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Policy paper

UK-Australia FTA: agreement in principle explainer

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The 'FTA negotiations: agreement in principle' document sets out the main elements of the deal, which the UK and Australian negotiating teams have agreed should be included in the Free Trade Agreement (FTA) once finalised. While setting out what in principle they have jointly decided should be included in the FTA, it should not itself be taken to be the finalised treaty commitments contained in the FTA.

1. Summary of what has been agreed in principle

2. Goods

Australia and the UK commit to establishing mechanisms to remove trade barriers, including tariff and non-tariff barriers, to make it easier for both sides to trade with each other.

Australia and the UK commit to providing the most liberal possible treatment for goods of interest to both countries, while taking into account product sensitivities.

3. Goods market access

Australia and the UK commit to remove tariffs on trade in goods between our two countries. Australia has agreed to remove tariffs on all goods exports that originate in the UK.

The UK has agreed to do the same for the vast majority of goods exports that originate in Australia.

This will include a general safeguard mechanism which will provide a safety net for industry if they face serious injury from increased imports as a direct consequence of the FTA. This will apply to all goods.

The UK tariff treatment for pigs, poultry and eggs from Australia is not yet determined.

4. Animal welfare

The deal will have a dedicated chapter specifically on animal welfare, including measures recognising the importance of high levels of animal welfare protection and non-regression.

This is the first time Australia has included a dedicated animal welfare chapter in any FTA.

5. Antimicrobial resistance (AMR)

Australia and the UK commit to cooperation on the key issue of combatting antimicrobial resistance.

6. Trade remedies

To protect businesses from unfair trading practices or unforeseen surges in imports, Australia and the UK commit to including a chapter on Trade Remedies.

The chapter will affirm both countries' rights and obligations under the framework of the World Trade Organisation (WTO).

7. Rules of Origin

Rules of Origin determine which products are eligible for tariff-free treatment. Australia and the UK commit to Rules of Origin reflect modern production processes, as well as existing and future global value chains.

These commitments will boost efficiency, reduce costs and cut red tape by making it simpler for traders and customs authorities to prove the originating status of goods.

They will include rules for specific products that support each country's economic and production interests. Importantly for the UK, this will include car exports.

8. Customs procedures and trade facilitation

Australia and the UK commit to facilitating increased trade with efficient and transparent customs procedures, while also allowing the UK and Australia to maintain effective customs controls.

Goods will be released from customs within clear timeframes to provide certainty in the supply chain and reduce costs.

Paperwork will be simpler, with more information available electronically. Our systems will boost confidence in the way we trade together, ensuring transparency and predictability at, and away from, the border.

9. Sanitary and phytosanitary measures

Australia and the UK commit to provisions that facilitate trade while ensuring protection of human, animal and plant life and health.

Imports will still have to meet the same respective Australian and UK food safety and biosecurity standards as they did before. For the UK this means, for example, that imports of hormone-treated beef will continue to be banned.

Both Australia and the UK agree on the importance of their respective rights to protect human, animal and plant health.

10. Technical barriers to trade

Australia and the UK commit to provisions ensuring that any regulations that either side introduces are non-discriminatory and do not create unnecessary obstacles to trade.

These provisions will preserve each country's ability to take measures to fulfil legitimate objectives, including for the protection of health, safety and the environment.

Both countries will increase cooperation on technical regulations, standards and conformity assessments. For example, this can reduce duplication in terms of goods needing to be tested in both countries to demonstrate compliance with regulations.

11. Services

Australia and the UK commit to opening up services markets to make it easier for services companies to trade and for professionals to operate in each other's economies.

Australia and the UK commit to maintaining high standards for all services sectors, including cross border trade in services, professional services, financial services, maritime and delivery services, and telecommunications.

Both countries will provide generous market access for services suppliers from the other country, including for example, some specific commitments for Australian and UK-flagged vessels.

Australia and the UK will also commit to Maritime Transport Services and Express Delivery Annexes, a Financial Services Regulatory Co-Operation Annex, and commitments that UK and Australian lawyers can practise in the other country's territory using their original qualifications and title.

On Telecommunications, Australia and the UK commit to access for Australian and UK service suppliers to public telecommunications networks and services in the other country on a non-discriminatory basis.

12. Mobility

Australia and the UK commit to new mobility arrangements, including for business travel and to work in each other's territory, as well as for young people. This will also mean that both Brits and Australians under 35 will be able to travel and work in each other's country for up to 3 years and remove the requirement for Brits to work on Australian farms as a condition of their visa.

13. Investment

Australia and the UK commit to investment arrangements to underpin the already strong investment relationship between our two countries and boost the recovery from coronavirus (COVID-19).

These commitments will cover all investment, portfolio and Foreign Direct Investment and ambitious market access commitments.

Investors will get fair treatment and protection from expropriation of assets, while the right of states to regulate in the public interest will be preserved.

The agreement will not include an Investor-State Dispute Settlement mechanism.

The deal also includes higher investment screening thresholds for UK investors in Australia, meaning fewer UK investments will be subject to review from Australia's Foreign Investment Review Board.

14. Digital trade

Australia and the UK commit to increase opportunities for digital trade across all sectors of the economy, while also ensuring world-leading standards for personal data protection and for legitimate public policy objectives.

These will include strong rules on data flows and the prohibition of unjustifiable data localisation requirements to create a more certain and secure online environment and support increased growth in digital trade between Australia and the UK.

