Working towards an Australia-EU Trade Agreement

Minister for Trade, Tourism and Investment
The Hon Steven Ciobo MP

Australia and the European Union are continuing to work towards the commencement of free trade agreement negotiations. Australia has been trading with member countries of the EU for more than 200 years and the time has come for our two sophisticated markets to set out the rules for trade in the twenty-first century.

An FTA with the EU, and access to its 510 million consumers, would deliver enormous benefits for Australian businesses, create new and valuable export opportunities, promote more productive two-way investment, and remove some non-tariff barriers for traders.

In 2016, the EU’s stock of foreign direct investment in Australia was valued at $164.8 billion, and Australian foreign direct investment in the EU was worth $104.9 billion.

Additionally, European companies like German supermarket chain Aldi, Italian chocolate manufacturer Ferrero, and French electrical and systems multinational Thales, through Thales Australia, have already created thousands of jobs for Australians.

(continued on page 2)
Europe may be more than 14,000 kilometres away, but technological and transport advancements mean people and goods are now less than a day’s flight from each other and some services can be delivered instantaneously.

As Australia has pursued FTAs with our neighbours in the Indo-Pacific including China, Japan and Korea, so too we must pursue favourable trade deals with our long-standing trading partners in Europe. When considered as a single market, the EU is our second largest trading partner behind China and our third largest export market. Australian services exports to the EU were valued at $10.5 billion in 2016; travel and business services were our major exports. Services are an important part of our trade with the EU, and an FTA will help maximise growth in this promising sector.

EU majority-owned enterprises in Australia employ nearly 300,000 people, and attracting increased investment to Australia will help create more local jobs, particularly as European businesses look to us as a gateway to Asia. On the other side, Australian companies like Rio Tinto, Lendlease and Cochlear have done the same as they expand in Europe and grow their brands. An FTA will assist investors on both sides to operate with greater ease and certainty in each other’s markets.

To this end, Australia and the EU have been working toward commencement of negotiations on a comprehensive FTA since late 2015, which we expect to occur this year. As part of this work, I have recently had several constructive discussions with EU Trade Commissioner Cecilia Malmström.

Since Prime Minister Malcolm Turnbull and EU Presidents Jean-Claude Juncker and Donald Tusk announced the decision to work towards an Australia-EU FTA, we have successfully concluded a joint FTA scoping exercise. The agreed scoping paper sets out the range and ambition of a future agreement; a critical step toward commencing formal negotiations.

Negotiations on the FTA will undoubtedly be complex, in order to secure an agreement that is comprehensive, liberalising and ambitious. As two partners who have so much in common, I remain confident this can be achieved.

We welcome public submissions on an Australia-EU FTA.

- Submissions can be emailed to a-eufta@dfat.gov.au
The chair of the European Parliament’s Committee on International Trade, Bernd Lange, is confident the EU and Australia can strike a balanced and ambitious free trade agreement.

Mr Lange led a trade delegation made up of six European parliamentarians to Australia that visited Canberra and Sydney in November on a fact finding mission into the proposed EU-Australia FTA.

“A free trade deal with Australia would help the EU intensify its economic integration with the Asia-Pacific region at a time when others are withdrawing into isolation,” Mr Lange said. “Trade must be based on common values, respect for core labour standards and the rule of law, not the rule of power.”

The visit came at an important time with the European Parliament having passed a resolution in late October giving the EU-Australia FTA agreement the green light and set guidelines for future negotiations.

Mr Lange said Australia was an important partner for the EU in many respects.

“In the field of trade we have a long, successful history of cooperation in the WTO, which we now want to deepen,” he said.

“We see the potential for a modern and balanced agreement that paves the way for new opportunities, while upholding our high standards and the protection of our citizens.”

During their two-day trip to Australia, the European parliamentarians discussed opportunities and potentially contentious issues, such as trade in farming products and policies on climate change, which could have an impact on negotiations.

Members also discussed multilateral trade issues and studied regional trade cooperation.

They met with Australian Government members as well as EU companies, local businesses, trade unions, academics, civil society and indigenous representatives.

“We covered a broad range of topics that covered the positive aspects of any deal between the EU and Australia, as well the challenges that lie ahead,” Mr Lange said.

“After all our discussions, I am confident the EU and Australia can strike a balanced deal that will result in greater jobs and more investment in our regional and urban areas.

“Furthermore, we explained that trade is more than just reducing tariffs. Trade is about ensuring everyone is better off. This would include provisions covering core labour standards and multilateral environmental agreements.”

The trip included a visit to Government House in Canberra where the Governor-General Peter Cosgrove got behind the wheel of a golf cart and led a tour of the grounds to see the resident mob of 50 kangaroos.

The European Council is expected to adopt the negotiating mandates soon, clearing the way for talks to start. The outcome of negotiations will have to be approved by the European Parliament.

Australia’s exports to the EU are dominated by minerals and agricultural products, while most EU exports to Australia are manufactured goods.

Participants of the delegation included Bernd Lange (Germany), Adam Szejnfeld (Poland), Karoline Graswander-Hainz (Austria), Emma McClarkin (UK), Hannu Takkula, (Finland), Klaus Buchner (Germany).
From Beijing: e-commerce transforms business and consumer behaviour

China has leapt to the forefront of global e-commerce, with the emergence of Chinese e-commerce giants like Alibaba, Tencent and JD.com, and the extent to which new technologies are integrated into people’s lives. China is the world’s biggest e-commerce market, worth about $5 trillion in 2016, around 39 per cent of the global total. Last year total online retail sales alone reached $1 trillion, almost double the size of the US market and fifty times larger than Australia’s domestic market. This growth is supported by China’s rapid adoption of mobile payments which has put China on the fast track towards becoming a cashless society. The majority of internet use and 71 per cent of e-commerce transactions occur through mobile phones. Chinese travellers increasingly want to use these payment apps when overseas. Australian merchants’ continued take up of these options in locations with high numbers of Chinese visitors may encourage greater visitor spending.

