Australia’s evolving relationship with the European Union: an update

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Introduction

This background note updates the Parliamentary Library’s 2009 research paper about Australia’s expanding relationship with the European Union (EU) to encapsulate more recent developments.  

On 19 September 2012 Climate Change and Energy Efficiency Minister Greg Combet introduced into Parliament a suite of seven bills in order to link the Australian and the EU’s emission trading schemes from July 2015. Minister Combet said this would be ‘the world’s first intercontinental linkage of emissions’. The Federal Government and the EU announced the prospective linkage on 28 September 2012, which was followed by the formal exchange of letters. It is believed that linking emissions trading systems can provide a number of benefits, such as reducing the cost of cutting carbon pollution, increasing market liquidity and supporting global cooperation on climate change. However, former Reserve Bank board member Warwick McKibbin said that the ‘Government’s decision to link carbon permits to European prices is a dangerous policy equivalent to signing up the Australian dollar to the euro zone’. The Federal Opposition criticised the bills.
The move to formally link emission trading schemes coincides with a new phase in Australia’s strengthening relationship with the EU, as they are engaged in discussions on a comprehensive, treaty-level agreement. This was flagged when in October 2010, Prime Minister Julia Gillard visited Brussels (during her first overseas trip as Prime Minister) for the 8th Asia–Europe Summit Meeting (ASEM)—which welcomed Australia as a new ASEM member.7 Prime Minister Gillard announced that Australia will upgrade its ties with the EU through a new treaty, which is currently under negotiation. Joe Kelly from The Australian wrote:

Capturing the significance of the proposed treaty, Ms Gillard likened Australia’s relationship with Europe to an engagement. ‘Now we’re looking to get married’, she said.8

Once ratified by both Parliaments, the treaty will represent the most comprehensive agreement between Australia and the EU.9 Although the treaty’s terms of reference are not publicly available, official statements indicate that the treaty will facilitate further exchanges between Australia and the EU, including at the people-to-people level and in the business arena. David Uren from The Australian observed that the proposed treaty is likely to ‘commit both sides to arbitration of disputes and facilitating investments. The services sector is an area where the EU is expecting the agreement will formalise greater co-operation and, possibly, access’.10

Negotiations on a treaty may also open the pathway towards negotiating a Free Trade Agreement (FTA) between Australia and the EU at a future date.11 The EU’s FTA with South Korea may in this regard offer some lessons for Australia’s economic engagement with the EU. After the Treaty of Lisbon’s implementation on 1 December 2009 the EU has had some significant institutional changes, which has impacted on the way Australia engages with its large trading counterpart in the Asia Pacific region and globally.12 Whilst regional engagement will not be discussed here in much detail, it remains an active area of collaboration, where both partners are likely to invest more money and diplomatic efforts into the future.

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7. ASEM is the largest EU-Asia meeting, comprising leaders of 27 EU member states, the EU, Association for the South-East Asian Nations (ASEAN) Secretariat and 19 Asian countries (including, in this group, Australia, Russia and New Zealand, which became members at the 8th ASEM summit), the ASEM official website, viewed 1 August 2012, http://www.aseminfoboard.org/
50\textsuperscript{th} anniversary of diplomatic relations

This year marks the 50\textsuperscript{th} anniversary of the establishment of Australia’s diplomatic mission in Brussels.\textsuperscript{13} Sir Edwin McCarthy, a trade negotiator, took up the position of Australia’s first Ambassador to the European Economic Community (EEC) in March 1962. A formal dialogue between Canberra and Brussels was initiated in 1960. Australia’s Attorney-General and Acting External Affairs Minister at the time, Sir Garfield Barwick, said in May 1960:

The Government’s appointment of Sir Edwin McCarthy was prompted by the circumstance that this country has a very great interest in what happens in this organization in Europe.\textsuperscript{14}

The rationale for establishing an official diplomatic mission in Brussels was to improve trade links between Australia and six common market countries (France, Italy, Federal Republic of Germany, Belgium, the Netherlands and Luxembourg). It served as a preparation for the entry of the United Kingdom (UK).\textsuperscript{15} On 16 August 1961, Prime Minister Sir Robert Menzies expressed reservations about the future of the Commonwealth of Nations following Britain’s application to join:

We believe that the entry of Great Britain into the European Economic Community would have far-reaching political implications. As we see it at present, we believe that it would mean a substantial departure from, or even an abandonment of, the traditional British policy of the balance of power ... a decision to enter the European Economic Community expressed to be a permanent body, and with political overtones of the clearest kind, would represent the abandonment of the old position and the acceptance of permanent European involvements.\textsuperscript{16}

The UK’s membership of the EU led to the dismantling of a preferential trade arrangement with most Commonwealth countries, including Australia.\textsuperscript{17} It also caused a major change to Australia’s trade policy, turning the Australian Government’s priorities towards finding new markets in Asia (and also recognising the People’s Republic of China in 1973). Australia’s preferential treatment in the UK was to be phased out, with canned and dried fruit industries suffering a decline in exports.\textsuperscript{18}

