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| Year 12 Economics ATAR  Unit 3  Australia signs UK free trade deal | |
| Description of task | Students will read an article titled *“Australia signs UK free trade deal, scrapping import tariffs and opening British jobs market”* that describes how Australia and the United Kingdom have formally signed a free trade deal which is expected to make it easier for Australians to live and work in Britain, as well as eliminating or phasing out tariffs on a vast range of products. Students then answer a series of questions related to the article. |
| Assessment Conditions | Students will have 20 minutes to answer all questions.  12 marks in total. |
| Content from the Year 12 Economics ATAR curriculum | **Free trade and protection**  1. the significance of trade for the Australian economy 2. sources of comparative advantage 3. demonstrate the gains from specialisation and trade i.e. the theories of absolute and comparative advantage, using the demand and supply model, the production possibility frontier model and/or the concept of opportunity cost 4. arguments for and against trade liberalisation 5. the influence of trade agreements, organisations and blocs on world trade |
| Economic Skills | * Economic Reasoning and Interpretation * Communication |
| Task preparation | |
| Prior learning | Students are familiar with the following economic knowledge and understandings:   1. linkages between economies, including trade, investment, tourism and immigration 2. the patterns and trends in global trade 3. the concept, and determinants, of international competitiveness |
| Assessment task | |
| Resources | **“Australia signs UK free trade deal, scrapping import tariffs and opening British jobs market”** by Stephen Dziedzic, ABC News, and published on 17 December 2021.. Retrieved February 2022, from <https://www.abc.net.au/news/2021-12-17/australia-signs-free-trade-agreement-united-kingdom/100706992> |

**Question 1**  **(12 marks)**

This question refers to the edited extract below, which is from an article by Stephen Dziedzic, ABC News, and published on 17December 2021.

# Australia signs UK free trade deal, scrapping import tariffs and opening British jobs market

Australia and the United Kingdom have formally signed a free trade deal which is expected to make it easier for Australians to live and work in Britain, as well as eliminating or phasing out tariffs on a vast range of products, including lamb, beef, sugar and dairy.  Prime Ministers Boris Johnson and Scott Morrison [announced an in-principle agreement on the FTA back in June](https://www.abc.net.au/news/2021-06-15/australia-united-kingdom-trade-deal-morrison-johnson/100215368), but negotiators have spent the past six months finalising the text.

Today, the two countries formally agreed to immediate tariff-free quotas on a number of Australian exports, with plans to scrap the taxes entirely in a decade, as well as cutting $200 million worth of costs imposed on imported British cars, whisky, confectionery, biscuits and cosmetics.

Trade Minister Dan Tehan said "This is the most comprehensive and ambitious free trade agreement that Australia has concluded, other than with New Zealand. It demonstrates our countries’ commitment to free trade as a driver of economic growth and stronger bilateral relationships."

It is the first new free trade deal struck by the United Kingdom since it left the European Union and has been publicised by Mr Johnson as evidence that Britain can strike out on its own and open up new markets to soften the economic impact of Brexit.

To secure the deal, Mr Johnson had to reassure the UK farm lobby, which warned that a flood of Australian agricultural exports could hurt British farmers. In contrast, Australian farming groups gave full-throated backing to the FTA, saying it would provide farmers with welcome new export opportunities.

For both countries, though, the total economic benefits are modest. Modelling from the British government suggests the deal could boost trade between the United Kingdom and Australia by around $19 billion "in the long run" while the UK’s GDP may increase by about $4.2 billion by 2035.

1. (i) State the aim of a ‘bilateral trade agreement’. (1 mark)

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(ii) According to the article, identify how much the free trade deal could boost trade

by between Australia and the United Kingdom (UK). (1 mark)

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1. With reference to the article, outline **two** ways Australians are expected to benefit from the Australia-UK free trade deal. (2 marks)

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1. Explain why the UK farm lobby had concerns about the free trade deal. (2 marks)

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1. Using an appropriate model, demonstrate and explain how the Australia-UK free trade deal may benefit Australian exporters, employment and economic growth.

(6 marks)

Model

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**Marking Key**

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| **Part** | **Description** | **Marks** |
| (a) | * (i) Bilateral trade agreement aims to increase trade between two countries by reducing and/or removing barriers to trade. * (ii) Trade between the US and Australia could be boosted by $19billion in the long run, according to the British Government modelling. | 1  1 |
| (b) | *Any two benefits from the article*   * Make it easier for Australians to live and work in Britain * Eliminating and phasing out tariffs on a vast range of products, including lamb, beef, sugar and dairy, increasing Australia’s agricultural exports. * Cutting $200m worth of costs on British cars, whiskey confectionary, biscuits and cosmetics, making imports cheaper for Australians | 1-2 |
| (c) | * UK farm lobby concerned that a ‘flood of Australian agricultural exports could hurt British farmers’. * Cheaper agricultural imports from Australia could damage British agricultural production, reducing output and employment in agriculture in Britain as consumers switch to cheaper imports. | 1-2 |
| (d) | * Correctly labelled D/S model showing gains from exports OR removal of Tariff   Students can explain impact on different sectors of the economy. Can include but not limited to;  **Export Industries**   * Australian agricultural exports increase as market size increases (reduction and phasing out of tariffs). * Increases in efficiency gains as resources are allocated to competitive export industries * Increase in profits for exports could be reinvested into the industry, expanding the capacity * Producer Surplus increases due to higher volumes of exports sold * Example: dairy, beef, sugar, lamb, agricultural goods   **Economic Growth**   * X’s increase which increases AD and economic growth * Increased national income due to rising exports leads to increased consumption spending, AD and economic growth * Cheaper imports results in an increase in HH real income (increase in consumer surplus due to reduced tariffs) , leading to higher consumption spending, increasing AD and economic growth.   **Employment**   * Increased exports and thus production leads to increased demand for labour which increases employment in export industries. * May be some short run structural UE in uncompetitive, inefficient industries that struggle to compete with cheaper imports as a result of reduced costs of British imports. * Efficient allocation of resources leads to improved productivity and employment growth in the long run. | 1-2  1-4 |