From Canberra: FTA Portal expanded

DFAT’s award-winning Free Trade Agreement Portal now offers information on all 16 markets covered by Australia’s 10 existing FTAs. Australian goods exporters and importers can now obtain item-specific tariffs, rules of origin, trade data and other useful information for every one of Australia’s FTAs, including the 12-party Australia-New Zealand-ASEANFTA, online. The Portal will progressively expand to include new FTAs as they come into force and services trade information. Find the portal at ftaportal.dfat.gov.au

From Warsaw: promoting food and wine to entice tourists and students

The Australian Embassy in Warsaw collaborated on the production of a short video program showcasing Australian food and wine for a Polish English-language internet TV channel recently. The program normally generates millions of views and is popular with young Poles, particularly those wanting exposure to English language programming who are an important demographic for the promotion of study and travel to Australia. The program can be accessed at this link: https://www.youtube.com/watch?v=FprkJZud_KQ

From Port Moresby: supporting development through tourism

The Papua New Guinea Government has streamlined port clearing processes to increase the time cruise ship tourists are able to spend enjoying facilities and experiences onshore. This has opened up opportunities for tour operators, entertainment, restaurants and local crafts and artisan shops. The Australian Government is supporting private sector development initiatives such as the Pacific Horticulture Agricultural Market Access program. It offers handicraft working groups to better inform locals how to make the types of products tourists want and those that will satisfy international quarantine requirements. The objective is to tap into sustainable and reliable sources of tourist dollars, particularly for remote areas which otherwise may struggle to trade internationally. Australia is working with international partners to influence policy making and to encourage an environment which enables...
tourism to grow in PNG, and the region. Earlier this year, PNG hosted a study tour of onshore cruise tourism services for tourism business operators from Timor Leste and Indonesia. This opportunity to share experiences was initiated by Australia through the Australia – Indonesia – Timor-Leste Trilateral Economic Cooperation Forum.

**From Jakarta: working towards a new economic partnership**

The Indonesia-Australia Comprehensive Economic Partnership Agreement will create the framework for a new era of closer economic engagement between Australia and Indonesia and is top of the economic diplomacy agenda at the Australian Embassy in Jakarta. The significant potential benefits to Indonesia’s economy, Australian business and the broader bilateral relationship, as well as the opportunity to harness our trade and investment ties to support President Widodo’s competitiveness agenda, are key factors. Efforts have ramped up with a joint standards mapping exercise to help businesses in both countries meet technical standards underway. Other trade promotion activities include a series of short courses for Indonesian businesses and officials to help boost export capacity for processed food, herbal remedies and creative industries. Minister for Trade, Tourism and Investment Steven Ciobo and Indonesian Minister for Trade Enggartiasto Lukita announced tariff cuts on Australian raw sugar and Indonesian herbicides and pesticides as early outcomes of IA-CEPA in September. For the latest updates on negotiations see: http://dfat.gov.au/trade/agreements/iacepapages/indonesia-australia-comprehensive-economic-partnership-agreement.aspx

**From Warsaw: plans for Central European Hub Airport**

The Polish Government is preparing for one of the biggest single infrastructure undertakings in the country’s recent history with the planned construction of a new $10 billion central airport over the next decade. Passenger capacity for the existing Warsaw airport is around 20 million and options for outward expansion are limited, while noise abatement rules also mean it cannot operate on a 24-hour cycle. The Polish government envisages a new airport as one of its flagship achievements. A larger airport could handle the Polish Civil Aviation Authority’s predicted doubling of passenger air traffic, from 34 million in 2016 to 59 million in 2030, and see it become Central Europe’s new main passenger and cargo hub. This project could represent significant opportunities for Australian companies – investors as well as providers of professional services, technology and equipment. At this early stage, Australian companies could partner with local firms to provide specialised services such as pre-feasibility and feasibility study preparation, legal, financial, and economic studies. For more information contact Anthony.Weymouth@austrade.gov.au

**From Geneva: business and research opportunities**

Switzerland has topped the latest World Economic Forum’s Competitiveness Index and the Global Innovation Index once again, adding to winning streaks that already span the last eight and six consecutive years respectively. Switzerland’s Trade Policy Report to the WTO earlier this year notes the country’s exports to GDP ratio of 60 per cent places it among the most internationally integrated worldwide. Opportunities for Australian businesses in Switzerland exist in medical technology and pharmaceuticals, financial technology, renewable energy, infrastructure and the food and agribusiness sectors. Australia’s economic relationship
with Switzerland is growing, including in scientific research and development, education, and two-way investment. Science and education are also important areas for bilateral cooperation. The Swiss-Australian Joint Committee for Cooperation in the Areas of Science, Research and Innovation seeks to further strengthen our bilateral science and innovation collaboration at the government level while the Swiss Australian Academic Network is increasing the number of two-way scientific academic exchanges between our countries. Information on SAAN can be found at: www.saan.com.au

From Hanoi:
Aussie know-how supports Vietnamese agriculture and agribusinesses

The Mekong Delta of Vietnam is home to the world’s largest shrimp hatchery as a direct result of the innovative application of game-changing Australian technologies in feed formulation and farming systems. This and other case studies in the Australia in Vietnam Agriculture Strategy published by the Australian Embassy Vietnam in August reflect the breadth and depth of Australia’s agriculture relationship with Vietnam which stretches across trade, research, innovation, investment and development cooperation. The strategy outlines the key activities the Australian Government will support under the economic, innovation and security pillars of Australia’s engagement with Vietnam and the role of Australian agricultural exports in providing manufacturing jobs, value adding and increased export opportunities for Vietnam. The strategy is available in both English and Vietnamese on the Australian Embassy Vietnam website at http://vietnam.embassy.gov.au/hnoi/170829.html

