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*Delegation for relations with Australia and New Zealand*

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## MISSION REPORT

following the 39th EU-Australia Interparliamentary Meeting on 30 October to 1 November 2018, Sydney and Brisbane

Delegation for relations with Australia and New Zealand

Members of the mission:

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|---------------------------------|--------------------------------|
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Rapporteurs:

|                             |       |
|-----------------------------|-------|
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## **Introduction and political context**

The mission to Australia and the 39th EU-Australia Interparliamentary Meeting (IPM) took place at a time when relations between the EU and Australia are wider than ever in scope. The Framework Agreement between the EU and Australia was signed in August 2017 (with the aim of further enhancing cooperation and tackling challenges in foreign & security policy, sustainable development, climate change, and economic & trade matters); crucially, the Australia-European Union Free Trade Agreement (FTA) negotiations had also just been launched a few months earlier (in June 2018). The mission, led by the Chair of the DANZ Delegation, MEP Ulrike Muller, also included Parliament Rapporteurs for the Framework Programme as well as the FTA.

When the previous IPM took place in October 2017 in Strasbourg, Malcolm Turnbull had been Prime Minister for 2 years, having replaced Tony Abbott as leader of the Liberal Party and therefore also as Prime Minister in September 2015.

The current IPM took place following a by-election in Wentworth, Sydney, the former constituency of Mr Turnbull, who had lost the leadership battle to Scott Morrison in August. Following the successful challenge to his leadership, Mr Turnbull had resigned on August 24 and announced that he would at the same time give up his parliamentary seat.

Australia has now had six prime ministers in the last decade; the last change from Mr Turnbull is the fourth to have been triggered by a leadership spill in the main government party. Notably, the political intrigue, which has attracted international headlines, has done little to dent the country's continued economic success.

## **Economic developments – Meeting with the European Australian Business Council (EABC) and the Queensland Chamber of Commerce**

Just as most Members of the Delegation were arriving in Australia, the Economist published its end-of-October edition under the cover title of “Aussie rules - What Australia can teach the world”, an issue that drew attention to Australia’s economy, “arguably the most successful in the rich world”. The lead article attributed this “stellar” performance primarily to the country’s abundant natural resources, the rise of China, and sound economic reform (although surprisingly failed to mention the role played by trade liberalisation). Conversely, it pointed out the nation's most urgent challenges, including its indigenous population, climate change and political instability.

While New Zealand embarked on its path of economic policy reform in 1984, Australia did so ‘only’ in the early 1990s. However, the country has not experienced a recession since (making it unique among larger Western economies). While there is an ongoing debate in the country as to the reasons for this remarkable performance, the most convincing explanation remains a combination of serious reform, strong immigration and good luck (in particular, the rising Chinese demand for Australian products and the fortunate timing of the 2008 tax cuts by the Rudd government). With roughly a third of Australian exports going to China, the country is clearly more dependent economically on China than even New Zealand (slightly more than 20% of all exports).

The meetings with the EABC in Sydney and the Queensland Chamber of Commerce in Brisbane focused heavily on the importance of SMEs for the envisaged bilateral FTA as a recent study had shown that small companies are less likely to utilise FTAs. The envisaged bilateral FTA would therefore be a very good opportunity to ensure that it would benefit the SME sector also. In this regard, MEPs stressed the importance of SMEs for the European Economy and for employment in particular. Both sides recognized the importance of the so-called “Halo Effect”, whereby the conclusion of an FTA creates a lot more attention for the partner country and its economy, thereby leading to a clear intensification of bilateral commercial and political relations. As an example, EU Ambassador Pulch underlined that trade between the EU and the Republic of Korea had risen by 60% following the conclusion of the bilateral FTA. He also referred to the importance of EU led projects like Gate Bridge and the fact that his delegation is working on a European Enterprise Network in Australia. Discussions showed a general agreement on the need for special training for SMEs, in order to enable them to benefit optimally from the envisaged FTA.

### **Climate change – Meeting with the HON. Leeanne Enoch (MP), Queensland Minister for Environment and the Great Barrier Reef, Minister for Science and Minister for the Arts**

If China is often seen as the elephant in the room in foreign policy terms, climate change has become an issue that divides Australian politics. Some in the governing coalition, for example, have been sceptical of climate change and have asked the government not to comply with the Paris Agreement. While former Prime Minister Turnbull had advocated for the National Energy Guarantee, the new government led by Prime Minister Morrison has retreated from it.

In the run-up to the next federal elections, which must be held in the first half of 2019, the Morrison government has stated that Australia will be able to comply with its CoP21 commitments – a reduction in CO2 emissions by 26-28% compared to 2005.

It was mentioned during the official IPM session that Australia’s per capita CO2 emissions are very high, although - due to the relatively small population of less than 25 million - Australia’s emissions account for less than 1% of the global total.

