From Conflict to Cooperation: The Transformation of Australian Foreign Policy Towards the European Union

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Abstract

Given the emphasis placed on the US alliance and engagement with the Asia-Pacific region, Australian foreign policy can appear restricted in its focus. Australia’s approach to relations with the European Union (EU) reflects this situation, as they attracted limited attention and were centred on a number of bilateral disputes up until the early 1990s. This thesis, which examines the period up until the announcement of the opening of free trade agreement (FTA) negotiations in 2017, argues, however, that Australia over the past two decades has forged an increasingly close relationship with the EU. This development has involved an emphasis on substantive cooperation in areas such as foreign and security policy, aid delivery, economic and trade matters, and climate change. Two case studies, the Common Agricultural Policy (CAP) and the Eurozone crisis, are used to demonstrate the transformation of Australian perceptions of the EU. This has seen the EU transitions from an actor behaving in a manner contrary to Australian interests to now being a politico-economic ally. These case studies also demonstrate how Australia’s past emphasis on bilateral disputes has been largely overcome with the signing of substantive bilateral agreements predicated on shared interests.
Declaration

i. The thesis comprises only my own work towards the degree of PhD except where indicated in the Acknowledgements.

ii. Due acknowledgement has been made in the text to all other material used.

iii. This thesis is fewer than 100,000 words in length, exclusive of tables, maps, bibliographies and appendices.

Signature

Date 4/9/2017
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<tbody>
<tr>
<td>ABARE</td>
<td>Australian Bureau of Agricultural and Resource Economics</td>
</tr>
<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
</tr>
<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific</td>
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<td>AMM</td>
<td>Aceh Monitoring Mission</td>
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<tr>
<td>ANZUS</td>
<td>Australia, New Zealand, United States Security treaty</td>
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<td>APC</td>
<td>Asia-Pacific Community</td>
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<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<td>ARF</td>
<td>ASEAN Regional Forum</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>ASEM</td>
<td>Asia-Europe Meeting</td>
</tr>
<tr>
<td>BAE</td>
<td>Bureau of Agricultural Economics</td>
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<td>CAP</td>
<td>Common Agricultural Policy</td>
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<tr>
<td>CETA</td>
<td>Comprehensive Economic and Trade Agreement</td>
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<tr>
<td>CFSP</td>
<td>Common Foreign and Security Policy</td>
</tr>
<tr>
<td>DAFF</td>
<td>Department of Agriculture, Fisheries and Forestry</td>
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<tr>
<td>DFAT</td>
<td>Department of Foreign Affairs and Trade</td>
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<tr>
<td>DG Trade</td>
<td>Directorate General for Trade (European Commission)</td>
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<tr>
<td>EAS</td>
<td>East Asia Summit</td>
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<td>EEAS</td>
<td>European External Action Service</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<tr>
<td>EC</td>
<td>European Community</td>
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<tr>
<td>EMU</td>
<td>Economic and Monetary Union</td>
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<td>EPC</td>
<td>European Political Cooperation</td>
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<td>ETS</td>
<td>Emissions trading scheme</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign direct investment</td>
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<td>FTA</td>
<td>Free trade agreement</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>GFC</td>
<td>Global financial crisis</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>MEP</td>
<td>Member of the European Parliament</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>MTN</td>
<td>Multilateral Trade Negotiations</td>
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<tr>
<td>NGO</td>
<td>Non-government organisation</td>
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<tr>
<td>ODA</td>
<td>Official development assistance</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PIF</td>
<td>Pacific Islands Forum</td>
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<tr>
<td>SAR</td>
<td>Special Administrative Region (of China)</td>
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<tr>
<td>SEA</td>
<td>Single European Act</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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Chapter 1: Introduction

Australian foreign policy has in the past been influenced by the significant emphasis placed on the US and the Asia-Pacific region due to their perceived importance to Australia’s key economic and strategic interests. Limited attention was devoted to the EU, with the exception of issues of division such as the Common Agricultural Policy (CAP) and more recently the Eurozone crisis. Despite the problematic history of bilateral relations it is important to examine why successive Australian governments have, particularly since the 1990s, begun to cultivate a more broad-based relationship with the EU that places less emphasis on conflictual issues. A key focus of this thesis will be the significance of internal EU developments during the early 1990s that created an environment conducive to closer bilateral cooperation. The EU undertook significant CAP reform in conjunction with initiatives such as the single market and the moves towards the implementation of the Euro. Successive Australian governments responded to these developments in a manner which sought closer cooperation with the EU in the form of substantive bilateral agreements. These events by themselves did not eliminate all bilateral tension but they did create an environment whereby cooperation and not conflict now define EU-Australia relations.

In examining this transformation of bilateral relations, this chapter establishes the methodological approach and an outline of the structure of this thesis. The chapter establishes how this thesis is seeking to make an original contribution to prior scholarly analysis of both Australian foreign policy and the EU-Australia relationship. It is argued that much of the scholarly analysis to date of Australian foreign policy has paid inadequate attention to bilateral relations between Australia and the EU. There has been a tendency to ignore analysis of relations with the EU due its status as a distant non-state international actor. This conforms to realist assumptions of ‘an anarchic international state system, a conception of political units as independent sovereign states, and the primacy of military power’, meaning that ‘the EU does not fit easily into this paradigm’ (Morgan, 2005, p. 203). Further, the EU is a unique and complex actor ‘sitting somewhere between a confederation of sovereign states, an aspirant semi-sovereign federation, and a mere intergovernmental organisation controlled by its member nation-states’ (Morgan, 2005, p. 203). Australian foreign policymakers have often struggled to adjust to the EU’s unique status with this
contributing to limited scholarly analysis and its exclusion from major works in the field. Recent examples of this are *Australia in World Affairs 2011-15* and *Australian Foreign Policy: Controversies and debates*, which despite having a core focus on Australian foreign policy, do not mention the EU to any significant extent. This is especially problematic given the significance of the completion of negotiations for the treaty level Framework Agreement in 2016 and the commencement of free trade agreement (FTA) negotiations in 2017.

**Problem Statement**

*The limited prioritisation of government*

Due to the predominant focus on the US and the Asia Pacific region there has been less attention paid to Australia’s relations with the EU. The most attention the EU has received historically been directed towards the importance of ties with the United Kingdom (UK) and the CAP. Firstly, this focus by government on relations with the UK was a legacy of Australia’s historical ties to the British Empire. Secondly, the emphasis on the CAP demonstrates how the EU was depicted as an international actor behaving in a manner contrary to Australian interests. Indeed, the CAP has been seen by both policymakers and academics as ‘the most persistent catalyst for conflict in the EU-Australia relationship’ (Raffin, 2007, p. 147).

The Eurozone crisis is a more recent manifestation of a trend that saw the EU depicted as an actor behaving in a way that has not been conducive to Australian interests. A number of political leaders from successive governments have, due to the Eurozone crisis, expressed scepticism of the continued relevance the EU to Australia’s national interest such as Deputy Prime Minister Wayne Swan (2012) and Prime Minister Tony Abbott (2013). The perspective of high-profile politicians has also been enhanced by certain media coverage that has suggested that Australia should not ‘look to pointlessly please European elites, increasingly the ancient regime of the 21st century, our public policy focus should be entirely on China’ (McCran, 2011a). This thesis examines how divisive issues such as the CAP and the Eurozone crisis have in the past had the potential to distort the perceived importance of relations with the EU to successive governments.
More recently there has been an emergence of a more nuanced understanding by government of the importance of the EU-Australia relationship. Reform of the CAP coincided with recognition of the increased competencies and importance of the EU due most significantly to the establishment of the single market (Papadakis, 2001). The increased recognition of the EU by government was apparent in the 1990s when relations were perceived to be ‘characterised by greater dialogue’, which influenced the signing of a number of ‘significant bilateral agreements’ (Murray, Elijah, & O'Brien, 2002, p. 397). This trend continued during the 2000s with the signing of further bilateral agreements such as the 2008 Partnership Framework agreement, helping to consolidate the EU’s increased relevance to Australian interests. Despite the significance of the most recent bilateral agreements, namely the Framework Agreement, there still remains the potential for policymakers to again perceive the EU-Australia relationship as being of lesser importance due to Brexit. As Philomena Murray and Margherita Matera (2016) suggest there is ‘speculation’ that Brexit may ‘undermine’ Australia’s broader relationship with the EU. This thesis therefore cautions that significant events such as Brexit do still have the potential to disrupt policymaker’s perceptions of the EU’s relevance to Australian interests.

The limitations of scholarly analysis of Australian foreign policy and relations with the EU

The dearth of scholarly analysis of bilateral relations with the EU is demonstrated by the fact that within the last thirty years there have only been two books published that focused entirely on the subject: Philomena Murray’s (2005) Australia and the European Superpower and Gonazalo Villalta Puig’s (2014) Economic Relations between Australia and the European Union: Law and policy. Despite a definite improvement in bilateral relations over the past two decades there still remains a small body of literature seeking to explain this development. This thesis seeks to redress this imbalance. It argues that while trade has been the most important factor, successive Australian governments have also been motivated by other issues such as shared interests in foreign and security policy specifically in the Asia-Pacific region, development cooperation, justice, research and innovation, education and climate change, which have resulted in Australia reassessing the importance of the EU as an
international partner. The 2008 Partnership Framework agreement, for example, underlined the Rudd and later Gillard government’s commitment to a multifaceted relationship. It is also important to note the number of more specific bilateral agreements that were also signed at the time. These examples include the 2008 Wine Agreement to standardise geographic indicators and market access, the 2013 Passenger Name Record Agreement to coordinate access to passenger records, and the Delegated Aid Agreement that sought to establish the coordination of development aid for specific projects. This thesis therefore examines the importance of such agreements in demonstrating in a tangible manner the evolution of Australia’s engagement with the EU.

Following the signing of significant agreements under the Rudd and Gillard governments there was the election of the Abbott Government in 2013. Consequentially, there is an additional need for scholarly analysis due to the potential for a different approach to relations with the EU. Prior to its election the future Foreign Minister Julie Bishop (2013a) stated that the Abbott Government’s approach to foreign policy ‘will be based on economic diplomacy; a practical approach to align our foreign policy with our national economic interests’, suggesting a return to relations with the EU that would be predicated on an economic basis. A clear example was that the EU was only mentioned publically with regard to seeking FTA negotiations (Liberal Party, 2013). A public emphasis on FTA negotiations, however, under both the Abbott and now Turnbull governments has not necessarily seen comprehensive engagement with the EU downgraded. The signing of the Framework Agreement in 2017 suggests that the Turnbull Government remains committed to adopting an approach that emphasises the continued importance of seeking a multifaceted relationship with the EU. The Framework Agreement then becomes an important subject of analysis in this thesis. Not only is the agreement signed at treaty-level, giving it a legal basis, it gives formal expression to the breadth of relations between Australia and the EU in areas such as trade, agriculture, health, the environment, climate change, energy, education, disaster management, fisheries and
maritime affairs, transport, legal cooperation, terrorist financing, organised crime and corruption.¹

**Hypothesis**

In examining Australia’s relations with the EU it is important to firstly examine Australian foreign policy and its core priorities. These core priorities have seen relations with the EU accorded a lower profile at the expense of the US alliance and a focus on relations with key states in the Asia-Pacific. This thesis draws on Michael Wesley’s (2009, p. 324) examination of realism as it best explains the preoccupation of Australian policymakers with Australia’s immediate region. To explain his definition of realism, Wesley details three ‘characteristics’ of realism that he deems specific to Australia but which can nevertheless be grounded in scholarship internationally. The first characteristic is experiential realism which involves a ‘preoccupation with the particularities of Australia’s international position — size, isolation, wealth, population, culture — and how these factors can help understand the ways in which Australia relates to the world’. The second is a ‘systemic pessimism, a tendency to be apprehensive about broader global stability’. The third involves ‘pragmatism, a predilection for understanding the essential attributes of the situation itself, rather than using the situation to inquire into the general nature of the international system’.

Wesley’s three characteristics of realism will be used to explain the Asia-Pacific orientated focus of Australian foreign policy. In particular there is the perception from Foreign Minister Julie Bishop’s (2015b) that ‘it is the vehicle of the nation state through which countries give expression to their values and organise to defend them, where necessary’. This emphasis on the nation state conforms to Wesley’s conceptualisation of ‘the particularity of Australia’s international position’ and systemic pessimism as evident by the way that ‘the cornerstone of Australia’s entire foreign and strategic policy is its alliance with the United States’ (2011, p. 143). Australia is perceived as needing a security guarantor as it is preoccupied with ‘the development of military threats to the country and the need for deterrent force and

¹ Please note that this thesis does not cover in significant depth events subsequent to the opening of FTA negotiations.
allies’ (McCraw, 2011). This thesis contends that Australia’s concern about military threats has been the major influence on the US alliance becoming Australia’s pre-eminent foreign policy concern, with this often eclipsing the value of relations with other states and international actors such as the EU.

Although security and the perception of military threats are undeniably a significant focus of Australian foreign policy, economic issues are also of great importance. The greatest indication of economic interests driving foreign policy has been Australia’s ‘pragmatic’ engagement with the Asia-Pacific region. An early example in a post-war context was Australia’s decision to sign the Agreement on Commerce with Japan in 1957, despite lingering anti-Japanese sentiment due to World War II. This agreement indicated how Australia, with the US’s encouragement, sought to normalise relations with Japan due to the need to seek new markets for its primary products. Importantly, economic motivations would also play an important overall ‘role in shifting Australian policies and perceptions of the region’ (Capling, 2008a, p. 604). In particular, the specific concept of ‘Asian engagement’ came to be used by the Hawke and Keating governments to describe Australia’s concerted effort to build comprehensive ties with the Asia-Pacific region with respect to not only economic relations. A subsequent indication was the Howard Government’s foreign policy White Paper in 2003, which emphasised the importance of the US alliance and that ‘close engagement with the countries of Asia is an abiding priority in Australia’s external policy’ due to Asian states accounting for ‘seven of our ten largest export markets’ as well as being several states being ‘major security’ partners (DFAT, 2003a). This White Paper demonstrates how key economic and security interests have influenced Australia’s prioritisation of the relations with the Asia-Pacific region.

The overriding importance attached to one specific region and its major states in Australian foreign policy is echoed in Andrew O’Neil’s (2007, p. 539) statement that ‘it has frequently been overlooked by those who should know better that the Asia-Pacific remains by far the single most important region in the international system for Australia’. This perception of the Asia-Pacific as being the only region of significance for Australia can then be contrasted with perceptions the EU and Europe. As Elim Papadakis (2001, p. 133) suggests, there is an argument that strengthening ties with Asia will inevitably come at the expense of ‘relations with Europe, both at
the cultural and economic level’. This argument gained prominence under the Hawke and Keating governments during the 1980s and 1990s with Europe perceived as part of Australia’s past and Asia its future. A.J.R. Groom (1989) identified a sense of ‘collective amnesia’ and the ‘subject of the amnesia is Europe, what is happening there and the relevance it has for Australia.’ A key example of this argument within both academia and government was perceived to be Ross Garnaut’s report *Australia and the Northeast Asian ascendancy* which, irrespective of the author’s intentions, was perceived as contributing to a perception that actors outside of the region such as the EU were of limited relevance (Richardson, 1992).

The framing of Australian foreign policy with regard to an emphasis only on the US alliance and engagement with the Asia-Pacific region is evident particularly in a scholarly context. Ungerer (2008, p. 251) suggests that ‘the political imperatives of our historical associations with the old Anglospheric world’ as expressed through alliances with the UK and now the US have combined ‘with the geographic imperatives of expanding new economic markets in Asia’ to form the basis of foreign policy. This focus has created an environment whereby conceptualisations of Australian foreign policy have developed that have difficulty comprehending the importance other international actors such as the EU. Wesley (2011, pp. 146-147) reinforces this perspective by stating that ‘the settings of Australia’s foreign policy seem to have worked so well that it’s one of the only policy areas on which the major parties don’t disagree’. This lack of disagreement, however, has influenced the tendency for Australian foreign policy, with notable exceptions such as Patience (2014), to often be the subject of limited academic scrutiny. This thesis argues that a lack of scholarly debate has contributed to analysis of Australian foreign policy tending to focus only on the Asia-Pacific region. The restricted focus of Australian foreign policy analysis has created a situation where there is less ability to comprehend the relative importance of relations with the EU.

An additional contributor to the lack of emphasis on the relative importance of Australia’s relations with the EU has been a focus on its major member states. Australian has often perceived the EU as a collection of member states rather than a single actor, particularly with respect to foreign and security policy. As Stephan Keukeleire and Tom Delreux (2014, p. 322) argue this conforms to realist critiques of
the EU in the manner that ‘since foreign, security and defence policy lie at the heart of national sovereignty, states will not integrate in these fields and an international organization itself cannot have a foreign policy’. This scepticism of the EU’s capabilities established a tendency whereby engaging with a complex and unique actor such as the EU was a lesser priority for a state such as Australia.

Beyond a focus on major member states, however, previous analysis of EU-Australia relations had a tendency to focus on trade, and in particular, trade disputes. Two major examples were two books published on bilateral relations during the 1970s and 1980s, namely J.D.B. Miller’s (1976) *The EEC and Australia* and Alan Burnett’s (1983) *Australia and the European Communities in the 1980s* which predominately focused on trade disputes and in particular the CAP and the impact it had had on Australia’s exports to the EU, particularly subsequent to UK membership in 1973. The CAP, in addition to a focus on the EU’s major member states, have been dominant factors in discussion of Australia’s relations with the EU. This thesis attempts to broaden analysis beyond the focus on these factors in the EU-Australia relationship and understand why there has been a positive transformation of bilateral ties. A key example was the Hawke government’s focus on the likely positive impact of the EU’s implementation of the single market in the early 1990s rather than the CAP (Benvenuti, 1998). In addition, there was also a tendency to recognise the importance of the EU as a unitary actor. The implementation of the single market by 1993 undoubtedly facilitated this process, as did the introduction of the Euro single currency from 1999 to 2002. This conforms to Chad Damro’s (2012) conceptualisation of Market Power Europe whereby the EU’s development of the single market is of greatest significance when considering its capacity as both an economic and international actor. The single market and the move towards the Euro are undoubtedly events that contributed to Australia reconceptualising its engagement with the EU.

The EU’s importance as an economic actor is based on the reality that it is Australia’s largest trading partner in services, its largest source of foreign investment and its third-largest export market after China and Japan (ABS, 2015c). By the 1990s recognition of this situation contributed to relations being ‘characterised by greater dialogue and significant bilateral agreements’ such as the 1997 Joint Declaration
This trend continued during the 2000s and 2010s with further significant bilateral agreements such as the 2008 Partnership Framework, including the most significant to date, in the form of the 2017 Framework Agreement. This latter agreement in particular underlines how Australia is now aware of the extent to which the EU is a ‘like-minded partner on the international stage’ and that it ‘share the same values in respect of democracy, human rights and a rules-based international system’ (Bishop, 2015a).