From Canberra:
11 things to love about trade and investment

Australia is one of the world’s most successful economies. The last 26 years of continuous economic growth have seen Australia become the second wealthiest country in the world and we enjoy high and sustainable levels of real incomes, health, education and employment. While these outcomes reflect a broad range of government policy making, a key underpinning factor has been Australia’s openness to international trade and investment. Read our top 11 benefits of trade and investment in this new info sheet prepared by DFAT’s Office of Economic Analysis: http://dfat.gov.au/trade/resources/Pages/benefits-of-trade-and-investment.aspx
The European Union is our second largest direct investor and trading partner

- The stock of EU’s direct investment in Australia was valued at $165 billion making the EU our second biggest direct investor last year.
- Australian direct investment in the EU was valued at $105 billion in 2016. Our second biggest destination for foreign direct investment abroad.
- Total two-way goods and services trade between Australia and the EU was worth $98 billion in 2016.
- Australia’s trade with the EU has grown 1.4 per cent on average over the last decade with goods and services exports valued at $31 billion, up from $29 billion in 2006, while imports have steadily increased from $47 billion in 2006 to $68 billion at the end of the decade.

Frank Bingham, Office of Economic Analysis, DFAT

Australia’s direct investment with the EU

Australia’s two-way direct investment stock with the EU was valued at $270 billion in 2016, accounting for a fifth of Australian total two-way direct investment.

The stock of Australian direct investment in the EU was valued at $105 billion in 2016, representing a 19 per cent share of Australian direct investment abroad. Australian majority-owned businesses in the EU are an important vehicle for Australian companies to provide goods and services to the EU and the world, with total sales of around $47 billion in 2014 – more than double the value of direct exports from Australia to these economies. There were 1177 Australian majority-owned affiliates in the EU in 2014. Australian direct investment resulted in jobs for 83,025 people in the EU in 2014 and contributed $15 billion to the European economy.

Australian majority-owned affiliates in the EU by major European country

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2014</th>
<th>UNIT</th>
<th>FRANCE</th>
<th>GERMANY</th>
<th>ITALY</th>
<th>NETHERLANDS</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprises</td>
<td></td>
<td>Number</td>
<td>55</td>
<td>91</td>
<td>57</td>
<td>60</td>
<td>483</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td>000’s</td>
<td>4.4</td>
<td>8.2</td>
<td>6.2</td>
<td>np</td>
<td>4.41</td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>A$m</td>
<td>379</td>
<td>777</td>
<td>536</td>
<td>139</td>
<td>3117</td>
<td></td>
</tr>
<tr>
<td>Industry value added</td>
<td>A$m</td>
<td>405</td>
<td>1704</td>
<td>795</td>
<td>196</td>
<td>9693</td>
<td></td>
</tr>
<tr>
<td>Sales / Turnover</td>
<td>A$m</td>
<td>1907</td>
<td>5416</td>
<td>5461</td>
<td>841</td>
<td>24,165</td>
<td></td>
</tr>
</tbody>
</table>

np – not published.

Source: Eurostat.
EU majority-owned businesses in Australia

EU majority-owned businesses in Australia are an important vehicle for EU companies to provide goods and services to Australia and the world. The stock of EU direct investment in Australia was valued at $165 billion in 2016 – around 21 per cent of all direct investment into Australia.

The EU had 3033 majority-owned enterprises in Australia in 2014. These affiliates had sales of $233 billion in 2014 compared to Australian imports from the EU valued at $64 billion. EU majority-owned enterprises in Australia employed 294,700 people in 2014.

The EU’s Australian affiliates in the mining industry had turnover of $41 billion in the manufacturing industry (mainly in petroleum, chemical, pharmaceutical, rubber and plastic industries) valued at $77 billion and in the services industries (mainly in construction, wholesale and retail trade and the finance and insurance industries) valued at $116 billion. In terms of employment 37,600 people were employed in the mining industry, 74,000 in the manufacturing industry and 183,100 in the services industries.

EU affiliates in Australia were dominated by the United Kingdom with 1114 enterprises in Australia, followed by France (648 enterprises) and Germany (407 enterprises). The UK had sales of $108 billion, Germany $45 billion, and France $33 billion in 2014.

**EU28 majority-owned affiliates in Australia by major European country**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>UNIT</th>
<th>FRANCE</th>
<th>GERMANY</th>
<th>ITALY</th>
<th>NETHERLANDS</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprises</td>
<td>Number</td>
<td>648</td>
<td>407</td>
<td>192</td>
<td>235</td>
<td>1114</td>
</tr>
<tr>
<td>Employment</td>
<td>000’s</td>
<td>60.0</td>
<td>52.1</td>
<td>13.7</td>
<td>17.6</td>
<td>109.7</td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>A$m</td>
<td>6272</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Sales / Turnover</td>
<td>A$m</td>
<td>33,431</td>
<td>45,436</td>
<td>5779</td>
<td>20,169</td>
<td>107,885</td>
</tr>
</tbody>
</table>


Australia’s exports and imports with the European Union, compared to sales from Australian and EU affiliates located in these economies, 2014

Source: ABS and Eurostat
Australia’s goods trade with the EU

Australia’s two-way goods trade with the EU was valued at $69 billion in 2016 and accounted for almost 15 per cent of Australia’s total goods trade.

Australia recorded a net goods trade deficit of $29 billion in 2016.

In terms of sectors, Australia was a net importer of agriculture, forestry and fisheries and manufactures products from the EU while it was a net exporter of minerals and fuels and other goods – mainly gold.

