

Post-Brexit UK in Asia-Pacific: Early comments on FTAs

Roberto Bergami¹, Lucie Tichá²

Abstract: Having lived through a narrow win for the Brexit movement, the UK now finds itself in the world of reality, one that apparently sees the nation's economy contracting and its sphere of international influence diminished around the globe. This paper explores recent attempts by the UK to re-write itself as somewhat of a dominant power beyond the borders of the EU. We concentrate on efforts the UK is making in the Asia-Pacific region, with particular attention to the Australia-UK Free Trade Agreement (AUKFTA) and, to a lesser extent, the recently announced agreement to allow the UK to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). We conclude that the UK has no guarantee of success in re-inventing its relevance on the world trade scene, and it is unlikely that any imminent Free Trade Agreement deals will bring great economic prosperity in the near future. Perhaps it may have been best for the UK to have remained as an EU member state after all.

Keywords: Post-Brexit, Free Trade Agreements, Asia-Pacific and UK FTAs.

JEL Classification: F 13, P 33, P45, Q17, Q37

1 Introduction

Free Trade Agreements (FTA) have become the norm post the establishment of the World Trade Organisation, mainly due to the stalling of further progress in liberalising markets post the Doha Round. The reason for the 'explosion' of FTA has simply been due to the fact that it is much easier for a smaller group of people to arrive at an agreement, and much more complicated as the number of negotiating parties join the table, such as during WTO negotiations. In fact, the majority of FTA currently in force are bilateral, that is between two nations, and to a much lesser extent, regional agreements that comprise a number of nations.

FTA are not, as the words imply, free at all. They are agreements that provide more beneficial access to markets of signatory nations through concessional (preferential) processes, be they via tariff reductions, investments, the provisions of services, or the movement of people. At times FTA provide benefits on commencement, but at other times only over a number of years through successive tariff reductions. Additionally, FTA do not necessarily comprise all goods/services available in a market as, at times, certain products/services considered to be strategic, or of vital economic importance are excluded from FTA negotiations. Consequently, FTA should be viewed as market controlling agreements, not 'free' as such, in the ordinary sense of the word. Whilst this may seem semantic, we consider this to be an important consideration, because it is through negotiations that concessions are given to open up local markets to foreign competition.

Brexit was a momentous occasion, not only for the European Union (EU) and the United Kingdom (UK), but also for other nations with which the UK may want to forge independent ties in the future. No longer negotiating as part of the central EU bloc, the UK must stand alone in negotiating new FTA in the future, but without the expertise to do so in the short run. This has seemingly resulted in the UK not being able to fulfill the claims of former UK Prime Ministers that were boasting Brexit would deliver a 'Global Britain', as the nation was 'unshackled' from EU constraints. According to Hutton (2021) „so much of the case for Brexit is false“. These falsehoods have included: an impending tsunami of illegal immigrants who would steal local jobs; a £350 million weekly boost to the National Health Scheme as a result of leaving the EU; and that EU rules were compromising UK sovereignty (a curiously selective notion given the Irish situation). Additional to the Brexit withdrawal, there were also somewhat contradictory expectations from the UK about its future involvement in EU institutions. Both the European Medicines Agency (EMA) and the European Central Bank (ECB) were based in the UK pre-Brexit, with the UK expecting the status quo, post cessation of EU membership. This is somewhat like wanting to be inside the tent after you have walked out of it – you cannot have it both ways. This apparent contradiction was highlighted by Michael Barnier (the EU's chief negotiator on Brexit), in noting that „the same people who argue for setting the UK free also argue that the UK should remain in some EU agencies“ (Rankin, 2017). The EMA moved to Amsterdam and the ECB to Paris, and the loss of both agencies would of course mean a loss of local jobs,

¹ University of South Bohemia, Department of Trade Tourism and Languages, Studentská 13, 370 05 České Budějovice, Czech Republic, rbergami@ef.jcu.cz.

² University of South Bohemia, Department of Trade Tourism and Languages, Studentská 13, 370 05 České Budějovice, Czech Republic, ticha@ef.jcu.cz.

expertise, and prestige. In summary, we believe Brexit has largely been a failure, except for those who remain tied to an ideology not reflecting reality.