The recognition of electronic contracts, signatures and legal framework will remove digital barriers both nation's businesses, particularly for the legal and services sectors.

15. Intellectual property

Australia and the UK will commit to ambitious intellectual property (IP) provisions that support our vibrant economies through adequate, effective and balanced protection and enforcement of IP rights and that encourage innovation and creativity.

The agreement will include provisions on copyright, design rights, patents, trade marks, artists' resale rights, trade secrets and test data.

The deal will also include a commitment that if Australia introduces bespoke GI schemes for spirits and agri-foods, the UK will be able to put forward GIs for potential protection subject to Australia's legal procedures.

This agreement will not affect the price the NHS pays for medicines.

16. Government procurement

Australia and the UK will maximise opportunities for suppliers to participate in each other's government procurement markets, and drive value-for-money outcomes.

This commitment goes significantly beyond the WTO's Government Procurement Agreement.

New arrangements will put these contacts online so it is simpler and easier for business to find, understand and bid for these new opportunities.

17. Competition

Australia and the UK commit to effective competition law and enforcement that will promote open and fair competition, and promote cooperation between national competition authorities.

18. State-owned enterprises and designated monopolies (SOEs)

Australia and the UK commit to including a chapter on SOEs that will provide rules aimed at ensuring fair treatment and will provide for cooperation in improving rules concerning SOEs internationally.

19. Labour

Australia and the UK commit to a chapter on labour that will lock in high domestic protections for our workers, encourage good business practice and corporate responsibility, and advance our mutual ambition to tackle forced labour and modern slavery.

20. Environment

Australia and the UK commit to a chapter on trade and environment that will contain provisions affirming commitments under Multilateral Environmental Agreements, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora.

For the first time ever, Australia has agreed to a specific mention of the Paris Agreement in an FTA – highlighting our shared commitment to tackling climate change, as well as confirming the right to regulate to achieve climate change objectives.

Both countries commit to cooperate in areas such as key technologies in the transition to a low carbon and climate resilient economy.

The chapter will also contain provisions to encourage trade and investment in goods and services that support shared environmental objectives.

21. Small-and-medium-sized enterprises (SMEs)

Australia and the UK commit to publish information about the Agreement which is considered useful for SMEs, and include provisions that facilitate cooperation between the UK and Australia, including to identify ways to help SMEs take advantage of the FTA.

22. Good regulatory practices

Australia and the UK commit to a chapter that will support a transparent and predictable regulatory environment for business.

This includes commitments to make regulatory measures public in plain language and online will ensure they are accessible.

23. Trade and gender equality

Australia and the UK commit to addressing barriers for women to access the benefits of trade and investment.

This will include provisions on co-operative activities on access to markets, business/leadership networks and finance, data collection and a dialogue mechanism to work together to address barriers.

24. Development

Australia and the UK commit to including a chapter dedicated to development issues, a first for a bilateral FTA between two developed countries.

This commitment will see greater cooperation between our two nations in exchange of best practice and monitoring.

25. Cross-cutting (general provisions and exceptions, initial provisions and general definitions, final provisions)

Australia and the UK commit to general provisions and exceptions that will support issues such as national security and policy-making discretion in matters of taxation and macroeconomic management, consistent with international best practice in these areas.

There will be some specific reservations in areas such as health, in line with the government's manifesto commitment that the NHS will not be on the table in trade negotiations.

26. Transparency and anti-corruption provisions

Australia and the UK commit to best-practice transparency and anti-corruption provisions.

The UK and Australia want to commit to the promotion of transparency in government decision-making and encourage the participation of the private sector and civil society in these pursuits.

Both countries outline their shared ambition to combat the distorting impact of bribery and corruption in trade and affirm their international obligations on bribery and corruption at the OECD and United Nations.

27. Dispute settlement

Australia and the UK commit to an effective and timely dispute settlement mechanism, that will provide a clear avenue and prompt progress to arbitration if required, boosting certainty and flexibility for Australian and UK traders.

28. Innovation

Australia and the UK commit to including a world-first innovation chapter in the agreement.

The chapter will provide a mechanism for the UK and Australia to discuss the impact of innovation on trade, regulatory approaches, commercialisation of new technologies, and supply chain resilience – ensuring that our FTA remains fit for purpose as our economies grow.

29. What happens next?

Following agreement in principle (AIP), several steps need to be completed before the FTA can enter into force. The AIP needs to be converted into legal text which can be signed by both parties.

Once finalised, the parliamentary scrutiny process begins. In the UK this involves a series of important steps including the publication of an Explanatory Memorandum and independently scrutinised impact assessment alongside the legal text.

These documents are reviewed by the relevant Parliamentary committees as well as the independent Trade and Agriculture Commission (TAC). The government will prepare a report, as required by the Agriculture Act 2020, on the extent to which measures in the FTA are consistent with maintaining UK statutory protections for human, animal or plant life or health, animal welfare and the environment. This report will also be laid before Parliament.

Once the TAC advice and report under the Agriculture Act have been completed, we will lay the FTA formally before Parliament, which will trigger the start of the 21-sitting day Constitutional Reform and Governance Act 2010 (CrG) scrutiny procedure. Under this procedure Parliament is able to raise its concerns about an FTA by resolving against ratification.

Where legislation is required to implement the FTA, this will need to be scrutinised and passed by Parliament in the usual way. Following ratification, the FTA would then enter into force in accordance with its terms.

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