

International Trade Committee: UK trade negotiations - Agreement with Australia

Federation of Small Businesses (FSB) written evidence January 2022

1. FSB is a non-profit making, grassroots and non-party political business organisation that represents 160,000 members in every community across the UK. Set up in 1974, we are the authoritative voice on policy issues affecting the UK's 5.5 million small businesses, micro businesses and the self-employed.
2. FSB welcomes the opportunity to respond to the International Trade Committee's call for evidence on the UK-Australia Free Trade Agreement. We would be happy to provide further detail on any of the issues raised in this response.

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

3. Australia is an important market for FSB members – according to FSB research around 40 per cent of UK small firms who trade internationally do so already with Australia and around a third (31 per cent) of FSB members engaged in international trade indicated that Australia is important for their exporting ambitions.
4. FSB believes that the FTA will deliver significant benefits for small businesses that are currently or considering trading with Australia and welcomed the signature of the FTA in December 2021.
5. Free Trade Agreements are a powerful means of removing barriers to international trade for small businesses, and FSB has long championed the inclusion of provisions that will help small firms understand and take advantage of the opportunities that FTAs create. In particular, FSB supports the inclusion of SME-specific provisions, as well as trade facilitation provisions and measures to promote digital trade.
6. FSB is therefore pleased that the final UK-Australia includes a dedicated SME chapter, as well as commitments on mobility, digital trade, and measures to tackle non-tariff barriers for goods.
7. The success of the FTA will ultimately depend on its implementation and enforcement. FSB would have liked to see included in the FTA provision for an SME committee, which would ensure adequate representation of SME interests in the implementation of the deal.
8. However, overall the FTA has the potential to make an important difference to UK SMEs that trade or are considering trading with Australia. FSB would encourage both the UK and Australia governments to move forward quickly with the implementation of arrangements that will facilitate bilateral trade in areas such as the mutual recognition of professional qualifications or conformity assessment.

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?

9. Tariff and non-tariff barriers are both important factors considered by small businesses when deciding where to export to or import from. Previous FSB research has found that nearly one in three small businesses (29%) say that

tariffs play a major role in where small business exporters trade while more than half of small firms stated that non-tariff barriers play a role in where they choose to export (53%) or import (59%).

10. FSB therefore welcomes the commitments made in the FTA that will tackle these barriers, particularly with regard to trade facilitation, digital trade, technical barriers to trade and mobility.

Trade facilitation

11. Small businesses often do not have the necessary resources or expertise to comply with complicated customs procedures. However, they are highly dependent on moving goods across borders quickly, especially those who are part of a 'just in time' supply chain or business model.
12. The FTA contains several welcome trade facilitation provisions, such as Article 5.15 which states that each party shall endeavour to develop or maintain a single window arrangement that will allow businesses to submit customs information through a single electronic entry point.
13. FSB supports the work currently being undertaken by the Government to explore possible design choices for a UK Single Trade Window and has engaged with the Cabinet Office Border Protocol Delivery Group to provide a small business perspective.

Digital trade

14. FSB welcomes commitments in the FTA to promote the acceptance of electronic trade documents, electronic contracts and e-signatures and to ensure the interoperability of electronic invoicing systems.
15. Facilitating paperless trade will generate enormous benefits for smaller firms trading internationally. According to research from the International Chamber of Commerce (ICC), moving to a fully digital system at a global level could generate £25 billion in new economic growth by 2024 and significantly increase business efficiency for SMEs.¹
16. Data localisation requirements can generate significant costs associated with setting up servers or storing data, and can limit small firms' access to cost effective cloud computing systems. FSB therefore welcomed commitments to remove unjustified data localisation requirements.

Technical barriers to trade

17. The FTA commits both parties to working cooperatively to increase acceptance of equivalent technical regulations. FSB welcomes the inclusion of provisions on the exchanging of information and increasing the harmonisation of technical regulations, standards and conformity assessment procedures.
18. FSB would encourage both parties to identify suitable technical regulations and processes and to agree mutual recognition agreements quickly, as Mutual Recognition Agreements can remove significant costs and barriers for smaller firms.

¹ Creating a Modern Digital Trade Ecosystem: The economic case to reform UK law and align to the UNCITRAL Model Law on Electronic Transferable Records; United Kingdom International Chamber of Commerce; 2021.

Mobility

19. As with the UK-EU Trade and Cooperation Agreement, the UK-Australia FTA encourages professional bodies and regulators to establish and maintain sectoral Mutual Recognition Agreements. This model has the potential to deliver significant benefits to professional service providers – and particularly the self-employed – but it will rely on the ambition and speed of the respective professional organisations and regulators. FSB encourages the relevant bodies in both parties, with the support of the Professional Services Working Group established by the FTA, to work quickly to implement these provisions for maximum benefit.
20. Many self-employed small business owners delivering Mode 4 services fall into the category of independent professionals or contractual service providers. While FSB welcomes the inclusion of commitments around the temporary entry for business persons, we are concerned that in some cases these provisions are restrictive – for example, those wishing to make use of the market access granted to contractual service suppliers, must in some cases possess at least six years' professional experiences in addition to a university degree or equivalent qualification, as well as the relevant professional qualifications required under Australian law.
21. FSB welcomes the parties' commitments in relation to their Youth Mobility Schemes (YMS), which will be made available to nationals no older than 35 for a total stay of up to 3 years, without having to undertake specified work including agricultural labour. FSB has identified YMS youth mobility schemes with selected other countries, including Australia, as an important part of our future immigration system. FSB welcomes extending the upper age limit of the YMS to 35, as called for in the 2020 report *A World of Talent*.² More widely, the Youth Mobility Scheme should be extended to EU countries and should not include annual quotas.

² FSB, *A World of Talent* (2020), p. 12 (available at <https://www.fsb.org.uk/resource-report/a-world-of-talent.html>)