



## BRIEFING PAPER

Number 8499, 20 February 2019

# Future free trade agreements: US, CPTPP, Australia and New Zealand

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## Summary

This note has been prepared in advance of the General Debate on Future Free Trade Agreements (with Australia, New Zealand, the US and the CPTPP) in the House of Commons on 21 February 2019.

The Comprehensive and Progressive Agreement for Trans-Pacific Trade (CPTPP) is a trade agreement between eleven countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam).

The Government launched consultations on free trade agreements with these countries in July 2018. These consultations ran until October 2018. Due to the large number of responses, the Government has yet to publish its response.

The EU has no free trade agreement with the US, Australia or New Zealand. Negotiations are underway with Australia and New Zealand. The US and EU have agreed to start limited trade talks. The EU has agreements in place, or is in negotiations with most of the CPTPP countries.

The US is the UK's largest export market (if looking at individual countries rather than trade blocs like the EU). The US accounted for 18% of UK exports in 2017 (£112.5 billion). UK exports to the CPTPP countries totalled just over £50 billion in 2017 (8.5% of all UK exports). Australia, Canada, Japan and Singapore are the largest export markets for the UK amongst the CPTPP countries. Australia accounted for 1.8% of UK exports and New Zealand 0.2% in 2017.

Trade agreements lower barriers to trade between countries. These barriers may be in the form of tariffs (taxes on imports) or non-tariff barriers relating to standards or regulation. Tariffs are generally quite low *on average* although they are high for some products (often agricultural products). The approach to regulation is likely to be a major issue in trade negotiations with the US. The UK is likely to face a choice between aligning with US or EU approaches to regulation.

Trade agreements are likely to have big effects on particular sectors. Some agricultural imports into the UK from non-EU countries face high tariffs. Farming groups have expressed concerns that free trade agreements could lead to a damaging flood of imports.

# 1. Background

## 1.1 Consultation on future trade agreements

One of the Government's main objectives in delivering Brexit is the ability to have an independent trade policy and for the UK to negotiate free trade deals with other countries.

On 18 July 2018, Dr Liam Fox, the Secretary of State for International Trade, announced consultations on future free trade agreements with the US, Australia, New Zealand and the CPTPP:

Our first consultations will seek views on free trade agreements with some of our closest strategic allies, with whom we have no existing trade agreements - the United States, Australia and New Zealand. I am also opening a consultation on potentially seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Our trade and investment working group discussions with Australia, New Zealand and the United States have been constructive and the Governments of each have expressed a desire to enter negotiations with the UK. These consultations will inform our overall approach to our future trade relationship with these countries.

The US is the UK's single largest trading partner and foreign investor, accounting for £100bn of UK annual exports. UK exports to Australia and New Zealand meanwhile are growing at 14.8% and 16.8% respectively, a faster pace than our global average. And these relationships are mutually beneficial – in total, the UK imported £75.4bn worth of goods and services from these three markets.

Whilst there are other markets the UK will look to for new agreements in the future, our shared values and strength of trade with the US, Australia and New Zealand make them the right places to focus our initial attention.

The Government is also engaging with members of the CPTPP about the possibility of the UK joining the agreement in future.

CPTPP is a signed, but not yet in force, plurilateral trade agreement including some of the world's fastest growing economies that together represent 13-14% of global GDP, and a total population of around 500m people. If the UK were to join, it would be the second largest economy in the group, and CPTPP's coverage of global GDP would increase to around 17%.<sup>1 2</sup>

## 1.2 Transition

While an EU Member State, the UK is party to the EU's trade agreements. This will change after Brexit. If there is a transition period, the UK will remain bound by the obligations of the EU's trade agreements. The EU will write to the partner countries asking for the UK to be treated as if it were a Member State. During the transition period, the UK will be able to negotiate, sign and ratify new international agreements that come into effect after the transition period ends.<sup>3</sup>

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<sup>1</sup> [HCWS 873 18 July 2018](#).

<sup>2</sup> CPTPP is now in force in a number of countries (see section 2 below)

<sup>3</sup> [Draft Withdrawal Agreement](#), Article 129 (4)

### 1.3 Existing vs “new” trade agreements

A distinction needs to be made between those EU agreements with third countries which the UK is seeking to roll over and “new” UK trade agreements which do not replicate an existing deal. The proposed agreements which are the subject of this paper are “new” deals. The EU does not have an agreement in place with the US, Australia, New Zealand, although it is in talks with Australia, New Zealand and the US and has agreements with many of the CPTPP countries.<sup>4</sup>

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<sup>4</sup> For information on the UK’s progress in rolling over EU trade agreements with third countries, see Commons Library Briefing, [List of EU trade agreements](#), 19 February 2019

## 2. CPTPP

### 2.1 CPTPP – a Trans-Pacific free trade agreement

[The Comprehensive and Progressive Agreement for Trans-Pacific Partnership](#) (CPTPP) is a trade agreement between 11 countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam). The Agreement has entered into force for Australia, Canada, Japan, Mexico, New Zealand, Singapore and Vietnam and is awaiting ratification in Brunei, Chile, Malaysia, and Peru.

At its completion, the CPTPP will form a market of 495 million consumers and cover 13.5% of global GDP.<sup>5</sup> The CPTPP is designed to accommodate growth of the free trade area by accession of other countries. Thailand, Indonesia, Colombia, South Korea and Taiwan have been named as potentially willing to join.

The CPTPP is a follow up agreement of the Trans-Pacific Partnership (TPP) which was negotiated by the current 11 members and the US, until the withdrawal of the US under the Donald Trump administration in 2017. The US leaving the agreement led to fast progress in negotiations and the agreement entering into force in 2018. The CPTPP largely copies the text of the TPP but the priorities regarding intellectual property and investment protection pushed by the US government have been removed.<sup>6</sup>

Members to a free trade agreement (FTA) like the CPTPP agree to remove barriers to trade and investment but they maintain independent tariff policies towards non-members, as opposed to customs unions, where members apply the same import duties on goods from non-members.

The CPTPP seeks to reduce barriers in order to encourage trade and investment as well as facilitate international production networks between its members. The agreement covers a wide range of areas including goods, services, investment, intellectual property rights, regulatory cooperation, labour rights and environmental protection.

On **goods**, parties have agreed to eliminate or reduce about 95% of tariffs over time. Tariff reductions also apply to agricultural goods. Members have included provisions on product-specific rules of origin (RoO), whereby inputs from one member are treated similarly to components from all other CPTPP members, thereby qualifying for the preferential tariffs. The provisions on tariff and non-tariff barriers build upon WTO rules or go beyond those, in areas such as customs and

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<sup>5</sup> <https://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/index.aspx?lang=eng>

<sup>6</sup> [Beyond Brussels: CPTPP countdown is on, with takeoff set for year-end](#), Borderlex, 2 November 2018

trade facilitation. The agreement also addresses non-tariff barriers, for example, by cooperation on setting food standards.

CPTPP provisions on **services** lead to more extensive liberalisation than the WTO commitments and include the so-called negative list of services sectors. This means that services will be traded more freely in any sector which is not explicitly listed as one where barriers will be maintained. A similar approach was also used in the recent EU trade agreements with Canada and Japan.