It was implied in meetings that were Labor to win the forthcoming election, it might be more forward-leaning in tackling climate change, seeking, for example, to increase Australia’s emission reduction targets. Labor has put forward proposals on future energy policies, to include boosting renewables and subsidising batteries. According to these plans, Labor’s 2030 CO2 reduction target (45%) is more ambitious than that of the coalition (26-28%) and Labor has fixed a 2050 target of 50% of total energy from renewables. There is a strong debate in Australia about whether the ongoing use of coal-fired energy is necessary to avoid further rises in energy prices, which have already been significant. As indicated by members of the Lowy Institute staff, with whom the Delegation also met, regular polls of public opinion show that Australians are seriously concerned by climate change. A series of droughts and their ongoing consequences have also played a role.

The meeting with the Queensland Minister for the Environment and the Great Barrier Reef, L. Enoch, confirmed the considerable damage already done to Australia’s most bio-diverse area, due to climate change and other factors. Statistics on the state of the Reef are devastating, due not least to the warming of the ocean and the evermore frequent storms in the region. The

Queensland Government has therefore dedicated more than AUD 240 million to the improvement of the water quality on the Reef. Efforts are also underway to strongly reduce waste (cans, plastic bottles). The Minister insisted that in Australia more activities against climate change were taking place at the subnational level, while criticising the lack of action at the National (“Federal”) level.

#### **Trade relations/EU-Australia FTA – Meeting with the Honourable J. Clare (MP), Shadow Trade Minister**

Australian governments from both the centre right and the centre left have very actively pursued the conclusion of Free Trade Agreements (FTAs) with many of the country’s trading partners (e.g. China, Japan, Korea). However, among Australia’s main trading partners, the EU is the only one with whom the country has yet to conclude such an agreement. Australia - together with Japan - has also been one of the strongest proponents of TTP-11, now baptized ‘CPTTP’ (Comprehensive and Progressive Agreement for Trans-Pacific Partnership”) and signed early this year. Australia is also party to the negotiations for a Regional Comprehensive Economic Partnership (RCEP – with ASEAN, China, India, Japan, Korea, New Zealand), which has just held its second summit in Singapore.

Regarding the ongoing negotiations for an EU-Australia Free Trade Agreement (FTA), the Shadow trade minister Jason Clare said that as Australia can feed 60 million people (compared to its population of less than 25 million), it exports around 70% of its agricultural production. However, by far that biggest share this goes to Asia and the Middle East while exports to Europe are less than 1% of total production. In the case of beef, only 0.2% of overall EU consumption (of beef) comes from Australia. Therefore, even in the case of successful negotiations for the bilateral FTA, Australian agricultural exports will only fill a niche market in Europe.

The Shadow Trade Minister (MP J. Clare) underlined that there is broad-based and bipartisan support for tearing down tariff walls and concluding FTAs. Support among the public, however, is today weaker than it was a decade ago, due to the negative effects of the 2008 Financial Crisis and the rise in inequality observed over the last 20 years. Mr Clare also said that a future Labor Government would be interested in including chapters on the environment and labour standards in the FTA. He also very favourably mentioned the EU’s transparency on trade negotiations. In contrast, the Australian Parliament does not need to approve a FTA; only its Joint Standing Committee on Treaties (JSCOT) is consulted and can give recommendations to the government. Regarding the issue of Investor-state dispute settlements (ISDS), the Shadow Minister also signaled his sincere interest in the EU proposal for a Multilateral Investment Court. Furthermore, he welcomed the initiative by the EU Delegation to Australia to create Geographical Indication (GI) Roundtables, which will be organised in different states to explain the meaning, importance and possibilities of various GI’s.

The Shadow Minister implied that another reason for the Australian interest in the bilateral FTA was the perceived need to rebalance trade relations, as currently close to 35% of the country’s exports go to China. He finished by stating that after elections are held in 2019 for both the European Parliament and the Australian Parliament, there would be a window of opportunity.

The EP side suggested that FTA negotiations should be accelerated after these elections with the aim of concluding them in 2020. Given that one of the reasons for divergence in trade

policies in the past had been the EU's Common Agricultural Policy, the EP's INTA Rapporteur on the Australia FTA stressed that due to the modernisation of the EU's agricultural policy, this no longer constituted an insurmountable obstacle to a successful trade agreement. He also insisted that, from the EP's point of view, the link between climate change policies and bilateral trade relations is crucial.

During discussions with various stakeholders, there was general agreement on the need to involve the public early on, and to spread information on the benefits of the FTA to relevant stakeholders. There was also agreement on the need to take into account not only the interests of big business but also of SMEs (who might have greater issues in terms of training and resources). The INTA Rapporteur confirmed that for the EU – and the EP in particular – there would be a link between climate change policies and the envisaged bilateral FTA. Unsurprisingly, the various stakeholder meetings that the Delegation held confirmed that Australia's business community strongly supports not only the bilateral FTA but also a "rules-based system of trade".

