Proposal for an Australia - European Union Free Trade Agreement

Australian and European Stakeholder Preliminary Perceptions Research

REPORT

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Contact: Pete Wilson
GA Research
Level 4
151 Macquarie Street
Sydney NSW 2000
02 9552 8996
pwilson@garesearch.com.au
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Note to the Reader

In preparing this report we have presented and interpreted information that we believe to be relevant for completing the agreed task in a professional manner. It is important to understand that while we have sought to ensure the accuracy of all the information incorporated into this report, information has been gathered through qualitative interviews among stakeholders and is not statistically representative.

Where we have made assumptions as a part of interpreting the data incorporated in this report, we have sought to make those assumptions clear. Similarly, we have sought to make clear where we are expressing our professional opinion rather than reporting findings. Please ensure that you take these assumptions into account when using our report as the basis for your decision-making. We are more than happy to discuss the analysis and recommendations with you.

This project was conducted in compliance with AS: ISO20252 guidelines.
EXECUTIVE SUMMARY

GA Research in partnership with the European Australian Business Council (EABC) have undertaken a preliminary perceptions research to map out Australian industries’ attitudes towards a free trade agreement (FTA) with the EU. The research also explored what stakeholders perceived as being the risks and benefits of a potential future FTA between Australia and the EU.

Interviews with relevant stakeholders were conducted in both Australia and Brussels.

A FTA with the EU was supported by participants

Overall there was support among the participants for a FTA between Australia and the EU. However, some participants raised the concern that starting negotiations with the EU could divert resources away from Australia’s other current negotiations. The resource constraint was also raised by a EU participant noting that the EU’s ongoing negotiations with the US and Japan would be one of the obstacles in the way of starting work on a FTA between Australia and the EU.

It is worth noticing that none of the participants were directly against or had negative attitudes towards a possible FTA between Australia and the EU.

All areas of trade to be included

Participants were divided on the scope of an agreement. A small majority was in favour of a comprehensive agreement covering all areas of trade, while others suggested that the Australian government take a pragmatic approach and focus on getting an agreement only including certain areas.

It was argued that a pragmatic, sectoral approach would get the negotiations underway faster, and would deliver tangible results in quickly. The participants suggested that a smaller agreement of limited reach subsequently could be expanded to become more comprehensive over time.

One Australian industry group participant raised the concern that too many bilateral trade agreements would result in a ‘noodle bowl’ of contradicting and overlapping agreements. Rather than facilitating trade for Australian businesses it would make it more complex. To that end some participants emphasised the importance that any bilateral FTAs should be WTO consistent.

Mobility of labour is a top priority

Participants were asked what areas they regarded most important in a FTA with the EU. The areas that most participants found important were the mobility of labour, including all measures that will make it easier for people to come to Australia to work. In particular there was a request that an agreement should address the recognition of skills and qualifications.

It was also noted from both Australian and EU participants that the trade in services make up a large part of the EU-Australia trade and thus should be included in an agreement.

Harmonisations of certification and standards as well as reduction and streamlining of regulation more broadly were also brought up as important areas to be included in a FTA.

Risks and benefits

The main benefit of a FTA with the EU was perceived to be access to the EU market of 500 million people. Some participants, however, were concerned that the Australian advanced manufacturing sector would risk being squeezed out of the market by European competitors.
There was also a fear among participants that a FTA could potentially force Australia to adopt unbusiness friendly EU standards.

**The time is now**

It was noted from both EU and Australian participants that the financial situation in the EU combined with the change of government in Australia represents a window of opportunity for both sides to get a FTA in place.

It is worth noting that some participants raised concerns that not having a FTA with the EU would in fact disadvantage Australia compared to its competitors such US and Canada which are currently negotiating trade agreements with the EU.

Moreover, in order to get the best possible agreement EU participants advised Australia to start trade negotiations with the EU as soon as possible as once the agreement between the EU and the US, the so-called Transatlantic Trade and Investment Partnership (TTIP) agreement is concluded (expected 2015), it will be much harder for Australia to influence negotiations with the EU as the TTIP will be used as a “gold standard”.

**Challenges**

EU participants highlighted political conditionality as a significant component of a potential FTA while most Australian participants were firmly against including such chapters.