Under the CPTPP, service providers from member countries are treated equally to domestic businesses and restrictions on service provision are not allowed. There are chapters on financial services liberalisation and temporary entry of business persons.

**Investment** in other parties' territory is protected and given equivalent treatment to domestic investors. "Performance requirements" like local content or technology localisation are prohibited. The agreement includes provisions for investor-state dispute settlement.

Further, the agreement involves opening up of government procurement markets, electronic commerce (free flow of data and prohibition of data localisation requirements) and protection of intellectual property rights.

CPTPP members have also agreed to protect basic labour rights and environmental standards.<sup>7</sup>

## 2.2 Statistics

The table below shows data on trade between the UK and CPTPP countries in 2017.

- The UK exported £52.2 billion of goods and services to CPTPP countries and imported £42.9 billion, resulting in a trade surplus of £9.2 billion.
- The UK recorded a trade surplus with 8 of the 11 CPTPP countries, recording trade deficits with Japan, Peru and Vietnam.
- UK trade with CPTPP countries was heavily focused on Australia, Canada, Japan and Singapore – combined these three countries accounted for 83% of the UK exports to and 74% of UK imports from CPTPP countries.
- Overall, UK exports to CPTPP members accounted for 8.5% of all UK exports (slightly less than UK exports to Germany) and 6.7% of all UK imports (around the same as UK imports from France).

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<sup>7</sup> <https://international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptppg/index.aspx?lang=eng>

UK trade in goods and services with CPTTP countries, 2017					
	Exports		Imports		Balance
	£ millions	% total	£ millions	% total	£ millions
Australia	10,786	20.7%	5,255	12.2%	5,531
Brunei	242	0.5%	14	0.0%	228
Canada	9,999	19.2%	7,193	16.8%	2,806
Chile	907	1.7%	852	2.0%	55
Japan	13,531	25.9%	14,163	33.0%	-632
Malaysia	2,330	4.5%	2,266	5.3%	64
Mexico	2,263	4.3%	2,106	4.9%	157
New Zealand	1,474	2.8%	1,246	2.9%	228
Peru	212	0.4%	372	0.9%	-160
Singapore	9,598	18.4%	5,155	12.0%	4,443
Vietnam	863	1.7%	4,315	10.0%	-3,452
<b>Total</b>	<b>52,205</b>	<b>100.0%</b>	<b>42,937</b>	<b>100.0%</b>	<b>9,268</b>

Source: ONS, Pink Book

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Source: ONS, Pink Book

Statistics on foreign direct investment by country are not readily available, however, the stock of investments held by the UK overseas and the origin of the ownership of overseas investment in the UK shows a similar pattern to trade, with the CPTPP countries accounting for 7.5% of the stock of FDI in the UK and hosting 8.5% of the UK stock of FDI.<sup>8</sup>

Financial services are the largest service export from the UK to members of the CPTPP (28% of service exports from 2014 to 2016, primarily to Japan). These were followed by other business services (22%) and travel services (spending on UK education, healthcare and by temporary visitors to the UK, 18%). Among CPTPP members, services trade is highest from the UK to Japan, followed by Australia, Canada and Singapore. Both exports and imports have been growing over the last decade.<sup>9</sup>

## 2.3 Current EU – CPTPP trading relations

The EU has free trade agreements with several members of the CPTPP: those include Canada, Chile, Japan, Mexico and Peru. The EU has also finished negotiating free trade deals and investment protection

<sup>8</sup> G.Raby, W.Lightfoot, Policy Exchange, [Why the UK should embrace the free-trading nations of the Trans-Pacific Partnership](#). This analysis uses UNCTAD data on stock investments.

<sup>9</sup> Department for International Trade, [An information pack for the Consultation relating to the UK potentially seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#), August 2018, p17

agreements with [Singapore](#) and [Vietnam](#), but the deals are undergoing legal approval procedures in the EU and the partner countries before they can enter into force. EU agreements with Chile and Peru are in the process of modernisation. Trade negotiations with [Malaysia](#) started in 2010 but have stalled since 2012.

The EU sees the growing South-East Asian markets as a priority for Europe's exporters, but notes that the CPTPP is competing with the EU's ambitions to pursue bilateral free trade agreements with countries in the region such as Singapore, Vietnam, and Malaysia.<sup>10</sup>

In preparation for leaving the EU, the Government is negotiating to transition existing EU trade agreements. It has signed a transitional agreement with [Chile](#). However, agreements with Canada, Peru and Mexico have been described '[off-track](#)' or [significantly off track](#)' for being ready before March 2019. An agreement with Japan will not be reached by that time.

Some commentators have presented the UK joining the CPTPP as an easier and faster option than negotiating separate bilateral trade deals.<sup>11</sup>

## 2.4 UK consultation

The Government is assessing the UK's potential accession to the Progressive Agreement for Trans-Pacific Partnership (CPTPP). Secretary of State Dr. Liam Fox said:

... the Department is fully co-ordinated with partners across the CPTPP and ready to discuss with them the great potential that exists for the United Kingdom. We should want to extend our trading horizons as we leave the European Union. We need to raise our ambitions, extend our timelines, and widen our geographical horizons if we are to maximise the benefits to the UK of the opportunities that Brexit will bring.<sup>12</sup>

With a view on the future trade relationship with the CPTPP the DIT held a [consultation](#) from July to October 2018. The responses are currently being analysed and the results will be published before entering into trade agreement negotiations.

The Government has [described](#) the CPTPP as a relatively deep and comprehensive agreement, likely to generate positive economic impacts for its members. The gains are likely to grow as membership of the agreement increases. Joining agreements as CPTPP can offer additional benefits to a series of separate bilateral agreements. They can allow businesses to produce goods across several countries, making greater use of tariff preferences than in bilateral FTAs.

The main benefits for the UK of joining the CPTPP would, according to the Department for International Trade, include:

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<sup>10</sup> European Commission, Memo [The EU-Singapore Free Trade Agreement, 20](#) September 2013

<sup>11</sup> G.Raby, W.Lightfoot, Policy Exchange, [Why the UK should embrace the free-trading nations of the Trans-Pacific Partnership](#), 2018

<sup>12</sup> [PQ Trans-Pacific Partnership](#), 13 September 2018

- A deeper trade and investment relationship with the wider Asia Pacific region;
- Expanding UK business supply chains across this diverse group of economies;
- An opportunity to influence international trade rules in areas of interest to the UK, such as data, digital and e-commerce.<sup>13</sup>

A DIT [Information note](#) contains a more detailed analysis of the benefits of joining the CPTPP and statistics on UK trade in goods and services with the 11 member countries.

### 2.5 Commentary

The think tank Policy Exchange [stresses](#) the benefits of accessing the world's second biggest free trade area after the EU while simultaneously saving the governments' negotiating resources:

For the UK, with a strongly based services economy and where investment flows are of major importance, TPP-11 offers greater market access and stronger rules for investment than what is available under the WTO.

