



Department for
International Trade



Department for
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4 June 2021

My Lords,

**Update on negotiations on the UK's future trading relationship with Australia:
Accelerated sprint to agreement in principle**

I am writing to update you on our progress towards securing a free trade agreement with Australia. This would be the UK's first major trade deal negotiated from scratch since we left the European Union.

Following positive negotiations with Minister Tehan in April, we entered an 'accelerated sprint' to agree the outstanding details with the aim of reaching agreement in principle in June. We are continuing to fight hard to ensure we get the best deal possible for the UK.

This is a deal that will deliver for the UK and all parts of our economy. It is a win-win for both nations. It is a fundamentally liberalising agreement that will support jobs across the country and help us emerge stronger from the pandemic, strengthening ties between two democracies who share a fierce belief in freedom, enterprise and fair play.

A deal would also be an important step towards joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This will give UK businesses a gateway to the Asia-Pacific region and increase the resilience of our supply chains.

UK manufacturers, food and drink producers and the tech sector are all set to benefit from the deal:

- **Tariff-free access for more UK goods** – This deal would lead to a boosting of exports on whisky, gin, biscuits, cars (all previously 5 per cent tariffs), cheeses (some of which had up to 21 per cent tariffs), apparel and ceramics (previously up to 5 per cent tariffs) - bringing huge benefits to the UK's agri-food, automotive, and manufacturing sectors.

- **A deal for the whole Union** – Getting a good deal for the whole of the UK has been a priority throughout this negotiation and will continue to be in all our trade talks.
 - **Scotland** – Almost 1,000 businesses exported goods worth £321 million to Australia in 2020. Reducing tariff barriers for our world class agri-food and drink industry could bolster Scotch Whisky exports to Australia, with beverages making up 39 per cent of Scotland’s goods exports to Australia, worth £126 million in 2020.
 - Scotland’s thriving financial service providers would benefit from better access through digital and services provisions in this deal, alongside the new investment provisions which will bring greater opportunities to Scotland.
 - **Wales** – The number of Welsh companies exporting to Australia grew from 2019 to 2020. From medicines, services, machinery to Welsh agri-food and drink, producers could benefit from the removal of tariffs and non-tariff barriers.
 - Manufacturers are expected to benefit from new procurement opportunities and enhanced business mobility provisions will mean it’s even easier to travel to Australia to do business.
 - **Northern Ireland** – More than 80 per cent of all exports from Northern Ireland are machinery and manufacturing based goods – many of which are used extensively in Australia’s mining, quarrying and recycling sectors.
 - These exports should have their tariffs removed on agri-food and drink, including Irish Whiskey, manufacturing and services with simplified customs procedures helping boost Northern Irish exports.
- **Supporting UK automotive industry and boosting exports** – This deal has the potential to support manufacturing jobs across the UK at key automotive manufacturers like Jaguar Land Rover and Nissan and their supply chains, through reduced tariffs and the new export opportunities. Nissan UK exported around 10,000 cars to Australia in 2019 and another 10,000 in 2020.
- **New opportunities for British farmers** – This deal would forge a path for the UK to access the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a £9 trillion partnership. This would give British farmers better access to the massive consumer markets of the present and future – almost two-thirds of the world’s middle classes will be in Asia by 2030. This is where the opportunity lies for our farmers, manufacturers and service providers.
- **Improved market access for UK financial services** – The UK’s world leading services industry should benefit from better access through proposed digital and services provisions in this deal. Alongside the new investment provisions, these world leading arrangements would bring greater opportunities to the whole of the UK.
- **New procurement opportunities for UK businesses** – This deal with Australia is expected to give UK businesses greater access to the Australian market. Alongside enhanced business mobility provisions it would be even easier to travel to Australia to do business.

Maintaining our high environmental protection, animal welfare and food standards is a red line in our trade negotiations. Hormone-treated beef is banned in the UK and will not be allowed to enter the UK market – this won't change under any FTA. The UK's independent food regulators will continue to ensure that all food imports into the UK comply with those high standards and, without exception, imports into the UK will meet our stringent food safety standards.

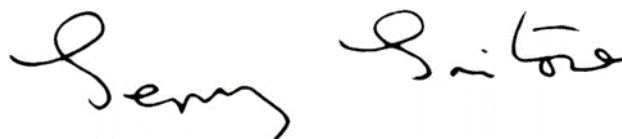
The deal will not undercut UK farmers, and any deal we do sign will contain protections for the industry, such as staged tariff liberalisation. Our new trade deals will bring new export opportunities to British farmers. Global demand for beef and lamb is soaring. There is growing demand for British meat in Asia-Pacific markets with meat consumption projected to rise nearly 73 percent by 2050. The UK produces some of the best food in the world, loved for its quality and provenance – we should be positive, not fearful, about the opportunities that exist.

The NHS' services and the prices it pays for drugs remain protected and was not up for negotiation – and never will be. There will be no changes to our intellectual property regime that would lead to increased medicines prices for the NHS.

We hope to reach an agreement in principle in the coming weeks paving the way for signing full text later this year.

This would be a great deal for our United Kingdom, showing what we're capable of achieving as an independent trading nation.

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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Department for Business, Energy and Industrial Strategy