Has an independent Post-Brexit UK delivered on its promise to become a more global player with concomitant influence? What benefits have been derived so far for the UK via FTA? In order to answer these questions we consider the examples of the only two new FTA the UK has concluded at the time of writing, that is: the Australia-UK Free Trade Agreement (AUKFTA) that took effect on 31 May 2023 and, to a much lesser degree, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to become effective in the near future.

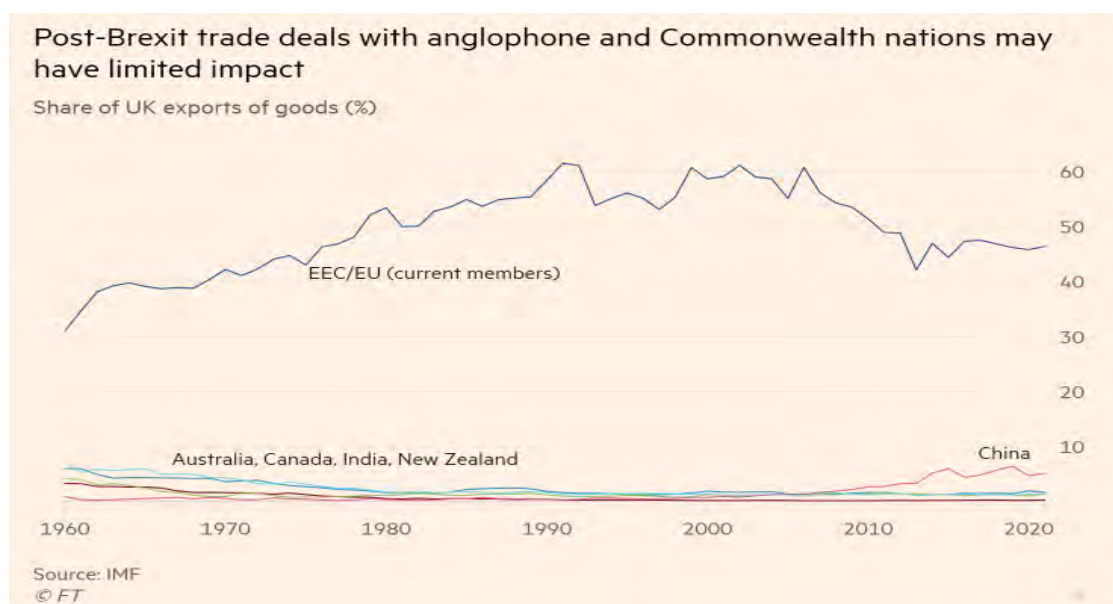
2 Methods

The method employed for this research is a review of current information on the Australia-UK Free Trade Agreement (AUKFTA) which came into effect on 31 May 2023, with the aim of quantifying the benefits that may be derived by both signatory nations. This is followed by very brief comments on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), effective since 2018, that the UK has been allowed to join in 2023. As there is a dearth of academic literature on AUKFTA, most likely due to its recent enactment, reliance on information has been mostly through government sources, web pages and the media. The CPTPP accession for the UK is a very recent occurrence and as such, also lacks academic literature. Furthermore, at the time of writing, this agreement has not been ratified by member nations and is not yet in force. Consequently, a formal literature review has not been provided, preferring instead to quote relevant sources as appropriate.

3 Research results

According to Payne, Foster, and Evans (2022) the UK's future economic success is likely to lie outside the anglosphere and that in a Post-Brexit environment, the gaze should be beyond the Commonwealth, as shown in Figure 1. In terms of Figure 1 nations, their world economic standing based on GDP (World Bank, 2022), has the UK ranked number six, whereas Australia ranks 13, Canada nine, and New Zealand 50. The larger economies lie outside the anglosphere, with India at number five and China at number two, and these data appear to support the claims by Payne et al. (2022).

Figure 1 Likely impact of Post-Brexit trade deals



Source: Payne et al. (2022)

It is known that, in general terms, in FTA the greatest benefit in outcomes tends to be derived by the lower economic ranking nation. In this respect we can predict that for AUKFTA and CPTPP, the UK may make lesser gains. We examine trade flows for AUKFTA in the next section and outline the main gains from this agreement.

