Britain Returns to Oceania

By early 2021, Britain had finally settled all economic, political, and other issues about leaving the European Union, while actively strengthening trade and economic relations around the world, especially with countries that have historical and cultural significance. First of all, with the countries of Oceania, which only a century ago were part of the British Empire, namely, Australia and New Zealand, with which London has been negotiating a free trade agreement since June 2020. The signing of free trade agreements (FTAs) between Australia, New Zealand and the UK is a priority of British economic policy, which foresees that by 2023 the established FTAs around the world will account for more than 80% of the UK’s foreign trade turnover.

The unification of the Australian and New Zealand markets with the United Kingdom is a mutually beneficial goal that all three parties to the deal seek, especially since there is a high degree of openness and trust between them that has persisted since ancient times. Until the mid-20th century, Britain was a major trading partner for Australia and New Zealand, but by the 1970s trade and economic cooperation began to wane because of Britain’s accession to the European Economic Community (EEC). This led to the abolition of preferential access of Australian and New Zealand products to the British market. In response, Australia and New Zealand began to look to Asia-Pacific countries as new trading partners, and by 2021 China and ASEAN countries have pushed the European Union down to the third place in trade with Australia and New Zealand.
When Britain joined the EEC in 1973, Australia and New Zealand also began integrating their markets, starting with the Trans-Tasman Travel Arrangements (TTTA), which introduced a special visa regime and freedom of movement between Australia and New Zealand. Under the TTTA, New Zealanders and Australians were given the right to live and work freely in the two countries. Ten years later, in 1983, Canberra and Wellington signed the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA or CER), which proved to be one of the most successful free trade agreements in the world.

Since 2009, Australia and New Zealand are committed to the Single Economic Market (SEM), a program designed to create the most transparent business environment between the two countries. SEM is based on the CER agreement and aims to take innovative measures to reduce costs arising from conflicting or overlapping regulations in either country. The SEM program has already brought significant economic benefits by reducing the cost and simplifying the way companies do business in both states.

It is clear that the integration of the Australian and New Zealand markets with Great Britain will lay on an already fertile ground and bear great fruit.

Nevertheless, the United Kingdom faces certain difficulties due to the fact that London’s trade and economic ties with Canberra and Wellington have nevertheless been significantly weakened over the past 60 years. In recent years, about 70% of Australia’s trade and 60% of New Zealand’s trade was with Asia, of which China, of course, was the priority partner. And Britain’s share of trade with Australia and New Zealand was only 2-3%. Consequently, the British side will have to work hard to achieve the planned increase in trade with its Oceanian partners by 10-14%.

It should be noted that at present the main exports from Australia to the UK are gold (30%), wine (9%), and lead (8%). It is interesting to recall that in 2016, about 99% of Australian gold exports to the EU went to the UK. This was due to fears that Brexit could lead to a depreciation of the British pound and a slowdown of the UK economy. Australia also benefits from an FTA with the UK because some Australian agricultural products, for which China applies customs duties, can be redirected to the British market.

As for New Zealand exports to the UK, the bulk of it is agricultural products: meat (30%), wine (27%), fruit (5%). One should not forget that New Zealand is one of the world’s leading exporters of agricultural products, especially dairy products, of which the United Kingdom is one of the world’s largest importers.

At the same time, all three parties are equally successful in exporting services to each other, which accounted for about 50% of their trade turnover in 2019.

In turn, Britain will increase the supply of goods produced in such industries as automotive, engineering (passenger transport), textiles and pharmaceuticals (medicines) to the markets of Australia and New Zealand.

Yet in addition to the benefits of an FTA between the UK, Australia, and New Zealand, there are challenges for the Oceanian countries that they will have to address. Thus, prior to leaving the EU, Britain served as an auxiliary link between Australia, New Zealand, and the European countries. But from 2021 onward, Canberra and Wellington are faced with the task of strengthening and increasing their ties with such leading EU countries as Germany and France, with which Australia and New Zealand already have a respectable trade turnover.

Australia’s and New Zealand’s closer relations with France, neighboring with them in Oceania (it owns huge island territories in New Caledonia and French Polynesia), and Germany’s desire to strengthen the European presence in the so-called Indo-Pacific region (which implies the South China Sea) promise further expansion of cooperation, including in the military sphere, for the foreseeable future.

But such a turn of events could have a negative impact on relations with China, which in recent years has been actively promoting its own trade and economic “Belt and Road Initiative” in the South Pacific region, not to mention its position on the issue of the South China Sea. The presence of the United States in this complex arrangement should not be disregarded either. All in all, the Oceanian leaders — Australia and New Zealand, the European leaders — Great Britain, Germany and France, the Asian leader — China, along with the “major hegemon” — the United States — will have to build a very careful and balanced policy in the Pacific, which will, the author would like to hope, be based on the principles of mutual respect dictated by too many nuclear powers gathered in too small a space.

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