In addition, concerns were raised by multiple participants in regards to Intellectual Property and Investor State Dispute Settlement provisions in a FTA.

Finally, while both Australian and EU participants agreed that both sides need to be pushing for an agreement there was a general expectation that Australia will have to be the main advocate for commencing negotiations as Australia is perceived to benefit more from a FTA.
BACKGROUND

EU as a bloc is Australia’s second largest import market, and fourth biggest export market yet this is often neglected. This is proven by the fact that EU remains the only large trading partner Australia is not currently in negotiations with or already have a trade agreement in place with.

An Australia EU FTA has been a long standing policy objective of the EABC. Alastair Walton President, EABC in his 2013 ANU Lecture Moving Beyond “Common Values and a Shared History” - Negotiating a Comprehensive Free Trade Agreement between Australia and Europe articulated the case for a FTA.

...Australia needs to focus its trade negotiation resources on those areas most likely to improve our domestic productivity and where there is a reasonable prospect of a substantial FTA being concluded.

Comprehensive FTA negotiations based on the Canadian model would also reshape Australia’s overall EU relationship and could be the basis for the type of necessary structural and labour reforms advocated by Ross Garnaut.

This call has been picked up by the Federal Coalition and the Foreign Minister. The Coalition’s Policy for Trade (September 2013) released at the end of the Federal Election campaign states:

*The Coalition is committed to high-quality, comprehensive free trade agreements that produce tangible benefits for the Australian people.*

*We will devote increased resources from within the Department of Foreign Affairs and Trade to fast track the conclusion of free trade agreements with China, South Korea, Japan, India, the Gulf Cooperation Council and Indonesia.*

*We will also explore the feasibility of free trade agreements with other trading partners including the European Union, Brazil, Hong Kong, Papua New Guinea, South Africa and Taiwan. (emphasis added)*

GA Research in partnership with the EABC have undertaken a preliminary qualitative research project to map out Australian industries’ attitude towards a free trade agreement with the EU. The research was supplemented by interviews with key stakeholders in Brussels.

OBJECTIVES

The aim of the research was to explore how stakeholders across all industries view trade relations and investment with the EU and what they perceive as being the risks and benefits of a potential future FTA between Australia and the EU.

More specifically we wanted to explore:

- Attitudes towards a FTA with the EU
- Scope of a FTA with the EU
- Key features of a FTA
- Perceived risks and benefits of a FTA
METHODOLOGY

GA Research conducted a series of 18 unattributable in-depth interviews with key stakeholders across major industries in Australia. To supplement this Kreab Gavin Anderson in Brussels conducted five informal interviews with EU stakeholders.

The interviews were conducted between October 3 to November 14 2013.

Three interviews were conducted face-to-face, with the rest by telephone to allow stakeholders maximum flexibility. The interviews averaged 25 minutes in duration and were conducted by GA Research Executive Associate Lars Madsen, Research Director Damon Jalili and Kreab Gavin Anderson Partner Michael Morgan.

The question line comprised approximately 11 questions, mostly open-ended and of a qualitative nature to allow for the tracking of perceptions. See Appendix II for the interview discussion guide.

The interviews in Brussels were conducted by Kreab Gavin Anderson President and Head of Trade and Competition Sebastian Remøy, and Associate Maroussia Klep.

The full list of participants who were interviewed is provided in Appendix I.

De-identified verbatim quotes from participants are shown in blue italic font in this report.

The report draws out the main themes that emerged from the interviews and is structured broadly according to the interview guide (Appendix II).
KEY FINDINGS

1. Attitudes towards a FTA with the EU

The 16 participants were asked about their view on Australia negotiating FTAs in general, and subsequently how they would view Australia entering into a FTA with the EU.

Majority were in favour of FTAs in general

Twelve of the participants strongly supported Australia negotiating FTAs in general. The participants generally acknowledged the theoretical merits of free trade and thus supported the concept in general. This group included participants from all groups i.e. companies, industry bodies, government and trade specialists.

Many in favour of a FTA with EU although there were some concerns of diverting resources away from current negotiations

On the question on how the participants would view Australia negotiating a FTA with the EU, eight participants said they were in favour. One of the EU participants stressed the importance for the Australian government not focusing too much on Asia.