Despite positive momentum in the bilateral relationship, this thesis argues that negative past perceptions of the EU’s relevance to Australia still have the potential to be undermined by more recent developments such as the Eurozone crisis. In particular, it has aggravated a past emphasis on the Asia-Pacific region as the ‘sole region of importance’, with ‘the EU (and notably its internal developments)’ being ‘positioned somewhere towards the outer rim of Canberra’s radar screen’ (Kenyon & Kunkel, 2005, pp. 57-58). In addition, Brexit has also contributed to arguments regarding the decreasing relevance of the EU as ‘Australia has about 1500 UK-based companies as a “springboard” into the Single Market, using the UK due to close linguistic, institutional and historic linkages’ (Suder, 2016). Nevertheless, unlike the CAP, Brexit and the Eurozone crisis are unlikely to detract from what is now a comprehensive relationship that is grounded in substantive bilateral agreements such as the Framework Agreement.

Methodology

The methodological approach of this thesis involves a combination of original research and the analysis of government, media and scholarly sources. The thesis seeks to make an original contribution to the analysis of Australian foreign policy and EU-Australia relations. Kenyon and Lee (2011, p. 111) have argued that the importance of the EU as an international actor has only recently come to the attention of Australian foreign policymakers, as discussed in Chapter 4, after ‘decades of neglect’ due to its perceived limited relevance in comparison to the US and Asia-Pacific region. Despite the increased interest in Australia’s relations with the EU there still remains scope for additional analysis of the subject area. The
methodological approach adopted attempts to establish a more nuanced understanding
of the evolution of Australia’s approach to relations with the EU.

As part of this thesis’s analysis of EU-Australia relations there is a need to examine
Australian foreign policy overall and the way this has influenced the trajectory of the
bilateral relationship. This necessitates examining the way in which Australian
foreign policy is both formulated and analysed. In particular, this establishes how the
US and the Asia-Pacific region have become the primary priorities of Australian
foreign policy makers. Analysing government sources helps to determine how the
foreign policy formulation has occurred on a principally bipartisan basis that has left
less scope for conjecture. This requires an examination of government speeches,
policy papers and other documents to understand how this situation has occurred.
This provides the context for understanding how relations with the EU have received
less attention from policymakers.

The thesis analyses how prominent scholars have influenced the development of a
consensus, although not uniform, surrounding Australian foreign policy and its
formation. A key contributing factor is that many foreign policy scholars transition
between being government officials or advisers. A consensus based foreign policy
has emerged across academia and government whereby analysis of Australian foreign
policy has tended to focus predominantly on the US and key states in the Asia-Pacific
region. Through analysing the work of scholars such as Michael Wesley, Allan
Gyngell and Stephen FitzGerald there is often a focus on providing less scope for
analysing an actor outside of Australia’s immediate region. A result is the potential
for constraints on analysing the relative importance of an actor such as the EU.

The significance of recent agreements signed between Australia with the EU
necessitates that document analysis forms the first component of this thesis’s
methodological approach. Document analysis encompasses the examination of ‘a
selected (sampled) body of texts’ and the classification of ‘content according to a
number of predetermined dimensions’ (Hansen & Machin, 2013, p. 98). Analysis is
centred on, but is not exclusive to, major bilateral agreements including the 1997 Joint
Declaration, the 2003 Agenda for Cooperation, the 2008 Partnership Framework
agreement and the Framework Agreement. Analysis of these agreements is a
necessary component of understanding the evolution of the approach of Australian foreign policy to relations with the EU. This involves establishing how key actors within successive governments, such as the Foreign Affairs and Trade Ministers, have made consciously made decisions that have seen a greater emphasis placed on relations with the EU.

The analysis of material relevant to the development of government policy forms the second component of this thesis’s methodological approach. Government documents are examined including, Department of Foreign Affairs and Trade (DFAT) White Papers, DFAT annual reports and other major DFAT publications relating to the EU. EU documents were also analysed including regional strategy communications, trade policies and documents relating to the EU’s Delegation in Australia. Examination of all of these documents provides a lens for analysing the evolution of Australian Government attitudes and approaches to relations with the EU. The analysis of these documents and in particular speeches, interview transcripts, newspaper articles and press releases contributes to gaining a more nuanced understanding of these developments.

Interviews with officials from both the Australian and European perspectives of the EU-Australia relationship form the final component of this thesis’s approach. Two sets of interviews were carried out with officials involved directly in the formulation and implementation of policy with respect to EU-Australia relations in Brussels, Belgium and Canberra, Australia. The first set consisted of Australian officials from DFAT; Department of Agriculture, Fisheries and Forestry (DAFF); and the Department of Prime Minister and Cabinet. These individuals were chosen as their departments played a substantial role with respect to bilateral relations with the EU. In seeking an EU perspective, interviews with officials from the European Commission, European External Action Service (EEAS); members of the European Parliament (MEPs) and officials from the Council Secretariat formed the second component of the interviews undertaken. Individuals were chosen due to how they influence and implement EU policy with respect to Australia. Taken collectively, both sets of interviews allow for a much more substantive examination of EU-Australian relations than by relying on publicly available information, which is particularly relevant with respect to the two case studies of this thesis. The CAP has
tended to be analysed with respect to impact on relations in the past and not regarding whether it has any continuing relevance to the current relationship. In comparison, the Eurozone crisis has received very limited scholarly attention, although substantial media coverage, as it is still a relatively recent and evolving issue.

**Thesis Outline**

The second chapter, entitled ‘Examining the Evolution of Australian Foreign Policy and EU-Australia Relations’, develops the conceptual and theoretical framework of the thesis. This examination focuses on the theoretical framework and commences with an analysis of Wesley’s conceptualisation of realism. Through an analysis of this conceptualisation, the thesis then has the appropriate context to investigate influences on foreign policy in a specifically Australian context. In particular, analysis centres on the predominant focus of foreign policy makers on relations with the US and Asia-Pacific. This discussion provides the framework for an analysis of Australia’s approach to relations with the EU and how it has traditionally been restricted in its focus. This analysis will focus on realist critiques of the EU and Australia’s past difficulties with engaging with it as unitary international actor. A key contributing factor to that reluctance has been the CAP and how it has historically influenced a conflictual approach to EU-Australia relations. Nevertheless the chapter also analyses the increasing tendency towards a more multifaceted approach to relations that emerged within government due to reform of the CAP and the increased capacities of the EU as an international actor.

Chapter three, entitled ‘Australia as a Foreign Policy Actor’, analyses how Australian foreign policy since World War II has been influenced by a number of strategic concerns that have had direct implications on Australia’s prioritisation of the US alliance and key states in the Asia-Pacific region. It is through understanding the prioritisation of these concerns that this chapter provides a greater understanding of Australian foreign policy in relation to the EU. The first of these concerns can be understood through Wesley’s concept of systemic pessimism given the perceived need for Australia to have a security guarantor due to its limited defence capabilities (Smith, Cox, & Burchill, 1996). This desire has been fulfilled since the signing in 1951 of the Australia, New Zealand, United States Security treaty (ANZUS), which
established a military alliance with the US. Nevertheless, this chapter asserts that prioritisation of this alliance has come at the expense of relations with other foreign policy concerns. As Beeson (2003, p. 388) suggests, the continuation of the maintenance of such close ties has the potential to have ‘a significant and generally negative impact on Australia’s long-term place in the region, its economic position and its political independence’.

Chapter three also analyses the second major foreign concern of Australia, namely engagement with the Asia-Pacific region that has occurred in the post-war period from the 1950s onwards. This prioritisation of relations with Asia has come as a consequence of the perceived importance of Australia’s immediate region to its economic and strategic interests (Evans & Grant, 1995). The desire to pursue engagement with Asia has then joined the US alliance as an essential component of Australian foreign policy. This chapter argues that the prioritisation of engagement with Asia, particularly in relation to trade, have been occurring at the expense of cultivating relations with other states and regions. In particular it examines how the development of the ‘Europe versus Asia’ argument (Higgott, 1991), particularly since the active promotion of Asian engagement under the Hawke Government of the 1980s, has created a scenario whereby improved relations with Asia are perceived by government as being mutually exclusive with close relations with the EU. Arguments such as these have created a situation whereby Australia’s foreign policy priorities are presented in relatively simple terms. Nevertheless, it is precisely this conceptualisation of Australia’s national interest that constrains its ability to effectively engage with other international interlocutors. This chapter therefore provides the appropriate context for an investigation of Australia’s historically low prioritisation of relations with the EU.

Chapter four, entitled ‘The EU-Australia Relationship: From major bilateral disputes to substantive cooperation,’ examines the transition from conflict to cooperation in the bilateral relationship. It analyses Australia’s past scepticism and consequent inability to develop closer ties with the EU since the commencement of bilateral relations in 1963. This development occurred as Australia sought to engage with the EU only on contentious issues such as the CAP and via its major member states such as the UK. This chapter examines the transformation in Australia’s approach to both the CAP and
its overall relationship with the EU. It argues that scepticism of the EU does not necessarily mean that Australia is incapable of closer engagement with it as an international actor. Importantly, CAP reform in conjunction with the emergence of the EU as an increasingly influential economic actor by the early 1990s necessitated a change in Australia’s approach. This reconceptualisation of the importance of relations with the EU did face some resistance, as demonstrated by the Howard Government’s renewed criticism of the CAP, and more recently, the Abbott government’s abandoning of the linking of emissions trading schemes (ETS) with the EU. Despite this fact, there has been a bipartisan approach since the early 1990s that has placed specific emphasis on broadening bilateral relations with the EU and have, with notable exceptions, restrained from public criticism where differences may be apparent. The most recent manifestations of this situation being the completion of negotiations for the Framework Agreement in 2016 and the opening of FTA negotiations in 2017. Both these developments indicate that despite successive Australian governments having concerns over issues such as the Eurozone crisis and Brexit, there remains a commitment to seeking further substantive agreements with the EU.

Chapter five, entitled ‘Competitors or Partners? Australia and the EU in the Asia-Pacific region’, analyses how, despite commitments to Asian engagement, both Australia and the EU have only recently sought to cooperate on Asia-Pacific issues. Irrespective of any potential for competition, particularly in relation to trade, cooperation on Asia-Pacific issues is increasingly becoming the most pertinent example of the commonality of interests between Australia and the EU. This chapter examines how both Australia and the EU have expressed similar foreign policy objectives in, for example, the Gillard Government’s Australia in the Asian Century White Paper and the European Council’s Guidelines on the EU’s Foreign and Security Policy in East Asia. These documents, however, do not do justice to their shared interests in the Asia-Pacific region in areas such as shared support for regional integration in relation to ASEAN (Association of Southeast Asian Nations) and in trade, development assistance, education and climate change. The stated desire of the Abbott and Turnbull governments to adopt what was termed a ‘Jakarta not Geneva’ approach had the potential to undermine cooperation with the EU. This chapter argues, however, that particularly in view of detailed agreements such as the
Framework Agreement, shared regional interests are now substantive components of EU-Australia relations.

The sixth chapter presents the first case study, and is entitled ‘The Protectionist Monster, the Common Agricultural Policy: Its impact and legacy for EU-Australia relations. It demonstrates how the CAP since its implementation in 1962 has been the ‘one single focus of intense conflict and strong emotions in Australia-European Union (EU) relations’ that ‘has eclipsed all other aspects of the relationship over many decades’ (Murray & Zolin, 2012, p. 186). It is in this context that the chapter analyses the CAP’s development, and continuation, as the most significant irritant in bilateral relations. It examines how the CAP exacerbated government scepticism and criticism of the EU. Nevertheless, this chapter also seeks to argue that the CAP, over the past twenty years, has become a significantly less dominant issue within the overall EU-Australia relationship. This development is firstly associated with EU reforms of the CAP during the 1990s. Secondly, successive Australian governments have sought a more pragmatic approach to relations with the EU that places less emphasis on disagreement and instead focuses on substantive cooperation as detailed in major bilateral agreements such as the Partnership Framework. This approach has contributed to Australian governments becoming aware of the benefits of multidimensional bilateral cooperation with the EU.

Chapter seven is the second case study and is entitled ‘Australia and the ‘European Disease’: The Eurozone crisis and the implications for bilateral relations’. It examines Australia’s early support for the single European currency during its implementation in the 1990s and up until to the emergence of the GFC. The chapter analyses how, after this early support, however, Australia became a strong critic of what it perceived to be the EU’s inability to effectively manage the Eurozone crisis after the onset of the GFC. The chapter analyses the impact of criticism of the EU’s handling of the Eurozone crisis on EU-Australia relations. It investigates whether the Eurozone crisis has contributed to relations between Australia and the EU being consumed by a focus on issues of disagreement as seen with the CAP. Nevertheless, Australia’s criticism of the EU has occurred in the context of a more mature and broad-based bilateral relationship emerging over the past two decades. It is for this reason that it is argued that while Australian criticism of the EU and the Eurozone
crisis has caused some tension, it has not detracted from bilateral relations to the same extent as has previously been the case.

The concluding chapter presents the major observations to be drawn from this thesis. It reaffirms the central focus of Australian foreign policy as being the US alliance and Asia-Pacific region. The role of historical tensions is analysed in terms of the longstanding impact they have had on further contributing to the EU as being a lesser foreign policy concern. In understanding the reasons behind improved EU-Australia relations, however, the conclusion asserts the significance of increased recognition from an Australian perspective of the benefits of close engagement with the EU. Economic issues such as implementation of the single market and moves towards a single currency transformed Australian perceptions of the EU as an international actor. Positive perceptions, however, of the EU as an international actor has expanded beyond its economic capacity. This is seen in relation to cooperation in the Asia-Pacific, which provides a specific example of where shared interests have led to increased cooperation with the EU. The completion of negotiations for the Framework Agreement underlines the extent of shared interests as it demonstrates that cooperation between Australia and the EU is both multifaceted and substantive in nature.
Chapter 2: Examining the Evolution of Australian Foreign Policy and Relations with the EU

Introduction

This chapter analyses the evolution of Australian foreign policy in establishing the theoretical and conceptual framework for the thesis. This chapter commences with an examination of Michael Wesley’s definition of realism in a uniquely Australian context in establishing the predominant focus of foreign policy on the Asia-Pacific region and not on actors outside the immediate region such as the EU. Wesley’s three characteristics of ‘Australian realism’ namely experiential, systemic pessimism and pragmatism are examined with regard to how they provide a lens for understanding this emphasis. This chapter also considers the foundation of these characteristics in scholarship outside of a strictly Australian context. Although Wesley (2009, p. 325) states that a ‘distinctly Australian variant of realism exists’, it is necessary to investigate the basis of this ‘variant’ in international relations scholarship.

Realism is the pre-eminent lens through which Australian foreign policy is analysed by scholars due to the overriding emphasis on security and alliances with major states in the region, namely the US. In particular, Liberal Party governments are often analysed through a realist framework due to their ‘perception of the international system as a world of power politics, whereby power is located in states and in alliances of states and is based on economic and military strength’ (Smith & Lowe, 2005, pp. 459-60). This explains the Liberal Party’s historical scepticism of multilateral institutions and non-state actors such as the EU as indicated by the 2003 Foreign Policy White Paper issued by the Howard government, which placed an emphasis on the EU’s major member states and not the EU itself as a single actor (DFAT, 2003a). This is indicative of the Liberal Party’s belief in state-to-state bilateralism as the basis for much of its foreign policy. In comparison, the Labor Party is more often associated with the concept of ‘middle power diplomacy’ which emphasises the importance of the US alliance but is more strongly associated with support for the role of the UN in international relations, Asia-Pacific regionalism and ‘the embodiment and advocacy of the principles of good global citizenship’ (Parke &
Langmore, 2014, p. 29). Despite differences articulating different approaches, however, similar foreign policy outcomes have occurred particularly with regard to the US alliance and Australia’s immediate region. Foreign policy in Australia is perceived as a ‘bipartisan issue’ and ‘it is rarely the subject of significant debate in the parliament or at an election’, with this being due to many of ‘larger aims of government such as improving the security and prosperity of the country’ being uncontroversial (Baldino, Carr, & Langlois, 2014, p. 19). This is seen firstly in the decision to maintain a military alliance with the US as a result of the similar realist calculations of both major parties. Similarly, despite an emphasis on ‘engagement with Asia’ under the Hawke and later Labor governments being perceived as a key difference between both major parties (Johnson, Ahluwalia, & McCarthy, 2010), relations with the Asia-Pacific region have emerged as a dominant bipartisan feature of Australian foreign policy (McDougall, 2009). A key recent example was Asian engagement being a ‘pillar’ of the Rudd and Gillard governments approach to foreign policy (Smith S., 2008a) and that the Abbott and Turnbull governments have been ‘unambiguously focusing our foreign policy efforts on our region’ (Bishop, 2014e), the Asia-Pacific.

The EU has often been perceived as being a peripheral focus of Australian foreign policy due to its status as a non-state international actor. Australian governments have throughout much of the history of EU-Australia relations, ‘focused on close ties with the UK, paying little attention to the rest of Europe’ (Murray & Matera, 2016). Australia has adopted an approach that has seen the EU as a relatively insignificant actor compared to the US and key states in the Asia-Pacific region. This reluctance to engage has been compounded by the negative framing of the EU by successive Australian governments with respect to the issue of the CAP. Despite the impact of the CAP, Australia had by the 1990s come to reconceptualise the significance of relations with the EU. This reconceptualisation came due to substantial reform of the CAP, the establishment of the single market and moves towards establishing a single currency. Australia began to comprehend the EU’s capacity as an economic actor with this contributing to ‘a broadening of discussion areas’, which led to the signing of a number of significant bilateral agreements by the end of the 1990s such as the 1997 Joint Declaration (Elijah, Murray, & O’Brien, 2000, p. 16). The signing of these agreements indicated a reassessment of Australia’s approach towards the EU. A
further indication of this development can be found in elite attitudes towards EU-Australia relations. The most notable literature in this area is Murray (2003a), (2007b) and Katrina Stats (2010), which were based on interviews with Australian and EU elites. Analysis of this literature helps to provide the context for a set of interviews undertaken as part of this thesis as it shows how elite attitudes demonstrate the transformation of Australia’s approach towards relations with the EU.

A Framework for Understanding Australian Foreign Policy Priorities: Wesley’s characterisations of realism

Experiential realism: A preoccupation with the particularities of Australia’s international position

Wesley describes the ‘experiential’ characteristic of realism as involving ‘an intensive focus on the particularities of Australia’s international position — size, isolation, wealth, population, culture — and how these factors can help understand the ways in which Australia relates to the world beyond its shores’ (Wesley, 2009, p. 326). In doing this, Wesley is formulating a framework whereby Australia’s unique international position has contributed to how it perceives international relations. Australia is undeniably a state whose foreign policy has been influenced not only by its large geographic size but by its remoteness. This international position has directly influenced the prioritisation of national security and a need for military alliances with states such as the US. Secondly, Australia’s population and culture, notwithstanding historical links to Europe, are now increasingly linked to the Asia-Pacific region. A focus on these concerns underlines the rationale behind Australia’s pre-eminent emphasis on its immediate region rather than distant actors such as the EU. Australia’s attitude towards the EU is similar to other states in the region due to the ‘state centric’ perception of foreign and security, which inevitably leads to scepticism regarding the ‘acceptance of the EU as a strategic security actor’ (Yeo, 2010, p. 16).