\begin{itemize}
  \item \textsuperscript{13} Australia’s incoming Ambassador to the European Union, but also to the North Atlantic Treaty Organization (NATO) and the World Health Organization (WHO) is Mr Duncan Lewis, who previously headed the Defence Department. Australia’s outgoing Ambassador is Dr Brendan Nelson, who was Minister for Defence in the previous Coalition Government before assuming this Ambassadorial post.
  \item \textsuperscript{14} G Barwick (Attorney-General, Acting External Affairs Minister), \textit{Question: Trade}, House of Representatives, 11 May 1960, viewed 1 August 2012, \url{http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22hansard80%2Fhansardr80%2F1960-05-11%2F0043%22}
  \item \textsuperscript{15} France vetoed the UK Government’s previous applications in the 1960s until the UK was finally admitted as a member in 1973, alongside the Republic of Ireland and Denmark.
  \item \textsuperscript{16} R Menzies (Prime Minister of Australia), ‘The Australian Government’s grave doubts about the British application to enter the European Economic Community’, in N Meaney, ed, \textit{Australia and the world. A documentary history from the 1870s to the 1970s}. Longman Cheshire, Melbourne, 1985, pp. 635-637.
  \item \textsuperscript{17} New Zealand managed to retain some preferential benefits due to the smaller size of its economy as compared with other Commonwealth countries.
  \item \textsuperscript{18} TB Millar, \textit{Australia in peace and war. External relations since 1788}, Australian National University Press, Canberra, 1991, p. 325.
\end{itemize}
For many years thereafter, the Australian representatives in Brussels demanded compensation for the losses incurred from the reduced British market. The Government eventually accepted that it needed a new or ‘smarter’ approach in order to trade with European common market countries. Such an approach embodied building a strong knowledge-base of the economic and political developments in Europe, and accordingly, adjusting Australia’s policies in order to ensure the maximum benefits for Australian exporters and businesses in general.¹⁹

Disagreements between Australia and the European Community over market tariffs and agricultural subsidies escalated to become a serious international issue. A trade dispute over agricultural subsidies between Australia on the one hand, and the European Community, United States of America (USA) and Japan individually on the other hand led to the creation of the Cairns Group (chaired by Australia). The Cairns Group, which was established in 1986, called for the total elimination of government subsidies for agriculture.²⁰ Agricultural issues continually featured in official discussions between Australia and the European Community, but in the 1990s other divergent issues emerged—such as a human rights clause which the Australian Government refused to incorporate in a proposed trade agreement with the European Community.²¹

In 1996, Australian Foreign Minister Alexander Downer met with French officials to voice Australia’s concerns about the inclusion of a human rights clause in an economic treaty with the EU. The Australian Government deemed it unnecessary to have such links in a treaty with other developed, democratic states. In a letter to the Vice-President of the European Commission, Foreign Minister Downer wrote:

> I have to say that the existence of operative human rights and non-fulfilment provisions as proposed by the Community remains in our view inappropriate in an agreement on trade and co-operation … between Australia and the European Community.²²

However, some parliamentarians held views which differed from the Government’s position. Vicki Bourne, a former Australian Democrats Senator for New South Wales, sent a letter of public urgency to the Senate in February 2011 underscoring:

> The need for the government to accept that: ‘Respect for the democratic principles and basic human rights, as proclaimed in the Universal Declaration of Human Rights, underpins the internal and

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²⁰.  More historical information about the group’s activities is available from the Cairns Group website, viewed 1 August 2012, [http://cairnsgroup.org/Pages/Meetings.aspx](http://cairnsgroup.org/Pages/Meetings.aspx)
²².  M Anning, Australian Foreign Minister meets French Foreign Minister and French Prime Minister to continue discussions over Australia’s concerns about inclusion of a human rights clause in trade and investment treaty with the European Union, radio program, 17 September 1996, viewed 1 August 2012, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fradiopr%2FES230%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fradiopr%2FES230%22)
international policies of . . . Australia’ and [urges the Government] to agree to the inclusion of that form of words in any trade agreement with the European Community.  

Senator Bourne added:

The fact that Australia is not prepared to sign a treaty—whether it be about trade, human rights, hot air balloons landing in Australia, defence, economics or anything at all—with human rights clauses in it is absolutely extraordinary. The people whom I have spoken to in Europe about this—indeed anyone I have spoken to around the world, including Australia—also find it absolutely extraordinary.  

Key areas of common interest

The terrorist attacks against the US in September 2001 led to the broadening of Australia’s relationship with the EU, and closer cooperation over the next decade on homeland security, counter-terrorism, piracy, intelligence-sharing and efforts to counter the spread of weapons of mass destruction (WMD) globally. The Australian Government also holds different rounds of sectoral dialogue with the EU, such as trade policy talks, the Agricultural Trade and Marketing Experts’ Group (ATMEG) meeting, the Australia-EU talks on Asia (Co-ASI), dialogue on education and training, animal welfare (through the EU-Australia Animal Welfare Cooperation Forum), sanitary and phytosanitary issues and multiculturalism, as well as discussions on science, research and development.

In May 2012, the Minister for Foreign Affairs Bob Carr stated:

Australia and the EU are working together in the World Trade Organization, and in the G20, to support a liberal, rules-based order.

We have a common understanding of the importance of tackling climate change. … We are both providing practical help to Pacific island countries to deal with the realities of climate change.

We each recognise the damage being done to our oceans. … And through the damage done by over-fishing.

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25. N Markovic, Courted by Europe? Advancing Australia’s relations with the European Union in the new security environment, op. cit.

Both Europe and Australia understand the critical importance of building cross-cultural understanding. We are working together through the Asia-Europe Meeting to deepen understanding between our two regions.  

Australia’s interests are aligned with the interests of the EU on specific official development assistance (ODA) issues. Minister Carr also said:

We co-operate on aid delivery. The EU agreed to deliver food-security assistance in South Sudan on Australia’s behalf. And the EU and Australia are working on a strategy that would enable Australia to deliver a component of the EU’s assistance in Fiji.

