to supporting trade in services, investment and goods. This would enable UK and Australian businesses to export more services between our two countries, unlocking new opportunities for our modern economies. I would like to clarify that temporary entry for business purposes is not permanent entry into the labour market and does not lead to permanent immigration.

## **Mutual Recognition of Professional Qualifications**

You asked whether Government is discussing mutual recognition of professional qualifications in negotiations, and which qualifications are being prioritised.

I can confirm that we are seeking ambitious commitments to facilitate the recognition of professional qualifications, with the aim of supporting all UK professionals to achieve recognition of their qualifications in Australia and vice versa. We are seeking a broad recognition framework with comprehensive coverage across all regulated professions and professional qualifications.

## **Digital Trade**

You asked how the Government will ensure that sensitive data, such as healthcare patients' NHS data will be protected.

Across all our trade agreements, we want to secure cutting-edge provisions which maximise opportunities for digital trade across all sectors of the economy. We also want to 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. The Government is clear that health and care data should only ever be used and/or shared where used lawfully, treated with respect, held securely and where the right safeguards are in place.

You also asked what economic and tangible benefits digital trade provisions will provide to UK businesses.

Data flows are the basis of today's digitalised economies and are important to consumers and business. They are a key driver of global trade and the life-blood of our digital economy. They underpin many forms of trade, particularly trade in services. When data cannot flow, it presents significant barriers and risks to trade. The ONS estimate that 52% of the UK service exports to Australia were supplied remotely in 2018, while 46% of UK imports from Australia were provided remotely.<sup>7</sup> The ONS has estimated in experimental statistics that digitally delivered trade alone accounted for over £326 billion of total UK trade (to all countries) in 2019, or approximately one fifth of total UK trade in goods and services.

Australia has a track record of innovation in digital trade, having recently agreed the Australia-Singapore Digital Economy Agreement (DEA) and an FTA with Australia provides the perfect opportunity to reduce barriers to e-commerce and stimulate investment in innovative new technologies.

## **Intellectual Property**

You asked what intellectual property (IP) provisions the government is seeking and how IP rights are going to be protected.

As set out in our public approach to negotiations with Australia,<sup>8</sup> the UK is committed to securing copyright provisions that support UK creative industries through an effective and balanced global framework. The Government will seek a balanced outcome for creators,

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<sup>7</sup> ONS (2019) '[Modes of Supply: UK Experimental Statistics 2018](#)' – Note, these statistics do not include mode 3 services trade (commercial presence).

<sup>8</sup> <https://www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia>

producers, performers, users and consumers through the FTA with Australia. The precise content of the agreement will depend on the negotiated outcome.

You also asked whether the Government considers the Australian certification trademark regime to be robust enough to protect UK geographic indicators (GIs), and how this could be strengthened.

The Government is reviewing the existing framework in Australia for the protection of GIs and in negotiations will seek to maintain effective protection in a way that ensures consumers are not misled about the origins of goods while ensuring they have access to a range of products.

### **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**

You asked what provisions in the FTA are being based on CPTPP, and if there are areas that would be renegotiated through the CPTPP.

The Government is seeking a trade agreement with Australia that goes beyond CPTPP and achieves ambitious outcomes, and we have been clear in our negotiations on this point. In particular, we are seeking provisions on investment, services, business mobility, and cross-cutting issues such as innovation, development and SMEs that go beyond the provisions in CPTPP.

Businesses will be able to trade with Australia on the terms of the bilateral FTA regardless of the negotiated outcome with CPTPP. Upon potential accession to CPTPP, businesses will be able to trade with CPTPP member states on preferential terms, using either the terms of CPTPP or the bilateral FTA. There is unlikely to be greater access to the Australian market for businesses as a result of joining CPTPP that go beyond the commitments secured through a bilateral FTA.

However, accession to CPTPP – a group of eleven countries representing 13% of global GDP – will help us increase trade in this region and deliver even greater benefits to the UK economy, alongside strengthening our position among a network of countries committed to free trade and the rules-based international system.

### **Conclusion**

I hope the above responses are useful for you. My Department's regular reporting, including through Written Ministerial Statements, updates to Trade Advisory Groups and the Strategic Trade Advisory Groups, and to devolved administrations, will ensure that stakeholders continue to be informed on the progress of negotiations.

Yours sincerely,



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