3.1 AUKFTA

Australia's 10 most valuable products exported to the UK in 2022 are summarised at Table 1 and Australia's 10 most valuable products imported from the UK are summarised in Table 2.

We can ascertain that Australia has a trade deficit with the UK, mainly with machinery, vehicles and pharmaceuticals. There is no longer an automotive industry in Australia and motor vehicles manufactured in the UK are readily sold in Australia, in global competition from other foreign manufacturers.

Table 1 Australia's exports to the UK 2022 (Unit: US Dollar thousand)

Product label	Australia's exports to the United Kingdom 2022
Lead and articles thereof	348035
Beverages, spirits and vinegar	310188
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical	303027
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	155272
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	124092
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	118138
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal	109736
Meat and edible meat offal	94481
Ores, slag and ash	49171
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals cladding	44148
All products	2116550

Source: International Trade Centre and own elaboration

Although Australia excels in the scientific field, its production of pharmaceutical products is miniscule, with the concentration of efforts focused on research and development, rather than commercialising discoveries. This is both a function of a small domestic market, leading to low demand and the lack of investor/government support for such activities. By contrast, the UK is a considerable producer of pharmaceutical products. The trade in beverages is almost equal, and there is a trade deficit with the import of printed matter, plastics and precious stones and cultured pearls.

Table 2 Australia's imports from the UK 2022 (Unit: US Dollar thousand)

Product label	Australia's imports from the United Kingdom 2022
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	976824
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	681298
Pharmaceutical products	538272
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical	346379
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	338897
Beverages, spirits and vinegar	296153
Miscellaneous chemical products	199607
Printed books, newspapers, pictures and other products of the printing industry; manuscripts, plastics and articles thereof	157144
Plastics and articles thereof	141520
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals cladding	116653
All products	5074272

Source: International Trade Centre and own elaboration

In order to place the relative size of Australia's trade with the UK, we can consider the UK's global merchandise trade relationships as shown at Figure 2. It can be observed that Australia is not a high ranking trading partner, featuring at number 20 (1.2%) for an export destination and number 30 (0.5%) as an import source (Department of Foreign Affairs and Trade, 2022).

Australia and the UK can, therefore, be considered to be minor partners in world terms, despite the claims by former Prime Minister Boris Johnston that „this is global Britain at its best - looking outwards and striking deals that deepen our alliances and help ensure every part of the country builds back better from the pandemic“ (McGuinness, 2021) – perhaps this was merely political bluster, rather than a frank economic assessment. Indeed:

The International Trade Committee, a cross-party committee of UK members of parliament, has warned the government against “overselling” its free trade agreement (FTA) with Australia, saying that „flat-footed negotiating“ has led to significant concessions without securing all possible benefits in return (Wragg, 2022). It seems that in the UK the agreement has not been well received by some, as Mr Eustice [former environment secretary], who helped secure the agreement, told a Commons debate that it was „not actually a very good deal for the UK“ (Sowersby, 2022). It is difficult to see how grandiose AUKFTA may become for the UK when trade flows are quite low, and if this is global Britain at its best, then the future cannot look so bright for it in the FTA space.

Figure 2 UK global merchandise trade relationship 2021

United Kingdom's global merchandise trade relationships, 2021

Source: Various international sources

Principal export destinations

Destination	Share	Rank
United States	12.8%	1
Germany	8.7%	2
Switzerland	8.5%	3
Netherlands	7.5%	4
Ireland	6.2%	5
Australia	1.2%	20

Principal import sources

Destination	Share	Rank
China	13.3%	1
Germany	10.9%	2
United States	8.7%	3
Netherlands	6.2%	4
Norway	5.2%	5
Australia	0.5%	30

Source: Department of Foreign Affairs and Trade (2022)