And we remain vital partners on global security. Australia is working alongside the EU and its member states in Afghanistan.

The Department of Foreign Affairs and Trade (DFAT) has highlighted that Australia enjoys ‘a constructive and substantial bilateral relationship [with the EU] built on a shared commitment to freedom and democratic values and a like-minded approach to a broad range of international issues’. The 2012–13 portfolio budget statements for DFAT indicated that the ‘Government’s foreign and trade policy interests and Australia’s international standing have advanced through a stronger partnership with the European Union and its members’. DFAT also said it will seek:

To strengthen Australia’s political and economic relations with Europe both bilaterally and through negotiation of a treaty-level Framework Agreement with the EU, participation in the Organization for Security and Co-operation in Europe (OSCE) and the Asia-Europe Meeting (ASEM) process. In established markets such as North America and Europe, Austrade’s focus will be predominantly on inward investment and education services, with greater use of partners, referrals and online information and services to support Australia’s exporters.

Apart from ODA, Australia and the EU partner in other fields too. The Directorate-General for Education and Culture from the EU has selected Australia as a key cultural cooperation partner in 2013. Australian cultural organisations can apply for joint funding with partners from the EU to a

27. R Carr (Minister for Foreign Affairs), 50th anniversary of relations with the European Union, speech, 24 May 2012, viewed 1 August 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1815912%22


29. R Carr (Minister for Foreign Affairs), 50th anniversary of relations with the European Union, op. cit.


maximum of €200,000 per project (about A$245,000) within a specified timeframe. A carefully-negotiated treaty-level agreement will enable Australia to formalise cooperation on cultural affairs with the EU. Previously, in 2010 EUANZ TV (an independent television network which calls itself ‘Australasia’s voice on Europe’) was created in order to further facilitate information exchanges between the EU, Australia and New Zealand.

On some international issues, however, Australia and the EU do not see eye-to-eye at the present moment. The Parliamentary Library observed in August 2012 that the Australian Government:

announced solidarity with a number of other countries opposing the EU’s move to include international aviation in its emission trading scheme.

Aviation activities were included in the European Union’s ETS from 1 January 2012. All airlines using EU airports must comply with the regulations, or face penalties, including bans. Furthermore, in November 2008, Australia and the EU commenced negotiations on a comprehensive air transport agreement. Progress has been slow.

The Treaty of Lisbon and Australia

Deborah O’Neill, MP, a member of a parliamentary delegation to European institutions in April-May 2012, said in Parliament following the visit:

Since 2008 the Australia-EU relationship has been guided by a partnership framework, but there have been changes to the Lisbon treaty which have created a new institutional structure within the EU. This has very much impacted on Australia's relationship with the EU and on how we intend to interact with the EU in future.

38. D O’Neill (Member for Robertson), ‘Parliamentary delegation to the European Parliament and institutions and bilateral visit to Israel’, *Delegation reports*, 20 August 2012, viewed 1 September 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=id%3A%22chamber%2Fhansard%2F20120817%2Feh1%2Feh1%2Feh1q%2F20120817eh1q0197-0b7e87567daa%2F0059%22
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Australia, therefore, has had to adjust its diplomatic strategies in responding to post-Lisbon changes in the EU. The Australian Government has, ever since, needed to resort to a ‘smarter diplomacy’ when dealing with the EU, capitalising on local and international expertise to build-up a knowledge base that will assist Australians to conduct business with the EU now and into the future.

Compiled by the author from the European Commission website

The Treaty of Lisbon, which came into force on 1 December 2009 upon ratification by all member states, delivered significant changes to the institutional functioning and international representation of the EU. It introduced provisions for stricter punitive measures against EU members which are found to breach EU law. More specifically, the Treaty of Lisbon:

– created the positions of a Permanent President of the European Council (currently held by Herman Van Rompuy of Belgium) and of a High Representative of the Union for Foreign Affairs and Security Policy (currently held by Baroness Catherine Ashton of the UK)

– established the European External Action Service (EEAS) as the diplomatic arm of the EU (currently overseen by Baroness Ashton), attracting staff from other EU institutions

– enhanced powers of the European Parliament and national parliaments


40. Baroness Ashton leads the EU diplomatic service, the EEAS (which supports both new positions), chairs the Foreign Affairs Council, globally promotes the interests of the EU, and serves as a Vice-President of the European Commission. For further reading, see E Drieskens and L van Schaik, The European External Action Service: preparing for success, Clingendael Paper no. 1, December 2010, Netherlands Institute of International Relations.

41. In response to the establishment of EEAS, a new Service was set up within the European Commission, called the Foreign Policy Instruments Service, which manages the European Commission’s foreign policy issues that were not placed under EEAS authority. The Commission’s officials also oversee how the EEAS annual internal budget is spent. A Rettman, Commission still pulls the strings on EU foreign policy, EU Observer, 6 February 2012, viewed 1 August 2012, http://euobserver.com/institutional/115145
institutionalised the Charter of Fundamental Rights (which was first adopted as a political declaration in 2000, and became binding for all EU institutions and member states when implementing EU law)\textsuperscript{42}, and

introduced greater coherence in the common policies and coordination of the EU, including in international institutions such as the UN.\textsuperscript{43}