If we can knock down more non-tariff barriers, liberalise tariff between us [and]... open up benefits to that market[EU] the market is big. [If] we can make it attractive to EU businesses to come to Australia and invest into Australia as their gateway to the Asian market we will win in every direction. (Trade specialist)

Europe is important due to its size and scale of the European economy and relationship between businesses as well as cultural links between Europe and Australia. (Industry group)

EU is Australia’s only large trading partner we don’t have an agreement with yet, so it does stand out in that regard. (Government)

Australia should not be too focused on what the previous government dubbed the ‘Asian century’ and understand that it has to ‘hedge its engagement’ and that Europe is not a market that has peaked. (EU participant)

Some of the Australian participants were concerned about Australia’s resources to negotiate FTAs and said Australia should be careful in entering into additional negotiations. The resource constraint was mirrored at the EU level as EU participants pointed to EU’s ongoing negotiations with US and Japan as one of the obstacles in the way of an agreement.

Given that Australia is currently engaged in nine other negotiations a risk would be that Australia doesn’t have the sufficient negotiator resources to ensure the deal is comprehensive. (Industry group)

Australia has a lot on its plate in terms of ongoing negotiations and while it has got good resources it doesn’t have limitless resources to negotiate these FTAs. Hence Australia should focus on the countries that give Australia the most benefits. (Trade specialist)

We are cognisant of the limited amount of resources to negotiate agreements at one stage. We need to prioritise and we already have significant negotiations. We would hate to see efforts taken away from current negotiations. (Industry group)
EU will not be making this a great priority while they are still negotiating with the US. Australia would then be spending a lot of effort without having the chance to succeed. (Industry group)

Six participants did not reject the idea of Australia negotiating a FTA with the EU but expressed reservations.

We already have quite liberal trade and investment with the EU, so I don’t know what the advantage of a free trade deal with Europe is. (Industry group)

We are always interested in agreements that give [us] better than ‘business as usual’ outcomes. The issue here is; where do the new potential agreements fit on the priority list in relation to the current negotiations. We would be supportive of new agreements on the basis of the top four [China, TPP, Japan, South Korea] plus India and Indonesia being concluded first. (Industry group)

One Australian participant said that Australia should not be focused on EU if Australia could get a better agreement in another of its top markets.

We have to look at where the most value is. Hence if the EU turns out to be too hard to negotiate with then we should pick some of our other top markets to negotiate FTAs with. (Industry group)

Overall there was a majority support for FTAs in general but also for a FTA between Australia and the EU in particular.

The group of participants more hesitant towards a FTA between Australia and the EU were generally not opposed to Australia pursuing an agreement, the main concern however, seemed to be the perception that FTA negotiations with the EU would divert resources from other ongoing FTA negotiations which the participants would like to see concluded first.

It is worth noticing that none of the participants were directly against or had negative attitudes towards a possible FTA between Australia and the EU.
2. Scope of a FTA with the EU

Participants were asked whether they preferred a comprehensive FTA agreement or if they would rather see the government taking a pragmatic approach, focusing only on a few sectors, if it was to negotiate a FTA with the EU.

As comprehensive an agreement as possible

A small majority of the participants expressed the view that a FTA with the EU should be as comprehensive as possible and preferably not exclude any sectors. A few participants in this group also emphasised that a FTA with the EU should be WTO consistent.

We wouldn’t want to see a limited agreement or a non-WTO consistent agreement which doesn’t apply substantially to all trade. It would have to not only focus on goods but also include services and investments. (Industry group)

A comprehensive FTA is the best thing to have… People may talk about ‘empty chapters’ where Australia and Europe already agree to the letter and we can just drop in the text and shake hands. But that doesn’t mean it is empty. It means we can easily harmonise policy over one area, and it doesn’t take much time to do. The hard parts are always going to be the hard parts, if you cut away everything you agree on and say we’re just going to go for the hard parts you’re not really going to cut down on negotiations. What you are going to cut down on is the good will that you have in all the areas where you agree. It is good to have things you agree on going into negotiations otherwise you will have a hard slug all the way through. (Trade specialist)

There shouldn’t be any sacred cows, we certainly want to see agriculture as a large part of the agreement. (Industry group)

A FTA that is not WTO consistent will cause a ‘noodle bowl’ of agreements and complicate international trade for Australian businesses

One industry group participant raised the concern that too many bilateral agreements would result in a ‘noodle bowl’ of contradicting and overlapping agreements. This will complicate, rather than simplify, international trade for Australian businesses.

