Australia and the EU: Business Perspectives on the Relationship, A Research Project

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EU-Australia business relations

- ARC Linkage Project:
  - Understand perceptions of EU firms of Australia’s business environment + Australian firms EU business environment
  - Obstacles to Australia-EU business relations
- Important, because EU important to Australia
  - 2-way bilateral trade: 1993 $30 billion → 2008 $91 billion
  - Biggest trade partners: EU, China, USA and Japan
  - Stock inward FDI in Australia from EU: 1992 $37 billion → 2008 $133 billion (= 34% of total)
- Causes: (1) deregulation in EU + Australia, (2) EU single market
- But: asymmetry + imbalance + untapped potential?

Australian firms: Business contacts with the EU

- Australia-EU business relations skewed towards the UK
  - UK GDP = 14% of EU27 GDP (2008), but UK share in Australia’s:
    - goods imports from EU 19%, exports to EU 40% (2001-08 av.)
    - services imports from EU 44%, exports to EU 56% (2001-08)
    - inward FDI from EU 45%, outward FDI in EU 54% (2008, stock)
  - Similar shares for USA and Canada are all significantly lower
  - Why focus on UK? Missed opportunities continental EU?
  - No firm-level research on Australia-EU business relations
  - Do Australian firms misjudge business environments in continental EU?

EU-based firms: Business contacts with Australia

- Few surveys of foreign firms in Australia, e.g.
  - Australian Business Foundation (2002): they matter
  - Maitland & Sammartino (2009): limited R&D
  - Kalfadellis (2008): positive, but costs of regulation
- None specifically on EU-based firms
  - Maybe ‘psychic’ closeness relevant here also, because
    - ABS: 53% of EU firms in Australia from UK (2001)
    - While: 32% of assets of EU firms in USA from UK (2006)
    - And: 29% of assets of EU firms in Canada from UK (2003)
  - Non-UK European firms: Germany, France, Sweden, why them?

The ARC Linkage research project

- 8 investigators, located at ANU, 5 partner organisations:
  - DFAT, DIISR, DAFF, European Commission, EABC
- Several ‘clusters’, one on Australia-EU business relations
- Research program in this cluster:
  1. Gravity modelling of trade + investment relations between Australia and EU countries
  2. Analysis of existing firm-level data sets (e.g. inward + outward FATS) + own survey
  3. Case studies, focus on Australia - continental Europe

Discussion: Why do Australian firms focus EU business relations on the UK?

- Some hypotheses, e.g.
  - Path dependency + younger firms inexperienced in IB
  - Lack of knowledge + suitable contacts in continental EU
  - Negative perceptions about continental EU
  - Mismatch
  - UK as a base for business in the wider EU
- Three factors important in decisions that companies make
  - Motivation
  - Barriers
  - Enablers