The influence of these experiential characteristics is not unique to Australia, as states internationally take into consideration many of the concerns that Wesley suggests. For example, Kenneth Waltz (1990, pp. 6-7), argues that ‘foreign policies of nations
are affected in important ways by the placement of countries in the international-political system, or simply by their relative power’. Colin Elman and Miriam Fendius Elman’s (1995, p. 183) argue that state decision making is associated with ‘predictions from a set of common elements’. These common elements are that states; ‘interact in an anarchic environment, without the protection offered by an overarching authority’, ‘are self-regarding, and that consequently self-help is the system-mandated behavioural or principle’, are faced with the principal threat of ‘survival’ as ‘generated by the system’, and ‘make decisions based primarily on their strategic situation and an assessment of the external’. Neorealism therefore is consistent with Wesley’s definition of experiential realism in an Australian context. This is particularly the case taking into account the way the US alliance is advocated as the key means by which to respond to the insecurity of Australia’s ‘strategic situation’.

**Systemic Pessimism: Apprehension about broader global stability**

Wesley (2009, p. 326) describes realism in an Australian context as being pessimistic ‘about the extent to which humans, individually or collectively, can intentionally, purposively and permanently shape their social world’. This aligns with Waltz’s (1979, p. 118) belief that all states ‘at a minimum, seek their own preservation and, at a maximum, drive for universal domination’. Although the concept of ‘universal domination’ does not apply to a state of Australia’s size, Australian ‘realists in academia and government’ are pessimistic ‘despite facing very few specific threats and being allied to the most powerful two states in the world over the past two centuries’ and ‘have been more consistently apprehensive about broader global stability than have much smaller, weaker and isolated states (New Zealand comes to mind)’ (Wesley, 2009, p. 326). Similarly to the experiential characteristic, this perspective then explains why Australia has historically prioritised relations with a militarily powerful state such as the US. According to John Mearsheimer (2001, p. 21) ‘the international system creates powerful incentives for states to look for opportunities to gain power at the expense of rivals, and to take advantage of those situations when the benefits outweigh the costs’. Although Australia may not specifically be seeking ‘power’ in the manner outlined by Mearsheimer, a pessimistic outlook of international relations has conditioned Australia to seek to align itself to a
‘great and powerful friend’ such as the US. As a result Australia perceives the international environment, particularly in its immediate region, in a manner that makes it inevitable that it would seek a military alliance with a strategic power.

An indication of Wesley’s interpretation of ‘systemic pessimism’ being grounded in an international rather than Australian context is the way he is influenced by Hedley Bull. Bull, although an Australian academic, was nevertheless someone whose work was international in its focus. Wesley (2009, p. 326) perceives Bull as being ‘firmly within a long Australian Realist tradition’ when Bull (1972, p. 87) argued that ‘where armed and politically divided powers confront one another, some measure of ‘threat’ is inherent in the situation itself; one need not suppose the existence of immediate hostile intentions’. Other Australian prominent scholars such as Christian Reus-Smit (1996, p. 172) also argue that realist scholarship and elements of ‘pessimism ‘have provided the basic analytical framework for the traditional ‘realist school’ of Australian foreign policy analysis. Consequently it can again be argued that Wesley’s definition of realism is consistent with scholarship both within an international and strictly Australian context.

**Pragmatism: A preference for understanding the important elements of the situation itself**

As the third and final element of his definition of realism in an Australian context Wesley identifies pragmatism. Pragmatism involves the way that Australia’s ‘political culture’ has influenced an approach to Australian foreign policy ‘which remains impatient with abstract ideas and interested in practical outcomes’ (Wesley, 2009, p. 327). An emphasis on pragmatism aligns with Reus-Smit’s (1996, p. 174) argument that variations in Australian foreign policy have derived from the need for Australia to respond to its ‘changing position within the geopolitical hierarchy of states and from the shifting configuration of international power’. Wesley’s assessment underlines the way that scholars in Australia have often sought to respond to events ‘as they happen’, in a manner that may not subscribe to a consistent view of the international system.
It is Australia’s problematic conceptualisation of the EU that has pervaded much of the historical relationship. In particular, there has been what could be termed a ‘pragmatic’ emphasis on engaging with member states rather than the EU itself as a unitary actor. This has been associated with the perceived ability of member states to reach ‘history making decisions’ in the development of EU foreign, security and defence policies (Nasra, 2011, p. 164). This created a situation whereby government had difficulty comprehending, particularly in the case of the CAP, that significant aspects of EU decision making occurs at the supranational level (Gyngell, 2017). Over time, however, it is argued in this thesis that Australia was obliged to re-evaluate its relationship due to developments such as the establishment of the single market and the introduction of the Euro. This conforms to Chad Damro’s (2012) argument regarding ‘Market Power Europe’ that a significant proportion of the EU’s capabilities derive from its capacity as a single economic actor. Irrespective of its complexity therefore, all states including Australia are required to recognise that the EU is ‘an entity that has state-like competencies on the economic field’, even though it ‘lacks the necessary system of political governance’ (Thalassinos & Dafnos, 2015, p. 22).

Wesley’s ‘pragmatic’ characteristic of realism is consistent with ‘small’ or ‘medium’ size ‘state behaviour’ as defined by neorealists in that it ‘is likely to reflect the constraints of the international environment’ (Fendius Elman, 1995, p. 175). These constraints specifically relate to how a state such as Australia is unlikely to be in a position that is able to directly shape the international affairs by itself. Australia is similar to other small and medium size states which are influenced by pragmatism in guiding their approach to foreign policy. Henrik Ø Breitenbaucha and Anders Wivel (2004, p. 420) suggest, ‘while external events -- including geopolitical constraints and historical experience -- are important’ in the case of a small state such as Denmark, ‘it is the collective interpretation of these events that defines a particular construction’. Such a ‘collective interpretation’ of these events in Denmark has then resulted in a political culture that places a strong emphasis on ‘consensus and pragmatism’ (Breitenbauch & Wivel, 2004, p. 421). This assessment is consistent with that of Australia given the manner in which pragmatism and consensus have guided an approach to foreign policy that is to a significant extent bipartisan, as will be discussed in the following section.
The Australian Context: The dominant conceptualisations and political party association

In examining the development of Australian foreign policy it is necessary to analyse the broad theoretical perspectives that explain the approaches of the two major parties. In the case of the Labor Party the concept of middle power diplomacy is best understood through a liberal institutionalist framework and with the Liberal Party there has been a strong association with realism. David Martin Jones and Susan Windybank (2005, p. 5) suggest that ‘Coalition/Liberal governments have emphasised bilateralism and alliance whilst Labor has opted for regionalism and/or an internationalist multilateralism’. This analysis, however, can have the tendency to detract from significant commonality between the two parties’ foreign policy perspectives. As Russell Trood (1997, p. 47) an academic and former Liberal Party senator suggested, there is a ‘high degree of bipartisan and bureaucratic consensus on the key principles of Australia’s foreign relations’, effectively constraining ‘the parameters of the policy debate’. It is nevertheless important to examine these parameters as they have had a role in shaping the evolution of Australian foreign policy.

The Labor Party: Middle Power Diplomacy and Liberal Institutionalism

Middle power diplomacy has been applied to a number of states including Australia and Canada who have sought a foreign policy approach that is commensurate with their ability to shape international affairs (Cooper, Higgott, & Nossal, 1993). As John Ravenhill (1998, p. 325) suggests, this involves ‘an emphasis on diplomatic capabilities and the capacity to provide intellectual leadership’ as ‘the core characteristics of middle powers’. This conceptualisation aligns itself with Allan Patience’s ‘regionalist’ and ‘niche diplomacy’ definitions of middle power diplomacy. Regionalist middle power diplomacy has involved Australia cultivating and supporting ‘regional groupings’, particularly in Southeast Asia with ASEAN, in response to security concerns, improving trading networks and responding to the pressures of globalisation’ (Patience, 2014, p. 218). This conceptualisation of middle power diplomacy is consistent with the aspirations of the EU, given its foundation as an entity to eliminate conflict between states and facilitate the ease of trade. Niche
middle power diplomacy has involved the “soft power” in a manner that ‘a country may obtain the outcomes it wants in world politics because other countries – admiring its values, emulating its example, aspiring to its level of prosperity and openness – want to follow it’ (Nye, 2004, p. 33). Related to soft power is the concept of ‘smart power’ which involves ‘smart strategies’ that ‘combine elements of hard and soft power in ways that are mutually reinforcing’ (Wilson E. J., 2008, p. 115). According to Patience (2014, p. 220) smart power influences the specific capacities that middle powers acquire ‘in cooperation with one another as “like-minded states” or by acting alone’. There is, however, significant debate surrounding what these capacities or middle power diplomacy actually constitute. Cooper, Higgott and Nossal (1993, p. 17) suggest that ‘there is little agreement on what constitutes a middle power in international politics’ and that ‘the idea of middle power, as a distinctive category of actor in contemporary international relations is … problematic’. The middle power concept helps to provide at least some characterisation of the foreign policy activities of Australia. As Ungerer (2007, p. 538) further states it has the potential to be used beyond the Labor Party in the manner that ‘the concept itself and the general diplomatic style it conveys have been one of the most durable and consistent elements of Australia’s diplomatic practice’.

Much of the debate surrounding middle power diplomacy as a concept derives from its association with Labor Party foreign policy. Although, as Ungerer (2007, p. 551) suggests, ‘Australian governments since the mid-1940s have at various times and to varying degrees supported the notion of Australia as a middle power’, it is most often been linked with the Labor Party. The approach finds its origins in Labor Foreign Minister H.V. Evatt’s (1945, p. 210) declaration that Australia should be ‘vitally concerned in the establishment of a successful peace and world security system because of its vulnerable position’. This statement indicates that Labor historically has seen middle power diplomacy as being intrinsically linked to its foreign policy objectives and in particular a ‘preference for working through multilateral institutions and processes, a commitment to promoting international legal norms and a pro-active use of diplomatic, military and economic measures to achieve selected political outcomes’ (Ungerer, 2007, p. 539).
With an emphasis on multilateralism, liberal institutionalism has often been used as a lens to comprehend the Labor Party’s approach to foreign policy. Liberal institutionalism suggests that Australia as a ‘middle power’ benefits from a rules-based international system (Richardson J., 2007, p. 48). Ungerer (2008, p. 39) suggests that ‘the middle power theme’ is strongly influenced by notions of liberal institutionalism and ‘the pursuit of Australia’s national interests through international organisations and the strengthening of legal norms’. Labor Party governments have been strong supporters of international and regional organisations such as the United Nations (UN) and Asia-Pacific Economic Cooperation (APEC), seeking to effectively regulate the international system. There has also been support for the EU and the manner it has delivered ‘prosperity and a common sense of a security community’ (Rudd, 2008c). The middle power concept, despite its ambiguous nature, is best understood through a liberal institutionalist framework with regard to how it informs foreign policy decision making.

Liberal institutionalism is useful in explaining the development of Australian foreign policy when considering the approaches of the most recent Labor governments. Gareth Evans (Evans & Grant, 1995, p. 344), when a foreign minister in the Hawke and Keating governments, argued that the promotion of international institutions helps to facilitate ‘the peaceful resolution of conflict, acceptance of international law, protection of the weak against the strong, and the free exchange of ideas, people and goods’. Incorporated in this development of the middle power concept has also been the notion of Australia as a good international citizen. Evans (1989, p. 28) argued that Australia ‘does have an interest, from the point of view both of our reputation and national self-respect in being – and being seen to be – a good international citizen’. This can be viewed as a core component of middle power diplomacy in its pursuit of what Evans defines as ‘enlightened self-interest’. Developing further Evans’s notions of self-interest is whether middle power diplomacy is motivated by what is determined to be in the national interest in manner that is closer to the approach of the Liberal Party and realism. As Ungerer (2007, p. 540) asserts that ‘ultimately, engaging in middle power diplomacy is no less self-interested than the behaviour of any other state in the international system’. This self-interest, however, is ‘filtered through the practical consideration of when and where middle-ranking states can achieve successful diplomatic outcomes in pursuit of national interests’. The Rudd
and Gillard Labor governments adopted such an approach. Kevin Rudd (2008a) as prime minister emphasised his government’s pursuit of ‘creative middle power diplomacy’ as the best means of ‘enhancing Australia’s national interests’ and ‘acting as effective international citizens in enhancing the global and regional order’. Clear evidence of these priorities can be found in Australia’s attempt to secure a non-permanent seat on the UN Security Council and Kevin Rudd’s desire to create a new regional organisation in the form of an Asia-Pacific Community (APC) (Rudd, 2008c). The Rudd and Gillard governments also saw Australia as having been and continuing ‘to be very much the beneficiary of Europe’s integration and the EU’s status as a global player’ (Marles, 2013). This statement indicates that support for the EU is consistent with the Labor Party’s overall approach to Australian foreign policy.

**The Liberal Party: Realism**

In contrast to the Labor Party, realism has been the defining feature of Liberal Party’s approach to foreign policy. Realism provides a clear lens for understanding the Liberal Party’s support for alliances with the UK and US as a key component of their foreign policy approach. Patience (2014, p. 218) suggests that the support for these alliances is based on a type of ‘Concert of Europe’ whereby Australia, similar to small European states during the nineteenth century, has had a ‘habit of junior partnering in foreign and defence policy: first with Great Britain (in the context of the British Empire) up to about 1942 and subsequently with the USA’. While the Labor Party has historically emphasised support for the US alliance, such sentiments are more strongly expressed in the Liberal Party’s foreign policy approach. This assessment is closely associated with Wesley’s concept of systemic pessimism in the manner that an ‘enduring sense of historical anxiety about Australia’s perceived security vulnerabilities serves both to reinforce and highlight the extent to which Australia’s approach to national security is informed by strong pessimism and uncertainty’ (O’Neil, 2011, p. 20). Influencing this pessimism in the case of the Liberal Party was the reality that they governed ‘through almost the entire forty-year Cold War’ (Smith & Lowe, 2005, p. 460). This experience underlines the Liberal Party’s foreign policy as being focused on alliances as ‘a realist strategy to maintain a favourable balance of power’ as part of supporting the perception that ‘the most important elements in the international system are unitary states, rather than international organisations or sub-
national groups’ (McCraw, 2008, p. 466). This framing of Australia foreign policy assists in understanding why, historically, the Liberal Party has been tended to prioritise relations with the EU’s major member states such as the UK, rather than the EU itself. Brexit is an example of the way that Australia’s relations with the UK can be perceived as the focus of the Turnbull government when discussing the EU. This is due to the manner that an emphasis has been seen to have been placed on prioritising a UK FTA ahead of an EU FTA. Commenting on this situation the UK MEP David Martin (Glenday, 2016) argued that Australia has ‘to focus on the European Union and make that your sole negotiation’ and it ‘cannot have side deals and side negotiations with the United Kingdom’ at the same time.

Liberal Party governments have continued to demonstrate an approach to foreign policy that is best understood through a realist framework. The Howard government for example ‘made it very clear that they were not interested in pursuing middle power multilateralism as a foundation for Australia’s role in international affairs’ (Ungerer, 2007, p. 549). Furthermore, the Abbott and Turnbull governments have emphasised an approach to foreign policy which is based on a distrust of multilateral institutions such as the UN (Robb, 2014). This distrust of multilateralism is a defining feature of Liberal foreign policy regarding a historical preference for bilateralism. The Howard government specifically described itself as ‘realist’ and defined its principal foreign policy objective as pursuing ‘the national interest specifically defined in terms of the physical security of Australia and its citizens and their economic security’ (Cotton, 2002, p. 195). This assessment is supported by the 1997 and 2003 DFAT White Papers issued by the Howard Government which placed a strong emphasis on security and state-to-state relations. Similarly, Abbott and Turnbull Government Minister Josh Frydenberg (2014, p. 21) reiterated a strong commitment to prioritising state-to-state relations and that participation in multilateral institutions must meet a ‘strict national interest test’. Foreign Minister Julie Bishop (2014b) has also reaffirmed the centrality of the realist framing of Australia foreign policy by the Abbott Government by stating that ‘one of the hallmarks of the Coalition’s foreign policy will be the importance we place on bilateral ties with our friends and neighbours – these are the vital building blocks of our international diplomacy’. As a result, there appears to be significant continuity in the centrality of realism in the foreign policy approaches of the most recent Liberal governments.
Both major parties have embraced aspects of pragmatism in their respective approaches to foreign policy. Richardson (1991, p. 289) suggests the Labor Party has combined ‘characteristic idealism of the Left with a pragmatic nationalism; the conservative coalitions proclaiming their realism while often espousing an essentially romantic view, first of the Empire and later of the American alliance’. Even former Labor Foreign Minister Gareth Evans (1989, p. 24) concedes the limits to middle power diplomacy by suggesting that ‘a country of our capacity must always acknowledge that our impact on events outside our national territory will rarely be decisive’.

Liberal governments have also indicated an emphasis on pragmatism with regard to their scepticism of regional and global institutions. The Howard government was perceived, ‘apart from the odd dismissive comment’, to have ‘maintained Australia’s support for international organisations’ (Wesley, 2011, p. 144). William Tow (2001, p. 171) argues that the Howard Government, much like its Labor predecessors, adopted ‘“middle-power” tactics of coalition-building at both the regional and global levels’. This emphasis pertained particularly to the importance of key Asia-Pacific region organisations such as ASEAN. The foreign policy White Paper (DFAT, 2003a) of the Howard Government suggested the ‘protection’ provided by multilateral rules as being critical to Australia’s international economic interests in the region. Despite the Liberal Party’s scepticism of non-state actors (Frydenberg, 2014), both Liberal and Labor governments have increasingly sought to engage with the EU. Most recently, the Abbott and Turnbull Governments sought to engage with the EU directly, rather than via major member states, regarding the civil war in Syria and instability in eastern Ukraine (Bishop, 2015a). The Liberal Party denotes a certain degree of flexibility in its approach to foreign policy given its desire to cultivate a relationship with the EU despite its scepticism of non-state entities.

Despite differing traditions, bipartisanship has dominated Australia’s approach to foreign policy amongst the two major parties. As Ungerer (2007, p. 551) suggests, ‘successive Australian governments, both Labor and Liberal, have constructed a
foreign policy that is both realist and idealist at the same time’. This indicates that Australian foreign policy has often not been formulated from a perspective that conforms to a single theoretical standpoint. For example, Higgott and Nossal (1997, p. 182) suggested that ‘the strategies pursued by the foreign policy elite during the Labor governments of Bob Hawke and Paul Keating can be interpreted as a blend of realist, liberal institutional and constructivist theory’. As Gyngell (2008, p. 4) further argues, support for both of these different ‘approaches’ co-exists ‘in the foreign polices of both major political parties’. While not downplaying the significance of the two competing theoretical perspectives, bipartisanship is an important component of Australian foreign policy. Nowhere is this more evident than in the emphasis placed by both major political parties on the US alliance and key states in the Asia-Pacific region.

**Australian Foreign Policy and Relations with the EU**

*Early scepticism of the EU*

Relations with the EU have ‘received little attention in academic literature’ and have ‘been undervalued by foreign policy-makers’ (Murray, Elijah, & O'Brien, 2002, p. 395). Firstly, the EU has been deemed as of limited to relevance to Australia principally because of the geographic distance between both actors (Groom, 1992). Secondly, there has been longstanding criticism from scholars such as Hedley Bull (1982) that the EU is largely insignificant given its restricted coordinated security capabilities, particularly in comparison those held by the member states that constitute NATO. Finally, Australia has in the past engaged with the EU in a manner that places emphasis on major member states such as the UK, France and Germany at the expense of directly engaging with the EU (Murray, 2007a).

