Introduction

Global trade has seen its worst year since the Great Depression; trade is projected to decline by 10% this year.

How timely is it therefore for us to have a conference on this important topic now, and here in Australia, and with the perspectives of the European Union and Australia combined. I congratulate the National Europe Centre of the Australian National University for holding this conference as part of its research project on Australia and the European Union – a study of a changing trade and business relationship.

Given the very close economic ties between Europe and Australia, the European Commission is very happy to support this conference and be a formal 'Partner Organisation' in the research project. It is important that we have independent academic input to help guide our thinking.

I am honoured to share this platform with the world famous – literally, in trade circles – Don Kenyon, who brings his experience, knowledge and wisdom to this research project.

Much of the Australian media is preoccupied by Australia’s growing trade and investment relations with Asian countries, especially with China. This is natural. But where is Europe in all of this? Later on I will go into more detail but for now I just want to say one thing about the very dynamic EU-Australia economic relationship; the talk in Australia may be about Asia, but the overall data are still very much about Europe.

The European Union is a strange but beautiful creation, quite unlike anything seen before.

Strange, because the 27 countries of the European Union have come together to act jointly in terms of trade policy and in terms of standards and technical regulations etc.; they have pooled their sovereignty in this area and they act through the institutions of the EU. Therefore, while it is true that exports from Germany are German, or those from Hungary are Hungarian, they are also coming from the Single Market of the EU and in strict trade terms they are of EU origin and should also be counted as such in the various statistics.

Beautiful, because the rules, standards and norms which we agree upon at European level set the ground rules for operating throughout the Single Market of almost 500 million people – from Sweden to Malta, from Portugal to Poland. Obviously these EU
rules have each their own unique beauty in terms of the excellent legal drafting of the
inspiring preambles; but their real beauty comes from their replacing 27 different,
less clear, perhaps contradictory regulations which may have pertained previously
within the EU.

If Australia has an issue with Europe at the WTO it instinctively knows to call the
European Commission, representing the EU on such matters; when Australia exports
to Estonia or Italy or Britain, it knows that the rules and standards which affect them
are EU ones engineered by the European Commission; when Australia imports
products from Spain, or Slovakia or Cyprus, it knows that those products have met
the high European standards of the EU’s Single Market.

These are all examples of the effect of the pooling of sovereignty which differentiates
the degree of economic and political integration in Europe from anything else so far
existing between sovereign states on the planet.

For this reason countries world wide, including Australia, classify the European
Commission in the formal diplomatic context, not as an international organisation, but
in the same category as countries. For this reason the European Commission takes
its seat at various international gatherings, such as the G8 and the G20, not as an
international organisation, but as representing 27 countries and almost 500 million
Europeans, depending on the topic.

This is not always evident to outsiders; the EU is, afterall, a strange but beautiful
creation.

That said, I would like to entertain you further by looking at ...

— The most important EU news of the moment – the Lisbon Treaty - which has
implications here in Australia and for trade and investment;

— The overall EU trade policy picture:

— The overall EU-Australia bilateral relationship, and especially

— EU-Australia trade relations.

**Impact of the new Lisbon Treaty**

Since it is both very important and very topical these days, I would like to say a few
words on the Treaty of Lisbon which comes into force on 1 December.

This Treaty is a historic and necessary progressive step forward for the European
Union. It provides the EU with the legal framework and tools necessary to meet future
challenges and to respond better to citizens’ demands.

The Lisbon Treaty provides for a more democratic and transparent Europe, with a
strengthened role for the European Parliament and national parliaments, and for the
first time a citizens’ initiative provision; more opportunities for citizens to have their
voices heard and a clearer sense of who does what at European and national levels.

It will lead to a more efficient Europe, with simplified working methods and voting
rules, streamlined and modern institutions for a EU of 27 members and an improved
ability to act in areas of major priority for today’s Europe.

It introduces a Charter of Fundamental Rights into European primary law, providing
for new solidarity mechanisms and ensuring better protection of our citizens and
promoting European democratic values and freedoms.
Finally, the Lisbon Treaty will give a clearer voice to the EU as an actor on the global stage.

The Treaty contains two important institutional innovations with a significant impact on the EU's external action: the appointment of a "permanent" President of the European Council for a renewable term of two and a half years; and the appointment of the new High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission, who will ensure the consistency of the EU's external actions.

A new European External Action Service is also in the process of being established which will draw on the resources of the EU institutions and the Member States and will provide back up and support to the High Representative.

The Treaty of Lisbon will help the EU work more effectively and consistently around the world. By connecting the different strands of EU external policy, such as diplomacy, security, trade, development, humanitarian aid and international negotiations, it will give the EU a clearer voice in relations with our partner countries like Australia and organisations worldwide.

Reflecting these changes, the Delegation will become the ‘Delegation of the European Union to Australia’.