[...] Membership of TPP-11 for the UK should be relatively straight forward to negotiate in view of the existing openness of the UK economy. It may also obviate the need to rapidly conduct several bilateral FTAs in parallel following BREXIT as well as the big demand for negotiating resources that doing so would entail. Membership of TPP-11 would give the UK largely unrestricted access to other members' markets, including markets such as Japan's for agricultural products.

According to a [UK Trade Policy Observatory of Sussex University analysis](#), the effects of the agreement with the CPTPP though are not expected to be large due to the limited volume of trade with the CPTPP members and already low tariffs.<sup>14</sup> The [Policy Exchange paper](#) agrees that it is not credible to claim that UK membership of the CPTPP will replace its trading relationship with the EU but points out that this free trade area is likely "to enjoy faster GDP growth than the EU in the coming years and therefore in all probability in trade flows too." Thus trade with the CPTPP members may contribute to the marginal growth in UK trade.<sup>15</sup>

Evidence from economic research shows that the **distance** remains a powerful limiting force both for trade in goods and services, as UKTPO demonstrates for the UK-CPTPP trade:

Countries tend to trade less with countries which are further away because of the physical and non-physical costs associated with distance. While tariffs and non-tariff

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<sup>13</sup> Department for International Trade, [An information pack for the Consultation relating to the UK potentially seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#), August 2018

<sup>14</sup> UKTPO, Sussex University, [Response to the DIT Consultation on Trade with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and Trade with Australia and New Zealand](#), 25 October 2018

<sup>15</sup> G.Raby, W.Lightfoot, Policy Exchange, [Why the UK should embrace the free-trading nations of the Trans-Pacific Partnership, 2018](#)

barriers can be reduced it is much more difficult to reduce the costs associated with distance and harder therefore for trade liberalisation to have as big an effect.<sup>16</sup>

Regarding the UK's **negotiating strategy**, the UKTPO notes that the UK has a larger economy than individual CPTPP members except Japan, and their tariffs are generally low. To maximise its negotiating power the UK could preferably focus on transitioning the existing EU FTAs, especially with Canada and Japan and focus on new bilateral FTAs with separate members of CPTPP, as the CPTPP would find their negotiating strength as a group.

UK trade negotiators should pay attention to sectors where regulatory standards differ from the existing EU system, as this might have an impact on existing supply chains with the EU:

The analysis has identified that the sectors that are likely to be important are those in which standards, regulations, and issues such as mutual recognition are likely to be important. These are precisely also the areas where it is likely to be harder for the UK to unilaterally achieve much liberalisation with the CPTPP countries, if it wishes to remain closely aligned to the EU systems.<sup>17</sup>

## Regulation and interference with future EU relationship

Although on regulation the CPTPP is not as deep as some other FTAs, joining the CPTPP would slightly push the UK in the direction of the US. That can interfere with future trade relationships with the EU and disrupt existing supply chains.<sup>18</sup>

This could affect various sectors. For example, in the car industry, product standards differ between Canada/ the US on one side and countries which adhere to the global UN standards as the EU, Japan and Singapore on the other.<sup>19</sup>

It can also be difficult to reconcile CPTPP type regulatory commitments with the EU requirements for food, animal and plant health. Trade expert and Director of the UK Trade Policy Project David Henig has said:

A lot of the CPTPP text reflects the demands of countries like Australia for access to overseas markets for their farmers. If the UK were still following Europe's common rule book in these areas, entering CPTPP would be difficult.<sup>20</sup>

Technology trade association TechUK has [noted](#) that "the UK should be careful to ensure no provisions within CPTPP should cut across the UK's future relationship with the EU," as most businesses in this sector see an

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<sup>16</sup> UKTPO, Sussex University, [Response to the DIT Consultation on Trade with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and Trade with Australia and New Zealand](#), 25 October 2018, p11

<sup>17</sup> Ibid

<sup>18</sup> Ibid

<sup>19</sup> Ibid

<sup>20</sup> Financial Times, [Doubt cast on Liam Fox's UK-Pacific trade plan after Brexit](#), 13 August 2018

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ongoing alignment with their biggest market - the EU as the central priority.<sup>21</sup>

Regarding liberalisation of **services**, the UKTPO has stressed that the CPTPP contains a multitude of exceptions, which need to be thoroughly examined to make sure that the UK's competitiveness in services can be fully exploited. If the commitments in the existing EU's agreements go further than those in CPTPP, the UK may be better off prioritising those agreements.<sup>22</sup>

### Responses of CPTPP members

Prime Minister Abe of Japan has said that Japan would welcome Britain to the CPTPP "with open arms".<sup>23</sup> However, according to Sir David Warren, Associate Fellow of Chatham House, the UK and Japan's objectives on CPTPP are not precisely aligned. Japan favours expanding the CPTPP multilateral Asian trading framework as a counterweight to Donald Trump's bilateralism. But for the UK it would only be possible to join the CPTPP if it was to leave the EU customs union and gain the power to set its own tariffs. However, failure to maintain frictionless access to the EU market for the UK would jeopardise foreign direct investment in the UK and economy in general. Warren says further:

...the balance of advantage is obvious on trade as well. Around 8% of British exports go to the 11 countries of the CPTPP; over 40% to the 27 countries of the EU. The traditional arguments about trade – that geography and gravity matter more than politics – suggest that these proportions are unlikely to change radically in the short to medium term.<sup>24</sup>

Despite the welcoming tone of Australian Prime Minister Scott Morrison in October 2018, Simon Birmingham, the country's trade minister warned repeatedly in early 2019 that the ambitions of the UK to join the CPTPP are unlikely to be realised in the short-to-medium term. The Agreement needed first to get through the ratification process in the current signatories and then focus on expanding to other neighbouring countries on the Pacific region. Besides, the UK's distant geographical location is a fact, he added.<sup>25</sup>

The Environment Secretary, Michael Gove, has [indicated](#) that the UK will introduce tariffs on food imports in the case of a no-deal. This is likely to affect or even [block](#) a trade agreement with the CPTPP, as well as the US.

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<sup>21</sup> TechUK, [Consultation response UK potentially seeking accession to CPTPP](#), 2 November 2018

<sup>22</sup> UKTPO, Sussex University, [Response to the DIT Consultation on Trade with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and Trade with Australia and New Zealand](#), 25 October 2018

<sup>23</sup> <https://www.ft.com/content/57c4e3ce-ca22-11e8-b276-b9069bde0956>

<sup>24</sup> Sir David Warren, Chatham House, [Despite Abe's Invitation, the CPTPP Does Not Make Sense for Britain](#), 12 October 2018

<sup>25</sup> The Times, [Australia dampens UK's Pacific trade bloc hopes, quoting the distance](#), 21 January 2019; Financial Times, [Australia to fast-track UK trade pact in event of no-deal Brexit](#), 17 February 2019