The decade after the formal establishment of bilateral relations in 1962 was an important period in shaping Australia’s approach to the EU. The period up to and including the UK’s accession to the European Community (EC) in 1973 is of particular significance. Prior to this event, Australia had had only limited engagement with the entity that was to become the EU. This was to change when the UK’s desire to join the EEC put at risk preferential access to the British market that Australia
enjoyed through the system of imperial preferences. Upon accession, ‘British entry spelled the end of the imperial preference system, which had governed trade between Australia and Britain for forty years’ (Benvenuti, 2008, p. 163). Importantly, British accession fostered a historical distrust of the EU, particularly due to the impact of the CAP.

The CAP undoubtedly played a significant role in further cultivating the already existing realist scepticism of the EU. Benvenuti (1998) in particular, has documented the aggressive pursuit of the CAP reform by successive Australian governments from the period of UK accession in 1973 through to the early 1990s. Australia’s emphasis on the CAP came at the expense of engagement on a broader ranger range of issues. The ‘disproportionate importance’ attached to the ‘agricultural question’ (Benvenuti, 1999, p. 182) saw the continuing view of the EU as only worth engaging with on a single issue. This situation contrasts with the reality that in subsequent decades the EU became vastly different to the EC that Britain joined in 1973. The EU by the end of the 1980s for example was developing into an increasingly cohesive economic actor with a proposed single market. Indeed, at the same time the EU had become Australia’s largest two-way trading partner.

The problematic framing of the EU’s importance to Australia was also demonstrated by the emergence of a debate during the 1980s regarding Australia’s perceived need to prioritise Asia-Pacific engagement over the EU. The Asia-Pacific region has understandably been a focus of Australia foreign policy given its proximity and relative economic significance. This explains how engagement with Asia came to be depicted by government as needing to come at the expense of ‘relations with Europe, both at the cultural and economic level’ (Papadakis, 2001, p. 133). It is as a result of such perceptions that Australia has been perceived as having to choose between Europe and Asia (Groom, 1992). The perceived need to for Australia ‘to come to terms with its geographical location and its growing cultural and economic links with its Asian neighbours’ consolidated pre-existing depictions of the EU’s limited relevance to Australia (Benvenuti, 1998, p. 59).
The transformation of Australian foreign policy toward the EU

Australia began to reconsider its approach to relations with the EU due to the major reforms of the CAP in the 1990s. These reforms, including the 1992 MacSharry reforms and those associated with the completion of the Uruguay Round of the GATT in 1994, provided the context in which Australia governments had the capacity to see relations with the EU as being defined as more than agricultural disputes. Under the Keating government, there was a considerable broadening of bilateral relations, with this culminating in the proposition by Australia and the EU to begin negotiations on a treaty-level Framework Agreement (Murray, 1997). While in 1997 a non-treaty-level Joint Declaration was signed, due to a treaty level agreement being rejected by the Howard government, it did establish a formal commitment ‘by both jurisdictions to bilateral cooperation’ across a number of areas most notably in relation to trade (Papadakis, 2001, p. 142). As Murray, Elijah and O’Brien (2002, p. 395) suggest, this agreement exemplifies the way relations between Australia and the EU were becoming increasingly ‘characterised by greater dialogue and significant bilateral agreements’.

With the pragmatic emphasis on the broadening of EU-Australia relations under the Hawke, Keating and early Howard governments, there were also tangible outcomes. The 2001 Agenda for Cooperation for example further consolidated and expanded upon the Joint Declaration. Both of agreements were significant accords between the EU and Australia, particularly as they began to involve sensitive areas (Goldsworthy, 2007). For instance the Joint Declaration contained a ‘common commitment to free and open market principles and the strengthening of the multilateral trading system in accordance with the aims and principles of the WTO’. In practice, such a commitment has seen Australia and the EU decide to negotiate trade disputes, mostly in relation to the CAP, at the multilateral or WTO level. As Kenyon and Kunkel (2005, p. 56) suggest, the decision to multilateralise or ‘compartmentalise agricultural differences with the EU… has allowed a higher profile to be given to areas of shared interest’. Such a desire to compartmentalise problematic issues indicates that Australia now seeks to prioritise engagement with the EU on issues of shared interest (Downer, 2006a), as opposed to criticising it in areas where differences are apparent.
The election of the Rudd Government in 2007 resulted in a more substantive and public desire to increase engagement with the EU. The 2008 Partnership Framework agreement signed with the EU was testament to the commitment of the Rudd government to further formalise the relationship. The ‘agreement represents a distinctive deepening of engagement between EU and Australia’ given the level of detail contained within the agreement (Murray, 2010, p. 56). Evidence of deepening came with the signing of a revised Partnership Framework in 2009. Foreign Minister Stephen Smith (2009) said the agreement was intended to be ‘reviewed regularly to ensure that it charts a course for cooperation, responding to global challenges where Australia and the EU share many common interests and approaches’. The decision to conclude a revision of the agreement within such a short space of time reflects the priority placed on improving relations with the EU by the Rudd and Gillard governments. It was a continuation of the ‘change of diplomatic and negotiating styles’ that aim to be less antagonistic towards the EU by devoting attention to shared interests rather than divisive issues such as the CAP (Murray, 2010, p. 56). The culmination of this effort for further engagement is the proposal for a formal treaty-level agreement to be signed between Australia and the EU. According to Julia Gillard (2010b), it is aimed at ‘taking the relationship to this next stage as well as giving Australia ‘the same kind of status with the EU that other G20 countries do’.

With the election of the Abbott Government in 2013 relations with the EU were likely to receive less prioritisation due to Tony Abbott’s longstanding pledge to repeal Australia’s carbon tax and also the proposal to link a future emissions trading scheme (ETS) with the EU. Aside from the ETS issue, however, the Abbott Government did ‘not demonstrate any substantive interest in the EU while in opposition’ (Murray, 2015, p. 3). Since being elected nevertheless, the Abbott and the subsequent Turnbull governments have retained an emphasis on cooperation with the EU that is still based on shared interests that coincide with those of the EU (Bishop, 2014). An example of the commitment to a multifaceted relationship was the decision to complete negotiations for the treaty-level Framework Agreement with the EU despite reservations over the inclusion of an operative human rights clause. From the EU’s perspective, the Framework Agreement is also of great significance as it ‘lifts the relationship to a new strategic level’ and moreover provides a framework for seeking FTA negotiations (Fabrizi, 2015a). These developments indicate that, with few
exceptions, there is a bipartisan emphasis on the need to complete substantive bilateral agreements with the EU.

**EU-Australia Relations – The importance of elite attitudes**

Given this thesis’s use of interviews with elites as part of its two case studies, it is necessary to examine previous literature in this area. This literature consists of Murray’s two surveys of EU and Australian elites and Katrina Stats analysis of the Australian media as part of the Asia Pacific Perceptions project. From an Australian perspective, elite distrust of the EU has been embedded in Australian foreign policy historically (Papadakis, 2001). As Murray (2003b, p. 71) suggests, the EU-Australia relationship has challenged ‘Australia policy makers to extend their understandings of traditional diplomacy to encompass non-state-based negotiations’. This understanding resulted in governments often seeking traditional state-to-state relations with EU member states. The most notable of these individual state relations is the relationship with the UK. There is still a perception of government that the UK best comprehends Australian interests and is an effective means through which develop an understanding of the EU a whole (Stats, 2015). There has, however, been an acknowledgement of the need for government engage more broadly with the EU itself instead of individual member states particularly in view of the significant trade competencies that the EU has (Murray, 2007b).

Trade has been the most prominent issue when analysing Australian elite attitudes when it come to the EU. In particular, Stats (2007, p. 52) argues in her research that ‘the euro emerged as a powerful image associated with the EU’. The significance of the EU as a significant economic actor is unsurprising given that the EU is Australia’s second-largest trading partner and largest source of foreign investment with Australia exporting $23.5 billion of goods and services (DFAT, 2017). Despite the importance of trade with the EU, the CAP has undeniably been a problematic bilateral issue. Stats (2007, p. 52) suggests the manner in which ‘negative images of protectionism, subsidies and exclusion’ have often been associated with the EU and the CAP. Emphasis on the CAP, however, has the potential to ignore whether it is contained to within specific parties such as the Liberal Party’s coalition partner The Nationals. Murray (2007b, p. 164) suggests in relation to the Howard Government, that ‘while
government rhetoric is largely negative regarding the EU, for domestic reasons, behind the scenes a productive engagement is taking place’. This desire to engage with the EU, in a multifaceted manner, has been driven by new bilateralism. New bilateralism recognises the ‘EU as one single entity, market and regional and global player’ (Murray, 2003a, p. 105). While such a stance may not erase completely the traditional emphasis on bilateral links with individual member states, it would appear that governments are now obliged to be cognisant of the competencies of the EU as an actor.

The perceptions of European elites have also impacted on the EU-Australia relationship. The need to investigate European perceptions emanates from previous Australian elites’ suggestions that the EU is ‘almost exclusively concentrated on its internal affairs and largely uninterested in other parts of the world’ (Murray, 2002a, pp. 7-8). Stats (2015, p. 297) suggests that ‘the EU remains complex, highly bureaucratic and difficult for news-makers to distil for local audiences, for whom it still appears foreign and distant’. It would also appear that the EU had a similar perception of Australia with Murray (2003b, p. 69) arguing that ‘Australia is not high on the list of the EU’s external relations policies’. This status is similarly due to ‘Australia’s remoteness from European affairs’ (Goldsworthy, 2007, p. 113). This, however, does not detract from the increasing extent to which Australia and the EU’s interests align. Although, as Murray (2007b, p. 171) acknowledges, there has been a slow realisation of this situation, Australian elites in particular are now increasingly aware of ‘shared values in the promotion of common political ideals such as peace, liberty and democracy; and shared economic ideologies, based on the promotion of economic liberalism, free trade and WTO rules’. The EU has also affirmed that ‘the EU-Australia relationship is based on shared values and a common commitment to the rule of law, global norms and support for international stability and security’ (EEAS, 2016). These observations therefore provide a useful basis from which to compare this thesis’s own use of interviews with Australian and EU elites and whether there has been a further maturation of the bilateral relationship.
Conclusion

This chapter has adopted a multifaceted approach to provide a theoretical and conceptual framework for this thesis. The first component of this approach has been an analysis of Australian foreign policy and how Wesley’s conceptualisation of realism in an Australian context helps to explain its evolution in relation to the Asia-Pacific region. While Wesley describes his conceptualisation of realism as being defined in an Australia context, this chapter has argued that it can be situated within realist scholarship internationally. This does not, however, undermine the efficacy of Wesley’s conceptualisation, as the three characteristics that he outlines are useful to understand what shapes Australian foreign policy. This is demonstrated by the characteristic of systemic pessimism, which explains how securing international and regional security remains a core focus of a state such as Australia and the consequent prioritisation of the US alliance. Similarly, Wesley’s characterisation of experiential realism explains the emphasis placed on engagement with key states in the Asia-Pacific region, particularly with respect to trade. Despite the importance of these two characteristics in explaining the core priorities of Australian foreign policy, the third characteristic, pragmatism, helps to understand how Australia has come to engage with international institutions such as the UN despite a level of scepticism regarding their efficacy. A similar approach has progressively become evident with respect to the EU. In particular, the EU’s development into a significant economic actor has seen government fundamentally reassess the value of its relations with the EU.

Australian foreign policy has been analysed based on two competing concepts or theoretical frameworks that have been associated with the two major political parties. These two theories are Middle Power Diplomacy or liberal institutionalism in the case of the Labor Party, and realism in the case of the Liberal Party. Despite these competing theoretical perspectives, this chapter argued that much of Australian foreign policy is bipartisan. Following World War II both parties supported the establishment and maintenance of an alliance with the US. This was followed increasingly by a commitment to further relations with key states in the Asia-Pacific region. The Liberal Party over time, however, has been perceived to be the greater supporter of the US alliance and the Labor Party the advocate of engagement with the
Asia-Pacific region. Conversely as both parties have shown in government, there is strong support for both these foreign policy concerns due to their perceived importance to the national interest.

Despite a history of seeking a less than comprehensive relationship with the EU, there has been, particularly since substantial CAP reforms in the early 1990s, a growing awareness of the capacities of the EU as an international actor. This is viewed most obviously in the context of trade, where the EU has become a significant economic partner of Australia. Subsequently, the EU-Australia relationship has transformed from being predicated on issues of disagreement to encompassing cooperation across a wide range of areas as demonstrated by a succession of substantive bilateral agreements.
Chapter 3: Australia as a Foreign Policy Actor

Introduction

Australia foreign policy has been dominated by two core priorities. The most significant of these concerns has been the US alliance. Over time ‘engagement’ with the Asia-Pacific region has joined the US alliance to become in its own right the second major aspect of Australian foreign policy. This chapter analyses the importance attached to these components and what the ramifications are for Australian foreign policy and relations with the EU.

Given that the US alliance is the core concern of Australian foreign policy it is necessary to examine how this situation eventuated. This chapter analyses the historical motivations behind the decision of the Australian government to establish a security alliance with the US. In particular, it considers how security calculations provided the context for the signing of the ANZUS treaty in 1951. These calculations can be understood in part based on Michael Wesley’s conceptualisation of realism with specific reference to the ‘pessimistic’ and ‘experiential’ characteristics it entails. These characteristics have seen Australian governments due to isolation and perceived insecurity, seek a military alliance with the US. Australia’s sense of insecurity and perceived inability to defend itself has contributed to the enduring nature of the US alliance. Wesley’s third characteristic of realism is also important to consider given the way that ‘pragmatism’ results in Australia prioritising ties with the US in part due to its economic as well as military capacity. While not as important as its military capacity the US is nonetheless Australia’s fourth-largest export market and second-largest source of foreign investment (DFAT, 2014a). This chapter analyses whether the alliance is likely to endure as a consequence of the changing nature of the Asia-Pacific region. It also examines how the longstanding nature of the alliance and the continuing bipartisan support it enjoys will influence Australian foreign policy in the future.

Australia’s desire to ‘engage’ with the Asia-Pacific region is the second major component of Australia foreign policy. This chapter considers how perceptions of the region, particularly those of government, have changed from threat to opportunity.
Initially, this change in perception was driven by economic imperatives and was evident in relation to Japan but it progressively expanded to include other countries in the region (Rix, 1999). Wesley’s pragmatic characterisation of realism provides an insight into this development, given the need to develop economic markets in the Asia-Pacific region. Subsequently, this chapter analyses how the expansion of trade has influenced a concerted effort to engage with Asia, particularly with regard to key markets such as Japan and China. It analyses the competing conceptualisations of Asian engagement in an Australian political context by the Liberal and Labor parties. Despite these competing conceptualisations, this chapter also considers the problematic nature of Australia’s approach to relations with Asia. The most notable of which is China and its conflicting roles as a vital economic market and potential security threat to Australia.

The final section of this chapter examines the dominance of the US and the Asia-Pacific region as foreign policy concerns and investigates whether these concerns are becoming mutually exclusive. It considers the growing likelihood that Australia’s foreign policy interests in relation to trade may come into conflict with its strategic interests. This is particularly significant given the prevailing narrative that ‘our fate depends on being able to sustain a close security relationship with the United States, growing economic ties with China, plus good relations with Japan as well as Southeast Asia’ (Griffiths & Wesley, 2010, p. 26). This chapter examines how these debates indicate that Australian foreign policy is often discussed in a constrained manner that may lead to less scope to consider the importance of actors such as the EU.

The US Alliance

The Basis for the Alliance

A substantial part of Australian foreign policy is concentrated on relations with the US. As Wesley (2011, p. 143) states, ‘the cornerstone of Australia’s ‘entire foreign and strategic policy is its alliance with the United States’. It has brought to the forefront notions of external threats to Australian security that Australia is perceived as being incapable of handling. This has contributed to the bipartisan desire of Australian governments to obtain a security guarantor so as to counter these perceived
threats. David McCraw (2011, p. 174), aligning with Wesley’s concept of systemic pessimism, argues that ‘Australia’s strategic culture… is permeated with a concern about the development of military threats to the country and the need for deterrent force and allies’. Since World War II the US alliance has filled this void with regard to providing a deterrent to other states attacking Australia. As Paul Dibb (2007, p. 37) suggests,

For Australia, the core of the ANZUS alliance has always been the need for protection by a great and powerful friend. The United States has reassured Australia in that regard, from providing extended nuclear deterrence through to an expectation that it would defend Australia in the event of a serious threat by a major power.

To understand its ongoing significance, it is important to emphasise that the alliance was formed in the immediate post-war context as Australia sought a security guarantor. While the UK previously fulfilled this role, subsequent to World War II ‘structural determinants of great power status and demise… were integral to Britain’s inability to remain a willing and effective ally for Australia’ (Kelton, 2008, p. 24). Consequently Australia looked to establish a formal military alliance with the US as a source of protection against perceived regional instability. It is important to note, however, that

The Australian and United States governments had different perceptions of the meaning of ANZUS when they signed the treaty in 1951. Australia’s primary security concern was Japan rather than China; the USA, however, had begun to recast Japan as an ally in the containment of communism (Smith, Cox, & Burchill, 1996, p. 54).

Dibb (2007, p. 34) argues that from ‘Australia’s perspective, the ANZUS Treaty was bought at the price of America’s peace treaty with Japan’. These contrasting reasons for the establishment of a military alliance do indicate, however, that developments in the Cold War provided the catalyst for the ANZUS agreement to be established.

Wesley’s experiential concept of realism helps to explain how Australia’s geographic location has contributed to the desire for a military alliance with the US. The influence of this concept is apparent in Liberal Foreign Minister Richard Casey’s (1972, p. 90) belief ‘that the Americans are the only people who can in fact help us in South-East Asia or the Pacific’. Subsequent to the signing of ANZUS, however, concerns soon developed surrounding the US’s desire to remain actively engaged in
the region. The Australian government at the time consequently saw a direct need to ensure America’s continued involvement in regional affairs. This concern directly influenced both the Menzies Government and future Liberal governments during the 1960s to intensify their efforts to give the US a direct stake in Australian security, welcoming the construction of American defence and intelligence installations on Australian soil and seeking through military intervention in Vietnam to commit US forces to the defence of Southeast Asia’ (McLean, 2006, p. 76). The desire of Australian governments at the time to involve the US in regional affairs, irrespective of the US’s own interests, suggests the alliance became the key defining bipartisan feature of Australian foreign policy. Future Prime Minister Gough Whitlam (1966) for example, despite the historical scepticism of the Left-wing of the Labor Party, remarked that ‘the United States alliance is essential. Cooperation with the United States must be maintained’.

Support for the US alliance remained a core feature of Australian foreign policy throughout the Cold War. Prime Minister Malcolm Fraser (1976, p. 2734), for example, stated that the US is ‘the power with which we can realistically establish close and warm friendship and with which we can most closely work to advance world peace and the humane values we share’. The Fraser Government did differ in its perspective from previous Liberal government in terms of an emphasis on ‘calculated and pragmatic national self-interest’ (Barclay, 1983, p. 146). Fraser (1976, p. 2738) for example stated that ‘the interests of Australia and the US ‘are not necessarily identical. In our relations with the United States our first responsibility is to assess our own interests’. The divergent approach of the Fraser and subsequently the Hawke governments however, needs to be understood within the context of continued support for the US alliance. The Hawke Government through its promotion of middle power diplomacy emphasised a less equivocal support for the US alliance. Nevertheless, throughout the duration of the Hawke Government the US alliance still remained a core component of Australian foreign policy. ‘Hawke’s approach to foreign policy was characterised by unapologetic support for ANZUS. After taking office in 1983 he immediately visited the US, declaring that “Australia is not and cannot be a non-aligned nation. We are neutral neither in thought nor in action”’ (Bloomfield & Nossal, 2010, p. 602). The Fraser and Hawke governments while
being less vociferous supporters of the US alliance ensured that it remained a core component of Australian foreign policy.

