



Policy Notes

ANUCES–Ai Group Survey: Australia–European Union Free Trade Agreement

The following is an interim report of a survey conducted with 59 Australian industry representatives interested in the forthcoming Free Trade Agreement with the European Union. The survey was conducted in conjunction with the Australian Industry Group and serves to highlight the importance of engaging with Australian business before negotiations commence in the first quarter of next year. Such engagement will be crucial in order to enhance the potential economic benefits resulting from the forthcoming free trade deal.

Contributing businesses ranged from those employing less than 25 employees (48%), 25–100 employees (19%), to those employing 100–200 employees (10%) and more than 200 employees (22%). It also covered several sectors, including those trading in manufactured goods (45%), agriculture and food products (17%), raw materials (9%) and services (34%). 22% of respondents were affiliated with businesses that do not currently trade with the EU and therefore skipped certain questions. Due to the nature of the questions, respondents were able to select multiple responses throughout.

Members were first asked to indicate which type of trade or investment they conduct with the EU. 55% of respondents indicated that they export goods and services to the EU. 65% of respondents indicated they import goods and services from the EU. A further 23% indicated that they are currently engaged in direct foreign investment with the EU either as a source or destination. 10% of respondents indicated 'other', listing 'loan finance' and 'testing services'.

Participants whose businesses are currently engaged in trade with the EU were then asked to select the main trading routes they currently use. 71% of respondents indicated direct trading with related subsidiary/parent company in the EU market, with 48% selecting direct export/import with EU-based unrelated producers. Indirect trading through domestic/EU-based wholesaler or other trading firms (26%) and e-commerce (13%) were also identified as trading routes. Three respondents selected 'other' specifying 'direct trading with distributors', 'direct with banks' and 'import[ing] directly from both German and Swiss manufacturers'.



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This Policy Note is an interim report on a project being undertaken by ANU Centre for European Studies (ANUCES) interns, Thomas Baker and Ayden O'Neill.

Have your say about the Australia–EU Free Trade Agreement

It is clear that an Australia–EU FTA presents both opportunities and challenges for Australian business and industry. ANUCES and the Australian Industry Group (Ai Group) invite you to complete our survey that aims to shed light on some of these challenges and draw attention to specific issues that industry representatives wish to raise. We welcome further engagement with industry and distribution of the survey to interested parties:

<https://www.surveymonkey.com/r/8DB5H79>



Participants were then asked to select the three main European countries they currently export to. The UK, Germany, France, the Netherlands and Austria were cited as major export destinations, in descending order. Participants were also asked to select the three main European countries they currently import from. The UK, Germany, Italy, France and the Netherlands were all cited as the largest import sources in descending order. Two-thirds of respondents subsequently indicated that their products contain inputs from outside of Australia and the EU, reflecting the increasing complexity of global supply chains. Increasing economic interdependence between countries highlights the need to lend significant attention to rules of origin and local content requirements in the negotiations of an Australia–EU FTA.

Those who currently trade with the EU were then asked to identify at-the-border trade barriers they are currently faced with. The main concerns of Australian businesses were identified as import duties (76%), packaging, labelling and product requirements (62%) and customs procedures and border controls (52%). Quantitative import restrictions and licenses (34%), sanitary and phytosanitary measures (28%) and quantitative export restrictions and licenses (10%) were also areas of concern but to a lesser degree. 17% of respondents indicated that they currently face no at-the-border trade barriers when conducting trade with the EU. Another respondent indicated ‘other’ specifying ‘NATO trading restrictions’.

In regards to behind-the-border obstacles, 48% of respondents indicated technical regulations or mandatory standards as a current barrier to trade. Accessibility and cost of compliance testing (22%), cost of access to standards and regulations (18.5%), voluntary standards (15%) and lack of awareness on relevant standards and regulations (11%) were also highlighted as current behind-the-border trade barriers with the EU. One respondent indicated ‘other’, specifying ‘reticence from some suppliers to comply with FSANZ code’. Interestingly, a third of respondents indicated no behind-the-border trade barriers with

the EU, perhaps lending greater importance to at-the-border barriers in an Australia–EU FTA. Another explanation could point to the fact that behind-the-border obstacles are harder to identify than those at-the-border, often revealed during periods of increased economic activity, particularly after a Free Trade Agreement has already been established.

Participants were then asked to indicate any services or investment market access roadblocks they encounter when trading with the EU. 45% of respondents indicated no service or investment trade barriers between Australia and the EU. Those that did indicate existing trade barriers selected visa restrictions (21%), local presence requirements (21%), consumer regulations (13.79%), recognition of professional qualifications (10.34%), business licensing requirements (10.34%), language/ customs (10.34%), domestic labour regulations (6.90%), mobility between/ within jurisdictions (6.90%) and data and telecommunications restrictions (3.45%). Two respondents indicated ‘other’ identifying ‘taxation challenges’ and ‘local tax requirements’ as current barriers to trade.

Regardless of whether or not they currently trade with the EU, an open-ended question then asked respondents to discuss the main issue that they would like to see addressed in an Australia–EU FTA. The responses revealed a common understanding across several sectors that an abolishment or reduction of tariffs is needed in order for exporters to be competitive in the EU market. Along similar lines, respondents expressed a desire for ‘a level playing field’, ‘improved market access’ and ‘ease of trade’. Participants also indicated the need for the alignment of particular mandatory standards such as phytosanitary requirements for cured meats:

Align Australia’s phytosanitary requirements, which are often overly conservative versus the EU standards. Open up possibility to import cured meats from EU to Australia without the trade barriers that currently exist.

