

FTA negotiations to start with Australia and New Zealand

On 22 May 2018, the Council authorised the Commission to negotiate free trade agreements (FTAs) with Australia and New Zealand, and adopted the related negotiating directives. The FTAs will mainly focus on further reducing existing trade obstacles, eliminating custom duties on goods, and improving access for services and public procurement in Australia and New Zealand. The first negotiation rounds are expected to take place in July 2018, and the Commission aims to conclude negotiations before the end of its term in late 2019.

Background

Australia and New Zealand are among the [few](#) World Trade Organization (WTO) member countries that do not have a preferential market access arrangement with the EU, either in force or under negotiation. Nevertheless, in 2017 the EU was Australia's [second largest](#) and New Zealand's [third largest](#) trading partner in goods, and in 2016, EU foreign direct investment (FDI) stocks totalled [€161.5 billion](#) in Australia and [€10.9 billion](#) in New Zealand. Moreover, Australia and New Zealand have been pursuing ambitious trade agendas, as illustrated by the fact that they have already negotiated a number of bilateral FTAs, as well as regional and mega-regional agreements. For instance, in March 2018 they signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ([CPTPP](#)) together with nine other countries. In recent years, the EU has also been negotiating FTAs actively. In the Asia-Pacific region, for example, it has concluded trade negotiations with [Vietnam, Singapore and Japan](#). In addition, one of the objectives mentioned in the EU's 2015 trade and investment strategy, [Trade for all](#), was to open FTA negotiations with Australia and New Zealand. FTAs concluded with these countries would facilitate the [EU's access](#) to the Asia-Pacific region and level the playing field for EU companies.

Preparing the launch of negotiations

Preparatory discussions to define the agreements' scope were conducted separately with each country. Discussions with New Zealand were completed in [March 2017](#) and with Australia in [April 2017](#). An impact assessment (IA) was carried out in preparation for a Commission decision to request authorisation from the Council to launch negotiations with each country. The [IA report](#) covering both of them, supported by an [external study](#) and an online [public consultation](#), was published on 13 September 2017. The [executive summary of the IA](#) stated that the two FTAs were estimated to generate a long-term increase in real GDP of up to €4.9 billion for the EU. 'Some transitional unemployment (reallocation) in a few sectors' was also mentioned among the potential impacts.

On the same day it published the IA report, the Commission also presented the draft mandates for negotiations with [Australia](#) and [New Zealand](#), which stated that the FTAs should 'exclusively contain provisions on trade and foreign direct investment-related areas'. Accordingly, the draft mandates did not cover portfolio investment, investment protection and resolution of investment disputes. In addition to formulating the general objectives of the agreements, the draft mandates explicitly mentioned that the most sensitive products should be covered by specific provisions, such as longer transition periods or tariff-rate quotas for certain agricultural products.

On 22 May 2018, the Council adopted the negotiating directives for negotiations with Australia and New Zealand. At a [press conference](#) held on the same day, EU Trade Commissioner, Cecilia Malmström, expressed hope that the Council would publish these mandates as soon as possible. In a [press release](#) announcing that it had given the go-ahead to trade talks with the two countries, the Council stated that the FTAs would mainly focus on further reducing existing trade barriers, eliminating custom duties on goods, and improving access for services and public procurement in Australia and New Zealand. According to the Council, the mandates aim to protect vulnerable sectors, such as agriculture, and 'do not envisage

full liberalisation of trade in agricultural products, which are foreseen as benefiting from specific treatment'. The Council also mentioned that the EU sectors likely to benefit the most from the FTAs are motor equipment, machinery, chemicals, processed foods and services. Furthermore, the Council indicated that the mandates allow for the highest standards of labour, safety, environment, climate and consumer protection.

The Commission President, [Jean-Claude Juncker](#), presented the future trade agreements as part of the parties' commitment to an open and rules-based global trading system.

Possible points of contention

Trade and economic relations with Australia and New Zealand are built on a number of cooperation agreements, such as the EU-Australia [bilateral agreement for mutual recognition](#) (2012) and the EU-New Zealand [Veterinary Agreement](#) (updated in 2015). The latest development includes the [entry into force](#) of the EU-New Zealand [customs agreement](#) on 1 May 2018, which provides for cooperation between the parties to prevent, investigate and deal with breaches of customs rules. While these agreements provide a good basis for FTA talks, the latter are also expected to address several sensitive issues, not least because Australia and New Zealand are major and competitive producers and exporters of agricultural products. In 2016-2017, the EU was Australia's [fourth largest](#) export destination for agriculture, fisheries and forestry; and in 2017, [68.8 %](#) of EU imports from New Zealand consisted of agricultural products, mainly sheep and goat meat.

Contributions to the Commission's 2016 online public consultation revealed that stakeholders from some EU agricultural sub-sectors were [concerned](#) that greater access for agricultural products from Australia and New Zealand would further boost competition on EU markets. On the other hand, reservations associated with European geographical indications (GIs), a core issue for the EU in its FTA negotiations, have been expressed in [Australia](#) and [New Zealand](#). Moreover, according to [media reports](#), Australian officials expect the French, Irish and Polish farm lobbies to be the most vocal objectors to a deal. In a [speech](#) given during a visit to Europe in April 2018, the Australian prime minister drew attention to the need for the FTA to address the 'very restrictive' tariffs and quotas that Australian agricultural products face in the EU.

European Parliament position

In a February 2016 [resolution](#), Parliament supported the idea of negotiating FTAs with these countries, but called upon the Commission to find a balance between improved market access conditions offered by the FTAs and defending EU interests. In October 2017, Parliament debated and adopted two resolutions on the proposed negotiating mandates for FTA negotiations with [Australia](#) and [New Zealand](#). In these resolutions, Parliament called on the Council to authorise the Commission to start negotiations with these countries and put forward a number of points for inclusion in the negotiating directives, such as granting special treatment for certain sensitive agricultural products. More recently, on 18 April 2018, the European Parliament gave its [consent](#) to the conclusion of the EU-Australia framework agreement, signed in 2017, that establishes a comprehensive framework for bilateral engagements. In a separate [resolution](#), the Parliament expressed its support for the launch of FTA negotiations with Australia.

Next steps

In June 2018, Trade Commissioner Malmström will participate in the official launch of negotiations in Australia and New Zealand. The first negotiation rounds are expected to take place in Brussels in July 2018. In his State of the Union [speech](#) before the Parliament in September 2017, Commission President Juncker set out as a priority the conclusion of the EU-Australia and EU-New Zealand FTA negotiations before the end of the Commission's mandate in the second half of 2019. Following the launch of negotiations, in-depth evaluations of the future agreements' potential impacts will be carried out in the framework of [Sustainability Impact Assessments](#) (SIAs). The SIA results will be taken into consideration in the negotiation processes.

Finally, while they are ready to start FTA negotiations with the EU, [Australia](#) and [New Zealand](#) are also engaged in bilateral trade dialogues with the UK about the swift launch – after the UK leaves the EU – of negotiations for prospective bilateral FTAs.