**The increasing importance of trade in bilateral relations**

Given the centrality of the security alliance, it is important to consider trade with the US in the context of the development Australian foreign policy. Roger Bell (1997, p. 217) suggests that

> By the early 1990s… the Australian economy was open to very high levels of United States investment capital. Increasingly, the United States displaced the United Kingdom, the EU and Japan as the principal source of foreign capital. By the early 1990s Australia ranked fourth as a national destination for United States investment capital, and accepted a greater volume of United States capital annually than did the combined economies of East Asia.

This significant growth in trade demonstrates that the US-Australia relationship needs to be seen in a broader context than just a security alliance. Furthermore, William Tow (2001, p. 184) has suggested that ‘Australian-American commercial interaction intensifies their inherent complementarity of interests’ promoting them to ‘work together in shaping innovative solutions to complex disputes’. There has been a shared emphasis on the strengthening and the promotion of regional and international institutions such as Asia-Pacific Economic Cooperation and the World Trade Organization (WTO) for the enhancement of the global trading and investment framework.

While the US is undoubtedly an important economic market and source of cooperation on many economic issues, trade disputes have had an impact on the US-Australia economic relationship. As Pemberton (1992, p. 126) argued with respect to ‘the economic dimension of their relationship’, ‘Australia had considerable difficulties with the US, despite the mutual desire for smooth bilateral relations, largely because of the asymmetry of power’. This asymmetry is perceptible, given that Australia’s trade deficit with the US has been measured at $17 billion (DFAT, 2014b). As Figure 1 suggests, this has occurred since the end of the 1980s with a number of Australia’s major trading partners including the US, the EU and ASEAN. It has been noted that the existence of such a deficit with US is compounded by the fact that ‘although the United States is currently Australia’s second-largest single
export market… many of the products Australia exports to the United States are in ‘sensitive’ areas and thus subject to trade barriers and restrictions’ (Beeson, 2003, p. 391). This explains why Australia is often dissatisfied by the nature of its trade relationship with the US.

**Figure 1: Australia’s trade surplus and deficit with select markets**

![Graph showing annual trade surplus with select markets](image)

Source: Australian Bureau of Statistics (ABS) (2015a)

A key development of the modern Australia-US trade relationship was the 2004 Free Trade Agreement (FTA). This agreement was seen by both Australian and US officials as ‘the most significant development in the Australian-American relationship since the negotiation of ANZUS’ (Edwards, 2005, p. 452). The FTA encapsulates many of the key dynamics of Australia’s trade relationship with the US. This is due to recognition of the importance of the US market to Australia but is also related to the existence of criticism associated with continued restrictions placed on Australia’s access to the US market, particularly in the agricultural sector. The agreement was meant to nullify some of these practices and deliver Australia predicted gains of $6.1 billion, or a 0.7 rise in GDP per year (Centre for International Economics, 2004).

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2 China data does not include Special Administrative Regions (SAR) of Hong Kong and Macau.
This analysis, however, has been disputed, with criticism in particular coming as a consequence of the Australian government’s inability to negotiate sufficient improved access for Australian agricultural goods (Capling, 2005). Criticism of this nature would appear to have some validity given the relatively stable level of the value of agricultural exports to the US in the years subsequent to the FTA’s implementation as demonstrated in Figure 2. Moreover, some critics have questioned the emphasis placed on the agreement by the Howard Government given that ‘important as the economic relationship with the United States is, the central reality of Australia’s contemporary economic situation is that, taken as a whole, East Asia accounts for the bulk of Australia’s trade activity’ (Beeson, 2003, p. 390). Such criticism does, however, have the potential to downplay the continuing significance of trade with US. It may also have the potential of further consolidating an emphasis on focusing on security-based issues exclusively when analysing Australia-US relations.

**Figure 2: Value of Australian agricultural exports to the US**

![Graph showing Value of Australian agricultural exports to the US](source: Australian Bureau of Agricultural and Resource Economics (ABARE) (2007, p. 21))

**The Evolution of the Alliance**

After the Cold War the most notable feature of all Australian governments has been their desire to maintain the US alliance, indicating that it has become an entrenched element of Australian foreign policy. The Keating Government, firstly, saw the US
alliance as a central component of ensuring the continuation of stability in the Asia-Pacific region (Kelly, 2009). Nevertheless, the Keating Government sought to establish greater flexibility or be more ‘pragmatic’ in its relations with the US in order to further its desire of engaging more substantially with the Asia-Pacific region. Roger Bell (1997, p. 207) attributed this decision to the perceptions of the decline of direct US involvement in the region leading to ‘reduced Australia’s deference to its powerful Pacific ally’, which permitted the Keating Government ‘to exercise greater autonomy in pressing its separate interests abroad, especially in the economic arena’. This approach emphasised that Australia should be not focus overly on potential threats in the region and the subsequent need to defer to the US as a security guarantor. The Keating Government’s approach to the US alliance contributed to an assessment that ‘in the post-cold war years, although bipartisanship may continue to be evident on the issue of the United States alliance, the significance of that alliance to Australian foreign policy’ would decline (Smith, Cox, & Burchill, 1996, p. 75).

Upon its election in 1996, the Howard Government sought to reaffirm its commitment to the US alliance as the core component of Australian foreign policy. This approach emphasised the supposed neglect by the Keating Government of relations with the US and ongoing significance of the alliance to the national interest. As Wesley (2011, p. 144) suggests, ‘the Howard Government was more sceptical of the value of international organisations, and adopted a much more pragmatic, bilateral, interests-based approach to stewarding Australia’s interests’. Reaffirming a commitment to the US alliance was viewed by the Howard Government as the pre-eminent means by which to approach Australia’s key foreign policy interests. This perspective is present in the 1997 DFAT White Paper which emphasised that ‘Australia’s alliance with the United States is not only important to its national defence capability; it also deters potential enemies and reinforces US strategic engagement which is the linchpin of regional security’. From this perspective, therefore, the US alliance was seen to maintain strong relevance in the post-Cold War environment, particularly given its perceived contribution to regional stability.

Support for the US alliance under the Howard Government, and subsequent governments, has undoubtedly consolidated as a consequence of the rise of terrorism as a salient foreign policy concern. Howard in particular was an advocate of the US-
led wars in Afghanistan and Iraq. Howard (2001) saw the threat of terrorism as an attack on the values of Australia as well as the US. In comparison, while the Labor Party strongly criticised the invasion of Iraq, the Rudd and Gillard governments would later continue to support US efforts to counter terrorism, particularly in relation to the Afghanistan War. Rudd (2011) stated that ‘we have a national interest in Afghanistan’s long-term success as a viable state’. This indicates that Australian and US interests are perceived to have aligned on the issue of terrorism, particularly when considering ongoing Australian commitments to US missions in Iraq and Afghanistan.

Despite the Howard and subsequent governments’ strong support for the US alliance, this commitment has been the subject of criticism. This criticism came from scholars such as Robert Manne (2006, p. 61) who suggested that the commitment of Australian troops to Iraq ‘is grounded far less in rational calculation and far more in sentimental dreaming’, with the Howard Government having an overly ‘romantic attachment’ to the US alliance. Similar assessments have been made regarding Australia’s involvement in the Afghanistan War, as part of its commitment to the US alliance. Paul Dibb (2007, p. 40) has argued that ‘increasing US alliance demands for Australian participation in far-flung coalition operations’ may be undermining ‘our self-reliant defence capabilities’. In addition, it has been suggested that the alliance may not be in Australia’s economic interests. This is particularly apparent due to the significance of trade with the Asia-Pacific region to the Australian economy. William Tow (2007, p. 12) suggests that ‘critics of recent trends in US-Australia alliance relations insist that changing Australian interests, including closer economic ties to China, could render the recent intimacy of the ANZUS alliance obsolete in future years’. The rapid growth of trade between Australia and China in particular brings into the question whether Australia’s economic interests may run counter to its alliance commitments in the event of any significant US conflict with China (White, 2010). This suggests that despite the high level of cooperation, particularly in relation to the conflicts in Iraq and Afghanistan, Australia’s alliance with the US is now under greater scrutiny even if this is still occurring predominantly at the scholarly level.

Given scrutiny of the US alliance, its future as a core component of Australian foreign policy has been brought into question. Irrespective of various scholarly critiques, close relations with the US still enjoys substantial bipartisan political support. For
example, under the Abbott and now Turnbull governments, support for the US alliance has remained bipartisan even on some contentious issues such as support for the US’s most recent involvement in Iraq and Syria in response to the threat of the Islamic State of Iraq and the Levant. The bipartisan nature of the alliance is evident by Wesley’s (2011, p. 144) statement that, ‘even while denouncing each other, the Labor and Liberal Parties have never advocated leaving the alliance with America’. The most recent example of the continuing bipartisan emphasis on the alliance was the election of Donald Trump as US President. Foreign Minister Julie Bishop (2016c) stated that she saw Trump’s election as ‘an opportunity for Australia to work very closely and constructively with the new President and his Administration to ensure that we maintain US presence and leadership in the Asia Pacific. That is in our national interest’. Shadow Foreign Minister Penny Wong (2016) affirmed that ‘there is, and will continue to be, strong bipartisan support for the US alliance. As Labor repeatedly emphasised over the course of the US election campaign, the alliance is bigger than any one individual’. These sentiments show how the US alliance has essentially become an embedded component of Australian foreign policy. As Dibb (2007, p. 41) argues, ‘alliances are not merely the product of rational calculations of interest. They involve shared values, belief systems and a history – and none more so than the Australia-US alliance’. Dibb’s assessment indicates that the US alliance is likely to remain a core feature of Australian foreign policy into the future.

Asia-Pacific Engagement

From Threat to Opportunity

Australia’s attitude towards the Asia-Pacific region has evolved substantially since the conclusion of World War II. The legacy of World War II was that the Asia-Pacific region was perceived primarily through a realist lens as a source of threat and not opportunity to Australian interests. As Capling (2008a, p. 604) suggests, ‘the notion that Australia needed to protect itself from the region was reinforced during the early years of the Cold War when Australia’s engagement with the region was focused primarily on security arrangements aimed at combating communism and containing China’. In addition, Australia has always been a vehement supporter of US involvement in Asia through its bilateral alliances with states such as Japan and South
Korea, due to the perceived benefits to regional security that such involvement provides (Capling, 2008b).

The influence of the US alliance on Australian foreign policy during the Cold War has been contested, particularly in a scholarly context. Smith, Cox and Burchill (1996, p. 81) argue, that ‘through its commitment to alliance, Australia became engaged in the region as the ally or adversary of states of peoples whom it hardly knew, reacting to their anti-communist or communist ideology’. Nowhere is criticism of the US’s influence on Australia’s approach to the region more evident than in relation to the Vietnam War. An argument has been made that Australia’s involvement in the Vietnam War was similar to that during World War I, in that it was ‘yet one more instance of a senior ally drawing Australians into a conflict antithetical to their interests’ (Cronin, 1998, p. 6). These concerns demonstrate how Australia’s perceived security interests in the Asia-Pacific region potentially ran counter to what was more directly relevant to the national interest. This criticism, however, needs to be viewed in the context of the prevailing strategic environment at the time. Prime Minister Malcolm Fraser (1976, p. 11) argued that particularly due to the threat of the Soviet Union that ‘the fact remains that of all the great powers with active interests and capabilities in the areas of critical concern to Australia, the United States is the power with whom we have the closest links’.

During the Cold War Australia progressively began to see furthering relations with states in the region as beneficial to the national interest. David McLean (2006, p. 79) attributes this development to the ‘US and British military withdrawal from mainland Asia’ in 1969, which ‘obliged Australian leaders to make the intellectual adjustments necessary for a different approach’ in terms of making engagement with key states such as China and Japan ‘the central goal of Australian foreign relations’. The US’s Treaty of Mutual Cooperation and Security treaty with Japan in 1960 was a key part of this development as it began to transform Australian perceptions of threats in the region. This development while significant, only explains in part the desire of Australia to further prioritise relations with Asia. The main reason derives from ‘changing trade patterns, which saw Japan displace the United Kingdom as Australia’s most important export market by the early 1970s’ (Capling, 2008a, p. 604). Figure 3 shows this development, given the significant growth in trade with
Japan during the early 1970s and early 1980s. The growth in trade with Japan during this period is incomparable with any of Australia’s other major trading partners. Trade therefore provided the impetus for the formulation of new concepts of the Asia-Pacific region as a source of opportunity rather than a threat.

**Figure 3: Value of Australian exports 1971-72 – 1982-83 by Select Markets**

A more multifaceted approach to Australia’s relationship with Asia gradually developed during the 1960s and 1970s. Rawdon Dalrymple (2003, p. 81) relates this development to the ‘growing awareness during the 1960s and 1970s of the need for Australia to focus more on East Asia in various fields such as immigration, education and culture’, which ‘not only altered Australia’s public perception of Asia, it also prompted the Australian government to develop positive steps towards integration with the region’. The Whitlam Government in particular was seen a strong advocate for broadening the focus of Australia’s approach to Asia. This was facilitated in part by formal recognition of the People’s Republic of China in 1972 and the completion of Australia’s withdrawal from the Vietnam War. Whitlam, according to Hedley Bull (1975, p. 31), was seen to ‘accelerate’ and ‘dramatise’ the approach of previous Liberal governments instead of making substantial changes to Australia’s approach to
relations with Asia. The Fraser Government also sought to continue the trend in its strong support for closer ties with Asia. As Hugh Smith (1997, p. 19) suggests, while Fraser was ‘strongly anti-communist’ he was a firm advocate of Asian engagement and continued much of the approach of the Whitlam government. A clear trend then emerged across successive governments regarding the recognition of Asia as a core Australian foreign policy concern.

**The Prioritisation of Engagement with Asia in Australian Foreign Policy**

Australia’s prioritisation of relations with Asia received additional momentum under the Hawke and Keating governments of the 1980s and 1990s. By 1983, East Asia was Australia’s largest export market, ‘but the implications of that and of Australia’s changed circumstances had been addressed only piecemeal and partially’ (Dalrymple, 2003, p. 79). It is in this context that the Hawke Government sought to further build upon past efforts to construct a more broad-based relationship with Asia. David Martin Jones and Mike Lawrence Smith (2000, p. 392) argue that the Hawke Government was the first government that ‘explicitly cultivated a distinctive regional focus in security and trade policies’. In practical terms, however, it is argued that the Hawke Government sought to promote closer ties with Asia within the framework of the US alliance. Dalrymple (2003, p. 75) suggests that Hawke worked to ‘shore up’ perceptions that the government’s policies of ‘strengthening Australia’s relations with Asia’ would occur in alignments with its existing alliance commitments. This therefore consolidated the emphasis of the Fraser government in placing Asian engagement clearly within the context of continuing strong support for the US alliance.

Australia’s desire for closer ties with the Asia-Pacific region during the 1980s and 1990s undoubtedly derives from Paul Keating as both treasurer, and prime minister and Gareth Evans as foreign minister. Keating (1992) in particular, saw Asia as ‘where our future substantially lies and that the opportunities for Australian (in Asia) cannot be overstated’. Evans (Evans & Grant, 1995, p. 348) further suggested that ‘this is where we live, must survive strategically and economically, and find a place and role if we are to develop our full potential’. With the publication of the Garnaut Report in 1989, the prioritisation of Asian engagement was perceived to gain further
credence. Ross Garnaut (1989) in *Australia and the Northeast Asia Ascendancy* forecast a ‘historic shift in the centre of gravity of economic production and power towards North-East Asia’ and that Australia was uniquely placed to benefit from this development. Advocates of the Garnaut Report have suggested that it ‘marshalled a formidable battery of facts, analysis and argument to show that it was essential for Australia’s future that it learn to deal effectively across the broad with increasingly prosperous and vigorous nations of North-East Asia’ (Dalrymple, 2003, p. 80). While such praise may be excessive, the Garnaut Report does indicate the commitment of the Hawke and Keating governments to building closer relations with the Asia-Pacific region and reorientating Australia’s foreign policy priorities.

Australia’s gradual embrace of closer ties with Asia did not only focus on state-to-state bilateralism but also involved engaging with regional organisations. Pragmatism specifically explains this development in the way that it has allowed Australia as a ‘middle power’ to influence decision-making on major regional issues. The most notable organisation in this respect has been Asia-Pacific Economic Cooperation (APEC) which the Hawke Government had a direct role in establishing in 1989. While APEC has been criticised for its lack of focus and inability to deliver tangible economic benefits (Weixing Hu, 2008), it has fulfilled multiple objectives. These objectives include spearheading ‘Australia’s push to be accepted as part of the East Asian hemisphere’, proving a ‘forum to push for further East Asian economic liberalisation, reducing the fragmentation of the region into regional trading blocs, and encouraging continued US involvement in the region’ (Ravenhill, 1997, p. 102). Steven Bates (1997, p. 251) suggests that APEC falls ‘within the Labor tradition of internationalism by furthering multilateral cooperation’. In addition, ASEAN and more specifically the establishment of the ASEAN Regional Forum (ARF) in 1994 created an additional avenue for Australia’s involvement in regional affairs. Australia was actively involved in the ARF’s establishment, which has facilitated Australian involvement in both ASEAN and wider Asia-Pacific related issues (Frost, 2008). Cotton and Ravenhill (1997, p. 2) suggest that APEC and ASEAN were ‘the two pillars of Australian involvement in the region during the 1990s’. This, however, did not necessarily see a reduced emphasis on state-to-state bilateralism. The emphasis of the Keating government on regional organisations was a means by which to best seek
to engage with the region in a manner that complemented relations with the region’s major states.

**The Evolution of Engagement**

Following the election of the Howard Government, substantial changes were expected in Australian foreign policy and relations with the Asia-Pacific region. For example, John Howard (2005) would later suggest that ‘what matters most for our regional engagement is the substance of relations between countries, more so than the formal architecture of any diplomatic exchange’. This stance of Howard demonstrated that his government was sceptical of the previous Labor Government’s emphasis on multilateral organisations to advance Australia’s interests in the region. Howard (2004b) directly criticised the Keating Government’s promotion of Asian engagement and its emphasis on regional organisations as ‘too often, simple bromides masquerading as grand strategy fail to take account of Asia’s diversity’.