There was also a call for a relaxing of increasingly time onsuming standards governing software imports:

Relaxing of regulations governing software imports, especially when upgrading equipment currently existing in Australia. EU Anti-terrorism rules mean a simple card upgrade can take a week of approvals.

In terms of protections in the Australian market, a large importer of manufactured goods expressed a desire to see ‘greater compliance with Australian labelling and ingredient legislations as a prerequisite to trade’. Such regulatory divergences evidently present significant obstacles to trade.

One business engaged in shipping and freight forwarding with the EU indicated that it would like to see an agreement that reflects a simple format like the AUSFTA rather than the complexity of document verification in ChAFTA:

Simple format such as the AUSFTA. The trading community does not want issues such as ChAFTA with documentation that needs to be always verified if correct. With today’s technology we need to streamline this process.

In this area, another respondent expressed a desire to see a ‘simplification of process [and] clarity of paperwork and what is required’. This highlights the fact that the sheer complexity and

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detail of certain trade agreements make it difficult for businesses to take advantage of new trade deals, which becomes a barrier in itself. It underlines the need to engage with business and industry to produce a simple format which will ensure trade and investment ties are able to reach their full potential under an Australia–EU FTA.

Interestingly, one respondent suggested that an FTA with the EU may set a precedent for Australia's future trade agenda, particularly in non-traditional trade agreement areas, and therefore must be comprehensive and well-considered:

Any 'innovations' in the FTA [need to be] well-considered and robustly tested with industry, particularly in investment, services and e-trade related areas. As there are relatively few traditional trade agreement areas to negotiate, DFAT may wish to stretch into frontier areas. These have a bearing on Australia's future (and potentially current) FTAs (precedence, possibly MFN clauses).

With tariff rates already quite low between the two, an Australia–EU FTA potentially presents an opportunity to move towards the liberalisation of non-tariff related barriers such as regulatory divergences on both goods and services. It could possibly serve as a precedent for future trade agreements and would greatly expand the potential of trade ties between the two parties.

Respondents were then asked whether they thought an Australia–EU FTA would have a positive effect on their company's trade or desire to trade with the EU. 44% of respondents strongly agreed, 37.5% agreed and 19% were undecided. No respondents were against the prospect of an Australia–EU FTA. Those who were undecided either expressed a desire to know more about the details of the Free Trade Agreement or were unsure about its impact:

I don't know if this will have a positive impact on pricing. At the moment, when bidding for some contracts or tenders, we are disadvantaged, because Australian consumers put a 20% loading against European based goods – while favouring Asia–Pac suppliers. (Public Transport Authority of Western Australia being the last tangible example).

Those who were in agreement or strong agreement suggested that lower tariffs will allow businesses to be 'more competitive' in the single market and 'create new business opportunities'. Importers argued that an FTA will 'allow products to reach Australian consumers at a lower price point' and 'provide greater variety'. One medium-sized enterprise engaged in exporting/importing agricultural and food products and manufactured goods described benefits on both sides:

We face duty tariffs when exporting Australian olive oil to Europe. We face import restrictions into Australia on cured meats that pose no risk to Australian biodiversity, and we face high tariffs and overly conservative phytosanitary standards on cheese imported into Australia that are unreasonable. Removing these forms of protectionism will allow consumers better and cheaper access to a range of products they do not current access, which will increase the sales of my company.



The trading community does not want issues such as ChAFTA with documentation that needs to be always verified if correct. With today's technology we need to streamline this process.

Assuming that an Australia–EU FTA removes or reduces tariffs, it is clear that respondents support such a deal. Respondents were then asked whether they thought Brexit would have an adverse effect on their trade or desire to trade with the EU. The results were mixed, with 25% in agreement, 31% in disagreement and 6% in strong disagreement. The majority of respondents however, were undecided (37.5%).

The mixed responses may reflect the current uncertainty around Brexit and its undetermined impact on an Australia–EU FTA. When asked to elaborate, many listed the fact that the UK is a major trading partner as the reason for concern. A member of the agricultural industry expressed concerns around the impact of Brexit on current quota allocations:

It appears likely that the EU and Britain will unilaterally split existing quota access allocations, without consultation and to the detriment of Australian agriculture (including dairy).

Interestingly, a couple of respondents indicated that they would have to have a 'responsible person' for the EU trade? based in the UK and would be forced to make other arrangements:

We will be required to establish a 'responsible person' in the EU economic zone – this is a requirement for trading. At present this is catered for in the UK under our company subsidiary structure. We will now need a separate structure to meet this trading requirement.

Those who do not currently trade with the UK or see it as a major trading partner either disagreed or strongly disagreed with the question. Others expressed a desire for a separate but similar FTA with the UK, once it has officially withdrawn from the EU:

Brexit: It won't have a direct adverse impact (assuming FTAs emerge with both the EU and UK) but it will make it harder and more complex for businesses. Given the UK will be looking to expand into new markets following its withdrawal from the EU, a separate FTA with Australia is a distinct possibility.

It is clear that an Australia–EU FTA presents both opportunities and challenges for Australian business and industry. This survey aims to shed light on some of these challenges and draw attention to specific issues that industry representatives wish to raise. Responses to date indicate diverse and interesting perspectives on the potential FTA which usefully inform the proposed negotiations.

ANUCES proposes to continue gathering responses as negotiations get underway in 2018. To this end we welcome further engagement with industry and distribution of the survey to interested parties.

The survey can be found at:

<https://www.surveymonkey.com/r/8DB5H79>

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