### **Australia in the regional context: Southern Pacific and beyond/ Meeting with the Lowy Institute and the Head of the EIB Regional Office**

Like New Zealand, Australia is strongly involved in the Southern Pacific and would clearly love to see the EU and its Member States even more strongly engaged in the area. The Lowy Institute, a leading Australian foreign policy think tank, was very blunt in its assessment of the current situation in the region, calling Australia and China "direct competitors", both with a strong interest in Papua New Guinea (PNG), by far the most important country in terms of population and natural resources. The preceding day, opposition leader Shorten had presented Labor's strategy for the region, focusing on the set-up of a military base in PNG and on keeping Chinese technology out of sensitive infrastructure projects.

China's influence, however, is not limited to the Southern Pacific but extends right into Australia itself: wealthy Chinese have exported large amounts of capital to the country. The effect of Chinese money has been particularly strong in the education sector and education services are Australia's third biggest export sector. Due to political concern about the impact of unchecked influence, the Australian Parliament has recently passed the Foreign Influence (Transparency Scheme) Bill. Australia has, additionally been outspoken on the situation of Human Rights' in China, to the extent that in 2017 China pulled out of its longstanding Human Rights' Dialogue with Australia.

If Australia's political elite has become increasingly concerned about China's motives, public opinion remains more cautiously optimistic. According to regular polls by the Lowy Institute, for example, the Australian public focuses strongly on the overall positive influence China has on the country's economy and prefers not to see the strategic and domestic challenges linked to China's rise.

It is also worth mentioning that the EU is active in the Southern Pacific through the activities of the European Investment Bank (EIB), which are based primarily on the "Cotonou Partnership Agreement", and focus upon French New Caledonia, Fiji, PNG and French Polynesia. The Delegation met with the EIB's Pacific Regional Office Head, Mr Adam Bruun.

## **Human rights: The situation of Australia's indigenous people /Meeting with the Honorable J. Trad (MP), Deputy Premier of Queensland, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships**

The ongoing problems of Australia's first people were the main topic in the meeting with Queensland's Vice-Premier J. Trad. Australia in total has an aboriginal population of around 500,000 people, of which 150,000 live in Queensland. Since the 1967 referendum, which changed the way that the constitution recognised indigenous Australians, there has been a huge change in the nature of public debate in the country. Another milestone was the 1992 Mabo decision by the High Court of Australia which overturned the doctrine of "terra nullius" (empty land) in Australia and recognised for the first time the country's history the rights of indigenous Australians to native title of the land. As a consequence, today the question of traditional ownership plays an important role in cases of economic development of certain areas of land.

The Vice-Premier recognised that successive governments had largely failed either to change the dynamics of the relationship between the country and its indigenous population or to enable the full self-determination of Australia's aboriginal peoples. Despite good intentions and considerable financial undertaking, improvements to the indigenous situation are often modest, of which the action programme "Closing the gap", launched in 2007, stands as an example.

### **Conclusion**

Since the early 1990s, Australia has embarked on a neoliberal economic policy strategy, one which has created prosperity and strongly integrated the country into Asia but which also makes it vulnerable to major disruptions. Alongside Japan and New Zealand, Australia is therefore trying to facilitate the expansion of (regional) trade and investment to contribute to global economic growth.

Among the country's main trading partners, the EU is the only one with which Australia has yet to conclude an FTA. Negotiations are ongoing and advancing relatively quickly. Given that elections for both the European and Australian Parliaments will take place in the first half of 2019, most observers now aim for a conclusion of these negotiations in 2020.

Agreeing upon, or implementing, consistent climate change policies continues to be problematic. If elected into power, the current opposition Labor Party has announced the implementation of what they promote as a much more ambitious policy package to fight climate change, including the greater reduction of CO2 emissions. In foreign policy terms, China poses a challenge for Australia. Like many other countries, Australia feels that its economic dependence on China might prove ever more difficult to reconcile with its strong security alliance with the US. Against this background, the envisaged FTA with the EU would also help Australia.

## **Follow-up**

Given the topics covered during the Delegation visit, this report shall be transmitted to AFET, INTA, ENVI and AGRI. While the internal logistical obstacles make a discussion before the May 2019 elections very difficult, DANZ should in particular envisage a joint meeting at least with INTA soon after the elections.

These meetings should be used in particular to raise awareness within the newly elected European Parliament for developments in Australia and also set the stage for the future collaboration with the then newly elected Australian Parliament. In the same vein, once negotiations for the bilateral FTA have advanced to the critical stage, a joint meeting with the Committee on International Trade could also be organised. These meetings should also feed into the 40<sup>th</sup> EU-Australia IPM, which should be organised as soon as possible after the two elections.

The Delegation will continue its engagement with Australian Mission to the EU, the EEAS and the Commission regarding developments in the Southern Pacific – this topic is of considerable interest in the framework of the ongoing negotiations on the MFF.