Bilateral agreements need to be designed with a framework in mind that builds up agreement amongst countries to sign up to the WTO. Otherwise, we get a "noodle bowl" of various agreements that overlap and contradict each other and become too difficult to navigate and manage by business, creating a bigger burden for them. The trade deals we have with Malaysia and the way they overlap and interact are a perfect example of this. Business needs to be able to identify whether the end user of their export is Malaysian to determine the terms under which they can export and that can be a costly and inaccurate thing to identify. (Industry group)

Let’s be realistic - a sectoral approach is better

There was a group of five participants who preferred the Australian government to take a pragmatic and more sectoral approach to negotiating a FTA with the EU. The reason for preferring a less comprehensive agreement varied.
Some participants were cynical about the notion of a FTA.

*There is no such thing as ‘free trade’. A FTA is really just saying ‘let’s liberalise as much trade as we can and agree about what we are protecting.* (Trade specialist)

Some of the participants argued that the comprehensive agreement would hamper Australia’s ability to respond to future domestic challenges.

*Australia should avoid comprehensive agreements if it means locking in domestic ability to regulate and change domestically. Particularly if it’s locking in on preferential terms. You want agreements that facilitates trade, not agreements that reduce your flexibility to change regulation domestically.* (Government)

Some of the trade specialists argued that a pragmatic, sectoral approach would get the negotiations underway faster, and would deliver tangible results quickly. The participants suggested that a smaller agreement of limited reach subsequently could be expanded to become more comprehensive over time.

*The failure rate is high on these things, they get stuck because of political reasons without laying blame on one party or another. I would focus on a couple of areas to start with but be very clear that the program would be to move to free trade over a period of time. I think we should focus on agriculture from an Australian viewpoint although it would be hard... instead of taking agriculture you could break it up and focus on beef and wheat, and then you get started, you get something to show people.* (Trade specialist)

*We should try and find common ground and build trust. It doesn’t have to be many areas. It could be as little as one area and then every year we can add to that list. Let start with where we can agree and leave the nasty areas til last.* (Trade specialist)

**Limited understanding of what ‘comprehensive’ means**

Despite a majority of the participants said they preferred a comprehensive agreement, it was clear that the participants have a limited understanding of what a comprehensive agreement entails. Although many of the participants appreciate the theoretical merits of free trade there was a lack of knowledge of the political and social clauses that often are attached to FTAs.

*Most companies don’t pay attention to this area [trade agreements] if there is not a specific issue impinging on their business. That’s why a lot of companies would say that they want a comprehensive agreement, despite it not being in their best interest.* (Government)
3. Key features of a FTA

Participants were asked what areas or issues in their view are most important for a FTA to address. The features that came up most frequently are listed below in descending order of importance.

- Mobility of labour (including recognition of skills and qualifications)
- Investment
- Professional Services
- Agriculture
- Harmonisation of certifications and standards (incl. accounting, legal, consumer, labelling)
- Tariff reduction

A common theme that came up in many of the interviews was mobility of labour. This area includes any measures that makes it easier for people to come to Australia to work. Furthermore, there was a particular focus on recognition of skills and qualifications.

"Anything to support migration, or ‘mode-four’ as it’s called in WTO terms, would be beneficial for Australia, including recognition of professional qualifications and educational alignment. Including that [in an agreement] would be fantastic."

(Company)

"Australia is considered a third party country in the EU and it causes a lot of difficulties in terms of staff flows... and that would be greatly facilitated [by a FTA]."

(Industry group)

"The visa restrictions need review in terms of length of stay but also the restriction on working here for a short period. That is popular form of tourism."

(Industry group)

Also investment was perceived to be an important area to be addressed in a FTA.

"It should be more focused on the investment part of it rather than the goods part of it as the merchandise trade to the EU is relatively limited accounting for about 10% of our global trade whilst goods and services are over represented."

(Industry group)

"There would be some significant benefits in services and investments in particular...EU has significant investors in Australia, with UK being the second largest foreign investor with about 25% of the Foreign Direct Investment stock."