Australia’s major goods exports to the EU were gold, coal and oil seeds, while the major imports from the EU were passenger motor vehicles, medicines and pharmaceutical products.

Goods trade by sector

Chart 2: Australia’s goods trade to the EU by sector

Based on ABS trade data on DFAT STARS database and ABS catalogue 5368.0.55.004

1 Sector breakdown is based on DFAT’s Trade Import Exports Classification (TRIEC).

Gold exports to the United Kingdom

The UK was the main market for Australia’s exports of gold to the EU, and accounted for nearly 99 per cent of Australia’s gold exports to the EU in 2016. Gold exports to the UK rose by $6.5 billion to $7 billion in 2016. The UK plays an important role in the global gold market as an intermediary gold trader. Gold exports to the UK, and therefore the EU, can be highly volatile with strong year-to-year movements depending on whether final gold users, such as India, source gold directly from Australia or through intermediaries such as the UK.
Table 1: Australia’s top five goods exports and imports with the EU

<table>
<thead>
<tr>
<th></th>
<th>2014 $m</th>
<th>2015 $m</th>
<th>2016 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL MERCHANDISE EXPORTS (a)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold</td>
<td>916</td>
<td>463</td>
<td>7043</td>
</tr>
<tr>
<td>Coal</td>
<td>2268</td>
<td>2440</td>
<td>3318</td>
</tr>
<tr>
<td>Oil-seeds &amp; oleaginous fruits, soft</td>
<td>744</td>
<td>869</td>
<td>1117</td>
</tr>
<tr>
<td>Wine &amp; other alcoholic beverages</td>
<td>591</td>
<td>612</td>
<td>587</td>
</tr>
<tr>
<td>Lead</td>
<td>307</td>
<td>508</td>
<td>568</td>
</tr>
<tr>
<td><strong>TOTAL MERCHANDISE IMPORTS (a)</strong></td>
<td>45,626</td>
<td>46,390</td>
<td>48,994</td>
</tr>
<tr>
<td>Passenger motor vehicles</td>
<td>5252</td>
<td>6340</td>
<td>6757</td>
</tr>
<tr>
<td>Medicaments (incl veterinary)</td>
<td>4616</td>
<td>4482</td>
<td>4979</td>
</tr>
<tr>
<td>Pharmaceutical products (excl medicaments)</td>
<td>1564</td>
<td>1951</td>
<td>2253</td>
</tr>
<tr>
<td>Aircraft, spacecraft &amp; parts (b)</td>
<td>933</td>
<td>1319</td>
<td>1083</td>
</tr>
<tr>
<td>Mechanical handling equip &amp; parts</td>
<td>1076</td>
<td>1015</td>
<td>1021</td>
</tr>
</tbody>
</table>

(a) Excludes some confidential items of trade. (b) DFAT estimate.

Based on ABS trade data on DFAT STARS database, ABS catalogue 5368.0.55.004 and ABS unpublished data.

Australia’s goods trade with the EU by major EU country

[Diagram showing Australia’s goods trade with the EU by major EU country]

Based on ABS trade data on DFAT STARS database and ABS catalogue 5368.0.55.004.
Australia’s services trade with the European Union

- Australia’s two-way services trade with the EU was valued at $29 billion in 2016 and accounted for almost 20 per cent of Australia’s total services trade.
- Australia recorded a net services trade deficit of $8 billion in 2016 with the EU. Australia’s major services exports to the EU were personal travel services (excluding education-related), other business services and education-related travel services, while the major imports from the EU were personal travel services (excluding education-related), transport services and other business services.

Services trade by activity

Chart 2: Australia’s services trade to the EU by major type

<table>
<thead>
<tr>
<th>Type</th>
<th>Exports A$m</th>
<th>Imports A$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal, cultural &amp; recreational</td>
<td>$139</td>
<td>$396</td>
</tr>
<tr>
<td>Business</td>
<td>$3182</td>
<td>$533</td>
</tr>
<tr>
<td>Travel</td>
<td>$6348</td>
<td>$7842</td>
</tr>
<tr>
<td>Transport</td>
<td>$713</td>
<td>$3600</td>
</tr>
<tr>
<td>Other</td>
<td>$147</td>
<td>$339</td>
</tr>
</tbody>
</table>

Based on ABS trade data on DFAT STARS database and ABS catalogue 5368.0.55.004.

Chart 3: Australia’s services trade with the EU by major EU country

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports A$m</th>
<th>Imports A$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>$4830</td>
<td>$7791</td>
</tr>
<tr>
<td>Germany</td>
<td>$1444</td>
<td>$2835</td>
</tr>
<tr>
<td>France</td>
<td>$941</td>
<td>$1194</td>
</tr>
<tr>
<td>Netherlands</td>
<td>$1119</td>
<td>$7755</td>
</tr>
<tr>
<td>Italy</td>
<td>$595</td>
<td>$7755</td>
</tr>
<tr>
<td>Ireland</td>
<td>$511</td>
<td>$7755</td>
</tr>
<tr>
<td>Other EU</td>
<td>$2309</td>
<td>$7755</td>
</tr>
</tbody>
</table>

Based on ABS catalogue 5368.0.55.004.

Australia and the European Union

- Australian Embassy or High Commission
- Austrade office
- Austrade Landing Pad
- European Union missions in Canberra

Non-resident European Union missions to Australia

Map shows Australian Government representation in the European Union and in EU Member States, and EU representation in Australia.
Austrade is responsible for attracting foreign direct investment into Australia, promoting Australia as a place to research and study, and supporting Australian companies looking to export or participate in global value chains.

