

Brexit: The View from Australia

Written by Minh Bui

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The Commonwealth is a unique institution. It includes member nations from the continents of Africa, Asia, the Americas, Europe and Oceania – which vary in size and economic strength. Formed as a successor to the British Empire, the member nations have a shared inheritance in language, culture, the rule of law, history and tradition. This is especially so in relation to Australia, a nation that has a special historical relationship with the United Kingdom (UK). Indeed, Australian citizens residing in the UK at the time of the Brexit referendum were able to vote in it in virtue of this special relationship.

As a member of the European Union (EU), the UK is party to EU trade deals. Yet, after Brexit, the UK will have to start entering into separate trade deals with other individual nations. It has been claimed that trade deals between the UK and other Commonwealth nations would be easily done because of the similarity in institutions, shared history, and common knowledge. In September 2016, Australia and the UK established a bilateral Trade Working Group with a view to progress trade negotiations once Brexit formally occurs. Even before triggering Article 50, in around mid-March 2017, Commonwealth Trade Ministers met in London, including Australian Trade Minister Steven Ciobo. However, at this stage, any negotiations are simply preparatory.

As indicated above, the UK's trading position, post-Brexit, will view Australia as one of the countries with which a deal could be agreed fairly swiftly. Nonetheless, within these trade negotiations, it appears that Australia has a strong bargaining position given Australia's recent pivot towards the Pacific in recent times. Simply put, the UK needs Australia more than Australia needs it. For instance, the UK accounts for, only approximately 4% of Australia's total trade. The question that then arises is: what would Australia be looking for in a trade deal?

One potential focus area could be export of Australian agricultural products to the UK, a market which was lost in the 1970s when the UK joined the European common market. Another area of potential for Australia, however, is post-Brexit EU. Over the last decade, Australia has entered into multiple Free Trade Agreements (FTAs) with countries including China, Japan, and Korea. The ability to negotiate bilateral trade treaties has become increasingly important, as multilateral trade treaties such as the Trans-Pacific Partnership Agreement have become more challenging to finalise.

In general, however, Australia has had a strong relationship with the EU and there is no reason why this would change after Brexit. In April 2016, the EU signed a Framework Agreement with Australia with a view to progressing negotiations on a FTA. In April 2017, the scoping study was completed, and Australian Trade Minister Steven Ciobo will now seek a mandate from Cabinet to commence formal negotiations with the EU in relation to an EU-Australian FTA. The EU market has approximately ten times more consumers than the UK. While FTAs with both the EU and the UK post-Brexit are not mutually exclusive, it is arguably more beneficial economically to prioritise a FTA with the EU.

Immigration and movement between Australia and the UK will also be a core issue. In the past decade, as a result of UK's attempt to limit non-EU migration, the number of Australians living and working in the UK had decreased. In the post-Brexit geopolitical landscape, the UK will have more autonomy to decide its migration policy. In January 2017, Alexander Downer, Australia's High Commissioner to the UK, identified visa arrangements as an important issue between the two countries, which ought to be discussed in any agreement regarding movement of goods. Under the

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current immigration rules in the UK, Australians coming to the UK for work must obtain a Tier 2 visa, which allows them to stay in the UK for a maximum of five years, and must meet various work and financial requirements. Relaxation of financial requirements may be one of the things Australia seeks to secure in any agreement with the UK.

Australia's likely stance in negotiations with the UK needs to be considered in light of Australia's recent approach to immigration. On 18 April 2017, the Australian Government announced that the Temporary Work (Skilled) visa ("457 visa") will be abolished, and replaced with a new visa which will support businesses in addressing genuine skill shortages. This policy entails a reduction of visas issued to immigrants designed to ensure that "Australian jobs are filled by Australians" and that overseas workers, including those from the UK, can only work in Australia if they fulfill a critical need that cannot be filled by Australians. This strengthens Australia's bargaining position in negotiations with the UK if the UK seeks preferential treatment in terms of its citizens looking to work in Australia. Australia may use this as leverage given the recent announcement of new anti-migrant policies by the UK Prime Minister.

The fact that it may be relatively easy to enter into a trade agreement with the UK does not mean that it would be in Australia's best interest to do so. Australia's integration with the Asia-Pacific region in recent times means that Australia's dependence on the UK for the movement of goods and services is not as significant as it once was. Given Australia's current attitude to immigration, it is questionable whether the free movement of people between the UK and Australia is a key priority. What is clear is Australia's strong bargaining position.

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