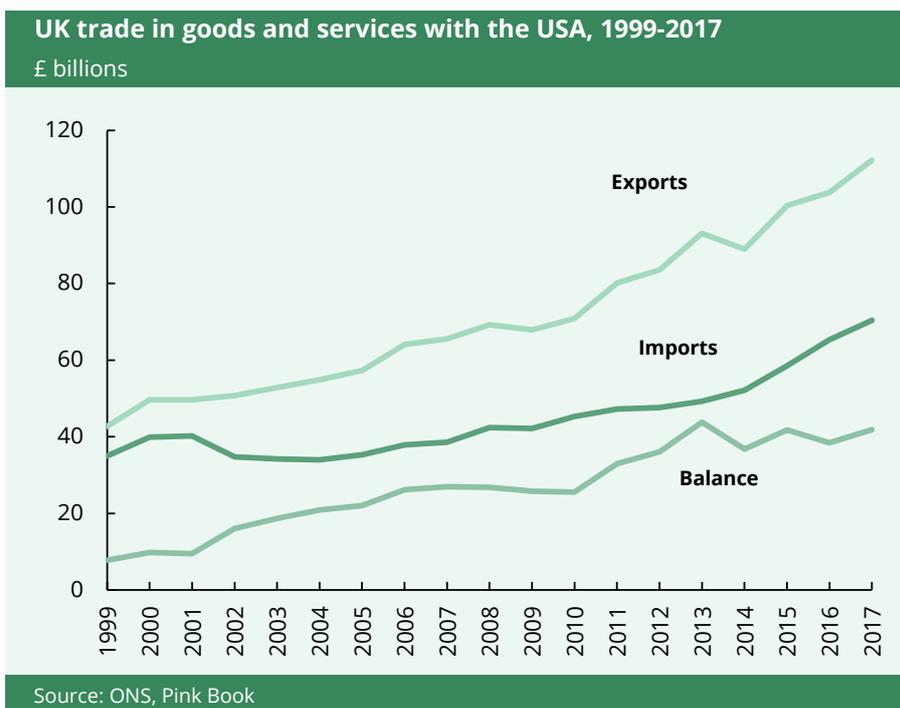
## 3. US

### 3.1 Statistics

In 2017, the UK exported £112.5 billion worth of goods and services to the US and imported £70.4 billion, resulting in a trade surplus of £41.9 billion; this was made up of a surplus of £12.3 billion in goods and a surplus of £29.5 billion in services. The UK has recorded a trade surplus with the US in each of the last 10 years, the largest being £43.8 billion in 2013.

UK exports to the US represented 18.2% of all exports in 2017. The US is by some way the UK's largest export market if attention is limited to individual countries (rather than trading blocs like the EU) – Germany was the UK's second largest export market in 2017, though UK exports to Germany were around half those to the US.

Imports from the US represented 11.0% of all UK imports in 2017 - the USA was the UK's second largest source of imports, after Germany.



In 2017, goods exports made up 46% of UK exports to the US, services made up 54%; goods imports made up 56% of UK imports from the US, services made up 44%.

The UK exported £7.4 billion worth of road vehicles (18% of all exports of road vehicles) and £6.3 billion of medicinal and pharmaceutical products (24% of all exports in this product category) to the US in 2017, making the US the UK's largest export market for both road vehicles and medicinal and pharmaceutical products (if attention is limited to individual countries).

Power generating machinery and equipment made up 16% of UK goods imported from the US, with a value of £6.8 billion; engines and engine parts made up the majority of this total. The UK also imported

£4.0 billion of aircraft from the US, making the US the UK's single largest source of imported aircraft (again, if attention is limited to individual countries).

UK service exports to the US were dominated by financial services and other business services (this broad category includes legal, accounting, advertising, research and development, architectural, engineering and other professional and technical services) – in 2017 these two service categories combined accounted for 61% of UK service exports to the US.

These two categories combined also accounted for 51% of UK services imports from the US. Travel services also accounted for a further 21% of UK service imports from the US. Travel services include services provided by hotels and restaurants, travel agencies and tour operators and will include services consumed by a resident of one country in another – for example an American tourist staying in a hotel in the UK will count as a British service export; a British tourist staying in an American hotel would count as British service import.

At the moment, the UK's tariff rates on goods imported from non-EU countries are set by the EU. The average tariff on UK-US trade is low at around 1.6% in both directions. While the average is low, however, the tariff on some individual goods can be very high. The highest UK/EU tariffs are 200% on vegetable products.<sup>26</sup>

### 3.2 Current trade relations

Between 2013 and 2016, the EU and the US held negotiations over a free trade agreement – the Transatlantic Trade and Investment Partnership (TTIP). 15 rounds of negotiations took place but no agreement was reached.<sup>27</sup>

The TTIP negotiations ran into trouble, partly due to a perceived lack of transparency, but also concerns over investor-state dispute settlement (ISDS) provisions and the implications for public services, especially the NHS.

In July 2018, Presidents Juncker and Trump agreed to further trade talks. Their joint statement said:

This is why we agreed today, first of all, to work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods. We will also work to reduce barriers and increase trade in services, chemicals, pharmaceuticals, medical products, as well as soybeans.

This will open markets for farmers and workers, increase investment, and lead to greater prosperity in both the United States and the European Union. It will also make trade fairer and more reciprocal.

Secondly, we agreed today to strengthen our strategic cooperation with respect to energy. The European Union wants to

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<sup>26</sup> DIT, [An information pack for the Consultation relating to a bilateral Free Trade Agreement between the United Kingdom and United States](#), p22

<sup>27</sup> For more on these negotiations, see Commons Library Briefing Paper, [The Transatlantic Trade and Investment Partnership](#), 4 December 2015

import more liquefied natural gas (LNG) from the United States to diversify its energy supply.

Thirdly, we agreed today to launch a close dialogue on standards in order to ease trade, reduce bureaucratic obstacles, and slash costs.

Fourthly, we agreed today to join forces to protect American and European companies better from unfair global trade practices. We will therefore work closely together with like-minded partners to reform the WTO and to address unfair trading practices, including intellectual property theft, forced technology transfer, industrial subsidies, distortions created by state owned enterprises, and overcapacity.<sup>28</sup>

The EU published a [progress report](#) on these talks on 30 January 2019.

### 3.3 UK consultation

In July 2018, the Department for International Trade launched a consultation on future trade relations with the US. The consultation closed in October. The department received a large number of responses to the consultation and is still analysing them. DIT published an [information pack](#) to support the consultation.

### 3.4 Commentary

**Asymmetry of bargaining power:** The US is a much more important market for the UK than vice versa. The US accounts for around 15% of UK exports while the UK accounts for only 3% of US exports. The UKTPO note that “this asymmetry in relative importance may well be reflected in future negotiations.”<sup>29</sup>

**Importance of services in UK exports:** services accounted for 55% of UK exports to the US in 2017 with goods accounting for the other 45%. Services account for a much lower proportion (39%) of UK exports to the EU.<sup>30</sup>

**Non-tariff barriers and regulation more important than tariffs:**

The UK Trade Policy Observatory (UKTPO) have commented:

the low level of existing Most Favoured Nation (MFN) tariffs between the two countries means that in any future deal in goods between the US and the UK tariffs are unlikely to be an important issue. The key issues will be regulatory and related to non-tariff measures. Any meaningful agreement (economically as opposed to politically) will need to deal with the barriers to trade in services, and the regulatory barriers within specific manufacturing sectors. Given the two countries’ differing approaches to regulation, this may be challenging. There is a clear danger that the UK, in its desire to show success in pursuing an independent trade policy, will agree to a relatively shallow—or a relatively disadvantageous—agreement, and one that does not deal

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<sup>28</sup> European Commission Statement, [Joint US-EU Statement following President Juncker’s visit to the White House](#), 25 July 2018

<sup>29</sup> Marc Busch et al, [The Future of US-UK trade: What case for a bilateral trade agreement](#), UK Trade Policy Observatory, Briefing Paper 20, July 2018

<sup>30</sup> DIT, [An information pack for the Consultation relating to a bilateral Free Trade Agreement between the United Kingdom and United States](#), p16

satisfactorily with the issues that really matter in terms of US-UK economic relations.<sup>31</sup>

UKTPO note that a key challenge in negotiating a UK-US trade deal will be that UK will be pulled in different regulatory directions by the US and the EU. Balancing these demands, while also allaying public concerns, could well be difficult.