The election of the Howard Government demonstrated how Asian engagement is a contested concept. As Baogang He (2011, p. 268) argues this contestation is related to Australia’s ‘difficulties with engaging in Asia-Pacific regional integration. Despite Australian attempts to punch above its weight in regional forums and to be a regional leader, it is still not regarded as a full member or as quite fitting into the region. It is an “awkward partner” in the Asian context’. Criticism of Asian engagement has also occurred in relation to the concept of liminality as developed by Richard Higgott and Kim Nossal. It describes the process by which Australia has attempted to move its position from its European origins to that of the Asia-Pacific region. Higgott and Nossal (1997, p. 172) suggest, however, that the ‘fundamental contradictions’ evident in such a ‘relocation’ mean that Australia’s attempts to promote a sense Asian identity have been constrained by its European origins. Debates regarding liminality and Australia’s ‘awkward partner’ status demonstrate the degree to which Australia’s engagement with Asia is the subject of significant debate. The approach of the Howard to such arguments was that ‘close engagement with Asia’ should proceed ‘on the basis that the values and traditions that define Australian society are taken as a given’ (DFAT, 2003a). Such a statement indicates that ‘engagement with Asia remained, at the level of articulated policy, a major goal, but in practice both means
and ends were understood in a much more selective fashion’ as compared to the previous government (Cotton & Ravenhill, 2001, p. 4).

Despite scholarly criticism Wesley (2007, p. 24) argued that the Howard Government was successful in handling relations with Asia. This came despite early disapproval from some states in the region regarding the potential of Australia acting as a ‘deputy sheriff’ in the region to the US. The label of ‘deputy sheriff’ or ‘sheriff’ came as a result of statements from US President George Bush regarding Australia’s role in the Asia-Pacific region. Bush’s comments resulted in Malaysian Deputy Defence Minister Shafie Apdal (Grubel, 2003) suggesting that ‘I suppose America wants a puppet of its own in this region whom they can trust who will do whatever they wish’. Subsequent to this criticism, however, Wesley (2007, p. 24) described the approach of the Howard government as the ‘Howard paradox’, with the central question being why a ‘government that has been so rhetorically uncompromising in its relations with its neighbours, that has done so many things that critics have claimed would damage Australia’s relations with the region, managed to build such strong links with Asian countries?’ Wesley argued that a major success of the Howard Government was securing Australia’s involvement in the East Asia Summit (EAS) in 2005. As Downer (2005) argued, the Asia-Pacific now has a ‘regional architecture that serves Australia’s interests well… it addresses security and economic issues in a practical way, and Australia has a strong voice in how it develops’. The Howard Government was then reasonably effective in the way that it engaged with the region despite rhetoric that would often suggest otherwise.

Throughout the duration of the Howard Government, and subsequently the Rudd and Gillard governments’, has been the increasing prominence of China as the major focus of Australia’s approach to relations with the Asia-Pacific region. This prominence derives substantially from China’s status as a vital economic market for Australia. China is Australia’s largest export market representing 34 per cent of overall exports (DFAT, 2014a). Figure 4 shows the rapid increase in trade, with this being particularly evident over the past decade. China’s increasing significance to Australia as an economic market does, however, need to be seen in the context of its role as a potential threat to Australia’s security interests. Mark Beeson and Shahar Hameiri (2016, p. 8) argue that ‘with the unprecedented economic and especially
strategic resurgence of China’, previous ‘concerns about international security have resurfaced’. This presents a unique contrast to past experiences as ‘Australia for the first time in its history has a major trading partner that isn’t at the same time an ally that also offers an important security guarantee (as the British did before World War II and the US has since) or one with shared political ideologies, values, governance systems and increasingly common security interests (such as Japan)’ (Yuan, 2014). The significance of trade with China consequently has had to be balanced with regional security interests by recent Australia governments. Whether such interests can continue to be reconciled is going to constitute a major concern of Australia’s future approach to relations with the Asia-Pacific region.

**Figure 4: Australia total trade with select markets 1988-2014**

![Graph showing Australia total trade with select markets 1988-2014](image)

Source: ABS (2015a)

The election of the Rudd Government in 2007 had the potential to transform the approach of Australian foreign policy to Asian engagement. Kevin Rudd as both prime minister and foreign minister advocated a return to the Labor Party’s historical emphasis on multilateralism as the foundation of its relations with Asia (Gyngell, 2008). Rudd’s commitment to Asian engagement was emphasised as a ‘pillar’ of his

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3 China data does not include SAR of Hong Kong and Macau.
government’s approach which sought ‘comprehensive engagement with Asia and the Pacific’ (Smith S., 2008a). Through this commitment, similarly to the Hawke and Keating governments, the Rudd and Gillard governments sought to further Australia’s involvement in the region through the creation of new regional institutions. While Hawke and Keating focused on APEC, Rudd advocated for the creation of an Asia-Pacific Community (APC). Rudd’s (2008c) proposal for an APC was driven by the perceived need ‘for a regional institution which is able to engage in the full spectrum of dialogue, cooperation and action on economic and political matters and future challenges related to security’. This proposal, however, was problematic primarily due to countries in the region not being formally consulted about its contents, and also the lack of interest in a new regional organisation (Carr & Roberts, 2010). Nevertheless, this proposal demonstrated that the Rudd and Gillard governments saw substantial value in regional organisations in terms of further advocating Australian interests in the region.

Since the election of the Liberal Abbott and Turnbull governments there has been an emphasis on a bilateral approach to regional engagement through the decision to prioritise bilateral FTAs with key Australia trading partners in the region. According to Foreign Minister Julie Bishop (2015c), Australia’s ‘trifecta of free trade agreements’ that have been completed with China, Japan and South Korea ‘are part of what I call “economic diplomacy”’ involving ‘implementing specific business plans, country-by-country’. More broadly there was a commitment by the Abbott Government, in a manner similar to the Howard Government, to place emphasis on ‘bilateral relationships’ and ‘developing our relationships bilaterally rather than relying exclusively on multilateral organisations’ (Bishop, 2014d). In simple terms this has been known as the ‘Jakarta not Geneva’ approach. This approach has been perceived as ‘conveying the message that the Rudd and Gillard governments had overinvested valuable diplomatic resources in international organisations and underinvested in the Asia-Pacific region’ (O’Neil, 2015). These sentiments indicate that although Asia-Pacific engagement is a bipartisan feature of foreign policy, there is still contestation over how to best implement it.
Current Foreign Policy Concerns

Assessing the compatibility of the US alliance and Asia-Pacific engagement

A major ongoing scholarly debate is whether Australia’s primary foreign policy goals are incompatible. This debate centres on whether the US alliance remains compatible with Australia’s relations with other countries in the Asia-Pacific more broadly. Advocates of Australia’s relationship with the US suggest that it enhances its diplomatic capacity in Asia, whereas critics argue ‘that the alliance detracts from Canberra’s efforts in Asia’ (Wesley, 2007, p. 108). John Howard (2005), for example, has argued that ‘close links with the United States are a plus – not a minus – in forging closer Australian involvement in the Asian Pacific area’. This perspective contrasts with the analysis of those scholars who question whether these two foreign policy concerns can coexist harmoniously (White, 2010). As Nick Bisley (2013, p. 404) suggests the argument that ‘China is Australia’s most important two-way trading partner, yet the USA is its principal security guarantor… Australia appears to be increasingly “conflicted” as its economic interests put it in circumstances in which its security policy may become untenable’. Importantly, however, Bisley (2013, p. 404) contests this argument suggesting that the Australian government continues to affirm that it can ‘manage the potential tensions between its economic and strategic interests which the rise of China implies’. This sentiment is recognition of the reality that debate over the future of the conflict between the US alliance and its compatibility with China remains a largely scholarly concern. Underlining the continuing government consensus regarding Australia’s maintenance of the US alliance is the significant strategic divide with China. This is due to China being ‘the country that has been most critical of the Australian-American alliance, repeatedly labelling it as “outdated” and “dangerous”, and accusing it of being directed towards the containment of China’ (Wesley, 2007, p. 125).

In addition to tension between relations with the US and China, there remain other problematic aspects of Australia’s approach to regional engagement. Bolton (2003, p. 8), for example, argues that ‘Australia’s ambitions to build a cooperative security relationship with Southeast Asia is impeded by its association with Western values, its close alliance with the United States, and its increasingly pro-active military strategy’. Australia’s approach to ASEAN historically showed the while ‘ASEAN values
consensus and process; Australia strives for results and progress. ASEAN is, inherently, committed to multilateralism, while Australia prioritises bilateral relationships with the major Asian powers: China, Japan and India’ (Percival Wood, 2014). This demonstrated Australia’s difficulty with effectively conceptualising and engaging with the region closest to it. More recently, however, Australia has begun to see the importance of ASEAN in promoting regional security and its own interests. ‘Australia has supported strongly ASEAN’s dialogue processes involving the major powers in East Asia and its associated groups including the ARF and the East Asia Summit (Frost, 2016, p. 203). Support for ASEAN in this manner demonstrates the continuation of a broader strategy whereby ‘Australia has successfully pursued a strategy of regional alignment, creating positive expectations amongst its neighbours that it will be reliable and constructive partner in regional order building. It has complemented this posture with one of building closer alliance ties with the United States’ (Tow, 2007, p. 24). This argument therefore questions whether conflict between Australia’s primary foreign policy goals is inevitable.

**Dominance of the US and Asia as foreign policy concerns**

Australian foreign policy throughout much of the post-war period has been dominated by two key concerns, with the most significant of these concerns, the US alliance, continuing to enjoy strong bipartisan and public support.4 This continued support can be best summarised by Wesley (2011, p. 165), who states that

> A cast-iron alliance guarantee from the superpower that dominates oceans through which Australian trade streams, that prints the currency that’s used to pay for its exports and imports, that underwrites all the global and regional organisations it negotiates in, that owns space and innovates relentlessly to shape the evolving world, is the gift that keeps giving.

From this perspective it would appear that the dominance of the US alliance within Australian foreign policy is a positive outcome. Criticism of this approach has long been apparent with Dibb (1986, p. 1), for example, suggesting in a report to the Hawke Government that ‘Australia is one of the most secure countries in the world, it is distant from the main centres of global military confrontation, and is surrounded by

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4 According to the Lowy Institute 2011 poll ‘eighty-two per cent of Australians say the alliance relationship with the United States is very or fairly important for Australia’s security’ (Hanson, 2011).
large expanses of water which make it difficult to attack’. It is also important, however, to examine whether Australia’s interests, beyond simply strategic, are fulfilled by the alliance. ‘The traditional argument that Australia’s security and identity is unambiguously reinforced by a close identification with the prominent “great and powerful friend” of the era has become less compelling’ due to ‘crosscutting and potentially competing economic and strategic interests’ (Beeson, 2003, p. 396). Beeson’s analysis has become more prescient due to the emergence of the South China Sea issue. Hugh White (2016, p. 103) specifically argues that over recent years Australia and its main ally the US, increasingly have ‘divergent’ interests in the South China Sea. This has recently been shown by the Trump Administration Secretary of State Rex Tillerson that the US may use military means to block Chinese access to the islands that it has artificially constructed (Bateman, 2017). While the alliance is likely to remain significant, the South China Sea is perhaps the clearest indication of where Australian and US interests may diverge.

The nature of Australia’s approach to Asian engagement and its implications for relations with other regions has also been questioned. Much of this criticism historically was from the Howard government and was directed towards the Hawke and Keating governments’ emphasis on relations with Asia. This was indicated prior to the 1996 election, when ‘Howard attacked the Keating Government for devoting too much attention to Australia’s relations with Asia and downgrading its ties to the United States and Europe’ (Wesley, 2007, p. 65). Despite this criticism, the Howard Government, whilst utilising a different approach, gave significant attention to relations with the Asia-Pacific region. In effect they continued a trend which has promoted the Asia-Pacific region as the single region vital to Australia’s future national interest. This is demonstrated in a scholarly context by Andrew O’Neil (2007, p. 539), who claims that ‘the Asia-Pacific remains by far the single most important region in the international system for Australia’. While it is necessary to state its importance, such statements are indicative of how the region is being prioritised in a manner that has the potential to occur at the expense other states and regions.

Australian foreign policy has often been influenced by a relatively unquestioned conception of the national interest. As argued by Leanne Smith (2016) Australia’s
conception of its national interest ‘is too narrow and too exclusively focused on the Asia-Pacific region – and, even there, too focused on a short-term agenda’. Ungerer (2008, p. 251) summarises a longer term trend whereby ‘traditionally, the foreign policy establishment had been concerned with balancing the political imperatives of our historical associations with the old Anglospheric world’ [the UK and the US] and ‘with the geographic imperatives of expanding new economic markets in Asia’. This perspective consequently sees foreign policy as being determined by relations only with the ‘Angloshpere’ and key states in the Asia-Pacific. Where this is apparent is in the overwhelming emphasis on the US and the greater Asia-Pacific region by many Australian foreign policy analysts, such as Griffiths and Wesley (2010). Such a perspective is also present in Australian government policy. The 2003 Foreign Policy White Paper for example was largely focused on Australia’s relations with the US and Asia. Subsequently, the Rudd and Gillard governments emphasised their belief in the centrality of both concerns to the national interest by designating them as the first two pillars of its ‘three pillar foreign policy’ (Smith S., 2008a). Similarly, the Abbott and Turnbull governments have ‘unambiguously’ focused Australia’s ‘foreign policy assets, whether they be military and defence capability or economic and trade ties or diplomatic and, and development assistance activities on our region, the Indian Ocean, Asia-Pacific’ (Bishop, 2014d). As part of commissioning a new White Paper in 2016 it has been suggested that the Turnbull government, similarly to the 2003 White Paper, has an opportunity to ‘leave no doubt that Australia’s future lies firmly in the Asia-Pacific – or the Indo-Pacific’ with a particular emphasis on ASEAN member states, China, India, Japan, New Zealand and South Korea (Walker, 2017). This situation is indeed indicative of how discussion of the priorities of Australian foreign policy often occurs purely in terms of the Asia-Pacific region.

**The scope for other foreign policy concerns**

To understand how the prioritisation of the US and Asia-Pacific region has impacted on foreign policy, Australia’s relations with other actors needs to be examined. Despite Australia’s active pursuit of engagement and inclusion in the Asia-Pacific region it can still be argued that ‘Australia is a country without a region. Its interests and identity cannot be enclosed within a consistent set of boundaries [because] the conditions of world order are the immediate conditions of Australian security and
prosperity’ (Collins, 1985). Australian foreign policy makers need to be cognisant of not being restrictive regarding who they engage with. It would appear that in a governmental context there is a tendency to be restrictive with respect to engaging with actors outside the Asia-Pacific region. At the government level the Abbott and Turnbull governments have closed an embassy in Hungary, with accreditation to Romania and Bulgaria, while ‘the 2015–16 Budget announced that Australia would open five new overseas diplomatic missions, all in the Indo-Pacific’ (Harris, 2015). Similarly, in a report on Australia’s diplomatic presentation overseas the Lowy Institute (Shearer, Hanson, & Oliver, 2011) argues that while ‘Australia was diplomatically underrepresented abroad’, it was ‘over-represented with missions in Europe compared with higher priority regions’. Such a statement itself exemplifies how the focus of government and scholars has tended to downplay the relevance of Europe.

When it comes to the EU specifically, Australia has had a past tendency to prioritise relations with major member states such as the UK. During the 1950s Australia ‘still thought of itself as a British nation and retained extremely strong ties with the “mother country”’ (Benvenuti, 2008, p. 1). Nevertheless, throughout the later 1950s and 1960s, the UK became of lesser importance as a consequence of its declining economic and security relevance to Australia. This trend was to be consolidated by the UK joining the EU, which due to the CAP, saw restrictions on Australian access to the British agricultural market. These restrictions helped to influence the development of a perception that the EU, similarly to the UK, was of little relevance and indeed contemptuous Australian interests. Somewhat paradoxically, however, the UK became the conduit through which Australia often chose to conduct relations with the EU (Elijah, Murray, & O’Brien, 2000). The Howard government in its White Papers of 1997 and 2003 also placed significant emphasis on the importance of relations with UK and the EU’s major states rather than the EU itself. According to Kunkel (2003, p. 25) Australia’s reliance on the UK specifically, ‘as an interpreter of European events’, is detrimental to ‘engagement with the EU as a global actor’. It demonstrates outdated conceptions of the importance of relations with the UK have impacted negatively the efficacy of Australian foreign policy with respect to relations with the EU.
In recent decades a perception has emerged that ‘as Britain became more closely involved in the affairs of Europe, Australia increasingly looked to the Asia-Pacific region’ (Benvenuti, 2008, p. 6). Australia’s prioritisation of engagement with Asia, however, influenced the development of a so-called ‘Europe versus Asia’ debate that emerged in the 1980s. Higgott (1991, p. 234) described this debate as involving ‘Australia’s attitudes to Europe’, being ‘conditioned by a process of maturation that has seen it come to recognise the Asia-Pacific region’s centrality to its economic and political relations’. Katarina Stats (2015) has argued more recently that the ‘Europe versus Asia’ debate has less salience, despite there being some continuation of the argument of government that in seeking closer ties with Asia Australia will have to downgrade its relations with Europe. This demonstrates the apparent belief that maintaining strong relations with the EU and the Asia-Pacific region may still be a mutually exclusive exercise.

**Conclusion**

The US alliance and engaging with major states in the Asia-Pacific region have undoubtedly been the core components of Australian foreign policy in the post war period. As Craig A. Snyder (2006, p. 322) suggests, Australian foreign policy has ‘traditionally seen a balancing’ the US alliance and greater engagement with other states in the region. As Gyngell (2014, p. 381), argues this is likely to remain the case, as ‘the ceaselessly iterative process of foreign policy, the adjustments and compromises it requires, the close attention it demands, its backroom dimensions, don’t sit easily with Australians’. This assessment demonstrates that Australian foreign policy has developed in a manner that is not often the subject of significant public attention. Most recently the advent of the Trump Administration has again reinforced the relatively uncontested nature of Australian foreign policy with both major parties seeking to reemphasise the ongoing importance of the US alliance to the national interest.

The relatively unchanged nature of foreign policy comes despite shifting dynamics, in addition to the Trump Administration, that are occurring in Australia’s immediate region and internationally. In the Asia-Pacific region, Australia now has to manage the increasing reality that its most important security partner, the US, and its most
important trading partner, China, are strategic rivals. How to best approach this situation is highly contested, but there is no doubt that it is the key foreign policy challenge that Australia faces in the early decades of this century (White, 2010). The focus on the tensions between Australia’s two major foreign policy priorities, however, obscures the need for Australia to be conscious of other major international actors. One such example is the EU, as ‘within Australia, especially until the late 1990s, the EU was perceived a distant and complex bloc. The policy community demonstrated little recognition of—or interest in—the EU as a single market or a global actor’ (Murray, 2015, p. 5). The relatively restricted focus of Australian foreign policy has contributed to this situation. Consequently, the pre-eminence of the US alliance and Asia-Pacific region in the context of debates over foreign policy creates an environment where it can be difficult to direct attention to the importance of other actors, such as the EU, to Australian interests.
Chapter 4: The EU-Australia Relationship: From bilateral disputes to substantive cooperation

Introduction

Relations between Australia and the EU have transitioned from being openly antagonistic to being characterised by significant cooperation. This chapter examines this transition. It focuses firstly on the role of history, and in particular the legacy of the UK joining the EU in 1973 and the impact of the CAP in dictating the negative nature of EU-Australia relations subsequently. The CAP, analysed specifically in Chapter 6, has repeatedly been described as the ‘one single focus of intense conflict and strong emotions in Australia-EU relations’, which ‘has eclipsed all other aspects of the relationship for many decades’ (Murray & Zolin, 2012, p. 186). This chapter argues that a transition to closer cooperation has occurred over the past twenty-five years facilitated by a growth in trade between Australia and the EU and reform of the CAP, which contributed to the signing of a number of substantive bilateral agreements.