FRANKFURT

MR RICHARD LEATHER  
Consul-General and Senior Trade and Investment Commissioner  
http://germany.embassy.gov.au

LONDON

MR DAVID WATSON  
Senior Trade and Investment Commissioner  
http://uk.embassy.gov.au

MILAN

MR CRISPIN CONROY  
Consul-General and Senior Trade and Investment Commissioner  
http://italy.embassy.gov.au

PARIS

MS JENNIFER MACKINLAY  
Senior Trade and Investment Commissioner  
http://france.embassy.gov.au

WARSAW

MR ANTHONY WEYMOUTH  
Senior Trade Commissioner  
http://poland.embassy.gov.au

WWW.AUSTRADE.GOV.AU/ABOUT/AUSTRADE-REPRESENTATIVES
European Australian Business Council

A private sector-led initiative, the European Australian Business Council works closely with the Australian Government, the EU Institutions and Member States’ governments to profile and promote Europe’s relationship with Australia. In particular, the EABC has been at the forefront in advocating for an ambitious free trade agreement to be established between Australia and the European Union.

For European companies, Australia is an increasingly important market as a strongly-performing and open economy strategically located in the Asia-Pacific region; whilst Australian investment in Europe continues to grow strongly in areas such as financial services, infrastructure, resources, energy, transport, logistics, healthcare and other services.

The EABC’s annual programme includes a delegation of Australian business leaders to meet with the European institutions in Brussels, and visit two to three capitals in Europe. These visits are strongly supported by the Australian Government as an effective platform for promoting stronger trade and investment linkages, and effective public-private sector collaboration.

“The aim of these missions is to meet with European leaders to discuss developments shaping the business environment in Europe, while highlighting the relevance of Australia as a business partner and advocating for an ambitious and expedited Australia-EU free trade agreement,” explains EABC CEO Jason Collins.

In June 2017, the EABC visited Brussels, Amsterdam, The Hague, Dublin and London. A highlight of the visit was a meeting with members of the International Trade Committee of the European Parliament to discuss the opportunities for forging an ambitious, comprehensive economic partnership agreement between the EU and Australia. The session in Parliament was led from the European side by Daniel Caspary MEP, and from the Australian side by Deputy Prime Minister Barnaby Joyce and Finance Minister Mathias Cormann, together with business representatives led by EABC Chairman Nick Greiner, Deputy Chairs Simon Crean and Carla Zampatti.

The nine-day mission also engaged with European leaders and institutions, senior Ministers in The Netherlands and Ireland, including new Taoiseach Leo Varadkar, Central Bank Governors and European peak business organisations. Discussions focused on the rapidly developing economic relationship between Australia and Europe, including ways to enhance co-operation in areas such as bilateral and multilateral trade negotiations,
innovation, climate change, energy, healthcare and security policy. European leaders were unreservedly supportive for the EU-Australia FTA as a platform for enhanced business ties, and also as a mechanism for broadening and deepening co-operation on a range of issues where shared values underpin a common perspective on the major global issues of the day.

“The EABC missions offer a unique opportunity to engage with European Ministers, senior officials and business organisations, to get a real understanding of public policy and economic developments in Europe, and see where business opportunities lie. The format, structure and level of access of these missions make them highly valuable for Australian business leaders who wish to gain insights into what is going on in Europe," describes EABC Chair Nick Greiner.

EABC Deputy Chair Carla Zampatti says: “Australia has benefited enormously from Europe, having seen many thousands of migrants arrive from all over Europe to help build Australia’s modern economy and dynamic multicultural society. An objective of our missions is to help pave the way for new generations of young entrepreneurs, innovators, designers to seize business opportunities together.”

In November, the Council hosted a delegation of the European Parliament’s INTA Committee visiting Australia, and will welcome the European Commissioner for Trade, Cecilia Malmström, who is expected to visit Australia in 2018 to officially launch the FTA negotiations. Simon Crean, EABC Deputy Chair and former Trade Minister, welcomed the opportunity these visits provide to further dialogue with EU Institutions, saying it shows “strong appetite from the EU to get a good deal done.”

“A key priority for the upcoming FTA will be to achieve a mutually beneficial settlement of sensitive areas through market access and tariff reduction deals, but also to address technical and regulatory issues, and obstacles to services and digital economy growth,” adds EABC CEO Jason Collins. “Although signing a FTA would not automatically solve all trade and investment issues between Europe and Australia, the role of such an agreement should be to create a platform to further deepen collaboration on shared regulatory, economic and societal challenges.”

In 2018, the EABC will visit France (Paris, Strasbourg), Spain (Madrid) and Portugal (Lisbon), countries with which Australia enjoys strong political, industrial and technological relations.

For more information on the EABC and its missions to Europe, please contact tgoulain@eabc.com.au or call 02 8272 0600.
European parliamentarians visit Thales at Garden Island

European Australian Business Council

Members of the European Parliament’s International Trade Committee – led by Chairman Bernd Lange, and accompanied by the Ambassador of the European Union to Australia Dr Michael Pulch – visited French company Thales’ Garden Island premises in November.

Ahead of the launch of Australia-EU free trade negotiations, the visit provided an opportunity to showcase the longstanding success of Thales, which has been operating in Australia for more than thirty years, and its close collaboration with the Australian defence, maritime and aerospace sectors. Thales’ growth in Australia illustrates increasing opportunities for European companies as a result of Australia’s government procurement practices, and the seamless co-operation and technology transfer from Europe to Australia.

As an industrial and technological leader in Australia, the group is pivotal in building capacity and capability across a range of civil and military programmes. Employing more than 3500 people in Australia, including a majority of engineers and high-skilled workers, Thales is an innovation-intensive company developing cutting-edge technology and solutions, with around 7 per cent of the group’s revenue reinvested in research and development. Thales leverages collaboration between Europe and Australia to jointly pursue major opportunities in the Asia Pacific region. Of particular note are the air traffic management systems developed in Australia which are now used by countries all over the Asia Pacific region.