(Industry group)

It was also noted that the services trade is a significant part of the economy and it would be important to include this area in an agreement:

"The NSW economy is a diversified economy where services take up around 85% so export of services is obviously important to us. The two-way professional services trade includes financial and other professional services, design and ICT."

(Government)

"Financial and professional services would be the big beneficiaries [of a FTA]."

(Industry group)

In the interviews with EU participants there was a perception that it is in the services trade most benefits can be achieved for both parties."
Harmonisations of certification and standards as well as reduction and streamlining of regulation more broadly, were also brought up as important areas to be included in a FTA.

Certification should be discussed more seriously in the context of a FTA. It is thought to be a detail but the problems are often in the details, so I’d like to see some more thought being given to that. (Industry group)

[The benefits are] mostly about non-tariff barriers and streamlining regulatory processes. (EU participant)

In terms of market access we don’t run into stumbling blocks as such. The issue we have is more often than not, intra-Europe. If we have a view that Europe is one market – then that’s a flawed view...Where I see the benefit of a FTA is where such an agreement irons out some of those intra-European issues. That would benefit our European operations. (Company)

Agriculture and tariff reduction were features that also were mentioned frequently in the interviews as important areas to be included in a FTA with the EU, however few participants provided further details on the aspect of these features.
4. Perceived risks and benefits of a FTA

Access to half a billion EU consumers is the main benefit for Australia

Participants were asked what they believed would be the potential benefits of a FTA between Australia and the EU. The main benefit of a FTA was believed to be gaining access to the EU market.

"Australia would really benefit if we could get agriculture in an agreement and open up that market. EU is a huge market. We don’t fear that EU will flood our market. The scale of our market is simply too small to be worth it. It costs a lot to export and we already produce a lot so it would mainly be top-end products we’ll see coming into the country. (Industry group)"

"EU [countries] are huge investors in Australia, and it’s a huge market. Despite their current growth situation EU is, on average, a growing economy. (Trade specialist)"

"Australia would gain access to a 500 million people market. (Trade specialist)"

While most participants perceived the removal of import/export barriers as a positive, some participants were concerned that Australia might be driven out of certain sectors due to EU businesses becoming more competitive.

"Europe is very good at high-end advanced manufacturing and that might crowd out the market. If European companies decided to come to the Australian market that might push Australian companies out of the market. (Industry group)"

This concern was addressed by both trade specialists and industry groups arguing that while some Australian industries might find it harder to compete, it wouldn’t necessarily be a problem.

"It is not a problem that there are losers, it should not keep us from negotiating, we just have to consider the effect it will have on our economy. (Trade specialist)"

A FTA can spur a creative and more competitive manufacturing sector in Australia

Some argued that cheaper inputs for a range of industries would make Australian industries more competitive.

"The import of European goods, both capital goods and consumer goods, into Australia is huge, so a FTA would be advantageous to Australian producers and consumers. Manufacturing, mining and, to some extent agriculture, would benefit from being able to buy their inputs at lower prices and would become more competitive. Being able to import more cheaply from the EU would be the biggest benefit for Australia. (Government)"

"The manufacturing sector could be a winner. It would create creativity – the manufacturing sector of the 90’s won’t be beneficial to anybody, if the manufacturing sector want to be efficient it is going take vision and willingness to be part of the evolution. (Trade specialist)"

While there was some concern about increased imports from the EU impacting Australia, there was also a group of participants who argued that increased imports would not have much impact. Rather, it was suggested that this might in fact drive a creative and competitive manufacturing sector.
Being considered an equal partner in R&D would be beneficial

Research and development both in the education and private sector was also an area that was perceived to benefit from an agreement, as it would make resources in the EU available to Australian universities and businesses.

*The EU, in particular, is interesting for us in terms of research collaboration. The EU has a research funding program which is called ‘Horizon2020’ which is about €70 billion or AU$100 billion. Access to this would be facilitated by a FTA because the connection between Australian universities with European companies would be facilitated.* (Industry Group)

*If Australia was considered as part of ‘their own’...R&D would benefit from being considered on an equal partner basis particularly in health and green technology.* (Industry group)

*If you can get in and be treated as an equal [compared to an EU member state] in terms of market access a lot of non-tariffs barriers would disappear as well.* (Industry group)

**A FTA with EU would be a significant economic reform**

Some of the participants talked about the importance of a FTA with the EU as a significant economic reform with one participant comparing it to the floating of the dollar in 1983.

