



A NEW DAWN HAS ARRIVED WITH THE PUBLISHING OF THE UK-AUSTRALIA FREE TRADE AGREEMENT BRINGING WITH IT A RENEWED MODERN FRIENDSHIP

After nearly a year of negotiations, the United Kingdom and Australia have published an Agreement in Principle for a Free Trade Agreement (FTA). The FTA will make it the UK's first trade agreement since leaving the European Union and it will be Australia's most comprehensive and liberal FTA outside of its partnership with New Zealand.

“The British Prime Minister, Boris Johnson, has signalled that the deal will be a “new dawn” for a “global Britain” and shift the country’s economic focus from Europe towards the growing Indo-Pacific nations.”

The terms of the Agreement in Principle are ambitious and set out almost unprecedented concessions by both countries, which will seek to eliminate tariffs and red tape in order to facilitate a closer trading relationship between the two. The agreement is also symbolic in the sense that it will seek to revive the UK’s and Australia’s once solid economic relationship.

The Agreement will provide unprecedented access to each other’s markets. It will also attempt to take into account product sensitivities.

Both countries have notably committed to the following:

- Full liberalisation of UK originating goods entering Australia;
- Full liberalisation of Australian originating goods entering UK, however, there will be a staggered elimination of tariffs on the following agricultural products:
 - Tariffs on beef to be eliminated after 10 years¹, during which Australia will have immediate access to a duty-free quota of 35,000 tonnes;
 - Tariffs on lamb to be eliminated after 10 years², during which Australia will have immediate access to a duty-free quota of 25,000 tonnes;
- Improved working holiday opportunities for youths in both countries with the age eligibility raised from 30 to 35 and the program increased from 2 to 3 years in duration;
- Commitment by both countries to Rules of Origin that will facilitate market access and reflect modern production processes, and existing and future global value chains. This commitment will make it simpler for the trade industry and customs authorities to establish and prove the originating status of goods;

- Tariffs on sugar to be eliminated after 8 years, during which Australia will have immediate access to a duty-free quota of 80,000 tonnes;

- Tariffs on dairy to be eliminated over 5 years, during which Australia will have immediate access to a duty-free quota for cheese of 24,000 tonnes, rising in equal instalments to 48,000 in year five. Australia will also have immediate access to a duty-free quota for non-cheese dairy of 20,000 tonnes and there will be a further duty-free transitional quota for butter of 5,500 tonnes rising to 11,500 tonnes in year 5.

- Commitment by both countries to facilitate transparent customs procedures and clear timeframes.

The British Prime Minister, Boris Johnson, has signalled that the deal will be a “new dawn” for a “global Britain” and shift the country’s economic focus from Europe towards the growing Indo-Pacific nations. Whilst the British Prime Minister is optimistic towards the terms of the FTA, it remains to be seen whether the handful of safeguards and schedules agreed upon between the two countries will protect the local British farmers, who have been a key stakeholder in the trade negotiations between the countries.

British farmers have said that a trade deal which eliminates tariffs on lamb and beef imports from Australia would force local farmers out of business. The trade deal has sought to circumnavigate this concern by including tariff rate quotas and implementing other safeguards on these products from Australia for up to 15 years. British farmers also raised concern about differing environmental and animal welfare standards between the two countries, and the countries have committed to respecting one another’s food safety and biosecurity standards. The UK has emphasised that consumers will be the ones to

¹ In the subsequent 5 years, a product specific safeguard will be applied on imports exceeding a certain threshold.

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reap the benefits, as they will have more access to Australian products at a cheaper price.

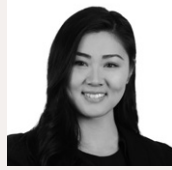
Given that Australia's economy is largely liberalised, it will be interesting to see the extent of the FTA. Notably, Australia's unfettered access to the UK market is not immediate and it will take many years to appreciate the effect of the FTA. It is anticipated that the FTA will deliver more Australian jobs and business opportunities for exporters, greater access to the UK for businesses and workers, and tariff free UK products for Australian consumers.

Whilst the agreement will inevitably bring the countries closer, it is unclear what the impact will be on the countries' economies, with the UK Government estimating that there will only be a projected increase of between 0.01% and 0.02% of the GDP as Australia only accounts for 1.7% of UK's exports and 0.7% of its imports. On the other hand, it seems that Australia may reap more benefits to its economy as it has previously been locked out of the UK beef, lamb, dairy and sugar markets due to strict tariffs held in place because of the previous UK-EU relationship.

Nonetheless, both countries are committed to finalising this ambitious FTA, which will in any event bring the two countries closer together both economically and culturally.

Please see our first briefing here: <https://www.hfw.com/The-Potential-UK-Australia-free-trade-agreement-reviving-old-friendships-may-bring-new-opportunities-August-2020>

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