The International Trade Committee (ITC) reached the same conclusion in its report on UK-US trade relations. It concluded:

While pursuing a comprehensive FTA with the US, including on regulatory matters, may have benefits for the UK, it could also give rise to regulatory barriers with the UK's other major trading partners, including the EU. The decision about whether some increase in regulatory barriers with the EU in exchange for some removal of such barriers with the US is beneficial overall is a matter that will require careful evaluation. However, it is clear that the two cannot be considered in isolation. Policies on the level of regulatory alignment the UK has with the EU and the US must not be considered in siloes, but with full consideration of the impacts of any decision on the trading relationship and trade levels with each respective jurisdiction or bloc.<sup>32</sup>

Chlorine-washed chicken is an example of different approaches to regulation by the US and EU. It is likely that the US would push for its standards to be accepted in any UK-US trade deal.<sup>33</sup> The Environment Secretary, Michael Gove, has said, however that UK food standards will not be lowered to pursue trade deals.<sup>34</sup>

In a written PQ, Ben Bradshaw MP asked how a future free trade agreement between the UK and the US might affect the NHS and food standards. George Hollingbery, Minister of State for Trade Policy, replied:

Protecting the National Health Service (NHS) is of the utmost importance to the UK. The NHS is protected by specific exceptions and reservations in EU trade agreements and as we leave the EU, the UK will continue to ensure that rigorous protections are included in any future trade agreement between the US and the UK.

We have also been clear that any future trade agreements must work for UK producers, businesses, and consumers, and uphold the UK's high levels of food safety, animal welfare standards, and environmental protection.<sup>35</sup>

**Sub-federal level:** The ITC also recommended that state and local government limitations on the provision of services and procurement should not be forgotten.<sup>36</sup>

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<sup>31</sup> Marc Busch et al, [The Future of US-UK trade: What case for a bilateral trade agreement](#), UK Trade Policy Observatory, Briefing Paper 20, July 2018

<sup>32</sup> International Trade Committee, [UK-US Trade Relations](#), 1 May 2018, HC 481, p51

<sup>33</sup> [Trump's trade demands add to May's Brexit woes](#), Politico, 27 September 2019

<sup>34</sup> [Michael Gove vows to uphold UK food standards after Brexit](#), Guardian, 19 February 2019

<sup>35</sup> [PQ 220742 13 February 2019](#)

<sup>36</sup> International Trade Committee, [UK-US Trade Relations](#), 1 May 2018, HC 481, p52

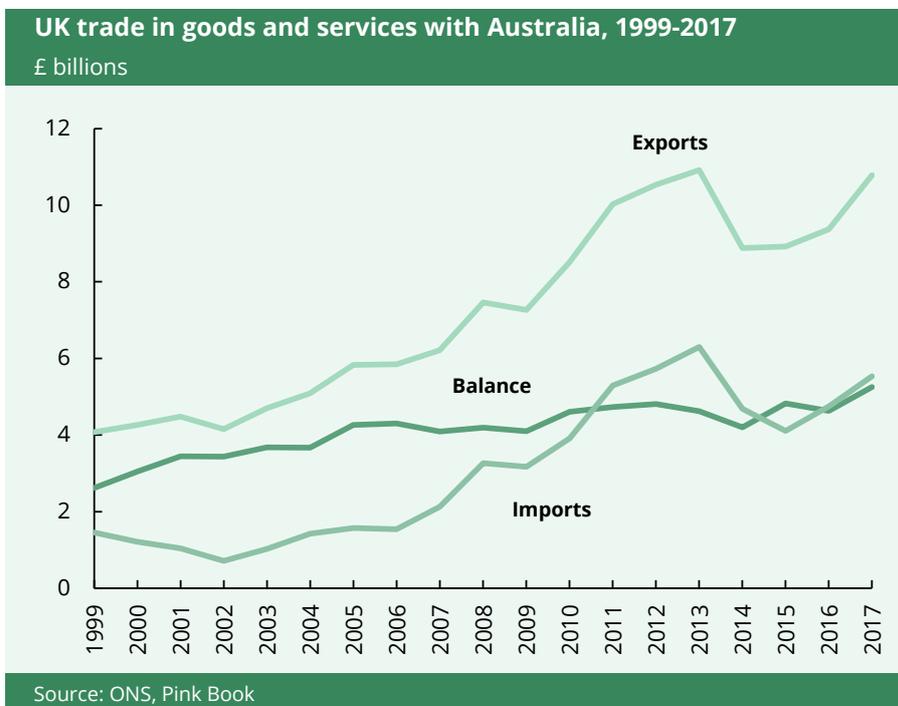
## 4. Australia

### 4.1 Statistics

In 2017, the UK exported £10.8 billion worth of goods and services to Australia and imported £5.3 billion, resulting in a trade surplus of £5.5 billion; this was made up of a surplus of £2.7 billion in goods and a surplus of £2.8 billion in services.

The UK has recorded a trade surplus with Australia in each of the last 10 years, the largest being £6.3 billion in 2013.

UK exports to Australia represented 1.8% of all exports in 2017, making it the UK's 14<sup>th</sup> largest export market. UK imports from Australia represented 0.8% of UK imports, making Australia the UK's 31<sup>st</sup> largest source of imports.



In 2017, goods exports made up 46% of UK exports to Australia, services made up 54%; goods imports made up 43% of UK imports from Australia, services made 57%.

Just under half of UK goods exports to Australia were exports of machinery and transport equipment - road vehicles made up 24% of UK goods exported to Australia, with a value of just over £1 billion, followed by medicinal and pharmaceutical products, which made up 10% of UK goods exported to Australia, with a value of £459 million.

The majority of goods imported from Australia in 2017 were raw materials, in particular gold and non-ferrous metals – the UK imported £1.7 billion of gold from Australia (42% of all goods imported from Australia) and £0.5 billion of non-ferrous metals (13% of all goods imported from Australia). Australia also accounted for 8% of the UK's wine imports and was the UK's fourth largest source of imported wine, after France, Italy and New Zealand.

Travel services and transportation services (which includes both passenger and freight transport) accounted for 60% of UK service exports to and 55% of UK service imports from Australia in 2017. The remaining trade in services between the two countries was mostly made up of trade in financial services and other business services.

