

TradeWatch

A full-page background image showing a man in a red hard hat, yellow earplugs, and a red safety vest over a blue shirt and jeans. He is holding a tablet and looking upwards. He is standing in front of several stacked shipping containers, some blue and some orange.

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EY

Building a better
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Australia and New Zealand: landmark free trade agreements with the UK enter into force

Following the launch of negotiations at the height of the COVID-19 pandemic and the conclusion of extensive domestic ratification processes, both the Australia-United Kingdom Free Trade Agreement (AUKFTA) and New Zealand-United Kingdom Free Trade Agreement (NZ-UKFTA) have now entered into force.

General overview

The AUKFTA and NZ-UKFTA were signed on 16 December 2021 and 28 February 2022, respectively. Negotiated largely in parallel, both agreements are noticeably similar in scope and ambition, and represent somewhat of a historic milestone for the UK, as they are among the first agreements the UK has negotiated “from scratch” following its exit from the EU. They also break new ground for both Australia and New Zealand, containing advanced provisions on environment, gender and indigenous trade matters, which go further than their previous agreements, reflecting the changing nature of bilateral trade.

Both agreements are notable for the opportunities and gains for digital and services trade, highlighting the importance of innovation and technology for each country. They also reflect the growing importance of services trade as a source of future economic growth and increased two-way trade with the UK.

Other noteworthy areas include tariff reductions, customs process facilitation, expanded market access to government procurement and investment opportunities. Finally, both FTAs make a number of provisions for small to medium-sized enterprises (SMEs) to make trade more accessible, recognizing their importance for economic growth.



Trade in goods, customs and rules of origin

Tariffs

Over 99% of Australian and over 97% of New Zealand goods exports to the UK will benefit from immediate tariff elimination (meaning 0% tariffs at entry into force (EIF)).

Included in the immediate tariff elimination for Australian exports are agricultural products, such as wine, short- and medium-grain rice, honey, nuts and olives, and food supplements tariff lines. Industrial goods with immediate tariff elimination include auto parts, electrical equipment and fashion goods. For New Zealand, products with immediately eliminated tariffs include wine, honey, kiwi fruit and onions. A small number of key Australian and New Zealand agricultural products will be liberalized over up to 15 years post-EIF, with immediate tariff-free access offered under quota arrangements in all cases.

British exports to Australia, which already benefit from low tariffs, will have 98% of tariff reductions at EIF and 100% by year six from EIF. Tariffs on some exports of UK cheese and steel will be eliminated over five years. New Zealand, for its part, will eliminate customs duties on all tariff lines for UK imports at EIF, which will include products such as gin, chocolate, and buses and campervans, which are currently subject to tariffs ranging between 5% and 10%.

Tariff-rate quotas for Australian and New Zealand exports into the UK

As set out above, not all Australian and New Zealand exports will be subject to immediate tariff reduction, and several key agricultural lines will be managed through staggered reductions in the form of tariff-rate quotas (TRQs). These duty-free transitional quotas are a key point of difference between the AUKFTA and NZ-UKFTA.

For Australia, these quotas impact:

- ▶ Beef and sheep meat (duty-free transitional quotas, with all tariffs eliminated after 10 years from EIF)
- ▶ Sugar (duty-free transitional quotas, with all tariffs eliminated after eight years from EIF)
- ▶ Dairy products (immediate access to duty-free quotas within the transition period and all tariffs eliminated after five years from EIF)
- ▶ Wheat, barley and other cereals (immediate access of duty-free quota amounts, with all tariffs eliminated after four years from EIF).

For New Zealand, these quotas impact:

- ▶ Apples (duty-free transitional quotas for exports between August and December, with all tariffs eliminated after three years from EIF)
- ▶ Butter and cheese (duty-free transitional quotas, with all tariffs eliminated after five years from EIF)
- ▶ Beef (duty-free transitional quotas, with all tariffs eliminated after 10 years from EIF)
- ▶ Sheep meat (duty-free transitional quotas, with all tariffs eliminated after 15 years from EIF)

Product-specific safeguards apply to Australian exports of beef and sheep meat and New Zealand exports of beef to manage the volume outside of the TRQ amount during the transition periods. These are managed by the respective Committee on Trade in Goods, newly established under the agreements.