*The biggest advantage Australia has gained in trade since the 1970s has come from lowering our own barriers to trade and improving the competitiveness of our own services industries. Australia is a small country in a big world so lowering our own cost structure will help us produce more cheaply and help us export more.* (Government)

*There will always be a sectoral loser, our car industry would probably suffer. But what does that tell you – you have to adapt quicker. One of the best things that ever happened to us as a country was floating the dollar. Because it forced change regardless of politics. Free trade is the same, it forces people to adapt. And that produces a lot of opportunities.* (Trade Specialist)

**Fear of having to adopt EU standards and regulation**

Other risks and challenges pointed out by participants included the EU forcing Australia to adopt EU standards and regulation in various areas.

*EU is very protective of its citizens and consumers and it’s looking at things like ‘conflict minerals’ and responsible business [CSR] and I think Australia might find these rules very un-business friendly.* (Company)

*The EU will also demand separate environmental chapters and the current government will fundamentally disagree on climate change.* (Industry group)

*EU would want Australia to adopt their standards on privacy on financial transactions. There are currently two standards, a US and a EU one. The EU will be pushing for Australia to adopt the EU standard which will make EU more powerful pursuing its global agenda of having the EU standard prevail.* (Trade specialist)
5. Timing and process

The time is now

It was noted from both the EU and Australian participants that the financial situation in the EU combined with the change of government in Australia represented a window of opportunity for both sides to get a FTA in place.

*Europe is currently doing it tough but will eventually come back and then happens it would be good to have strong trade relationship in place.* (Industry group)

*Despite the current hick up, the EU market is huge. A very rich and diverse market. The Australian economy would benefit greatly from a FTA.* (Industry group)

*Catching the EU when they are down is a good way to make them open up because they need to grow and reverse the downward cycle... it's a good time for it. Europe is seeing the light at the end of the tunnel and they want engines to drive that growth.* (Trade specialist)

*We should seize the political momentum and start a scoping exercise by the beginning of 2014. EU’s FTAs with Canada and Singapore are the best examples to follow.* (EU Participant)

**Not entering into a FTA could disadvantage Australian business compared to its US and Canadian competitors**

It is worth noting that some participants raised concerns about how not having a FTA with the EU would disadvantage Australia compared to its competitors which are currently negotiating trade agreements with the EU.

*Australia’s competitors are also active in the FTA space, especially US and Canada. We’re nervous that when these agreements are concluded Australia could be losing market share, as that would mean they [the US and Canada] would have a competitive price advantage.* (Government)

*One risk is that Australia becomes increasingly competitively disadvantaged against other trading partners, particularly if there is movement in the US-Europe trade agreement or if other competitors are getting in before us and put our goods, services and investment at a disadvantage.* (Industry group)

In the interviews with the EU participants it was noted that the EU’s current negotiations with the US regarding the Transatlantic Trade and Investment Partnership (TTIP) are of relevance to Australia and a potential FTA with the EU. The TTIP is to set the standards on a broad range of issues, which would influence future EU trade negotiations and thus also impact future trade relations with Australia.

The TTIP negotiations between the EU and US agreement is the number one focus at the EU level in terms of trade relations. Once the TTIP is agreed (expected 2015), it will be much harder for any trade partner to negotiate with the EU as the TTIP will be used as a "gold standard"

It is thus crucial for Australia to engage sooner rather than later in trade discussions with the EU in this context in order to be able to get the best possible agreement for Australia.
**Laborious negotiations can be avoided if the political will is present**

While amongst some participants there was an expectation that the negotiations would be laborious and convoluted others stressed that this depended on the political will from both sides as well as an active business community.

*If the Australian government is serious about this it wouldn’t take three years to conclude a comprehensive FTA. It can be done under three years if there is the commitment to do it. There is a real problem of distance – the government would have to travel to Brussels and Brussels would have to come here.* (Trade specialist)

It is acknowledged by an Australian government agency that business consultation is pivotal to the negotiation process.