Thales’ teams presented some of the company’s flagship projects, including the Bushmaster infantry mobility vehicle and Hawkei vehicles, the Minesweeping System (AMAS), as well as cryptology products and solutions, before an open discussion with the Members of the European Parliament on Thales’ activities in Australia, focusing on the importance of the bilateral relationship between Australia and the European Union. Following the discussion, the Delegation visited Garden Island’s impressive facilities including the pump room and the dry dock, which is the largest dry dock in the Southern Hemisphere.
World leaders gathered in Perth in November for the Asia-Pacific Regional Conference where Prime Minister Malcolm Turnbull, German President Frank-Walter Steinmeier, Foreign Minister Julie Bishop and Singaporean Foreign Minister Vivian Balakrishnan all called on the international community to continue to support the rules-based order that has sustained the prosperity of the European Union and the Asia-Pacific region.

In his conference keynote address Prime Minister Turnbull made Australia’s commitment to open markets clear.

“Australia is defending and extending the liberal, rules-based order by collaborating with willing partners from Germany to Indonesia, pushing for open markets, rejecting populism and protectionism and nailing our principles of economic freedom to the door,” Prime Minister Turnbull said.

President Steinmeier also espoused his country’s commitment to open and free trade, and a stable rules-based international order.

“Trade agreements are more than a path to economic growth and prosperity – they can also contribute to a more inclusive, a more peaceful path of globalisation… open trade makes us understand how much we need each other.”

The German President was accompanied on his visit to Australia by a business delegation, including the chief executive officers of ThyssenKrupp and Herrenknecht.

Hosted by the German–Australian Chamber of Industry and Commerce, the Conference brought close to 1000 delegates to Perth and signalled Germany’s interest and engagement in the region, and the region’s interest in Germany and the EU.

Finance Minister Mathias Cormann, who served as Conference Patron, said that the objective was to pursue opportunities for Australia and Germany to do more business with each other, and to position Australia as a friendly, like-minded bridge to the broader Asia Pacific.

Foreign Minister Julie Bishop and Singapore Foreign Minister Dr Vivian Balakrishnan at the Asia Pacific Regional Conference in Perth.

During a packed conference program that included keynote speeches, conference sessions, and networking events, political and business leaders explored new investment and trade opportunities. There was a special focus on the growth opportunities presented by the Asia-Pacific region, and the potential that a comprehensive Australia-EU FTA holds for Australia’s trade and investment relationship with Europe.

Among the topics discussed by delegates was the promise and challenges of Industry 4.0, with Siemens announcing a $1 billion commitment to provide access to powerful product development software for select Australian universities. Siemens Chief Technology Officer Roland Busch said the software donation was a long-term investment in future workforce and software customers. The Siemens grant is supported by a $5 million investment by the Australian Government in five Industry 4.0 test labs, which will help small and medium-sized enterprises transition to a digital economy.

Other topics ranged from agriculture, food and supply chains, to innovation, cybersecurity, urban mobility, mining, energy and infrastructure, and women in leadership.

The prospects of an Australia-EU FTA also featured prominently. Finance Minister Mathias Cormann said leaders in the EU and Australia had “absolute focus and commitment” to complete an FTA by the end of 2019.

The EU’s Ambassador to Australia, Dr Michael Pulch, said that the EU was looking to fast track a ‘gold-standard’ FTA with Australia. Panellists across multiple sessions reiterated the need to engage with communities to explain the benefits of trade and allay community concerns about FTAs and free trade more broadly, particularly in an environment of rising protectionism.
Tapping into global value chains

One of the key areas of opportunity for Australian business to expand its engagement with European companies is via global value chains.

Austrade works with multinational corporations to identify particular gaps across their value chains where Australia has specific expertise and capability.

It then works across industry and government to identify and introduce best-in-class Australian suppliers to fulfil organisations’ specific requirements.

Each year Austrade assists around 5000 organisations enter export markets, gaining a depth of understanding of Australian suppliers’ capabilities and their competitive advantages. This, combined with Austrade’s knowledge across industries in Australia, is valuable in presenting a holistic Australian solution across the customer’s value chain.

Through targeted supplier access programs, Austrade streamlines the process and connects multinational corporations to Australia’s top-tier suppliers in each industry.

Defence opportunities

The Australian Government’s naval defence programs, worth a combined $90 billion, represent a significant opportunity to develop Australian industry capability and open up trade opportunities.

Austrade is working collaboratively with the Department of Defence and state and territory governments to leverage our relationship with European defence contract suppliers to introduce and integrate Australian capabilities into their global value chains. Once integrated, this also opens up opportunities for those Australian suppliers to work with European multinationals in other global markets.

Euronaval 2016

Europe’s major maritime defence exhibition, Euronaval, represents a unique opportunity for Australian companies to showcase their capabilities and maximise their exposure to multinationals. Almost 50 Australian organisations attended Euronaval in October last year in Paris, taking part in Department of Defence and Defence South Australia delegations. Austrade coordinated business matching and site visits for delegates.

Stemming directly from their involvement at Euronaval, four Australian companies were invited to tender for projects in the Middle East. Similarly, Austrade’s engagement generated five investor requests in related industries including renewable energy and offshore oil and gas.

Flinders University signed a Memorandum of Understanding with Italian shipbuilder, Fincantieri, and a supporting agreement with the University of Genoa to cooperate on research and development and training, with a focus on maritime and naval architecture and shipbuilding.
Disruptive technologies transforming the way we live

The concept of the fourth industrial revolution, also described as digitalisation or Industrie 4.0 in Germany, typically denotes the convergence of information and communications technology with business processes.