Perhaps the results of AUKFTA reflect the UK's „lack of negotiating expertise and experience“ (Payne et al., 2022). It must be remembered that the EU trades as a bloc, and past negotiations, whilst the UK was an EU member state, were conducted from Brussels, not London. Table 3 provides a summary of the main benefits for Australian exporters, resulting from AUKFTA, with the greatest benefits, as anticipated (Abbott, 2019), being for food products. Indeed, it has been claimed that „easier Australian exports of agricultural goods to the U.K. could undermine the economic future of British farmers“ (Gross, 2022). In support of this the „National Sheep Association CEO Phil Stocker warned it offered “no real benefit” to British farmers and would lead to “an unlevel playing field” in favour of competitors Down Under [Australia]“ (Roughneen, 2022). These sentiments were echoed by the British Meat Processors Association's trade policy advisor Peter Hardwick, arguing „Australia could already be exporting “damaging volumes” of high-grade beef and lamb “without ever getting anywhere near the safeguard trigger levels” ... [because] some safeguards as [regarded] “completely useless” as they would only “kick in” after 11 years“ (Roughneen, 2022). It should be noted that, as shown in Table 3, a number of tariffs reduce over time, ranging from 3 to 10 years, before they become completely duty free.

Table 3: Australia's gains from AUKFTA

Wine	Elimination of tariffs on entry into force (EIF), saving around AUD37 million annually in duties (based on 2002 trade).
Beef	Elimination of tariffs after 10 years with immediate access to duty free transitional quotas.
Sheep meat	Elimination of tariffs after 10 years with immediate access to duty free transitional quotas.
Sugar	Elimination of tariffs over 8 years, with immediate access to a duty-free quota during the transition period.
Dairy	Elimination of tariffs over 5 years, with immediate access to duty-free quotas for dairy products during the transition period.
Rice	Elimination of tariffs for short and medium grain milled rice on EIF. Elimination of tariffs on broken rice over 4 years, with immediate access to a duty-free transitional quota. Access to a permanent annual duty-free quota for long grain milled rice.
Seafood	Elimination of tariffs on most products on EIF, and remaining tariffs over 3 years. Tariffs eliminated on EIF include those on all finfish and the 12% tariff on fresh and frozen rock lobster.
Honey	Elimination of the 16% tariff on EIF.
Horticulture	Elimination of tariffs on most fruits and vegetables on EIF, with tariffs on other products of Australian export interests eliminated over 3 years and all remaining tariffs eliminated over 7 years.
Wheat, Barley and Other cereals	Elimination of tariffs over 4 years. Immediate access to a duty-free quota of 80,000 tonnes per year for wheat, and a duty-free quota of 7,000 tonnes per year for barley.
Processed foods	Elimination of tariffs on most of processed foods on EIF.
Industrial products	Elimination of tariffs on all Australian origin industrial goods, except ammonia and aluminium where tariffs of up to 6% will be eliminated over 3 years.

Source: Department of Foreign Affairs and Trade (2023)

From the UK perspective, AUKFTA delivers tariff-free trade for British exports and greater access for services, investment, and access to government contracts, with an ease of restrictions for business travellers, and it will be easier for young Britons to travel and work in Australia (Department for Business and Trade and Department for International Trade, 2021). The UK government claims AUKFTA „will unlock £10.4bn of additional bilateral trade, support economic growth in every part of the UK and deliver for the 15,300 businesses already exporting goods to Australia“ (Wragg, 2022). Even if these assertions are accepted, it is unlikely that AUKFTA can be considered such a great deal. It may certainly double exports to Australia, based on the figures from Table 2, however, this would only potentially increase the share of Australia as an import source to approximately one per cent – hardly what one may regard as a landmark agreement. It is also not clear over what period of time the unlocking of these benefits for existing UK exporters may materialize. If it is over the same period of tariff reductions, then it would be approximately a decade away, and these estimates are based

on the UK maintaining an internationally competitive advantage on the products/services in question during this period. Indeed, the UK government's own Department for Business and Trade and Department for International Trade impact assessment portrays a rather different picture of the benefits of AUKFTA to its economy, as it estimates „the long-run effect of the agreement will be to increase UK GDP by 0.08% or £2.3 billion a year by 2035“ (2022). Regardless of whichever data source is accepted, we argue this is not the big deal for the UK that politicians claim it to be.

