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Australia edges to pole position in race for first FTA with Britain

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Britain faces an uphill road to reach a full free-trade agreement (FTA) with the United States this year, trade experts warn, putting Australia in pole position to be the first country to wrap up a comprehensive deal with Prime Minister Boris Johnson's administration.

After the British government released its negotiating blueprint for a post-Brexit FTA with the US on Monday, trade pundits poured cold water on the prospect that Washington and London could get a wide-ranging deal over the line this year.

Trade Minister Simon Birmingham with British Trade Secretary Liz Truss. **Alex Ellinghausen**

"Unless the UK is willing to back down quickly, substantive negotiations on a comprehensive deal will run for a while yet," wrote the Centre for European Reform's trade expert Sam Lowe, in Britain's *Daily Telegraph*.

He said it was possible Mr Trump and Mr Johnson could pull off a "mini-deal", like the US "phase one" arrangements with China or the selective deal with Japan, but a combination of tough technical issues and American politics would make landing a full FTA this year a tall order.

Britain's negotiating mandate flags up "product sensitivities" in agriculture, suggesting some hard bargaining on farm tariffs. And London also aims to uphold food safety standards - flashing at least an amber light over what has become, for Britain, the politically totemic issue of American poultry exports.

"This is a proposal for a very modest trade deal mostly focused on tariff reduction, which still may not be achievable if we won't give the US what they want on food or technical standards," tweeted David Henig, UK director at the International Centre for Political Economy.

Experts also warned that US businesses and trade negotiators may want to await the broad outlines of the Britain-EU FTA before finalising their own approach.

Meanwhile, both the Trump administration and Congress will have an eye on the politics in the run-up to the November 3 election. The Democrat-controlled House of Representatives is unlikely to willingly hand Mr Trump a big trade win.

"Completion of the talks may have to wait until after the 2020 elections, and the success of the talks will be affected by who wins the presidential election and what the make-up of Congress is," blogged Simon Lester, a director at the Washington-based Cato Institute.

"If the Trump administration is looking for smaller trade deals with the UK, it can probably find trade restrictions on particular products to address (end the haggis ban!). But a comprehensive trade agreement could take some time."

Australia and Britain may find a smoother glide path, as the electoral cycle, strong political will and concurrent dealings with the EU create a fair wind.

While agriculture may also be a tense wrangle between Australia and Britain - Canberra will be looking for cuts to British tariffs and quota restrictions on Australian beef, lamb and sugar - the economic stakes are not as high and the level of political heat will be lower than in the talks with the US.

According to official UK figures, the US is Britain's largest single bilateral trading partner, its £181.2 billion of two-way goods and services trade in 2017 accounting for 15 per cent of total trade. Britain's two-way trade with the EU was a mammoth £648 billion in 2018. The Australian two-way trade figure, by contrast, was just £13.1 billion in 2016.

British officials have indicated that a negotiating mandate for the FTA negotiations with Australia, and separately with New Zealand, might not be published until April.

But informal talks have been underway for almost two years, and Trade Minister Simon Birmingham has said the formal negotiations could get over the line within a year.

Britain's blueprint for the FTA with the US suggests its negotiators will pursue "provisions that support and help further the government's ambition on climate change and achieving net zero carbon emissions by 2050".

This looks to be a less stringent starting point for demands on climate compliance than that which the European Union is seeking from Australia in separate FTA talks, so it's not expected to create a major roadbump for the Australia-UK negotiations.

Most British commentary on Britain's US FTA negotiating mandate focused on its inconsistencies with the Johnson government's prickly blueprint for its parallel negotiations with the EU, which began on Monday (Tuesday AEDT).

Mr Henig pointed out on Twitter that Britain was asking the US for measures to ensure a level playing field in regulation and subsidies, having rejected EU requests for this in its cross-

Channel talks. The Johnson government has also resisted the EU's firm demands for formal consistency in the two sides' labour and environmental regulations.

"The UK will have to accept enforceable labour and environment chapters in a US trade deal, which we've said we won't in an EU deal. [But] now recall [that] negotiating with the US was supposed to provide us with leverage [in the EU talks]," he said.