*There is always the danger of having bureaucrats negotiating these agreements – how are they getting ‘intel’ from the business community? The process must include enough consultation with businesses on both sides of the fence. The best intentions may often be foiled by lack of input.* (Government)

**But an agreement will not deliver instant gratification**

Some participants warned against the perception that an agreement would deliver instant results.

*Politicians think that once the agreements are signed everything is solved...but business doesn’t work that way. It takes time to gain momentum and it will be sector by sector. It won’t be an economy-wide rush to Europe, it will be where sectors see themselves having a competitive advantage.* (Government)

*FTAs don’t deliver instant gratification. An agreement is just the beginning of the trade relationship. The benefits to the consumers take a long time to come through.* (Trade specialist)
6. Sticking points and challenges

Political conditionality is a determining factor for the EU to enter into an agreement

EU participants highlighted political conditionality as a significant component of a potential FTA.

*Business support for the signature of a Partnership and Cooperation Agreement and acceptance of the political conditionality clause by the Australian government could be determinant in moving forward on the EU-Australia relation and FTA negotiations.*

*(EU participant)*

*The political conditionality clause within the Partnership and Cooperation Agreement remains the biggest obstacle in moving forward on a possible EU-Australia FTA.*

*(EU participant)*

However most Australian participants were firmly against including such chapters.

*...there are a range of value areas where we don’t see eye-to-eye such as human rights, legal rights of refugees, Aboriginal land rights and gender equality. The EU might require Australia to move quicker than Australia is prepared to.*

*(Industry group)*

*A FTA should focus on trade and not be about values. Keep value judgments out of it.*

*(Government)*

*We need to be focussed on a trade agreement that doesn’t have social chapters or environmental chapters.*

*(Government)*

Mutual agreement on standards

Reaching an agreement on recognition of standards, particularly in the services industries, could prove to be difficult.

*Agreement on the use of standards in services industries[ will be a sticking point]. The EU like to use their own, while we prefer international standards. We need to negotiate mutual recognition.*

*(Industry Group)*

Geographical indications

Participants from both Australia and the EU pointed to geographical indications as a potential sticking point.

*...take the dairy sector...some will have problems such as those exporting Parmesan and Feta cheese. Not only will they not have access to the EU market but the EU will try to deny them access to third country markets. They will in fact ask for Feta and Parmesan here [Australia] – saying these are actually European products that are specific to Italy and Greece we don’t want Australia using [their names] in its home market.*

*(Trade specialist)*

Most Australian participants want Investor State Dispute Settlement provisions and Intellectual Property provisions kept out of any agreement

As mentioned above the majority of the participants would like to see a comprehensive agreement, however concerns were raised by multiple participants in regards to Intellectual Property (IP) and Investor State Dispute Settlement (ISDS) provisions.
Too stringent IP protection can be detrimental and to the extent that a FTA provides more stringent conditions that favours one side may end up causing more damage. (Government)

An agreement should not grant investors significant procedural rights to foreigners that are not available to local residents. With the Australian and EU legal systems working well ... we really shouldn’t have any Investor State Dispute Settlement provisions in an agreement.

It should be noted, however, that some of the participants, said that it was important not to rule out IP or ISDS provisions from the beginning in order to maintain a better negotiation position.

We don’t agree with the refusal to consider Investor State Dispute Settlement clauses. There shouldn’t be any artificial obstacles in the way of an agreement before starting a negotiation, everything should be on the table, and negotiators should have it at their disposal for a range of negotiating tactics to try and reach the best deal they can. (Industry group)

Ruling out areas such as IP, ISDS provisions before the negotiations start is a mistake. (Trade specialist)

The EU has supported the inclusion of ISDS provisions in recent trade agreements as it says it is an effective tool for investors to ensure that trading partners commit to the obligations they have guaranteed in the agreement. Thus it can be expected that the EU will demand ISDS provisions to be included in a FTA with Australia.

Australia expected to be the main advocate for an agreement

While both Australian and the EU participants agree that both sides need to push for an agreement there was a general expectation Australia would have to be the main advocate for commencing negotiations as Australia is perceived to benefit more from a FTA.