### 4.2 Current trade relations

The UK trades with Australia on the same terms as other EU Member States. The EU and Australia currently have no free trade agreement and both imports and exports are subject to conditions which are less favourable than the terms available to the countries that participate in the CPTPP agreement or have bilateral preferential trade deals with Australia.

There is a limited number of EU-Australia agreements that facilitate trade by mutual recognition of standards in specific sectors such as pharmaceuticals and wine.

In June 2018, the EU and Australia launched negotiations on a comprehensive trade agreement. The negotiating directives of the EU are [here](#). The second round of negotiations took place in November 2018. The talks mainly focus on further opening of markets for industrial goods, services, public procurement and investment. The EU also seeks to protect its distinctive regional foods and drinks (geographical indications) from imitations in Australia.

Australia's priorities for an FTA with the EU include significantly improved market access for Australian agricultural and industrial products. For services it is looking to create new opportunities in sectors such as education, financial and professional services, and better labour mobility to support this.<sup>37</sup>

#### UK-Australia Mutual Recognition Agreement

On 18 January 2019, the UK [signed an agreement](#) to continue mutual recognition of product standards with Australia. This agreement replicates the current EU arrangements with Australia and allows exporters to ensure goods are compliant with technical regulations prior to shipment. Both countries have also signed a continuation agreement on trade in wine which regulates labelling and certification.<sup>38</sup>

#### Future UK-Australia Free Trade Agreement

The Government has committed itself to seeking a comprehensive and ambitious free trade agreement with Australia. Since September 2017, a [UK-Australia Trade Working Group](#) is exploring a future FTA.

Framing the future negotiations with Australia, the DIT stresses the shared values and heritage and the shared support for the rules-based system of international trade under the WTO, United Nations and in the

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<sup>37</sup> Australian Government, Department of Foreign Affairs and Trade, Australia -EU Free Trade Agreement, [Summary of negotiating aims and approach](#)

<sup>38</sup> Department for International Trade, [UK and Australia agree continuity of Mutual Recognition Agreement](#), 18 January 2019

G20. Both countries support the liberalisation of trade in services and e-commerce within the WTO framework. Both countries are committed to expand freer movement of capital and investment through the Organisation for Economic Cooperation and Development (OECD). The UK also sees Australia as a gateway to Asian markets.

Australia's Trade Minister Simon Birmingham [told](#) the Australian ABC TV network on 18 November 2018 that Australia had put measures in place to deal with any Brexit outcome. Mr Birmingham said: "We are ready for pretty much any possibility that arises", including UK's no-deal exit from the EU. But formal negotiations cannot begin before the UK has left the EU.

### 4.3 UK consultation

The Government held a [consultation](#) on trade negotiations with Australia from July to October 2018 to inform its overall approach to the future agreement. The responses are currently being analysed.

In its preliminary assessment, the Department for International Trade states that Australia is an important trade and investment partner and that deepening the trade and investment relationship through an FTA could generate benefits to both.<sup>39</sup>

The [information note](#) for the consultation contains a detailed assessment of the current state of UK-Australia trade. It also sets out existing tariff and non-tariff barriers to trade in goods, services and investment, which can be addressed in the future FTA.

#### Current tariffs

According to the DIT assessment, the simple average tariff on goods imported into the UK is 5.7% and for Australia it is 2.5%. However, across the 21 goods categories, the UK's average tariffs – currently the EU external tariff - vary from 0% on paper goods to around 20% on prepared foods. Australia's tariffs vary from 0.3% on animals and animal products to 5% on rubber and plastic goods. The highest level of UK tariff is 220% on vegetable products, compared to 28% on live animals and products in Australia.<sup>40</sup>

#### Non-tariff barriers

The Government's assessment of non-tariff barriers shows that the greatest number of non-tariff measures in Australia fall under the category of sanitary and phytosanitary measures which are applied to ensure food safety, as well as animal and plant health standards.

In comparison to the EU, Australia has a greater number of quantitative restrictions, which limit the quantity or value of goods that can be imported or exported during a specific period. At the same time, Australia has fewer sanitary and phytosanitary measures and technical

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<sup>39</sup> DIT, [An information pack for the Consultation relating to a bilateral Free Trade Agreement between the United Kingdom and Australia](#), July 2018, p27

<sup>40</sup> Ibid

barriers to trade like regulations, standards and procedures which have to be met by importers.<sup>41</sup>

## Barriers affecting trade in services

The sectors with the highest restrictions on third country service providers in Australia are courier services, air transport and logistics/cargo-handling services. For the UK, these are air transport, accounting and architecture. Australia has a lower level of services trade restrictiveness than the UK.<sup>42</sup>

## Investment

Australia appears to be relatively restrictive to foreign investment. The majority of Australia's barriers to foreign direct investment fall under the category of 'screening and approval' restrictions. This category includes any obligatory procedures investors must undergo before obtaining approval for their planned investment.<sup>43</sup>

## 4.4 Commentary

Australia has welcomed negotiations on a free trade agreement with the UK. Australia's Trade Minister Simon Birmingham said that his country would be ready to fast-track such an agreement in case of a no-deal scenario. "We would be urging and encouraging the UK to negotiate and finalise an agreement as quickly as possible... I would absolutely hope that we would conclude negotiations this year" he [told the Financial Times](#) on 17 February 2019.<sup>44</sup>

Several trade experts however have been sceptical about the fast-tracking of the negotiations, since Australia is achieving its current trade levels with the UK without a comprehensive trade agreement in place. While negotiating diligently, the country is more likely to prioritise its own interests above the urgency.<sup>45</sup>

Negotiations with Australia might also prove more complex as there is no existing free trade agreement to fall back on, as would be the case with countries which already have an FTA with the EU. The Australian Government [has made clear](#) it wants to conclude free trade agreements with both the EU and the UK.<sup>46</sup> Hence, the future relationship between the EU and the UK, and the progress of EU-Australian negotiations will both be important for the UK-Australia agreement.

The Australian government, similar to the UK Government, is seeking comprehensive liberalisation, covering trade in goods, services and investment. In evidence to the International Trade Committee inquiry

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<sup>41</sup> Ibid

<sup>42</sup> Ibid

<sup>43</sup> Ibid

<sup>44</sup> Financial Times, [Australia to fast-track UK trade pact in event of no-deal Brexit](#), 17 February 2019

<sup>45</sup> See [Holger Hestermeyer](#), Kings College London, [Dmitri Grozoubski](#), former Australian trade negotiator on Twitter.