The EU obtained a more visible presence and ‘voice’ in multilateral institutions.\textsuperscript{44} Furthermore, the European Court of Justice legislated that member states are prohibited to ‘distance [themselves] from an agreed Union strategy by taking action within an international organisation that could potentially bind the Union’ or ‘to negotiate separate treaties after the Commission has been authorised by the Council to negotiate international agreements on the same subject-matter’.\textsuperscript{45}

In September 2010 the UN General Assembly rejected a request by the EU to have an elevated observer status in the UN General Assembly (Australia also voted no on this occasion). Following the next vote on 3 May 2011, however, the UN General Assembly vote granted the EU such status, with the right to speak on behalf of 27 members, present a reply, suggest amendments, circulate documents, but not to vote or sit on the UN Security Council (resolution number A/RES/65/276).\textsuperscript{46}

The EU members are seeking to align their votes in the UN General Assembly, where Australia and EU members sometimes have diverging interests. Australia was recently running against Finland and Luxembourg (from the ‘West European and Others Group’), both EU member states, in the quest for a non-permanent seat on the UN Security Council (UNSC) in 2013–14.\textsuperscript{47} On 18 October 2012 Australia and Luxembourg were elected, and will commence their terms on 1 January 2013.\textsuperscript{48}


\textsuperscript{44} Christoffer Kølvraa says that the EU’s emphasis on Global Player Europe policy coincides with its increased international presence and formal membership in multilateral institutions. C Kølvraa, Imagining Europe as a Global Player. The ideological construction of a new European identity within the EU, Peter Lang, UK, 2012, pp. 176–178.


The European External Action Service (EEAS)

The EEAS was officially launched on 1 December 2010 after many months of inter-institutional bargaining. The European Parliament secured the right to be consulted on common foreign and defence policy, as well as to hold in-depth hearings with new heads of delegation and Special Representatives. The EU’s total external relations budget amounts to about €9.5 billion a year (A$11.3 billion), which is distributed across several institutions and portfolios. The EEAS budget for 2012 was €489 million (A$600 million), and is expected to reach €515 million (A$632 million) in 2013. The EEAS liaises with the diplomatic services of EU member states, and the European Commission through inter-agency agreements in order to streamline EU foreign policy processes and avoid duplication as much as possible. Overseas delegations of the European Commission were placed under EEAS authority, including the mission in Canberra. Treaty negotiations with third states, including Australia, are managed by EEAS staff.

A recent foreign policy proposal (which has been backed to date by 11 out of 27 EU members) is calling for the creation of an EU ‘super-foreign ministry’. Germany in particular has been promoting a proposal for the EU to create a pan-European army, introduce a majority voting system (to bypass a veto by any member state) and a single EU defence market. It has been suggested that several contentious proposals (such as introducing a single European visa or pan-EU defence army to protect common borders) may drive the UK Conservative leadership further away from Brussels.

A strengthened role for the European Parliament, including on human rights

This year marks the 20th anniversary of the European Single Market, and there are currently proposals for further reform, namely the Single Market Act II. Other proposals include supervision of EU banks by the European Central Bank in Frankfurt, and a Banking Union, proposals about which several EU members, such as Sweden and the UK, have expressed strong reservations.

Following the Lisbon Treaty’s implementation, formal approval from the European Parliament is required for all trade agreements which the EU forges with non-member states or regional entities, such as the Gulf Cooperation Council or Mercosur. The European Parliament can approve or reject

50. For more information about EU-Australia relations from the EEAS website, please see http://eeas.europa.eu/australia/index_en.htm
the whole agreement but cannot propose amendments.54 In July 2012, the European Parliament rejected the Anti-Counterfeiting Trade Agreement (ACTA), which Australia signed as well as 22 EU members.55 Furthermore, the Passenger Name Record (PNR) agreement between Australia and the EU (originally signed in 2008) had to be renegotiated (alongside separate EU PNR agreements with Canada and the US) following the European Parliament’s resolution on this matter in May 2010.56

The EU adopted a strategic approach towards integrating human rights links into trade agreements with non-member states. Furthermore, in a motion adopted on 18 April 2012 Members of European Parliament (MEPs) called ‘for all contractual relationships with third countries, both industrialised and developing, and including sectoral agreements, trade and technical or financial aid agreements, to include clearly worded binding clauses on human rights and democracy, without exception’.57 MEPs sought that a human rights chapter, in addition to social and environmental chapters, be included in all future Free Trade Agreements (FTAs). The Treaty of Lisbon gives a legal basis to the use of conditionality in the EU’s trade policy, which in turn could be used as a vehicle for pursuing other political objectives, such as linking trade to the recipient country’s performance on human rights, environmental protection, or good governance amongst other things.58

The EU performs as a block in the field of international trade, including in disputes at the World Trade Organization (WTO).59 The Lisbon Treaty granted to EU institutions the right of an ‘exclusive competence’ on foreign direct investment (excluding sensitive areas, such as portfolio investment).60 Individual EU members can no longer conclude their own investment agreements with third

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60. Under (Article 3 of the TFEU), ‘the EU alone is able to legislate and adopt binding acts in these fields. The Member States’ role is therefore limited to applying these acts, unless the Union authorises them to adopt certain acts themselves’. Summaries of EU legislation, Division of competences within the European Union, Europa website, viewed 1 August 2012, http://europa.eu/legislation_summaries/institutional_affairs/treaties/lisbon_treaty/ai0020_en.htm
countries, unless they are ‘specifically empowered by the EU’, which will require a negotiated settlement with EU institutions first.61 Australia and the EU are in the process of discussing an investment treaty, which may lead to closer investment relations between the two countries in the future.62