The Australian perspective:

We need something on the table that makes [an agreement] an imperative to the EU. Australia has to be creative in what we’re offering to get the EU to the table. Maybe Australia could be the gateway into Asia. If we can make Australia a favourable place to do business we’re offering much more than just our 24m people. (Trade specialist)

There would need to be wins for the EU. No FTA is only one way so we need to balance that with our interests. We’d give what we’re comfortable to give provided we get what we want. (Government)

The EU perspective:

It’s hard to show [European] companies the potential upside to entering the Australian market. Most companies don’t appreciate that fact or even know the fact that Australia is the world’s 12th largest economy. There is certainly a lack of understanding of where Australia is heading and how closely aligned it is with the fortunes of the growing Asian markets. (EU participant)
EU businesses must make the business case for an agreement with Australia, and point out what issues it should resolve. Because trade relations with Australia are not particularly problematic, people will need convincing why we must do this, when resources are already stretched. (EU participant)
APPENDIX I

List of participants

Industry Group
The Accommodation Association of Australia
The Australian Industry Group
The Group of Eight
Business Council of Australia
The Winemakers’ Federation of Australia
The National Farmers Federation
Australian Services Roundtable
Australian Chamber of Commerce and Industry

Government
The Productivity Commission
Department of Foreign Affairs and Trade
Australian Trade Commission
NSW Industry and Investment

Trade specialist
Crescent Capital Partners
Minter Ellison

Company
Orica
BHP Billiton
BDO Australia

EU participant
The German Chamber of Commerce and Industry
Diplomat to the European Union
The European External Action Service
The Directorate General for Trade of the European Commission
EU Diplomat to Australia
The European Parliament’s International Trade Committee
APPENDIX II

Interview guide

1. How would you describe your interest in Australia negotiating free trade agreements (FTAs) in general?
   - How is your personal perspective different from that of your organisation and your industry?
   - Which, of the current free trade agreement negotiations are you most interested in?

2. The New Foreign Minister, Julie Bishop has announced that the Coalition Government will “…explore the feasibility of free trade agreements with other trading partners including the European Union, Brazil, Hong Kong, Papua New Guinea, South Africa and Taiwan”.

   Would you say you are in favour or opposed to Australia negotiating a free trade agreement with these countries or does it make no difference to you?
   - Is there any one of them that should be given greater priority or one that you think should be dropped?

3. In regards to a possible free trade agreement with the European Union, what would you say are the opportunities or benefits for Australia?
   - What risks or problems do you see for Australia in entering into a free trade agreement with EU?
   - What matters do you think are most important and thus must be included in a FTA?
   - Are there matters that could or should be excluded from a potential FTA between EU and Australia?
   - Are there any other issues or risks confronting negotiating a free trade agreement with the European Union?

4. Would you have any concluding remarks around the new government’s agenda in regards to FTAs?
APPENDIX III

About GA Research

GA Research is a specialist market and social research firm with particular expertise in projects related to:

- Stakeholder research
- Corporate positioning
- Evaluation research
- Financial transactions
- Issues management
- Social research
- Community research
- Behaviour change research
- Communications materials research

We work across a wide range of sectors for corporations, governments, state owned enterprises, statutory bodies, industry bodies and not-for-profit organisations.

GA Research operates as a strategic partner and does more than report numbers and what people say. We work with our clients in a collaborative manner to ensure we fully understand the brief, its context and the specific information our clients need to be able to make decisions. We then draw on a wide range of qualitative and quantitative methodologies to design tailored research approaches that deliver reliable results with speed.

Our team of senior researchers has a unique mix of experience as researchers, research buyers and communications consultants in the public and private sector. When reporting, given our background in communications advisory work, we explore what’s driving opinion and the most effective ways of influencing knowledge, attitudes and behaviour. We provide clear recommendations and tell clients what they need to hear, not necessarily what they want to hear.

GA Research has offices in Sydney, Melbourne and Canberra. It is politically savvy but apolitical.

GA Research is ISO 20252 accredited, a member of the Association of Market and Social Research Organisations (AMSRO) and individual researchers are members of the Australian Market and Social Research Society (AMSRS). Senior researchers have Qualified Practicing Market Researcher (QPMR) accreditation. As such, we adhere to the AMSRS Code of Professional Conduct and are bound by the Market and Social Research Privacy Principles. GA Research is a division of Kreab Gavin Anderson, one of Australia’s leading strategic communications advisory firms.