This can be defined as a period in which entrepreneurs will vastly transform major sectors like health, education, transportation, energy, and food — and in the process change the way we live our daily lives.

Fast-moving companies worldwide are establishing entirely new product and service hybrids that disrupt their own markets and generate fresh revenue streams.

This technological advancement is not simply an increment of the last 40 years of information innovation but actually the beginning of the next significant phase of disruption. It provides the basis for a truly global digitally driven economy.

Australia offers niche solutions and proven capability in the areas of additive manufacturing, automation, artificial intelligence, big data and analytics, blockchain, cloud, cyber security, immersive simulation, the Internet of Things and systems integration.

Australian companies are well-placed to offer advice, technologies, products and services across these areas to global clients and partners.

Australians are also experts at complex problem-solving, applying and leveraging disruptive technologies to address existing and emerging operational, financial, environmental and social issues.

Our robust research and development ecosystem, natural advantages in global growth industries, and distance from export markets means Australia has typically focused on small, high-value products that can easily access offshore markets to achieve scale and return on investment.

Austrade is working to promote Australia’s comparative advantage in these emerging and disruptive technologies and position Australian businesses to take advantage of emerging opportunities within the global value chains of multinational corporations.

Germany’s role as one of the world’s largest, most competitive and innovative manufacturing industry sectors; and its technological leadership in industrial production research and development, mark it as a global exemplar in the development of Industrie 4.0.

Matched with Australia’s world-class capabilities in niche areas of disruptive technologies, complex problem solving, as well as proximity to the emerging customer base across Asia, Australia has significant value-add to Germany as an Industrie 4.0 global value chain partner.

Cooperation agreement with Plattform Industrie 4.0

The Prime Minister’s Industry 4.0 Taskforce signed a cooperation agreement with Plattform Industrie 4.0 in April this year.

This agreement will further cement cooperation and information sharing between Australia and Germany in the area of Industrie 4.0, including the development of global Industrie 4.0 standards.

The agreement fulfils a recommendation by the Australia-Germany Advisory Group to increase collaboration on digital transformation. The agreement also forms part of the broader cooperation between Australia and Germany on science and innovation.

Plattform Industrie 4.0 and the Taskforce have agreed to cooperate across five work streams, representing key challenges in the transition to Industrie 4.0: reference architectures, standards and norms; support for small and medium-sized enterprises; Industrie 4.0 testbeds; security of networked systems and; work, education and training.

This cooperative work will be supported by government, industry, and standards and research organisations within both countries, with the Advanced Manufacturing Growth Centre coordinating work in Australia.
The first Aussie tech startups commenced their 90-day residencies at Australia’s Berlin Landing Pad this year.

FlexeGRAPH was one of the first startups to take advantage of the betahaus coworking space. The Canberra-based business produces fluids enhanced with nanotechnology for use in heat transfer applications including coolants for the automotive sector.

FlexeGRAPH founder Shannon Notley described Europe as a powerhouse in advanced manufacturing with strong profitable automotive and chemical sectors.

“The main benefit has been access to customers that we wouldn’t be able to access in Australia,” Mr Notley said of the Landing Pad program. “Germany is incredibly strong in the automotive sector. We’ve been able to use established networks from Austrade. Where those relationships didn’t exist the Austrade teams have helped us establish those connections.”

The Berlin Landing Pad is one of five innovative coworking spaces at locations around the world including San Francisco, Shanghai, Singapore and Tel Aviv.

The Landing Pads are part of the Australian Government’s National Innovation and Science Agenda. They provide market-ready Australian startups and scaleups with access to some of the world’s most renowned innovation and startup ecosystems.

Participating companies are provided with a short-term operational base for up to 90 days, where they benefit from Austrade’s network of contacts and receive tailored business development assistance.

With its vibrant, creative culture and extensive ecosystem of incubators and accelerators, Berlin is ideally positioned as a Landing Pad site for emerging Australian companies. A 2015 Ernst & Young report found that Berlin had become synonymous with creativity and innovation in Central Europe.

The city has the fastest-growing startup ecosystem in the world, with a new business founded every 20 minutes, according to a 2015 Compass report. Every year around 500 new digital technology companies start up in Berlin. The city’s notable startups include Soundcloud, 6Wunderkinder, ResearchGate, Number26 and Delivery Hero.

The Berlin Landing Pad is located at coworking space betahaus – one of Berlin’s best known locations for startups. betahaus brings together international startups and major German and European corporations to facilitate investment opportunities and the nurturing and acceleration of new technologies and business ideas. betahaus aims to foster entrepreneurship, creativity, rapid prototyping and innovative product development.

Australian startups interested in accessing the Berlin Landing Pad can obtain further information and register their interest online at: www.australiaunlimited.com/landingpads/landing-pads

Other Australian startups that have capitalised on a residency to access opportunities in Europe at the Berlin Landing Pad include:

- Yarnlab – builds products that support services for big tech companies including Unified Communications, Telepresence and Spark
- Universal Site Monitor – designs and develops advanced safety monitoring devices
- Gnarles – a platform for filmmakers to discover and license songs from emerging artists
- Liquid State – which empowers healthcare organisations to manage and deliver the right communications to the right people on the right devices
- Speedlancer – a curated network of 450 top freelancers in design, writing, research and development categories that deliver tasks on-demand with a turnaround in as little as four hours
Investment case studies

Bosch investment unlocks Australian smartphone key innovation

Bosch Australia’s automotive electronics group has invented a new Perfectly Keyless system that transforms smartphones into car keys.

Perfectly Keyless is a digital car key. To use it, drivers download an app onto their smartphones, and connect their cars to the app. Once they have done this, the smartphone generates a one-off security key that fits their respective vehicle’s digital lock.