The Treaty also introduces a single legal personality for the EU that enables it to conclude international agreements and join international organisations on its own behalf. The EU will therefore be able to speak and take action as a single entity.

Looking specifically at the EU’s common commercial policy, the new Treaty makes incremental changes which will improve our efficiency and provide greater clarity of competences. In particular intellectual property rights issues, services and, investment will be explicitly included in common commercial policy when previously they were what we call mixed competences between the Member States and the Commission.

**EU trade policy**

Turning now to the EU's trade policy, it would not be unreasonable to observe that trade is crucial to creating jobs and growth. As the world's biggest trader in both goods and services, the EU has a strong vested interest in maintaining an open trading system and the EU's trade policy is central to its broader agenda.

Growth and jobs, and the opportunity they create, are at the heart of the European Commission's agenda for Europe. They are essential for economic prosperity, social justice and sustainable development and to equip Europeans for globalisation. They are a core criterion by which citizens will judge whether Europe is delivering results in their daily lives.

In late 2006, the EU adopted what is known as the *Global Europe* strategy as a means to integrate trade policy into the EU's broader competitiveness and economic reform agenda. The *Global Europe* strategy is aimed at opening new markets abroad for European companies and ensuring that they are able to compete fairly in those markets, while also committing Europe to ensuring that its own markets remain open.

The internal dimension of the *Global Europe* strategy is very much linked to the renewed Lisbon strategy which sets out a coherent agenda for adapting European economies to the new global environment. Essentially this is about structural change. The need for structural change is not new, but it is accelerated by globalisation. We need to do better in helping sectors and regions adapt; in anticipating the effects of
trade opening; and in ensuring benefits are passed on to citizens. This includes examining how the internal market can be adapted to further help European business make the changes necessary to compete internationally by diversifying, specialising and innovating. It also includes the EU playing a leading role in sharing best practice and developing global rules and standards.

The external dimension of Global Europe is based on a series of four linked initiatives. Firstly, the EU's continued commitment to the World Trade Organisation and the multilateral trading system, which remains the EU's top trade policy priority. The EU remains dedicated to working with fellow WTO members to conclude the current round of negotiations on the Doha Development Agenda. I will say a little more about this later.

Secondly, the launch of a new generation of bilateral free trade agreements with key partners. Importantly, these FTAs will build on WTO rules by tackling issues which are not ready for multilateral discussion and by preparing the ground for the next level of multilateral liberalisation (what are known as WTO plus agreements).

The key economic criteria used for determining whether or not to initiate FTA negotiations are: 1) the market potential – the economic size and growth of the partner; 2) the level of protection against EU export interests – both in terms of tariffs and non tariff barriers. Secondary criteria include our potential partners’ negotiations with EU competitors and the likely impact of this on EU markets and economies; as well as the risk that the preferential access to EU markets currently enjoyed by our neighbouring and developing country partners may be eroded. These criteria have not surprisingly resulted in most of our new FTA negotiations being in the Asian region – eg South Korea, India and ASEAN – which is not that different to the experience here in Australia.

Thirdly, the development of a new comprehensive strategy on China. The EU considered that China will be the single greatest challenge for EU trade policy in the years to come. I would like to stress though that China should be perceived as an opportunity for Europe, not a threat; while at the same time imbalances in the existing relationship need to be addressed to ensure that EU and Chinese companies operate on a level playing field when accessing each other’s market.

 Fourthly, the strategy introduced a revised Market Access Strategy with a focus on tackling non-tariff barriers. This includes a new approach for ensuring better access for EU companies to major public procurement markets, as well as the next stage in EU global policy for protecting intellectual property rights, with tougher benchmarks for cracking down on counterfeiting and new cooperation with key partners.

Our trade policy also addresses a number of important broader and emerging issues, such as trade and public health, trade and labour polices and trade and environmental policies.

**EU-Australian bilateral relations**

The EU–Australia relationship is very dynamic. Today, we are working together both more deeply and more broadly, than ever before.

EU-Australia relations are based on many shared values and common interests.

As eluded to by the Parliamentary Secretary in the previous presentation the European Union – Australia Partnership Framework of October 2008 provides the instrument which guides the development of our bilateral relations.
The Partnership Framework facilitates the EU and Australia in achieving common goals in a number of important areas such as foreign policy and security, international trade, development assistance, climate change and energy, science and research, innovation and technology, education and culture.

Reflecting the dynamism of the EU-Australia relationship, the Partnership Framework is a living document; it was updated at the recent Ministerial meeting held in Stockholm under the Swedish EU Presidency.

This dynamism can be seen from just a sample of the achievements so far: close coordination on the climate change negotiations and the European Commission becoming a founding member of Australia's Global Carbon Capture and Storage Institute; support for counter-terrorism actions in the region; new trade agreements covering wine and the mutual recognition of certain industrial products; reciprocal untying of aid was achieved in many Asian countries, as well as EU support for the Cairns Compact of the Pacific Islands Forum.