Trade remedies

Both agreements include a bilateral safeguard, which allows temporary measures to limit the trade of any good that has increased significantly in quantity due to tariff reduction (or elimination) under the AUKFTA and NZ-UKFTA. The change in tariff and volume of imports must have the potential to cause injury to a sector. This safeguard allows countries to apply measures to any tariff line during the transition period.



Rules of origin

Both agreements build on their tariff reductions by offering flexible rules of origin (ROO). In practice, this means ingredients and parts of non-British origin can qualify for low or zero tariffs under the agreement. The converse applies for non-Australian and/or non-New Zealand parts used in final products exported to the UK. The agreements also simplify and reduce costs associated with proving the originating status of goods to qualify for this preferential access.

Customs processes

Provisions for digital systems and document exchange, which will reduce the amount of paperwork and information supplied for border processes in all jurisdictions, are included in the AUKFTA and NZ-UKFTA, which also set a requirement for goods to be released within 48 hours (with fast-track parcels and perishable goods released within six hours) if all import requirements are met.

Services, investment and digital trade

Services trade

Services trade is key to both agreements. There are provisions in place to facilitate services trade, including mutual recognition commitments for professional services and qualifications, which are intended to remove bureaucracy and cost to the movement of people. Combined with improved market access and national treatment for non-domestic services providers, it facilitates growth in trade particularly for professional services, financial services and telecommunication sectors.

Mobility, including mutual recognition of qualifications

To further support services trade, there are reciprocal arrangements for the temporary movement of skilled persons. These provisions are important for knowledge and skill transfers, and will support growth in Australian and New Zealand sectors, including legal, accounting, engineering, architecture, surveying and urban planning, and research and development services.

Digital trade

Both agreements include provisions to remove digital trade barriers and, combined with provisions for data protection for both countries' businesses and consumers, will help businesses access more opportunities. These provisions also provide clarity on what information can be processed, stored and used without data localization requirements. This is important particularly to support businesses that rely on the free flow of data. Similarly, it could support businesses involved in digital innovation because of strong investment in digital infrastructure.

Sustainability and gender empowerment

Environment

Both agreements support sustainability through various provisions, making trade in green technology and goods more attractive and accessible. This includes innovation commitments on low-emission technology, tariff reduction for green goods (electric vehicles, components needed for renewable technology) and creation of regulatory commitments for sustainable economic development. The NZ-UKFTA goes further in terms of binding commitments in the areas of climate and the environment.



Gender empowerment

The AUKFTA includes a commitment to support women through trade and investment by encouraging access for businesses led by women and putting in mechanisms to monitor trade and gender equality. This exceeds any previous commitments Australia has made in trade agreements.

Implications for business

There are many opportunities for businesses involved in goods or services trade to explore under the AUKFTA and NZ-UKFTA. The nature of agreements means that business can adjust their supply chains, the geographical reach of their portfolio and their workforce to include Australian, New Zealand or British involvement and be supported by provisions in their agreement.

Many provisions in both the AUKFTA and NZ-UKFTA align with those in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). As Australia, New Zealand and the UK are now members of CPTPP, once CPTPP is implemented in the UK, certain benefits, such as rules of origin, can be multiplied. CPTPP allows for intermediate goods to be considered local across member countries, meaning Australian, New Zealand and UK components present in a final product exported to another CPTPP member that meet product-specific rules can qualify for preferential access. ■