The EU-South Korea FTA agreement, which entered into force on 1 July 2011, was the most comprehensive agreement of its kind ever concluded by the EU on the basis of the 2006 Global Europe trade strategy.63 This FTA can be a reference point to other countries in the Asia Pacific region, including Australia, wishing to pursue closer economic relations with the EU.64 The agreement’s objective was ‘to reciprocally liberalise all trade in goods and services, and to tackle existing and future non-tariff barriers to trade’.65 Its safeguard clause allows the EU to re-impose duties in sensitive industries (such as the car industry) if imports are seen to threaten the EU manufacturers.66 The EU is now negotiating FTAs with the Association of Southeast Asian Nations (ASEAN, launched in July 2007), India (launched in June 2007), Malaysia (launched in October 2010), and Singapore (launched in March 2010). The Commission recently opened discussions amongst members on a free trade agreement with Japan, and an investment treaty between the EU and China is under consideration.67

The European Commission closely follows economic developments in the Asia Pacific region, including the negotiations towards a Trans-Pacific Partnership Agreement, which ‘could eventually be a stepping-stone to a trade agreement involving all Asia-Pacific economies’.68 Australia’s role in the region has become much more important for the EU, which considers Australia to be a direct link

67. For more details about FTAs currently being pursued or considered by the EU, please see EU Trade, Overview of FTA and other trade negotiations, European Commission website, updated 10 June 2011, viewed 1 August 2012, http://ec.europa.eu/enterprise/policies/international/files/ongoing-trade-negotiations_en.pdf
into the Asia Pacific region as well as a significant contributor, alongside the EU, to the region’s sustainable development objectives and economic growth.  

**Australia–EU treaty negotiations**

A joint communication to the European Parliament and the Council, entitled *Global Europe: a new approach to financing EU external action* (7 December 2011), states that EU internal policies ‘can often only be fully realised through close cooperation with our international partners’. From 2007 until the end of 2013, the *Instrument for Cooperation with Industrialised and other high income countries and territories* (ICI) has been the EU’s main vehicle for collaboration with developed countries (and since December 2011 some developing countries as well). In December 2011 the European Commission proposed a new instrument of foreign policy, called *Partnership Instrument* to replace ICI in 2014, with a suggested budget for 2014–2020 of A$1.5 billion. The Commission further proposed that:

> The EU’s economic cooperation activities, business dialogues and other forms of external economic action could be a powerful foreign policy tool. They could contribute to project the EU’s visibility and influence externally. This could support Europe’s ambition to become a key economic and political player on the international scene both bilaterally and within multilateral bodies such as the G20.

Australia and the EU’s diplomatic relations are currently conducted on the basis of a revised 2008 Australia-European Union Partnership Framework. Before the 2008 agreement, the basis for the relationship was the *2003–08 Agenda for Cooperation* agreement (signed in April 2002), and the *Joint Declaration on Relations between Australia and the European Union* (signed in June 1997). The 2008 agreement refers to ‘like-mindedness’ between Australia and the EU on key global challenges (such as climate change, terrorism, and others), and invites further collaboration on ODA and other areas of common interest, which are outlined in the agreement. The Appendix lists key Australia-EU legislative measures since the 2008 partnership agreement as at 1 August 2012.

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73. For more detailed analysis of this agreement, see N Markovic, *Courted by Europe? Advancing Australia’s relations with the European Union in the new security environment*, op. cit.
Australia and the EU are in the process of negotiating a comprehensive treaty, as announced by Prime Minister Gillard in October 2010, and launched during Baroness Ashton’s visit to Australia in October 2011. The aim was to open a new chapter in the relationship on a wide range of issues, such as trade, investment, security issues, people-to-people links, transport, tourism, science and research as well as education. Prime Minister Gillard said on 4 October 2010:

The treaty would be...something that goes across the breadth of our relationship that has some priorities for further work. We have discussed today, and obviously all of this needs to be the subject of consolation and further discussion, but we have discussed today the possibility of further cooperation in research and development and innovation.  

The Australian Government and the EU have undertaken four rounds of official treaty-level negotiations as at 1 August 2012. As with all other international EU agreements, the European Parliament is expected to play a significant role in the EU’s treaty-making process. The treaty would also need to be ratified by the Australian Parliament and the European Parliament before taking effect.

David Uren from *The Australian* observed:

Although the Department of Foreign Affairs expects the treaty to be fairly general, it is likely to commit both sides to arbitration of disputes and facilitating investments. The services sector is an area where Europe is expecting the agreement will formalise greater co-operation and, possibly, access.

**Current economic issues**

On economic issues in general, the Australian Government participates in a macro-economic dialogue with the EU. Both sides regularly exchange views on global and specific economic and financial matters, including in the G20, the UN, and WTO, ASEM, ASEAN Regional Forum (ARF) and other forums. In 2010, two-way trade between the EU and Australia was A$78 billion (A$57 billion for goods, and A$21 billion for services). The EU represented a 14.1 per cent share of Australia’s total two-way trade. The United Kingdom, Germany, the Netherlands and France were major...
investors in the Australian economy in 2010. According to DFAT, as at 31 December 2010, the EU’s foreign direct investment in Australia totalled A$131.6 billion, and the EU accounted for A$102.7 billion of Australian outward investment as at 31 December 2010. Approvals of certificates for the export of dairy products (in-quota) to the EU fell from 20 in 2010–11 to only 8 in 2011–12, according to the Department of Agriculture, Fisheries and Forestry. Further information on Australia’s trade with the EU is available on the DFAT website.