Australia has prioritised relations with major member states of the EU such as the UK due to scepticism of the EU’s capacities as a single unitary actor. In particular, the UK was in the past perceived as the most effective conduit through which Australia could approach relations with the EU (Kunkel, 2003). Such an approach contrasted with the reality of the significant competencies of the EU as an in actor in important areas such as trade and agriculture. Perceptions of its limited relevance to Australian interests influenced how bilateral relations with the EU were deemed to be of little importance. The previous chapter investigated the emphasis on Asian engagement in fostering such negative perceptions. In recent years, this debate of the choice between Asia and the EU has re-emerged due to the ongoing Eurozone crisis, as discussed in Chapter 7. The Abbott Liberal Government and the Labor Gillard Government have sought to downplay the importance of the EU to Australian economic interests in comparison to Australia’s links with the Asia-Pacific region. Rudd and Gillard government Treasurer Wayne Swan (2011) downplayed the importance of the EU market to the Australian economy and Tony Abbott (2014c) as prime minister made similar comments regarding Asia being the only region of importance to Australia.
This chapter examines how cooperation now defines EU-Australia relations. Reform of the CAP and growth in exports, services trade and foreign direct investment between during the 1980s and 1990s facilitated this change in the bilateral relationship. With respect to foreign investment DFAT (1996c) suggested that ‘Australia’s stock of direct foreign investment in the EU has grown dramatically since the mid-1980s and has more than matched the extraordinary growth in Australia’s merchandise trade exports to Asia over that period’. Secondly, the EU through the implementation of the Maastricht Treaty, the Single Market and the European Monetary Union (EMU) became a much more visible international actor. Damro (2012, p. 686) describes the single market as representing ‘the EU’s material existence and the most salient aspect of its presence in the international system’. Through having the largest single economic market in the world the EU can exercise ‘its power of externalization through various tools – such as the use of positive and negative conditionality, international legal instruments and internal regulatory measures – in its relations with both states and non-state actors’ (Damro, 2012, p. 692). This provided the context for understanding why a state such as Australia has needed to acknowledge the EU’s capabilities as an international actor. A recognition of the importance of economic relations subsequently transformed into improved political cooperation between Australia and the EU during the 1990s. In particular, the 1990s saw the signing of a number of significant bilateral agreements including the first comprehensive agreement between Australia and the EU in the form of the Joint Declaration of 1997. Subsequent agreements such as the 1999 Mutual Recognition Agreement (MRA) and 2002 Agenda for Cooperation demonstrated that closer bilateral engagement was consolidated by the early 2000s.

Given the extensiveness of cooperation, closer relations between the Australia and the EU have intensified in a relatively short period of time as shown by the relative level of detail of the bilateral agreements completed. In particular this is apparent in the 2008 Partnership Framework agreement, which was described by Murray and Zolin (2012, p. 187) as ‘heralding a definitive new phase in more constructive dealings that are increasingly to Australia’s benefit’. After the Abbott Government won the 2013 election, however, such positive evaluations of the bilateral relationship became more questionable. This assessment resulted primarily from the abandoning of cooperation
on climate change due to abolition of the carbon tax and the decision to no longer link Australia’s proposed ETS with the EU. An interviewed EU official commenting before the 2013 election noted in the context of change of government that the ‘EU has had stringent policies in relation to climate change and this has not always been the case with Australia’ (Commission Official 1, 2012). In addition, the Abbott Government was strongly critical of what it saw as Australia’s potential to succumb to ‘the European disease’ associated with the level of government debt in many EU member states (Abbott, 2014a). Despite some public criticism of the EU, the Abbott Government made the decision in 2015 to complete negotiations for a treaty-level Framework Agreement with the EU, implementing a Delegated Aid Agreement and a Crisis Management Agreement. Completing these agreements showed that the Abbott government was still cognisant of building cooperation with the EU in areas of shared interest, particularly in the Asia-Pacific region (Bishop, 2015a). Under Prime Minister Malcolm Turnbull from September 2015 positive momentum in the relationship has continued with the commencement of free trade agreement (FTA) negotiations in 2017.

The Dominant Influence of the CAP and UK on Relations with the EU

The CAP

The most significant element of the conflict between Australia and the EU over the CAP has been its duration. As A.D. Brown (1983, p. 148) suggested ‘so long as agricultural surpluses are exported by the EEC as a result of subsidised production under the Common Agricultural Production, there will be difficulties between Australia and the Community’. For example, Prime Minister Bob Hawke (1987) saw the CAP as an example of ‘shortsighted agricultural protectionism’ allowing, indeed encouraging, ‘farmers in some countries to ignore the normal market signals of oversupply’. With the continuation of such criticism it was inevitable that it would impact on the entire relationship. Spenceley and Welch (1997, p. 1) suggest that the CAP has been the main contributor to relations between Australia and the EU having ‘a less than satisfactory history’. Therefore, although the CAP has been an important

5 Negotiations for these agreements did begin under the Gillard government however.
issue in relation to trade, Australia’s forceful approach to the issue has impacted negatively on the overall bilateral relationship.

The easing of tensions regarding the CAP came with the MacSharry reforms of 1992 and the Uruguay Round in 1994. The Uruguay Round for the first time in the history of multilateral trade negotiations saw agriculture incorporated into the GATT system (Benvenuti, 1998). With these reforms, there was an expectation from both the Australian and EU perspectives that tensions in the bilateral relationship would decrease. Despite these expectations, the CAP has a negative impact on the EU-Australia relationship during much of the Howard government. Howard (2002, p. 2014) stated that ‘whenever you are criticising restrictive and anticompetitive agricultural policies, never exclude the European Union because the EU’s predatory trading behaviour is infinitely worse than that of other countries’. Such criticism is indicated that the EU, as a consequence of the CAP, still had the potential to be framed as being of limited relevance to Australian interests. As Angela Ward (2002, p. 187) has suggested, the focus on the CAP as a singular issue has led to ‘missed opportunities’ for both ‘engagement in economic sectors aside from agricultural, and enhancement of cultural and social exchange’.

Under the Rudd and Gillard governments there was, according to Trade Minister Simon Crean, an emphasis on making sure that the agriculture was not ‘the sum total of our relationship’ (AAP, 2008). Nevertheless, the CAP still remained somewhat of an irritant in relations. For example, DFAT (2011) still advocated the need for ‘the EU to improve market access in the important area of agriculture’ and Gillard Government Trade Minister Craig Emerson (Maher, 2010) criticised what he has termed ‘European protectionist instincts’. Under the Abbott government, it was also suggested that its desire for a free trade agreement (FTA) with the EU could ‘draw attention to irritants’ in the bilateral relationship (DAFF Official 1, 2013). This argument reinforces that the CAP has the potential to remain an impediment to closer EU-Australia relations.

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6 Full information regarding officials interviewed can be found in Appendix 3.
The UK and the ‘British betrayal’

Australia’s desire to formally establish relations with the EU coincided with the UK’s first attempt to join the then European Economic Community (EEC) in 1961. This decision was based on how Australia, and particularly the economy, remained dependent on the UK. According to Edmond Sciberras (1971, p. 230), ‘the UK and EEC together accounted for 44 per cent of Australia’s exports and supplied 46 per cent of total Australian imports’ in 1962. This conditioned much of Australia’s early thinking about the EU to be ‘almost exclusively concerned with the prospect of British entry’ (1976, p. 75). The UK’s first attempt to join the EU in 1961 triggered a sense of trepidation within the Australian government.

Australian minister for Trade John McEwen warned cabinet that, should Britain join the EC without adequate safeguards for Commonwealth exports, the economic consequences for Australian trade could be disastrous. Some £140–150 million, or 55–60% of Australia’s exports to the British market, could be affected according to the nature of the agreement (Benvenuti, 2005, p. 77).

It is the potential loss of market access with the UK’s accession that explains how the EU came to be depicted as an actor behaving contrary to Australian interests. This comes despite the fact that ‘McEwen tended to over-emphasise the potential damage of entry on the Australian economy as a whole. Australia was less dependent on the British market than New Zealand, which sent Britain 53% of its total exports in 1960’ (Benvenuti, 2005, p. 77). Much to the relief of the Australian government, however, the UK’s first attempt to join was vetoed in 1962 by the President of France Charles de Gaulle. Irrespective of the failure of the UK’s first accession attempt, this event was crucial in establishing negative Australian government perceptions of the EU.

Following the failure of the first UK attempt to join the EU, the British government reapplied for membership in 1966. This decision reinforced the concern of the Australian government regarding the potential ramifications should future negotiations be successful. In particular, attention was focused on the potential loss of Australiana access to the UK market due to the CAP. It further consolidated the idea that ‘Australia’s psychology had been changed by Britain’s first application, which made clear its willingness to compromise its Commonwealth relationships in order to
pursue its fortunes in the new Europe’ (Stats, 2015, p. 282). These concerns would have an impact on Australia, despite the failure of the UK’s second attempt to accede to the EU, as ‘this temporary setback allowed the Australian farm sector more time to reduce its reliance on the British market and to find new outlets elsewhere’ (Benvenuti, 2006, p. 33). It contributed to the perception at a government level that Asia and not Europe was likely to become the region of most importance to Australia. In particular, ‘Japan became Australia’s largest trading partner in the early 1960s—a position it maintained for 40 years’ (DFAT, 2015).

With the successful accession of the UK to the EU in 1973, Australia finally had to confront its fears regarding the loss of access to the British market. The Australian government fought vociferously for restrictions on access to be lessened, particularly in relation to dairy products, sugar and fruit (Miller, 1976). Nevertheless, when the UK joined the EU, Australia did not manage to negotiate concessions for continued access to the British market for many of its agricultural products. This was due to perceptions, within the European Commission and the UK government, that Australia was prosperous enough, unlike New Zealand, to not need any provisions for continued access to the UK market (Miller, 1976, p. 103). It is in this context that the concept of the ‘British betrayal’, first gained credence. As Spenceley and Welch (1998, p. 381) argue, this concept was influenced by the perception, at the time, that the UK had ‘walked out’ on Australia when negotiating for entry into the then EEC. This concept was based particularly on the belief that, according to Boris Johnson (2013), the Heath government ‘betrayed relationships with Commonwealth countries such as Australia and New Zealand’ in order to receive ‘preferential trading arrangements’ with the EEC. Accusations of the UK ‘betraying’ Australia have been contested with suggestions that only a small amount of Australian rural industries were negatively affected upon UK accession (Spenceley & Welch, 1997). In addition, Australia diversified its range of agricultural export markets in Asia which resulted on less dependence on a single market in the case of the UK (Hartwich, 2011). Irrespective of its validity, the British betrayal concept, however, assisted in damaging early Australia perceptions of the EU. The loss of access to the British market created a situation whereby the EU was identified as being antagonistic or unresponsive to Australian interests.
Although the UK joined the EU more than forty years ago, the legacy of its accession remains important as it constitutes the genesis of tensions in the EU-Australia relationship. As Benvenuti (2003, p. 35) suggests, ‘as Britain reoriented its policies towards Europe, Australian policymakers realised that London would regard Australian concerns and interests as expendable’. The appearance of a lack of concern for Australian interests by the UK has influenced perceptions of the EU having a similar attitude. Spenceley and Welch (1998, p. 389) suggest that the notion of the British betrayal has contributed to perceptions that Australia had ‘been wronged and that the Europeans could not be trusted’. This perception of the EU contributed to the belief that Australia had little or no shared interests. Allan Burnett (1983, p. 2) argue that despite European economic integration being perceived as a positive development within Europe, ‘it brought little discernible benefit to Australia’. It is through a sense of detachment from Europe that Australia came to see relations with the EU as being of limited importance.

*The continued role of the UK in EU-Australia relations*

Contrary to the legacy of the British betrayal, Australia often sought to use the UK as a conduit in its relations with the EU and has been ‘central to Australian business and trade links’ (Murray, 2002b, p. 169). Indeed, EU officials still emphasise the need for Australia ‘not to break the EU down into individual countries’, as the EU itself is a ‘common entity, as we are a single market’ (EEAS Official 10, 2013). Focusing on relations with major member states is not entirely unexpected, especially when considering the longstanding nature of ties between Australia and the UK. As Murray (2003a, p. 114), has suggested there has been a perception, even if it is declining, among Australian elites that the ‘UK understands Australia best of all the EU member states and that Australia still deals best with the UK’. Stats (2015, p. 294) has also argued more recently that ‘Australians tended to underestimate the EU’s importance for Australia and think of it in terms of its constituent parts (particularly the UK) rather than a single cohesive actor’. This conforms to realist understandings of the EU, particularly in foreign policy terms, as being ‘at best a patchy and fragmented international participant, and as little more than a system of regular diplomatic coordination between the Member States’ (Elgström & Smith, 2006, p. 1). It is this emphasis on major member states rather than the EU, which has had a significant
impacts in explaining Australia’s inability to effectively engage with the EU as an actor.

Australia’s attempts to utilise its historical ties with the UK in relations with the EU is best expressed through its attempts to seek reform of the CAP (Kunkel, 2003). The UK has been perceived as ‘closer to the Australian way of thinking on most agricultural issues’ and as an effective conduit through which Australia could communicate its objections to the CAP from within the EU (DAFF Official 1, 2013). Kunkel (2003, p. 3) has suggested that with UK accession to the EU, the EU increasingly became the focal point of Australia’s campaign against the CAP, with the UK becoming a more ‘normal’ European trading partner. Australian governments sought to utilise the UK as an advocate in its campaign against the CAP. This was due to the UK being perceived as being disadvantaged by the CAP given its status as a large importer of food with a small agricultural sector (Kunkel, 2003).

Nevertheless, the notion of British support for CAP reforms has proved to have very little validity. As Spenceley and Welch (1997) suggest, successive Australian governments overestimated the extent to which the UK was willing to advocate on behalf of Australia on agricultural issues. Importantly, as Benvenuti (1998, p. 76) argues, it was not until Australia effectively ‘internationalised’ the issue of the CAP through the GATT and then WTO that they were able to achieve any substantial reforms. This approach demonstrated Australia’s acceptance of the necessity of engaging with the EU directly in areas where it has complete competency such as trade and agriculture. Australia’s previous attempts to achieve reform of the CAP represented a tendency to defer to its historical ties with the UK at the expense of engaging directly with the EU.

The CAP is the most significant but not the only example of Australia’s past tendency to try to utilise ties to the UK in its relationship with the EU. During the Howard Government, this trend was particularly discernible, given its preference for a bilaterally orientated foreign policy with an emphasis on the EU’s member states. Foreign Minister Alexander Downer (2000a) argued that relations with the EU ‘occurred through our ties with the UK, which go back much further, and are much deeper’. Commenting on the emphasis placed on UK relations historically, a DFAT official suggested that it was of ‘great concern is the tendency of Australia of seeing
the EU through the UK lens. We are victims of the Anglo lens on Europe’ (DFAT Official 3, 2013). A key reason for this situation is that ‘that there are no [officially accredited] Australian journalists in Brussels. The point to note is that as far as I am aware Brussels is the city in the world with the second-largest accredited press corps and there is a reason for that and this is what makes it strange that there are no Australian journalists there’. Consequently, Australia is reliant on UK media coverage of the EU and its ‘heavy slant towards Euroscepticism’ (EEAS Official 2, 2013). As Stats (2015, p. 294) argues ‘as the EU was preparing to dramatically upsize’ with the inclusion of 10 new member states, ‘Australia was busy downsizing its media presence in Europe, with the closure of Australia’s only news bureau in the EU’s capital in December 2003’. Due to this decision news has since been received by ‘Australian audiences via international news wires’ and ‘journalists based in the famously Euro-sceptic UK’ (Stats, 2015, p. 294). It is then unsurprising that Australia does not ‘end up with a broader understanding of the wide range of views and perspectives surrounding the EU’ (DFAT Official 2, 2013).

Australia’s prioritisation of relations with the UK undoubtedly influenced relations with the EU historically. As Murray (2005, p. 242) argued, the ‘close relationship with Britain has rendered engagement with the EU difficult, due to the myth of the British betrayal, loss of markets and reliance on the UK relationship, including the fact that Britain is the lens through which EU events are seen’. This point, however, has been progressively recognised by Australian governments. An example under the Howard government was Downer (2002) who stated that ‘we need to see Europe through a new prism, not just through the United Kingdom and traditional bilateral relationships’. During the subsequent Labor Government Ambassador to the European Union Brendan Nelson (Wilson, 2011) noted the negative influence of the British media on Australian perceptions of the EU. Nelson spoke of the need to promote ‘the truth’ regarding perceptions of the EU’s unity and that it ‘is not about to split apart and that is a good thing’. This realisation therefore has facilitated the development whereby there is less of a tendency for Australia’s ties with the UK to negatively distort relations with the EU.
Brexit and beyond: Implications for EU-Australia relations

There was immediate uncertainty about the implications for Australia regarding the UK’s decision to leave the EU. The result of the June 2016 referendum was unexpected, with the Turnbull government expressing that it wished to see the UK remain a member state of the EU. Foreign Minister Julie Bishop (2016b) argued that ‘from Australia’s national interests I believe that a strong Britain inside the European Union would be in our interests, an ally, an indispensable friend in the European Union because the Europe is one of our core trading blocs and the stronger the EU the better for Australia’. After the result of the referendum, however, it was understandable that members of the Turnbull government would seek to reassure Australians over the impact of Brexit and continued relations with the EU. Turnbull (2016) noted that ‘we have been negotiating a European Free Trade Agreement, we have built strong ties with the countries of continental Europe, in particular France and Germany. I’m very confident that our negotiations towards a Free Trade Agreement with the European Union will continue’. A desire to reemphasise the importance of the FTA was paramount given that a scoping exercise for the agreement was already underway. This desire did not curtail the immediate pronouncements for a separate FTA to be negotiated with the UK. Former Australian diplomat Alan Oxley (2016) suggested that there would be ‘advantages to Australia’s completing an FTA with the UK first. It would be quicker and easier than negotiating with the EU and more likely produce better access for Australian services businesses to the UK market’. Proposals of this nature indicated the period of confusion after the June 2016 referendum, particularly with regard to future FTA negotiations with the EU and UK.

The role of the UK in EU-Australia relations is undoubtedly subject to significant change irrespective of the manner in which Brexit negotiations are finally completed. Australia unquestionably will lose the member state it considers closest to within the EU. In response, mentions of the desire to commence separate FTA negotiations with the UK have continued with Abbott suggesting that a ‘one page’ FTA could be completed easily (Cleverly & Hewish, 2017, p. 1). This appears to indicate a level of confusion within the Turnbull government regarding the UK’s inability to commence FTA negotiations until it formally leaves the EU. In response to these suggestions
MEP David Martin (Miller N., 2016) argued that ‘I have to say I have been a little bit concerned about the notion… that you could have a scoping exercise with the EU and at the same time enter into a scoping exercise with the UK while the UK is still a member of the EU’. Arguments such as these may give credence to suggestions that the UK’s exit from the EU could see Australia create an unnecessarily complex state of affairs regarding trade agreements with both the UK and the EU.

