

## **I come from the Land Down Under**

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As I write these words I was musing over the Eurovision results on Saturday night, where the UK failed to score any points from the judges and the popular vote in any other country. Given that Australia has voting rights in Eurovision and also gave the UK “null points”, I’d have thought this was particularly stinging. Surely the ties of history count for something? Clearly not, if that is any guide (not that I ever thought that to begin with).

And so we turn to the talk of an “imminent” UK-Australia trade “deal”. Much in the way of Eurovision, sentiment won’t get in the way of assessing the product at hand here either, from the Australian perspective – and I write this as someone from the “Land Down Under” (with apologies to ‘Men at Work’).

For Australia, the advantages of a phased 15-year elimination of tariffs are clear, given its prominence as an agricultural exporter – particularly for products such as beef and lamb, where Australian producers have marked cost advantages over their UK counterparts. As such, it is likely that a post-Brexit increase in Australian meat imports to the UK will damage farming communities in Scotland and Wales, and raises serious questions about current trade negotiations between the two countries (despite this, support for Brexit amongst UK farmers appears to have shifted little since 2016).

However, for the UK, the advantages are less clear (if one discounts the political optics of the UK Government thereby being able to claim that it has successfully negotiated its first trade agreement that was not simply a ‘roll-over’ of an existing EU trade agreement that it had previously been party to). Services liberalisation is seen as a target by the UK Government but the Australian economy is already highly open, and the few remaining sectors where Australian Government strictures apply are precisely in those sectors such as digital and telecommunications where the UK would be seeking market access.

Other Australian service sectors such as retail and banking contain strong domestic incumbents and as such, would be very difficult to break into (Australia have their own supermarket duopoly in the form of Coles and Woolworths, who are proximate in comparison to Tesco and Sainsburys, for example).

As for merchandise exports, it is difficult to see the elimination of tariffs as having any significant impact – first because Australian tariffs on manufactured items are low to non-existent, and second because sheer physical distance renders the notion of the UK benefitting from increased vehicle exports (e.g., Toyota at Burnaston in the East Midlands) to Australia somewhat redundant. Indeed, Toyota have 14 production sites in the Asia-Pacific region and supply their Australian market from there.

As such, the gains from liberalised trade with Australia are likely to be very small overall, with the UK Government’s own analysis suggesting a paltry 0.025% growth in UK GDP over the next 15 years. That notwithstanding, on the UK side, politically it is clear that there is a huge cabinet split between different Brexiteer groups. On one side, Michael Gove and Environment Secretary George Eustice both favour limiting imports of Australian meat whilst on the other Trade Secretary Liz Truss and Lord Frost favour more complete trade liberalisation. Mr Johnson will ultimately cast the deciding vote, and his utterances to date suggest he has given a green light to a UK-Australia deal.

Truss in particular wants an outline agreement ready in time for the G7 meeting next month. However, many would argue that this aggressive timeline puts unnecessary pressure on the UK to compromise and there is no real need to move so quickly. Details (especially over standards) are too important to get wrong. Moreover, whilst the volume of trade with Australia is insignificant, eliminating tariffs here would set a precedent for future negotiations with other countries such as the US (the ultimate “prize” for Brexiteers) and Brazil, which would leave sectors like steel production in the UK highly exposed.

Many would favour lower food prices for consumers. However, there are a few complicating factors. Australian food standards are different to British ones. Practices that are unacceptable here are quite widespread (e.g. the use of growth hormones in cattle). There are environmental questions over the sustainability of present levels of meat consumption in general (especially red meat) and of Australian agriculture in particular.

The farming communities that would be affected are overwhelmingly concentrated in Scotland and Wales. Liberalisation (even if both countries would gain in aggregate) would provide another stick with which Mr Johnson’s Nationalist opponents could beat an “out of touch Westminster”. If (and it remains a large if) any trade deal allowed food with different sanitary and phytosanitary standards from our current ones to enter the UK then that could dramatically complicate longer-term efforts to reduce frictions in the border in the Irish Sea.

So, in summary, I can’t see much of benefit from the Land Down Under emerging here for the UK. Rather, expect to see further pressure for watering down standards in the UK as trade talks with other countries progress. Or to put it more succinctly, the Race to the Bottom has begun....