<sup>46</sup> [Written evidence submitted by the Australian Department of Foreign Affairs and Trade](#), 28 February 2018, para 3.1

into trade with Australia and New Zealand, the Australian Department of Foreign Affairs and Trade wrote:

... the UK should take this opportunity to adopt more liberalised market access policies than was the case when it was an EU member state, consistent with the UK's aspirations for global trade policy leadership.<sup>47</sup>

## Agriculture

Trade in agricultural products will be a central aspect in the negotiations. The Australian government has pointed out that the current level of access to the EU market for its agricultural products has been insufficient:

From the time the UK joined the EEC, Australian access into the UK (and EU) for key agricultural commodities, including beef, sheep meat, sugar, dairy and rice, has been limited by prohibitively high tariffs, and very limited tariff rate quotas (TRQs) and country-specific quotas (CSQs).<sup>48</sup>

This indicates Australia's wish to have more liberal access to the UK market, which may prove difficult to negotiate, as interests of British farmers are at stake. Australian trade consultant Alan Oxley said:

Australian beef farmers will want greater access to the UK market, which will be a sensitive issue for farmers ... This will prove to be a tricky issue to settle.<sup>49</sup>

UK farmers' organisations, in response to the International Trade Committee's inquiry into future trade with Australia and New Zealand, have indeed expressed concern about potential competition from Australian produce, especially for those sectors which experience seasonal peaks in domestic supply, such as sheep meat. They have asked for Government assurances that the free trade agreement will not result in a flood of imports of product from Australia and that imports will be subject to equivalent standards of production.<sup>50</sup>

In addition, Australia reacted negatively to the UK proposal for its future 'schedules' for trade in goods in the WTO.<sup>51</sup> Along with other major agricultural exporters like the US, Australia objected to the proposals to split the EU and UK portions of tariff rate quota for agricultural products based on past volumes of trade, saying that the quotas are too small to be commercially viable.<sup>52</sup>

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<sup>47</sup> [Written evidence submitted by the Australian Department of Foreign Affairs and Trade](#), 28 February 2018, par2.10

<sup>48</sup> [Written evidence submitted by the Australian Department of Foreign Affairs and Trade](#), 28 February 2018, para 2.9

<sup>49</sup> Financial Times, [EU says UK will struggle to match its free trade deals](#), 18 February 2019

<sup>50</sup> International Trade Committee, [Written evidence submitted by the National Farmers' Union of England and Wales](#), 31 January 2018

<sup>51</sup> To establish its independent status in the WTO, the UK has to certify its own 'schedules' for goods. These country-specific commitments refer to maximum tariff levels and tariff rate quotas (TRQs - quantitative restrictions on imports) on goods and levels of agricultural subsidies.

<sup>52</sup> MLex, [EU's amended Brexit tariff-split plan under fire from dozens of WTO](#), 12 November 2018

## Services

Regarding liberalisation of services trade, the Australian government said:

There is potential to improve our bilateral services trade. A future ambitious and comprehensive Australia-UK FTA should improve access for service suppliers and address behind-the-border barriers that unduly impede the flow of services. The high level of openness of the Australian and UK services markets provides a good starting point for the FTA, which should aim for the broadest possible removal or reduction of market access and national treatment limitations, and deliver commercially meaningful outcomes for both sides. Such an agreement should also make provision for ongoing review, and progressive liberalisation over time, to ensure it keeps up with how services trade is conducted between the two countries in the future.<sup>53</sup>

The key areas in services trade for Australia are financial services, movement of natural persons, e-commerce/digital trade, telecommunications, mutual recognition, and professional and business services. The country would welcome mutual recognition and equivalence initiatives.<sup>54</sup>

## Regulation

Australia is not seeking regulatory harmonisation on services with the UK but cooperation to avoid unnecessary barriers and divergent regulatory approaches:

Australia generally seeks to use FTAs to promote best practice in services regulation and to minimise red tape for services suppliers, including through clear and transparent rules and rule-making, and reasonable, impartial and objective administration of rules.<sup>55</sup>

The Australian Parliament held its own inquiry into Australia's trade and investment relationship with the United Kingdom in 2017. It appears from this scoping exercise that for Australia the most obvious opportunities lie in agricultural produce (wine, beef, lamb, cane sugar, rice, butter and cheese) where Australia can supply many goods on better terms than the UK is currently receiving within the EU's Single Market. Further growth should come in the services sector including in tourism and education, along with professional, technical, financial and other business services.<sup>56</sup>

The results of the inquiry signal other aspects which may affect the negotiations with the UK. Regarding the negotiating strategy the contributors have pointed out to the importance of a pragmatic approach for Australia:

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<sup>53</sup> [Written evidence submitted by the Australian Department of Foreign Affairs and Trade](#), 28 February 2018, Chapter 5

<sup>54</sup> Ibid

<sup>55</sup> Ibid, para 6

<sup>56</sup> [Inquiry into Australia's trade and investment relationship with the United Kingdom](#), October 2017, para 1.23

- Australia should avoid the risks of damaging its relationships with the EU (Monash University, RMIT University)
- The urgency on the UK side to get a trade agreement (the distressed negotiator), would make it possible to extract significant concessions (The University of Sydney )
- Alternatively, it may be better for Australia to allow a major economy like the US to negotiate complex issues first, and then use the result of those negotiations as a baseline. For example, the US could get a better deal for intellectual property or hormone treated beef. (The University of Sydney)
- Be pragmatic and assess trade reality and advantages of Australia in the access to the Asian and Pacific market versus historic nostalgia (The University of Melbourne, Nanyang Technological University of Singapore)<sup>57</sup>

Contributors have also noted that Australian businesses mainly use UK operations as a gateway into the Single Market and that Australia should seek compensation for the loss of access to the EU Single Market for its businesses.<sup>58</sup>

Various parties, including the Australian government and industry bodies emphasize that Australia should maintain existing arrangements and potentially seek favourable immigration conditions into the UK as well as seek to maintain freedom of movement for Australian people and businesses between the EU and the UK.<sup>59</sup>

Contributors have also stressed the need for the recognition of academic and professional qualifications and the harmonisation of regulatory systems among others in health, agri-food, legal services.<sup>60</sup> A brief overview of key points from the inquiry has been provided [here](#).

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<sup>57</sup> [Inquiry into Australia's trade and investment relationship with the United Kingdom](#), October 2017

