

**INTERNATIONAL TRADE COMMITTEE**  
**INQUIRY INTO THE UK-AUSTRALIA TRADE AGREEMENT**

**Memorandum from the City of London Corporation**

*Submitted by the Office of the City Remembrancer*

**Introduction**

1. The City of London Corporation welcomes the opportunity to respond to the International Trade Committee's inquiry into the UK-Australia trade deal. The UK financial and professional services (FPS) industry contributes over 10% of the UK's total economic output and employs more than 2.3 million people, with two thirds of these jobs outside London. It is the largest taxpayer, the biggest exporting industry and generates a trade surplus almost equivalent to all other net exporting industries combined.
2. The City Corporation works closely with a wide range of stakeholders to promote the UK-based FPS sector. These include Department for International Trade, the Treasury, the Foreign, Commonwealth and Development Office and London and Partners. The common goal is to sustain prosperity and stimulate economic growth in London and across the UK through global trade and investment.
3. The UK and Australia enjoy a strong trading relationship with growing opportunities for financial and professional services firms in both markets. UK businesses traded £18.1 billion worth of goods and services with Australia in 2019. The UK is Australia's seventh largest trading partner and second largest outside the Asia-Pacific region. The UK was the second largest direct investor in Australia and the second largest recipient of Australian foreign direct investment (FDI) in 2019. The stock of UK FDI in Australia was £35.6 billion in 2018, while Australia invested £15.9 billion in the UK.

**How good a deal is the UK-Australia FTA for the UK?**

4. The UK-Australia Free Trade Agreement (FTA) is strategically important for the UK. Australia is a 'like-minded' ally in the UK's pursuit to establish global standards of openness. Due to these shared values, the FTA contains modern and forward-looking provisions in crucial services trade areas such as digital trade and innovation. This will enable the UK to set a high benchmark for subsequent trade deals and future international trade discussions.
5. The Australian market also presents a gateway to further trade with the Asia-Pacific region. UK-based firms with operations in Australia will now be able to leverage existing agreements and mechanisms such as the Asia Region Funds Passport and the Trans-Tasman Closer Economic Relations Agreement to supply their services to a much broader range of clients. These agreements also provide further examples of potential mutually beneficial additions to the formalised FTA.

**To what extent has the Government achieved its stated negotiating objectives?**

6. For financial services trade the UK negotiating objectives committed to the expansion of opportunities, the reduction of friction to trade and investment, the removal of barriers and to build on the precedents of cooperation particularly on regulatory issues.
7. Like many previous agreements, this FTA serves to lock in market openness and reduces certain frictions such as those surrounding the movement of financial data. The Corporation also welcomes these provisions and the emphasis on continued regulatory dialogue.

8. As highlighted in the report, '[UK Cross Border Trade in Services with Australia](#)' market access barriers in FPS are more usefully addressed through enhanced regulatory cooperation which fall outside FTA provisions.<sup>1</sup> Enshrining a framework for regulatory cooperation dialogues in trade agreements provides greater regulatory and market certainty for ongoing regulatory cooperation. It also signals a firm commitment to continued collaboration between the UK and Australia. Furthermore, the embedding of principles of such as deference is valuable in setting the tone for both parties and establishing an overarching goal for these discussions.
9. Ensuring the success of the dialogue will require both continual government to government engagement at all levels and ongoing industry input. Accordingly, the City of London Corporation stands ready to facilitate industry input into the UK-Australia financial regulatory dialogue. This engagement and input should seek to emulate the mechanisms established surrounding the UK-US Financial Regulatory Working Group, the acting UK-US regulatory dialogue, which features the inclusion of financial and professional services industry input through the British American Finance Alliance.

#### **To what extent does the FTA deliver on the UK-Australia Agreement in Principle?**

10. The Agreement in Principle (AIP) contained limited detail on the provisions being agreed for services trade in the FTA. It is therefore not possible to critically assess the FTA against the AIP. In future trade negotiations, a greater level of detail in AIPs on services trade would be welcome.

#### **How are the terms of the FTA between the UK and Australia likely to affect you, your business or organisation, or those that you represent?**

10. The FTA serves to lock in market openness for **financial services** firms which is welcome from the perspective of business continuity. Having these provisions enshrined in law provides a degree of certainty for firms. This not only lays the groundwork for both countries to build upon in future discussions, but also allows for firms to make business decisions along a longer time horizon than would be possible otherwise.
11. FPS firms have highlighted the challenges around **business mobility** and temporary visas. The movement of highly skilled professionals enables the transfer of knowledge and expertise which is often crucial for firms. Complicated mechanisms and immigration structures can create unwieldy administrative burdens for firms and hamper this movement. The relaxation of labour market testing as well as doubling the length of stay for intra corporate transferees from 2 years to 4 years should help alleviate some of the uncertainty and bureaucracy around the movement of people.
12. The Corporation welcomes the emphasis on **digital trade**. The innovation chapter and accompanying commitment to establish a dialogue which plays a role in the development of international standards and facilitating trade in emerging technologies is very welcome. With the increase in digitalisation of trade, many firms are concerned that the patchwork of differing regulations will make cross border trade more challenging. The UK should aspire to play a leading role in developing international consensus around technology and trade policy approaches particularly in newer areas.

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<sup>1</sup> City of London Corporation, *UK cross-border trade in services with Australia*, available at: <https://www.cityoflondon.gov.uk/supporting-businesses/economic-research/research-publications/uk-cross-border-trade-in-services-with-australia>

13. On **data**, the UK and Australia make commitments to allow the free flow of data and ban data localisation. However, Australia does not have a data adequacy ruling meaning the respective data protection regimes of both countries are not interoperable. This is perhaps an area where greater cooperation between regulators through the mechanisms established in the FTA can lead to valuable changes for firms.
14. For **professional services**, the FTA incorporates many of the legal services sector's key asks for greater recognition of qualifications and mobility options. The accounting sector have also welcomed the included plans to give UK accountants guaranteed access to work visa and to mutually recognise qualifications. The commitment to establish dialogues in both legal services and professional services more broadly will help to assist in the realisation of these goals. As recognition of professional qualifications are determined at the sub-federal level and by domestic professional bodies, the practical success of these provisions will hinge on their collaboration. That being said, the FTA provides the framework for this increased cooperation.

**What lessons and inferences for other current and future negotiations can be drawn from how the Government approached, and what it secured in, the FTA with Australia?**

15. Engagement with industry is invaluable when approaching trade agreements and understanding the intricacies of business. The City of London Corporation has established a sustained programme of in-market activity which seeks to identify key market access issues to address, opportunities for alignment, and build the inter-institutional trust needed to underpin bilateral FPS relationships.
16. For the FPS sector, where quite often the issues are regulatory in nature, market access barriers are by default quite technical. As highlighted in the report, [‘UK Cross Border Trade in Services with Australia’](#), these issues include sub-sector specific and wider cross-cutting considerations.<sup>2</sup> Although many FPS barriers may not be addressed through FTA negotiations it is important they are recognised as a basis for discussion in regulatory dialogues.
17. The inclusion of regulatory cooperation dialogues within FTAs are a welcome development for the FPS sector. The City of London Corporation would welcome the inclusion and replication of these provisions within FTAs. Though discussions are often already occurring between regulators, the formalisation of the process with important markets for the FPS sector enables further certainty and potential gains.

*January 2022*

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<sup>2</sup> Ibid