The unique technology uses a wireless connection to the on-board sensors to measure how far away the smartphone is, and to identify the security key. Once the distance between driver and vehicle is less than two metres, the car door is unlocked.

In a Bosch media release, Harald Kröger, President of the company’s Automotive Electronics division, says their digital vehicle access system means that drivers will be able to do without traditional car keys.

“It’s a great example of stress-free connected mobility,” adds Mr Kröger.

The Australian innovation is now a global Bosch project spanning three continents and is being prepared for volume production, with a view to being on the market in two years.

“Perfectly Keyless is an example of the high-value engineering work that can be done in Australia in a post-passenger vehicle manufacturing environment,” says Gavin Smith, President of Bosch Australia.

Bosch Australia employs more than 200 engineers working in the development and application of vehicle electronics, cyber security gateways, vehicle safety and driver assistance systems for the global car industry. It generates annual revenue of more than $800 million in the Oceania region and employs 1400 people.

Bosch has had a presence in Australia since 1907 and established its first wholly-owned subsidiary in 1954. The Bosch Group has 350 subsidiaries and regional companies and operates in more than 150 countries around the world.
Neoen’s investments helps meet Australia’s electricity needs

Neoen is a French company with a long-term investment strategy dedicated to meeting Australia’s electricity needs through renewable sources.

Neoen has invested over $1 billion in wind and solar projects in Australia, including in the 309 megawatt Hornsdale Wind Farm in South Australia, which created 250 construction jobs in the region over three years. The Hornsdale Wind Farm will be paired with the world’s largest lithium-ion battery, built in collaboration with Tesla and the South Australian Government. Once complete, Hornsdale will power almost 250,000 Australian homes and reduce Australia’s CO2 emissions by over one million tonnes per year – the equivalent of taking more than 300,000 cars off the road.

Neoen is also investing in Australia’s remote areas, operating and developing solar-storage hybrid projects as well as solar and wind projects ranging from 10MW to 300MW in size. Its development and construction of Australia’s largest integrated off-grid solar and battery storage facility at the DeGrussa Copper-Gold mine in remote Western Australia will help reduce diesel consumption and cut carbon emissions by more than 12,000 tonnes of CO2 per year.

For Neoen, investment in Australia is also about growing Australia’s renewable energy industry. In 2016, the company announced a 20-year investment in the Renewable Energy Skills Centre of Excellence at the Canberra Institute of Technology, along with a new Community Fund which will see $120,000 invested in local community projects in the region around Jamestown, South Australia each year.

Neoen’s Australian investments are part of its future plans to build more than 1000MW of renewable energy projects in Australia by 2020. "Australia represented a significant opportunity for our business when determining key markets for investment," says Franck Wootiez, Managing Director, Neoen Australia. "Since arriving in Australia more than five years ago, we have committed to growing the renewable energy sector through a long-term approach that will support the continued growth of solar and wind energy in this country. We strive to work hard with stakeholders to make the benefits of renewable energy more visible to all Australians and we will continue to invest in making renewable energy more widely available, affordable and reliable."

Neoen has already invested over $1 billion in projects in WA, New South Wales and South Australia. Neoen sees ongoing opportunities in Australia across all states and is ready to commit another $1 billion in renewable energy projects by 2020.
**EU & Australia investment**

### Stock of EU Investment in Australia - 2016

- **Austria**: $3.629 ASm
- **Belgium**: $270.067 ASm
- **Bulgaria**: $4 ASm
- **Croatia**: $45 ASm
- **Cyprus**: $86 ASm
- **Czech Republic**: $4 ASm
- **Denmark**: $2,576 ASm
- **Estonia** (np): $398 ASm
- **Finland**: $2,833 ASm
- **France**: $28,336 ASm
- **Germany**: $38,797 ASm
- **Greece**: $2,866 ASm
- **Hungary**: $51 ASm
- **Ireland**: $26,138 ASm
- **Italy**: $1,443 ASm
- **Latvia** (np): $51 ASm
- **Lithuania** (np): $137 ASm
- **Luxembourg**: $74,035 ASm
- **Malta**: $137 ASm
- **Netherlands**: $74,701 ASm
- **Poland** (np): $51 ASm
- **Portugal**: $90 ASm
- **Romania**: $1 ASm
- **Slovakia** (np): $9 ASm
- **Slovenia**: $7 ASm
- **Spain**: $948 ASm
- **Sweden**: $8,323 ASm
- **United Kingdom**: $515,522 ASm
- **EU Unspecified**: $26,758 ASm

### Total EU28
- Total EU28: $1,072,240 ASm

### Total all countries
- Total all countries: $2,170,810 ASm

### Source
- ABS Cat. No. 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2016
- np - not published and are included within EU Unspecified
Acknowledgements

Business envoy brings insights from Australia’s global diplomatic network to the Australian business community. It considers global geopolitical events and trends, their economic implications and what they might mean for Australian business.

Business envoy is produced in the Free Trade Agreements Division of the Department of Foreign Affairs and Trade. Any views expressed within are those of DFAT officers and not the views of the Australian Government.

DFAT does not guarantee, and accepts no legal liability arising from or connected to, the accuracy, reliability, currency or completeness of any material contained in this publication. DFAT recommends that readers exercise their own skill and care with respect to their use of this publication and should obtain professional advice relevant to their particular circumstances.

With the exception of the Commonwealth Coat of Arms and where otherwise noted, all material presented in this publication is provided under a Creative Commons Attribution 3.0 Australia licence. Material in this publication can be shared or adapted for any purpose in accordance with the licence terms available on the Creative Commons website.

Contact

email: business@dfat.gov.au

To subscribe to business envoy and for more on DFAT’s engagement with business see the DFAT business portal.


Australian Government
Department of Foreign Affairs and Trade