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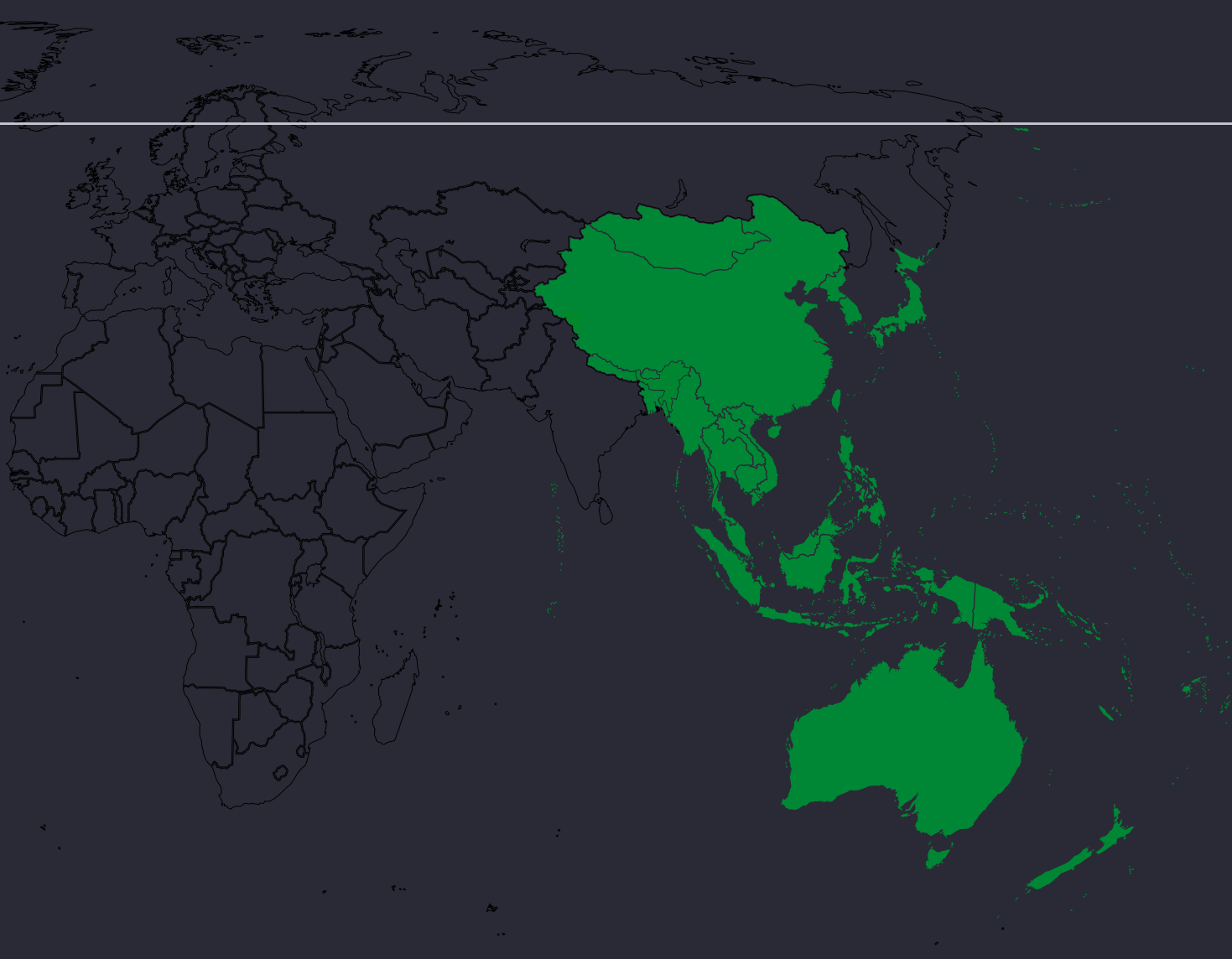
- ▶ UK/Australia and New Zealand Free Trade Agreements enter into force (31 May 2023)
- ▶ Australia delivers 2023/24 Federal Budget (10 May 2023)

Global

- ▶ Geostrategic Analysis: July 2023 (10 July 2023)

New Zealand

- ▶ UK/Australia and New Zealand Free Trade Agreements enter into force (31 May 2023)



Additional resources



Global trade on ey.com

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