

# BLACK COUNTRY INTERNATIONAL

Export Explained: The UK -  
Australia Free Trade Agreement



Black Country  
Chamber of  
Commerce

[blackcountrychamber.co.uk](http://blackcountrychamber.co.uk)



## **About Black Country International**

At the Black Country Chamber of Commerce, we are committed to helping our members and businesses across the region with the smooth transition of goods and services across international borders.

Our Black Country International services can help you with export documentation, train and develop your teams and keep you up to date with trends and topics which impact how you export and import.

Whether you are new to trading internationally or an experienced exporter, we can help you develop a strategy that is right for you and help make the process of doing business easier.

## **About The Black Country Chamber of Commerce**

The Black Country Chamber of Commerce is the leading regional business support agency for firms based within or doing business across Dudley, Sandwell, Walsall, and Wolverhampton.

We operate in a not-for-profit capacity and work hard for our members across the region's business community.

Through our services and initiatives, we provide platforms and opportunities for businesses to grow, connect and become part of a thriving network, shining a spotlight on the amazing work local companies are doing and helping to make the region a great place to do business.



### Introduction

On the 17 June 2020, the United Kingdom kickstarted expeditious negotiations with Australia for a comprehensive Free Trade Agreement (FTA). The two countries are already important economic partners and there is now an opportunity for the government to agree a trade deal with Australia which allows for an increased prosperity for many parts of the UK.

The UK is beginning a new chapter in its national story. The government's ambitious global agenda and impact of COVID-19 present an opportunity for the UK to recast its place on the international stage.

Establishing a deal with Australia is a welcome part of that. The UK and Australia share a close relationship not just in trade but in history and culture. Economically, Britain's trade with Australia was worth £18.1 billion in 2019 and the UK is the seventh largest trading partner of Australia.

The whole UK economy stands to benefit if the right deal is achieved. Small business could profit from simplified customs procedures. Services firms could be given greater market access and areas of modern trade, such as e-commerce, can be supported and developed.

This report sets out to explain the UK - Australia Free Trade Agreement and why it is important for businesses in the Black Country.

### What is a Free Trade Agreement (FTA)?

A Free Trade Agreement (FTA) is an international agreement that aims to encourage trade by removing or reducing the tariff (a duty or tax imposed by the government of a country on goods as they cross national boundaries) and non-tariff barriers to trade and investment between partner countries.

The barriers to trade and investment can make it harder and costly to trade or invest overseas so by removing them with an FTA it makes it easier for business to export, import and invest.

Trade agreements also aim to remove quotas and can benefit consumers by providing a wider range of affordable imported products.



## Snapshot: The UK and Australian Economies

Both the UK and Australian economies are similar in their structure, although the UK gross domestic product (GDP = the total monetary or market value of all the finished goods and services produced within a country's borders) is twice that of Australia.

The services sector accounts for 79% of economic output in the UK and 73% in Australia. Both economies are highly engaged in global trade. Trade (imports plus exports) is equivalent to a higher proportion of UK GDP, at 59% compared to 41% for Australia.

Australia		United Kingdom	
GDP:	\$1.08 trillion	\$2.85 trillion	GDP:
GDP per capita:	\$44,494	\$42,962	GDP per capita:
Trade (% GDP)	41%	61.78%	Trade (% GDP)
Population:	24.2 million	66.6 million	Population:
Agriculture, value added (% of GDP)	2.6%	0.6%	Agriculture, value added (% of GDP)
Industry, value added (% of GDP)	24.3%	17.5%	Industry, value added (% of GDP)
Services, value added (% GDP)	73.1%	71%	Services, value added (% GDP)

Source: World Bank Development Indicators

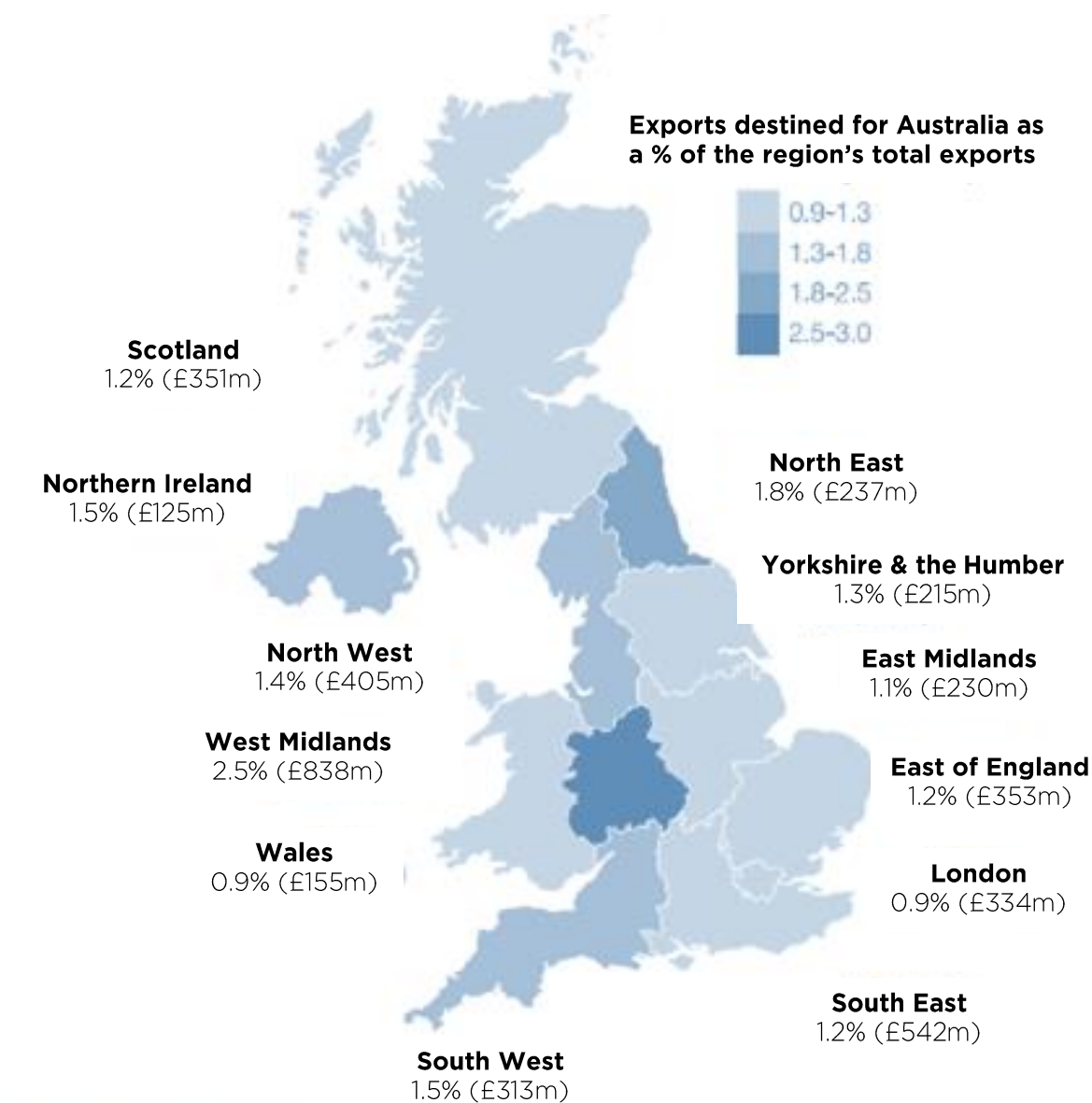
## The Trading relationship between the UK and Australia