Hampering efforts for UK expansion are a considerable number of restrictions that remain in force for a range of products preventing the export of UK products into Australia, particularly in the agricultural sector. AUKFTA neither overrides or exempts these government regulatory controls. As an example, Australia's biosecurity requirements do not currently allow the import of beef meat from the UK, reflecting concern for local agriculture due to the successive outbreaks of Foot and Mouth disease, as well as the outbreak of Bovine Spongiform Encephalopathy - BSE - or mad cow disease. In fact, on examination of the import conditions for beef meat originating from the UK, the Australian Biosecurity Import Conditions database (BICON) reported the following „an import policy has not been developed for this specific commodity and situation“ (Department of Agriculture, 2023). This means the import of beef meat must undergo a future separate import risk assessment, „because Australia has strict import conditions in place, the introduction of FMD through the legal importation of these commodities [that is, livestock products and by-products, including genetic material] is very unlikely“ (Business Queensland, 2022). Consequently, whilst Australian meat will be increasingly able to enter the UK market, there is currently no possibility for two-way trade under AUKFTA, due to Australia's tough import rules. We can, therefore, demonstrate that, at least in this sector, it is not the UK that exerted influence, rather that Australia gained the upper hand.

3.2 CPTPP

The 2022 trade balance between the UK and the CPTPP partners is shown in Table 4.

Table 4 UK's trade balance with CPTPP partners

Australia	Brunei	Canada	Chile	Japan	Malaysia
2,584,409	33,103	-9,389,019	-403,163	-6,052,825	-2,585,901
Mexico	New Zealand	Peru	Singapore	Vietnam	Total Balance
-3,862,376	103,731	-3,437,626	5,369,990	-8,055,943	-25,695,620

Source: Intracen (2023)

In relation to the UK joining the CPTPP, it would seem that the projected gains do not amount to much at all.

Although the government called the agreement its „biggest trade deal since Brexit,” its own estimates show that joining the CPTPP will increase UK economic output by less than 0.1% in the long run, or over approximately 15 years. „We are at our heart an open and free-trading nation, and this deal demonstrates the real economic benefits of our post-Brexit freedoms,” British Prime Minister Rishi Sunak said Friday [31 March, 2023] (Rios & Toh, 2023).

It is almost laughable, in economic terms, to applaud a deal that takes 15 years to increase economic output by less than 0.1% - is this really the 'Global Britain' that UK citizens were voting for? How does this correlate with the claims of grandioseness and world influencing economic deals that were central to the YES Brexit campaign? One has to wonder just how much bluster and 'talking up' a politician can do. We do know that politicians are prone to skew facts to suit their particular immediate needs, at times even resorting to tell the truth. In this case the comments made by PM Sunak appear to have a 'touch of Brexit' stretching reality in an attempt to manufacture a perception of grandeur, no doubt for political gain.

4 Conclusions

Brexit was probably the biggest controversial decision made by an EU member nation in the history of that institution. UK citizens were asked to vote against a backdrop of national hysteria, augmented by, at best truth stretching statements, and at worse, outright lies. The fallout and the impact of Brexit is likely to continue for some time. Whilst the UK has arguably achieved independence from the EU, the reality is that in an interconnected trading world, no nation can operate in isolation and concessions are inevitably required to access foreign markets.

In the agreements referred to in this paper, it is clear that the UK is not in a strong position in negotiating new FTA, be they bilateral or regional. Returning to our research questions: Has an independent Post-Brexit UK delivered on its promise to become a more global player with concomitant influence? What benefits have been derived so far for the UK via FTA? We conclude the following:

- The idea of a Global Britain that can wield power across the globe is perhaps reminiscent of a nostalgic empire, one that no longer exists. The notion that the UK could be as powerful as the EU globally is not realistic. Based

on the FTA considered in this paper, the UK has not demonstrated itself to be a global player with any significant influence;

- Both AUKFTA and the CPTPP make it vastly clear that there are only very marginal gains accruing to the UK, and this is over the long run. The gains from CPTPP are insignificant in the long term. AUKFTA has demonstrated a lack of expertise in negotiating these agreements, with seemingly much more accruing to Australia than the UK;

In the future, the UK needs to look beyond the nglosphere nations in order to forge more economically meaningful FTA, but it should do so with due diligence, and not be in a rush to conclude deals merely to meet self-imposed deadlines, so as to appear to be 'getting on with the job'. FTA are complex and their negotiations can span across a number of years before a final agreement is reached.

There is scope for further research in this area in the future as FTA negotiations between the UK and other nations unfold. It would be of interest to discover the full impact of Brexit on international trade flows, and what a future UK-EU trading environment may look like.

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