<sup>58</sup> Ibid

<sup>59</sup> Ibid

<sup>60</sup> Ibid

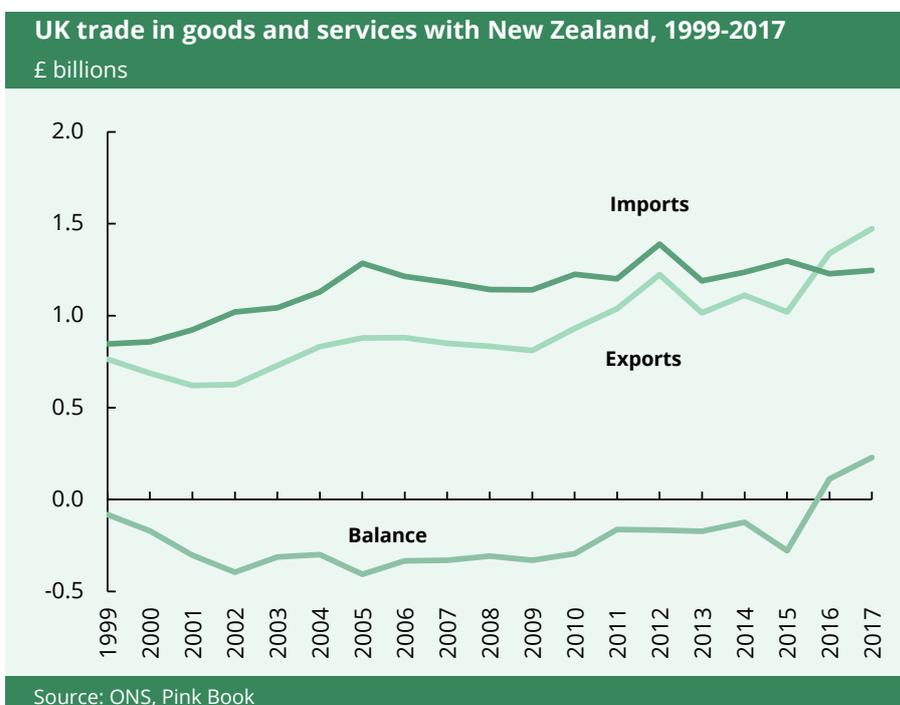
## 5. New Zealand

### 5.1 Statistics

In 2017, the UK exported £1.4 billion worth of goods and services to New Zealand and imported £1.2 billion, resulting in a trade surplus of £0.2 billion; this was made up of a surplus of £0.01 billion in goods and a surplus of £0.2 billion in services.

This is the UK's second successive trade surplus with New Zealand, though the UK recorded trade deficits with New Zealand every year from 1999 – 2015, the largest being £0.4 billion in 2005.

UK exports to New Zealand represented 0.2% of all exports in 2017, making it the UK's 58<sup>th</sup> largest export market. UK imports from New Zealand represented 0.2% of UK imports, making New Zealand the UK's 61<sup>st</sup> largest source of imports.



In 2017, goods exports made up 56% of UK exports to New Zealand, services made up 44%; goods imports made up 65% of UK imports from New Zealand, services made up 35%.

UK goods exports to New Zealand are dominated by exports of machinery and transport equipment - in 2017 this category comprised almost two thirds of all UK goods exports to New Zealand. Road vehicles made up 37% of the total, followed by specialised industrial machinery (mostly agricultural machinery and civil engineering equipment), which made up a further 7% of UK goods exports to New Zealand.

UK goods imports from New Zealand are dominated by food and drink. In 2017, meat, beverages and fruit and vegetables made up 66% of the UK's total goods imported from New Zealand. UK imports of lamb, fresh apples and wine were particularly significant:

- New Zealand was the UK's single largest source of imported lamb and mutton, accounting for 74% of the UK's total lamb imports.
- 15% of the UK's imported fresh apples were from New Zealand, making New Zealand the UK's largest source of fresh apples outside the EU.
- New Zealand accounted for 8% of the UK's wine imports and was the UK's third largest source of imported wine, after France and Italy.

Travel services accounted for 49% of UK service exports to and 64% of UK service imports from New Zealand in 2017. The remaining trade in services between the two countries was mostly made up of trade in transportation services and other business services.

At the moment, the UK's tariff rates on goods imported from non-EU countries are set by the EU. The average tariff on New Zealand goods imported into the UK is 21.6%. The tariff is particularly high on animal products where the average is 15.5%. The maximum EU tariff on animal products is over 100%.<sup>61</sup> The average tariff on UK exports to New Zealand is 3.4%.<sup>62</sup>

## 5.2 Current trade relations

The EU is currently negotiating a free trade agreement with New Zealand. A second round of negotiations was held in October 2018, with a further round scheduled for February 2019.<sup>63</sup> The EU's negotiating directives are [here](#).

There are a number of bilateral agreements already in place, covering mutual recognition of some technical certificates and a veterinary agreement simplifying trade in live animals and animal products.

## 5.3 UK consultation

The Department for International Trade launched a consultation on future trade relations with New Zealand in July 2018. The consultation closed in October. The department received a large number of responses to the consultation and is still analysing them. DIT published an [information pack](#) to support the consultation.

## 5.4 Commentary

The New Zealand government has welcomed the prospect of a trade agreement with the UK. In evidence to the International Trade Committee's inquiry into trade with Australia and New Zealand, the New Zealand government said:

The early conclusion of a bilateral FTA between the UK and New Zealand would provide exciting opportunities and benefits for both parties. An FTA with New Zealand has the potential to set a

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<sup>61</sup> WTO, [World Tariff Profiles](#) 2018, p79

<sup>62</sup> DIT, An information pack for the bilateral Free Trade Agreement between the United Kingdom and New Zealand, p22. Trade weighted figures.

<sup>63</sup> European Commission, [Report on the second round of negotiations for a Free Trade Agreement between the European Union and New Zealand](#)

new standard for modern, high quality and comprehensive FTAs, and would send a clear signal to others about the UK's commitment to inclusive and sustainable growth, open trade and global engagement following its departure from the EU.<sup>64</sup>

The UK and New Zealand are already involved in a dialogue on mutual trade interests. Officials have met to prepare the ground as far as possible so that FTA negotiations can start as soon as the UK is able to enter into such negotiations. The New Zealand Ministry of Foreign Affairs and Trade website says:

An FTA is a chance to deepen our strong links with the UK, make it easier for goods and business to flow between the two countries, and ensure that our relationship continues to grow into the future. The UK shares our support for an open and rules-based international trading system. We have complementary legal systems and many shared perspectives on key trade issues, which should make it possible to negotiate an FTA quickly. The UK has undertaken a similar public consultation process for a future FTA with New Zealand.

The New Zealand government has said it wants the following from a free trade agreement with the UK:

New Zealand wants a high quality, comprehensive and progressive trade agreement with the UK that builds on our already strong relationship. The key benefits that we will be looking for in a free trade agreement include:

- Removing tariffs and other barriers that restrict the free flow of goods between our two countries
- Making it easier for traders of all sizes to do business in the UK, including services exporters
- Strengthening cooperation and dialogue with the UK in a variety of trade and economic fields
- Reflecting our goals including progress on gender equality, indigenous rights, climate change, and improved environmental outcomes.

Some key areas in which we will be seeking even closer cooperation with the UK under an FTA include:

- High quality primary sector and goods access to the UK's market, such as for meat, mechanical machinery and equipment, fruit, pharmaceuticals, forestry, dairy and wine
- Helpful conditions for investment and services providers who operate between the two countries
- Commitments on progressive trade issues including environmental and labour protections, indigenous rights and gender equality.

New Zealand has, however, raised objections at the WTO to the proposed split of the EU's tariff rate quotas.

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<sup>64</sup> [Written evidence submitted by the New Zealand High Commission](#), January 2018, para 37

Farming groups in the UK have expressed concerns that a free trade deal with New Zealand might lead to a flood of imports and have called for imports to meet UK standards of production.

In evidence to the International Trade Committee, Hybu Cig Cymru (Meat Promotion Wales) said:

A situation of reduced Welsh Lamb imports to the EU, combined with a free trade agreement with Australia and / or New Zealand which allows greater red meat imports into the UK, is in many ways Welsh agriculture's worst possible post-Brexit scenario, presenting an existential threat to the industry.<sup>65</sup>

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<sup>65</sup> [Written evidence submitted by HCC Meat Promotion Wales](#), January 2018

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