A prolonged period of economic instability in the Eurozone has been followed by Germany’s calls for closer economic and financial integration, and more centralised management of economic affairs in the Eurozone by the European Central Bank. In addition, through discussions on ODA (some of which include New Zealand), Australia and the EU seek to find common ground to help developing economies alleviate poverty and develop in a sustainable way. Environmental concerns for the South Pacific are shared by both partners, including the need to strengthen regional fisheries policy as well as address other challenges in the areas of human rights, poverty, public health and the employment sector.

The Australian Financial Review recently observed:

European banks have pulled about US$34 billion of lending from the Australian market over the nine months to March 31, the Bank for International Settlements estimates. One of Europe’s largest and most successful banks [Spanish giant Banco Santander] has scaled down its Australian operations, potentially cutting billions of dollars in credit for local resources and infrastructure projects.

Eric Johnston from The Age also wrote:

European banks pulled a further US$10 billion from Australia’s economy in the first few months of this year as they continued to face funding pressures in their home markets. In Australia, much of the pullback by European-owned banks has been in commercial property lending, where their aggregate exposures have declined by about 60 per cent since the peak in 2009, according to Reserve Bank of Australia figures. The BIS figures, which cover January to the end of March, show German banks pulled US $6.6 billion worth of loans from Australia compared with the December quarter. French banks, which have been among the

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80. DFAT, ‘Australia’s relations with the European Union’, op. cit.
most aggressive in cutting back their lending book, curbed their exposure by just US$1.5 billion. Banks from the UK cut US$5.3 billion during the period.84

The EU’s Market Access database also lists sixteen barriers to trade that are seen as detrimental to the interests of EU-sourced companies in Australia.85

Recent visits from the EU to Australia

Over the past 18 months, the highest-ranking EU officials have visited Australia at an unprecedented scale during the treaty negotiations. These visits reinforced the support of both sides for shared goals, values and objectives in the fields of common action, which are detailed in the revised 2008 Partnership Framework agreement.

EU Trade Commissioner

Commissioner Karel de Gucht visited Australia in March 2011 for Australia-EU ministerial talks on trade. During his meeting with the Australian Minister for Trade Craig Emerson, Commissioner de Gucht raised the issue of Australia’s raw materials supply.86 According to Minister Emerson, ‘rare earths and services were identified as two areas where cooperation between Australia and the EU could be expanded’.87 Both sides underscored the importance of a healthy and broad-based trade and investment relationship, and a common goal to successfully conclude the Doha Round of international trade negotiations. Commissioner de Gucht added:

With respect to agriculture, the tensions between Europe and Australia have considerably come down simply because, by 2013 European Union will have no export subsidies anymore for agriculture products. We still have direct income support, but that could also become irrelevant in the future as commodity prices and agriculture prices, world prices, are rising.88

Looking into the future, Professors Philomena Murray and Bruna Zolin said that Australia and the EU might compete for new markets for their agricultural products in the Asia Pacific region.89 Furthermore, Professor Jim Rollo from the University of Sussex proposed that the EU and Australia

87. C Emerson (Minister for Trade), Ministerial Meeting on Trade with European Trade Commissioner De Gucht, media release, 16 March 2011, viewed 1 August 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F640260%22
could pursue closer economic integration in the form of a Free Trade Agreement (FTA).90 The European Australian Business Council, which seeks to foster closer trade and investment ties, might in this regard play a linking role between Australian and European businesses.91

**Commissioner for Development**

Commissioner Andris Piebalgs visited Australia in March 2011 and held talks with Parliamentary Secretary for Pacific Island Affairs Richard Males. Commissioner Piebalgs previously visited Australia in May 2009 as Commissioner for Energy, signing a Memorandum of Understanding with the Resources Minister Martin Ferguson. The European Commission became a founding member of Australia’s Global Carbon Capture and Storage Institute.92

The EU has sought further cooperative arrangements in ODA delivery with strategic partners, including Australia. Australia was the first country to enter into an agreement with the EU on delegated aid delivery. At the Australia-EU Ministerial Consultations in October 2011 it was agreed that the first two projects in delegated aid would be in South Sudan and Fiji. The EU delivered food-related assistance on Australia’s behalf in Africa, and Australia delivered the EU’s delegated aid component to Fiji.91 In 2010–11 Australia and the EU shared information on ODA projects in South East Asia.94 Australia and the EU are exploring further opportunities, such as in Indonesia, Sri Lanka and Myanmar where both partners already provide assistance to public reform projects.95

**Secretary-General of the European Parliament**

The European Parliament’s most senior official, Secretary-General Klaus Welle, visited Canberra in May 2011 to strengthen the relationship between our two legislatures. Mr Welle presented a guest lecture at the Commonwealth Parliament on 25 May 2011 on the emerging role of the European Parliament within the EU since the entry into force of the Treaty of Lisbon in December 2009. His visit followed a European parliamentary delegation’s visit to Australia on 19–26 February 2011. The

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92. D Daly (Head of Delegation of the European Union, Canberra), *Europe’s man in Canberra: one year on*, speech at the National Press Club, Canberra, 24 March 2010, viewed 1 August 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22library%2Firmart%2F8k9w6%22
delegation’s visit marked the 30th anniversary of inter-parliamentary relations between the Australian parliament and the European parliament.96