This dynamism can also be seen from the ongoing activities such as the negotiation of new agreements, air transport or security of information, or the new activities which we envisage, such as the new dialogue on counter-terrorism, or regular Ministerial level trade talks. There is a wide range of things still to be done on our joint “to do list” and perhaps this conference can help add to the future list?

**EU-Australia economic relationship**

The EU is still Australia’s biggest single economic partner as seen through trade – in goods and services – and through investment.

Total two-way trade in goods and services increased by 8 per cent to over $90 billion in 2008-09, accounting for 16 per cent of Australia’s trade.

The EU is the largest source of merchandise imports into Australia and the third largest market for Australian exports, after Japan and China.

However, the breadth of the economic relationship is not only reflected in the importance our bilateral trade in merchandise goods but also in services – which accounts for about one-quarter of two-way bilateral trade, where the EU is Australia’s largest partner, and in investment, where again we are Australia’s largest partner.

EU investment in Australia last year amounted to $37bn, bringing the total stock of foreign investment here from Europe to A$567bn. While China may be the focus of attention this year, its stock of investment at the end of 2008 was just 0.5% of foreign investment in Australia. This compares with 6% for Japan, 25% for the US; while the EU investment amounts to around one-third of total foreign investment in Australia. Moreover, this investment is estimated to account for around 500,000 Australian jobs directly, and a total of 1.4 million jobs directly and indirectly; in other words some 12% of the Australian workforce are directly or indirectly reliant on EU investment.

Naturally this cuts both ways; Australian investment in Europe is also important for jobs in the EU.

As I said earlier, the talk in the Australia media is all about Asia but the overall data are still very much about Europe.

That said, this does not mean we can sit back and forever admire the trade and investment ranking tables. Although strong economic links are in place, continued
dynamism, as applied across the bilateral relationship, will be crucial in sustaining what may be considered to be the core of the EU-Australia relationship.

**Bilateral trade policy with Australia**

Turning now to the bilateral trade policy with Australia, and as Parliamentary Secretary Byrne already referred to, our joint Partnership Framework is again the key instrument for cooperation in the trade and investment arena and to some of the important results already achieved.

From both Parliamentary Secretary Byrne's presentation and from my earlier remarks you can see we both consider that our trade interests are best pursued through the rules-based multilateral trading system.

I believe the relationship between the EU and Australia within the WTO context is often much misunderstood and disproportionately tainted by historical perceptions on agricultural issues. Australia and the EU have worked very closely on WTO issues for some time, and it is worth noting that as far back as 2002, at another NEC conference again organised by Don Kenyon, the then Minister of Trade Vaile stated: "There is much in common between the EU and Australia in the multilateral round. In fact we agree on far more issues than we disagree on".

Cooperation today is even greater, with the EU and Australia being the major champions for a rapid but ambitious conclusion to the Doha Round of WTO negotiations. There is a very close working relationship between Trade Minister Crean and European Trade Commissioner Ashton – witness their joint article earlier this year in the Wall St Journal urging other partners to finalise the Doha Round.

Looking forward I believe there is scope for us to have greater cooperation on the likely new issues which will shape the future international trade policy agenda, such trade and climate change, labour issues and competition. Also, even as we begin to emerge from the Global Economic Crisis, we should continue to coordinate our responses and exit strategies. The revised Partnership Framework has new action items to broaden discussions on just such matters.

Our approach taken bilaterally could be best described as a 'flexible, pragmatic outcome based approach ', which reflects the reality of the issues which need to be addressed. These issues are not so much the classic across the board tariff issues, although there remain some, but more related to behind-the-border issues. For example, from Australia’s perspective, it has a keen interest on EU regulatory issues with potential impact on trade and investment, while from the EU's perspective SPS issues remain of major concern. The Partnership Framework allows for dialogues on both these perspectives, and we will be looking for concrete results in terms of enhanced market access in the coming period.

There is a strong focus on services in this conference and I will be interested to hear what can be done at a policy level to facilitate two-way services trade and investment. Similarly there is a strong business contingent in the programme and I will be interested in their response to one of the new actions in the Partnership Framework which foresees enhanced business-to-business and government-to-business linkages between the EU and Australia, through the encouragement of two-way visits and business activities.
Conclusion

You will be delighted to hear that I am drawing to a close.

So in conclusion, I would like to leave you with a number of key messages:

— that with the entry into force of the Treaty of Lisbon, the EU will be entering into a new era, not the least in the way we play our part on the global stage;

— that the EU has a coherent and comprehensive trade policy, based first and foremost on the multilateral rules based trading system;

— that relations between the EU and Australia are very dynamic and have perhaps never been better;

— that trade and investment issues are still at the core of this relationship; and

— that our Partnership Framework provides a flexible and pragmatic outcome based approach to further developing the relationship;

— that this conference and the related research project have the potential to help guide our thinking on the future development of the bilateral relationship on trade and investment issues.

Thank you for your attention.