An FTA between Australia and the United Kingdom represents an opportunity to deepen trade and investment between the two countries.

According to the Australian Department for Foreign Affairs and Trade (DFAT), bilateral goods and services trade between the two countries was valued at \$30.3 billion in 2018-19 making the UK the seventh largest trading partner of Australia.

Of all UK exports to Australia in 2016, 47% were goods and 52% in services. Of all UK imports from Australia in 2016, 46% were goods and 54% were services.

### Exports of good to Australia by UK region, 2017



Source: HMRC regional trade statistics/ DIT

The West Midlands is the highest performing region in relation to exporting goods and services to Australia with 2.5% of the regions total exports are destined for the Australian market.

UK businesses traded £18.1 billion worth of goods and services with Australia in 2019<sup>1</sup> The UK is Australia's seventh largest trading partner and second largest outside the Asia-Pacific region<sup>2</sup>.

<sup>1</sup> ONS, UK total trade: all countries, non-seasonally adjusted.

<sup>2</sup> Australian Government Department for Foreign Affairs and Trade, Trade & investment data, information & publications

The three goods sectors in which the UK exports the most to Australia are:

- Vehicles and aircraft
- Machinery and electrical equipment
- Chemicals

The three goods sectors in which Australia exports the most to the UK are:

- Pearls and precious metals
- Base metals
- Prepared foodstuffs

The UK is the second largest source of total foreign direct investment (FDI) in Australia. At the end of 2018:

- total UK foreign investment in Australia was valued at \$574.7 billion
- direct UK foreign investment in Australia was valued at \$98.7 billion, and
- total Australian investment in the UK was \$408 billion, making the UK Australia's second largest foreign investment destination.

## What could the benefits of a Free Trade Agreement with Australia be?

Both the UK and Australia produce a variety of goods and services, this suggests that there is an opportunity to boost the UK and Australia's mutually compatible economies through a deepened trading relationship.

The benefits of an FTA with Australia could include:

- Certainty and access to markets for UK services. Services accounted for 60% (worth £6.9 billion) of the UK's total exports to Australia in 2019.
- Reduced barriers to trade in goods making it easier and cheaper for UK businesses to export goods to Australia.
- Australia has a track record of innovation in digital trade (Australian-Singapore Economy Agreement (DEA)<sup>3</sup>. An FTA with Australia provides an opportunity to reduce barriers to e-commerce, enhance co-operation on technological change, innovation, R&D, and climate change.
- Government analyses suggest the value of UK exports between the UK and Australia could increase by £1 billion<sup>4</sup>. Drinks companies, the automotive industry and professional services firms are also expected to benefit from the FTA.

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<sup>3</sup> <https://www.dfat.gov.au/trade/services-and-digital-trade/australia-singapore-digital-economy-agreement-fact-sheet>

<sup>4</sup> <https://www.gov.uk/government/publications/uks-approach-to-negotiating-a-free-trade-agreement-with-australia/uk-australia-free-trade-agreement-the-uks-strategic-approach>

## **Our Position**

The Black Country Chamber welcomes this new focus on international trade between the UK and Australia.

The trade and investment relationship between the UK and Australia is thriving thanks to our cohesive economies. We believe that the West Midlands economy could benefit substantially from an FTA which supports those firms seeking to export their goods and reach the Australian markets, removing barriers to trade and developing trading relationships.

With complex technical and political challenges ahead, effective engagement between business and government can maximise opportunities by helping Ministers navigate the trickiest dossiers and potential trade-offs.

The Black Country business community is prepared to work with government both here and overseas to shape a deal that works for our economy, building stronger links and connections to Australia.



**To share your views on this topic or ask us a question,  
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