President of the European Commission

In September 2011, the European Commission President Mr José Manuel Barroso, was the first person in his position to visit Australia in 30 years.97 Mr Barroso welcomed the initiative to link Australian and European respective ETS. In an interview with The Australian, Mr Barroso said the EU ETS experience showed that once Australia acted its gains would be both economic and environmental. Mr Barroso’s message was Australia’s new and growing importance to Europe, given the Gillard government’s carbon policy.98 In his keynote speech at the Australian National University, Mr Barroso particularly acknowledged Australia’s unique geopolitical location in the Asia-Pacific region:

It is certainly true that the world is experiencing a great rebalancing of power, mostly centred on Asia. It is also true that Australia is ahead of the global pace in embracing this shift. We view favourably Australia’s increasing economic links and participation in Asian regional fora, and want to connect with your experience in the region.99

High Representative of the Union for Foreign Affairs and Security Policy

Baroness Catherine Ashton attended the Commonwealth Heads of Government Meeting (CHOGM) in Perth in October 2011 on the Government’s invitation. On this occasion, Australia and the EU launched formal discussions about closer cooperation on crisis management. In October 2011, New Zealand and the EU signed a crisis response agreement, which came after a legal Framework Agreement was signed on 18 April 2012 allowing New Zealand personnel to participate in EU crisis management operations.100

99.  J Barroso (President of the European Commission), Shared futures: Europe and Australia in the 21st century: keynote address at Australia National University, Canberra, 6 September 2011, viewed 1 August 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22library%2Fjrnart%2F1063748%22
Commissioner for Research, Innovation and Science

Ms Máire Geoghegan-Quinn, European Commissioner for Research, Innovation and Science, visited Australia from 4 to 8 March 2012. She met with Senator Chris Evans (Minister for Science and Research) to discuss current projects and future prospects for increasing cooperation on research and innovation. She also met with Australia’s Chief Scientist, Professor Ian Chubb, and exchanged views on issues such as increasing public trust in research and innovation, and encouraging more cooperation between Australia and the EU to address global societal challenges.101

In her keynote address at a Sydney conference, Commissioner Geoghegan-Quinn emphasised major areas of ongoing collaboration between Australia and the EU, which include:

- partnership in the 7th Framework Programme for Research and Technological Development (FP7), where Australia participates in 114 different projects
- the jointly-funded Forum for European-Australian Science and Technology cooperation (FEAST)
- joint funding for EU-Australia National Health and Medical Research Council (NHMRC), and
- the Joint Research Centre, which is working with 14 partners in Australia, including the Commonwealth Scientific and Industrial Research Organisation (CSIRO), the Centre for Experimental Radiation Oncology, several universities, and the Australian Nuclear Science and Technology Organisation.102

The Commissioner encouraged further collaboration between Australian and European science and technology institutions, emphasising complementarity in Australia’s and the EU’s respective approaches to science and innovation. In 1994, Australia became the first country to sign a science and technology cooperation agreement with the European Community.

On 19 October 2012 Minister for Health Tania Plibersek announced that Australia’s international collaboration in the field of medical research will be strengthened ‘through five Australian-European Union Collaborative Research Grants, with total value of A$3.6 million’.103

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103. T Plibersek (Minister for Health), 5652 million boost for best and brightest medical researchers, media release, 19 October 2012, viewed 19 October 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1994737%22
Chairman of the EU Military Committee

General Håkan Erik Gunnar Syrén (formerly, the Swedish Armed Forces Supreme Commander) and Chairman of the EU Military Committee (EUMC) visited Australia on 4 July 2012. The bilateral discussions covered closer collaboration between Australia and the EU in responding to global security challenges, such as the proliferation of WMD, as well as other threats which are of concern to Australia and the EU, including piracy. The Department of Defence said this was a ‘historic visit’, as it was the first time an EUMC head had made the trip to Australia since the committee was established twelve years ago.104

Commissioner for Climate Action

Commissioner Connie Hedegaard visited Australia in September 2011 to advance discussions on climate change.105 After jointly announcing the measure in September 2011, the EU and Australia published terms of reference for the Senior Officials’ Dialogue in December 2011, with the official dialogue commencing on 27–28 February 2012 in Brussels.106 A work plan towards the possible linking of the EU Emissions Trading System (ETS) and Australia’s Carbon Pricing Mechanism was set during Minister Combet’s visit to Brussels in March 2012.107

In August 2012, a joint media release of Commissioner Hedegaard with Minister for Climate Change and Energy Efficiency Greg Combet announced a full two-way link, ‘by means of the mutual recognition of carbon units between the two cap and trade systems’, which would commence ‘no later than 1 July 2018’.108

Other meetings

Experts from other sectors of the EU also visited Australia over the past 18 months, delivering lectures, speaking with Australian Government officials and research institutes. One of them was Peter Bekx (Director of International Economic and Financial Affairs in the European Commission’s Directorate-General for Economic and Financial Affairs), who came to Australia for the third EU-

104. Department of Defence, Chairman of the European Union Military Committee visits Australia (FED), media release, 9 July 2012, viewed 1 August 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1767188%22
105. G Combet (Minister for Climate Change and Energy Efficiency), Australian and EU committed to low carbon future, media release, 5 September 2011, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1176191%22
106. G Combet (Minister for Climate Change and Energy Efficiency and Industry and Innovation) and C Hedegaard (European Commissioner for Climate Action), Australia and Europe strengthen carbon market collaboration, media release, 29 March 2012, viewed 1 August 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1533959%22
107. G Combet (Minister for Climate Change and Energy Efficiency) and C Hedegaard (European Commissioner for Climate Action), Australia and Europe strengthen collaboration on carbon markets, media release, 5 December 2011, viewed 1 August 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1279294%22
108. Department of Climate Change and Energy Efficiency, Australia and European Commission agree on pathway towards fully linking emissions trading systems, op. cit.
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Australia Macroeconomic Dialogue on 17–18 July 2012. In a visit to the EU in January 2012, the then Foreign Minister, Kevin Rudd, expressed support for the EU’s efforts to implement fiscal consolidation plans, and press ahead with wide-ranging structural reforms.109

In April 2011, the Australian Department for Education, Employment and Workplace Relations (DEEWR) hosted a dialogue on education, training and student mobility with the European Commission’s Directorate-General for Education and Culture (DG EAC). The Joint Statement on Education and Training, which was issued following the meeting, specifically highlighted joint commitments to:

- develop a bilateral agreement on education and training
- pursue further policy dialogues in the area of International Education (2012), Quality and Recognition (2013) and Lifelong Learning (2014)110
- increase efforts towards delivering a Joint EU-Australia Qualifications Frameworks Study, and
- enhance bilateral academic cooperation projects and professional mobility.111

The Australian Government and the EU also support the ‘Tuning Australia’ initiative, which aims to enhance cooperation across disciplines, and align academic standards between tertiary institutions.112

Conclusion

Once concluded and ratified by both Parliaments, the treaty between the EU and Australia would open up a new chapter in their political, trade and diplomatic relationship. Both sides have committed to being major donors in the Asia Pacific region, which offers opportunities for deeper integration and collaboration. Regional issues such as gender issues in the South East Asia, delegated ODA delivery, Sustainable Development Goals, climate change, human rights, and civil emergencies will continue to feature in Australia’s regular meetings with the EU. It also remains to be seen how a requirement (under the Treaty of Lisbon) for the EU to include a human rights clause in all trade and investment agreements with non-member states will be dealt with in treaty-level negotiations between Australia and the EU. Baroness Ashton said in July 2012:

The EU’s human rights strategy ... promises to place rights at the centre of the EU’s ‘relations with all third countries’ and to ‘promote human rights in all areas of its external action without exception’, including

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‘trade, investment, technology and telecommunications, the internet, energy, environmental, corporate social responsibility and development policy’. 113

Australia, once again, needs to resort to creative solutions and middle power diplomacy in order to protect its national interests and ensure maximum benefits for Australians, like Australian diplomats did in the 1970s when the UK joined the European Community, as well as to reach a mutually satisfactory agreement on the treaty that will pass without major hurdles through both legislatures. The treaty negotiations offer potential for a closer alignment of positions between Australia and the EU, including in international forums, and particularly on development, security and human rights issues in the Asia Pacific region. The upcoming Asia-Europe Meeting, which Prime Minister Gillard is due to attend on 4–9 November 2012 in Laos, will provide an opportunity for further discussions on this front, as well as on the treaty currently under negotiation.

Australia’s diplomatic toolbox for the management of EU affairs should also include, to a greater extent than ever before, the private sector, civil society and community groups with established links to Europe. In order to adjust to the growing knowledge-demands of living both in the ‘Asian Century’ and with a more visible and pro-active EU in this region, Australia needs to adopt innovative diplomatic strategies, such as working with the EU more strategically. This attitude will be especially necessary if Australia and the EU embark on negotiating closer economic relations or a FTA in the future. ‘Getting the EU right’ remains a challenging task, especially for Australian business-owners wishing to prosper in the world’s largest common market.

113. C Ashton (EU High Representative for Foreign Affairs and Security Policy), ‘No other power has delivered like the EU’, Public Service Europe website, 13 July 2012, viewed 1 August 2012, http://www.publicserviceeurope.com/article/2224/no-other-power-has-delivered-like-the-eu-catherine-ashton
### Appendix: new legislative measures since 2008 (as at 1 August 2012)

<table>
<thead>
<tr>
<th>Name of agreement</th>
<th>Place and date signed</th>
<th>Entry into force for Australia</th>
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<tbody>
<tr>
<td>Agreement between the European Union and Australia on the Processing and Transfer of Passenger Name Record (PNR) Data by Air Carriers to the Australian Customs and Border Protection Service</td>
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<tr>
<td>Brussels 29 September 2011 [Note: revised agreement from 2008 Australian Treaty Not In Force (ATNIF) 11]</td>
<td>1 June 2012</td>
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<tr>
<td>Agreement between Australia and the European Union amending the Agreement on mutual recognition in relation to conformity assessment, certificates and markings between Australia and the European Community</td>
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<tr>
<td>Brussels 23 February 2012</td>
<td>Not yet in force</td>
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<tr>
<td>Agreement between Australia and the European Union on the Security of Classified Information</td>
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<tr>
<td>Brussels 13 January 2010</td>
<td>1 June 2011</td>
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<tr>
<td>Agreement between Australia and the European Community on Trade in Wine</td>
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<tr>
<td>Brussels 1 December 2008</td>
<td>1 September 2010, in accordance with the provisions of Article 44. [2010] Australian Treaty Series (ATS) 19</td>
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<tr>
<td>Agreement between the Government of Australia and the European Community on Certain Aspects of Air Services</td>
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<tr>
<td>Brussels 29 April 2008</td>
<td>2 July 2009</td>
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<tr>
<td>Agreement between the Government of Australia and the European Atomic Energy Community (Euratom) for co-operation in the peaceful uses of nuclear energy</td>
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<td>Canberra 5 September 2011</td>
<td>1 January 2012</td>
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