Arguments for the prioritisation of an FTA with the UK go beyond trade. Abbott in particular has emphasised a shared ‘language, a set of values and a large slab of history in common. Britons don’t feel like strangers in Australia and vice versa’ (Cleverly & Hewish, 2017, p. 1). It would appear nevertheless that a desire to still undertake and complete FTA negotiations with the EU is unlikely to see the bilateral relationship undermined irrespective of the manner that Brexit takes place. There is a commitment to FTA negotiations with the EU as they ‘are more advanced. We’re now near the closing stages of a scoping study with the EU’ (Ciobo, 2016c). Importantly, Ciobo (2016c) suggested that the government was seeking ‘preliminary discussions with the UK around a free trade agreement, but the advice to me from the UK Government is that they cannot formally commence negotiations until such time as the UK exits the European Union’. Equally significant to this commitment, however, is that the Framework Agreement was already completed prior to Brexit giving the bilateral relationship, for the first time, a clear legal and institutional basis.

**Europe’s Declining Relevance to Australian Interests?**

*The impact of the Eurozone crisis and uncertainty regarding Brexit*

As will be examined in greater depth in Chapter 7, some of the more recent critiques of the EU’s relevance have occurred due to the Eurozone crisis. These critiques have demonstrated the re-emergence of a narrative about the EU’s declining relevance to Australian interests in comparison to the Asia-Pacific region, as discussed in the previous chapter. Outright criticism of the EU and European countries has occurred as a consequence of the Eurozone crisis with Prime Minister Julia Gillard arguing that ‘for too many years, European governments have deferred the nation-building,
productivity-enhancing reforms which Australia has made the foundation of our dynamic and resilient economy’ (Martin & O'Sullivan, 2012). The Gillard and the Abbott governments stressed the importance of Australia’s economic relations with Asia. This emphasis on trade with Asia came in conjunction with the promotion of the decreasing relevance of the EU to the Australian economy. Rudd and Gillard Government Treasurer and Deputy Prime Minister Wayne Swan (2012a) suggested that Europe is of limited relevance to Australia’s economic interests in comparison to the Asia-Pacific region.

With perceptions of the declining relevance of the EU comes a lack of awareness regarding its continuing importance to the Australian economy as it has been Australia’s first or second most important economic partner since the 1980s. Consequently, the Gillard and Abbott governments’ downplaying of the importance of the EU runs counter to the prevailing economic reality that the EU, for example, remains Australia’s largest source of foreign direct investment (EU Delegation Australia, 2015). The downplaying of the importance of economic relations with the EU can create false assumptions about the relative success of the Australian economy being associated entirely with Asia. This is associated with the interlinked nature of the global economy with there being ‘no doubt that what happens in Europe will have repercussions in Australia. For this reason alone, it is worth paying close attention to European affairs at least as much as to China’ (Hartwich, 2009, p. 36). The need to better understand developments within the EU is also a problem for the Australian media. An example has been the manner in which instability within the Eurozone has often been conflated with the collapse of the entire EU (Nelson Interview). This is shown by Australian columnist Greg Sheridan’s (2011) linking of the Eurozone crisis with the notion that the EU and ‘the European model’ is a ‘wretched failure’. The Eurozone crisis demonstrates how a single issue can be used to distort the relative importance of the EU to Australian interests.

Brexit has provided a new opportunity for arguments surrounding the relevance of the EU to Australian interests. This results predominantly from the UK’s position as the means by which many Australian companies gain access to the broader single market. Prior to the referendum Bishop (2016a) suggested that
When asked what would be in Australia’s national interest, my response has been it would be in our interests, I believe, for a strong Britain to remain in the European Union, because that would serve our interests. The European Union is a significant trading bloc for Australia. It’s a significant security partner. We are an enhanced partner of NATO. So having a like-minded, indispensable friend like Britain within the European Union would give that region strength and stability.

After the result of the referendum there were immediate attempts to modulate the impact of Brexit, with Bishop ‘reaffirming’ ‘Australia’s commitment to deeper, broader, more diversified cooperation with the European Union’. Brexit, however, like the Eurozone crisis, had the immediate impact of reigniting previous criticism of the EU. This was evident with former prime ministers Tony Abbott (2017, p. 1) and John Howard (2016) publically expressing their support for Brexit while criticising the EU. Although this criticism came in the immediate aftermath of the referendum result, the process of the UK leaving the EU creates uncertainty regarding the nature of Australia’s future relationship with the EU. EU Ambassador to Australia Sem Fabrizi (Ryan, 2016) acknowledged a period of uncertainty occurring during to Brexit but that ‘Australia is a stronger partner of the European Union and we will continue to work with Australia’. The unfolding process of Brexit has the potential to act as a destabilising factor in bilateral relations between Australia and the EU.

In response to the uncertainty created by Brexit the Turnbull government has initiated a parliamentary inquiry into the nature of Australia’s future trading relationship with the UK. Although this inquiry focuses on Australia’s trade relationship with the UK, it does have implications for relations with the EU. The terms of reference for the inquiry state that it will have ‘particular regard’ to the

Nature of Australia’s current trade and investment relationship with the UK; possible implications for Australia’s trade and investment relationships with the UK and the European Union consequent to the UK’s exit from the European Union; barriers and impediments to trade and investment with the UK; opportunities to expand trade and investment; the merits and risks of a possible bilateral free trade agreement with the UK, and potential features of such an agreement (Parliament of Australia, 2016).

In submissions to the inquiry from a number of economists such as Mark Melatos, Lee A. Smales, Gary P. Sampson, Giovanni Di Lieto and David Treisman there has been caution in emphasising FTA negotiations with the UK given the uncertain nature
of the status of its relationship with the EU once the process of Brexit is complete. Remy Davidson further stresses that ‘Britain’s prospective departure from the EU makes the case for an Australia-EU FTA even more pressing, as the UK will no longer be able to be employed as a European market base for Australian trade, investment and services delivery into the EU Single Market’ (Davison, 2016, p. 14). This analysis seems particularly prescient if, as seems highly likely, the UK does decide to leave the single market in addition to the EU. It moreover underlines the need to not focus excessively on the UK in isolation from the remainder of the EU when considering the impact of Brexit.

In monitoring the unfolding process of Brexit DFAT has also devoted a specific section of its website to its likely impact. This webpage suggests that the ‘Australian Government is paying close attention to how the Brexit process is unfolding’. Of particular note, however, is that ‘Australia and the UK have agreed to establish a Joint Trade Working Group. The Working Group will be convened at senior officials’ level and will focus on scoping out the parameters of a future comprehensive Australia-UK FTA’ (Ciobo, 2016b). This development indicates how the government is trying to establish the framework for an Australia-UK FTA once the UK formally leaves the EU. There is a commitment to ‘convene’ a ‘whole-of-government process to identify ways to enhance our relationships with the UK and EU within existing legal frameworks. Ultimately what this webpage shows, in conjunction with the parliamentary inquiry, is that the Australian government is beginning to transition from speculation regarding the impact of Brexit to actually seeking to comprehend, tangibly, its impact.

**Trade and Investment as the Impetus for Closer Cooperation**

*The EU’s emergence and continued importance as an economic partner*

Trade has played an undeniably important role in shifting negative perceptions of the EU and its importance as an international actor of significance to Australian interests. Damro’s (2015, p. 1336) concept of Market Power Europe and the way that ‘the EU most consequentially affects the international system by externalizing its internal market-related policies and regulatory measures’ provides the context for
understanding why a state such as Australia was compelled to interact EU due to its coordinated economic capacity. The importance of the EU as an economic actor from the mid-1980s onwards is demonstrated by Figure 5 and Table 1, which indicate the steady growth in trade that occurred over a relatively short period of time. In particular, trade in Elaborately Transformed Manufactures also grew at 17 per cent per annum during the late 1980s (DFAT, 1996b, p. 3). Importantly, this increase in trade and reassessment of the EU’s importance coincided with the formation of the European single market in 1993. As Murray (1997, p. 244) suggested at the time, ‘Australia is called upon to be aware that it should consider trade with the EU as a bloc… given the fact that the EU has few internal boundaries and constitutes an economic entity in its own right’. The single market’s creation undoubtedly helped to consolidate notions of the importance of viewing the EU, at the very least, as an actor of significant economic importance to Australia.

**Figure 5: Australian exports to select markets 1985-89**

![Graph showing Australian exports to select markets 1985-89](image)

Source: European Commission Delegation to Australia (1990)
Table 1: Australian exports to the EC12 1985-1989

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Source: European Commission Delegation to Australia (1990)

The significance of the EU to Australia is demonstrated by trade in services. The EU plays a dominant role in this area given that it is ‘responsible for over 45 per cent of global trade in services (when internal EU and external trade in services are combined)’ (Hussey & Kenyon, 2011, p. 386). The EU also represents an important services trading partner for Australia as it was its ‘largest trading partner in services in 2013-4, representing 19%, or $24.9 billion of Australia’s total services trade, ahead of the United States and China’ (EU Delegation Australia, 2015). This trend has been apparent over the past decade and a half as shown in Figure 6, which demonstrates a relatively steady growth in the value of services exports. The EU and Australia are aware of the importance of services to their respective economies since the mid-1980s. This has contributed to a shared ‘interest in the services sector and services reform’ from both an Australian and EU perspective, ‘with a view to removing trade barriers, easing the regulatory burden on services and improving market regulation’ (McNaughton, 2011, p. 455). A result of this convergence of views were suggestions that Australia and the EU should sign a services trading agreement, should negotiations on a more comprehensive FTA prove to be too difficult (Villalta Puig, 2014). The importance of trade in services effectively demonstrates the ongoing importance of the EU to the Australian economy despite the impact of the global financial crisis (GFC) and the ongoing Eurozone crisis. These crises have not detracted from the EU’s status as Australia’s most significant trading partner in services in 2013-14, representing 19%, or $24.9 billion of Australia’s total services trade, ahead of the US and China (EU Delegation Australia, 2015).
The importance of the EU to Australia as an economic partner is further demonstrated by foreign investment. Haig (1992, p. 20) noted that the EU is ‘important to us as a source of investment, far more than it is important as a market’, with this still remaining the case. Currently, the EU is ‘Australia’s largest investment partner, with two-way investment worth $1,172 billion’ (EU Delegation Australia, 2015). The importance of the EU is evident in Figure 7, which shows that the EU represents 42 per cent of Australia’s top 10 sources of foreign investment. Commenting on the importance of foreign investment, European Commissioner for Trade Karel De Gucht (2011a) suggested that ‘EU companies operating in Australia generate about 500,000 jobs directly – and about 1.4 million jobs if you include direct and indirect employment’. This fact indicates the reality that, despite Australia’s increased trade with the Asia-Pacific region, EU investment remains fundamentally important to the Australian economy. Julia Gillard (2011a) acknowledged this by noting the ‘depth of the economic relationship’ and in particular the continued importance of EU

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7 China figures exclude SAR of Hong Kong and Macau in addition to Taiwan.
investment in Australia. The importance of foreign investment therefore demonstrates the ongoing importance of the EU to Australia’s economy.

**Figure 7: Australia’s top 10 sources of foreign investment 2014**

![Pie chart showing foreign investment sources in Australia](image)

Source: ABS (2015c)

**Trade as a facilitator for the signing of bilateral agreements**

An emphasis by government on seeking and developing economic markets explains the reassessment of the EU as an actor within the context of Australian foreign policy. This explains the signing of a number of significant bilateral trade agreements in relation to trade and economic issues such as the MRA and the Wine Agreement. The 1994 Wine Agreement was identified as a significant facilitator of trade between the EU and Australia as it ‘increased marketing opportunities for Australian wines in the EC, access to the previously closed market of the EC for sweet wines, and protection of each party’s geographical names’ (Murray, 1997, p. 240). An MRA was first proposed by the Keating Government in 1994 and signed by the Howard government in 1999 before being revised in 2012. The MRA was intended to

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8 China percentage excludes SAR of Hong Kong and Macau in addition to Taiwan.

9 This agreement was updated and expanded in 2008, with a new agreement being implemented in 2011.
Deal with conformity assessment, certificates and marking. They are intended to reduce the costs of testing and certification - for instance, by limiting the cases of double-testing, by improving regulatory cooperation, and by achieving a common understanding of the best regulatory practices (Messerlin, 2011, p. 425).

It was initially identified as an ‘important trade facilitation measure for manufactured products by reducing the time and costs of product certification’ (Murray, Elijah, & O’Brien, 2002, p. 408). Viewed collectively, the MRA and Wine Agreement have been ‘regarded by both parties as productive, leading to better understanding and links’ (Murray, Elijah, & O’Brien, 2002, p. 408). These agreements provide two examples of how trade and economic cooperation have facilitated closer bilateral relations between Australia and the EU.

The importance of trade as a facilitator of closer EU-Australia relations is demonstrated by the number of broad-based bilateral agreements signed in the last twenty years. The first example was the move towards signing a Framework Agreement with the EU due to the notion that Australian goods would ‘have an easier time reaching European consumers if an agreement’ was struck, as there would be fewer regulatory constraints (Wise, 1996a). The Howard Government similarly saw a proposed agreement as an important component of ‘a strong commitment to revitalising’ trade links with major European economies (Fischer, 1996a). Although this commitment did not ultimately contribute towards a Framework Agreement being signed between Australia and the EU, as will be examined in the following section, the fact that an agreement was ultimately signed was motivated in part by economic issues. The Joint Declaration contained a number of economic provisions that emphasised a desire to ‘expand and diversify our bilateral trade in goods and services as well as investments including through mutual efforts to improve market access and the flow of goods and services’. The next significant agreement to be signed between Australia and the EU, the 2003 Agenda for Cooperation, also contained important economic provisions particularly in relation to increased Australian access to the EU single market.10

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10 The agreement stated ‘notwithstanding differences in some areas, we will continue in our joint efforts to ensure an ambitious approach overall: on market access issues, on rule-making issues and on issues related to development’ (DFAT, 2003a).
The 2008 Partnership Framework agreement and the 2017 treaty level Framework Agreement continue to demonstrate how trade facilitates Australian interest in the EU. Rudd Government Assistant Treasurer Nick Sherry (2009) suggested that ‘a key focus of the [Partnership] Framework is trade’. The Partnership Framework was designed to ‘promote and support the multilateral, rules-based trading system, and to consolidate and expand the bilateral trade and investment relationship’ (Byrne, 2009a). Perhaps the most notable aspect of the Partnership Framework was its revision in 2009 which allowed the agreement to be ‘active’ in nature, as indicated by the decision to revise and update the MRA (Rollo, 2011). Trade viewed in the context of the Partnership Framework contributed to the desire of the Gillard Government to seek a treaty-level Framework Agreement with the EU. Prime Minister Julia Gillard (Uren, 2011) argued that Australia and the EU ‘share an economic outlook . . . about strengthening global growth, about trade liberalisation. So, I believe it is important for us to step up to a new level of formality in the relationship, and that’s what the framework agreement at treaty level is about’. Similarly, the Abbott Government continued an emphasis on trade as being a major issue influencing Australian engagement with the EU. During the G20 meeting held in Australia in 2014 the potential of negotiations for an EU-Australia free trade agreement (FTA) were discussed. Prime Minister Tony Abbott (2014b) emphasised during the meeting the shared economic objectives of Australia and the EU and the need ‘to move as quickly as we can’ on negotiations for an FTA. The commencement of these negotiations under the Turnbull Government in 2017 underlines how trade is the major focus of Australia’s relations with the EU.

The Broadening Relationship

The importance of bilateral agreements

The Keating Government’s proposals in 1995 for a treaty-level Framework Agreement provided a tangible example of Australia’s commitment to a more multidimensional relationship. It was Paul Keating who first discussed with European Commission President Jacques Delors in 1994 the means by which Australia’s

11 See also the negotiations for an EU-Australia Wine Agreement which was listed under the 2008 PF agreement short term objective for completion. This agreement was then signed later in 2008.
interest in a multidimensional could be formalised through a treaty level agreement (Keating, 1997). Keating subsequently wrote to Delors’s successor Jacques Santer to propose a new agreement to give ‘formal expression to the new, healthier state of the relationship’ (European Commission, 1996). This demonstrates that the Australian government was the key facilitator for negotiations for the first broad-based agreement with the EU.

After the Howard Government’s election, there was a distinct possibility of a change in approach to relations with the EU. Foreign Minister Alexander Downer (1997c), however, emphasised that ‘Australia cannot ignore how important the European Union is becoming as the embodiment of European economic and social aspirations. Increasingly Europe is speaking with one voice in world forums. The Europe of 15 will soon become an even more formidable presence on the world stage’. This commitment to relations with the EU was accompanied by criticism that ‘relations with Europe had been deliberately played down or neglected by the Keating Government’ (Downer, 1997c). It therefore appeared that the Howard Government would place even more emphasis on multifaceted engagement with the EU than the Keating government.

Despite its early pronouncements, the Howard government soon adopted a more critical approach to bilateral relations. The failure of the Framework Agreement negotiations is the first example of this approach. Negotiations broke down due to the Howard Government’s refusal to include a human rights clause in the agreement. This clause was intended to provide a ‘clear legal basis to suspend or denounce agreements in cases of serious human rights violation or interruptions of democratic process’ (European Commission, 1995b, p. 7). It was, however, seen by the Howard government as ‘inappropriate in an agreement on trade and co-operation’ (Miller V., 2004, p. 59). There was confusion at the time regarding what the positions of several cabinet ministers were on the agreement such as Foreign Minister Alexander Downer. It was later suggested by Shadow Trade Minister Peter Cook (2000) that the agreement was ‘brought to the point of signature, but Mr Howard intervened personally and killed it’. This accusation consolidated notions of Howard’s personal disdain for the EU. Howard’s dislike of the EU has been seen to be associated with his time as Minister for Special Trade Representations during the Fraser Government
of the 1970s, when he sought, largely unsuccessfully, to secure improved access for Australia to the EU agricultural market (Stats, 2009). The failure of the Framework Agreement indicated a return to a more negative approach towards relations with the EU during the early years of the Howard Government.

Despite difficulties in bilateral relations, there were a number of important developments during the early years of the Howard Government. The Joint Declaration, despite its limitations, did provide at least some framework for EU-Australia relations (Papadakis, 2001). It was followed by the Agenda for Cooperation which contained an increased emphasis on expanding areas of engagement between both parties particularly in relation to security matters where the Howard Government and the EU found significant commonality. An example was the EU’s support for the Jakarta Centre for Law Enforcement Cooperation, which was jointly established by Australia and Indonesia as an ‘initiative to enhance the expertise of South-East Asian law enforcement agencies in combating terrorism and transnational crime’ (DFAT, 2011). This shared commitment to the Jakarta Centre typified the extent to which Australia and the EU have common security goals. Markovic (2009) further argues that Europol is another example of a ‘successful relationship between the EU and Australia on policing and law enforcement matters. It has contributed to a new partnership between the law enforcement agencies of Australia and the EU in the new security environment’. This demonstrates how the Howard Government became increasingly aware of the benefits of closer ties with the EU in the area of security cooperation despite such a preserve often perceived as being associated with nation states.

Proposals for a new comprehensive bilateral agreement were not entirely unexpected following the five-year duration of the Agenda for Cooperation. According to Downer (2007), ‘agreement on a new partnership framework to shape our future direction will be concluded by mid-2008 - at its heart will be our shared commitment to freedom and democratic value’. This desire to sign a new agreement did, however, coincide with the Howard Government losing the 2007 election. Nevertheless, upon the election of the Rudd Government, there was a reaffirmation of a desire to sign a new bilateral agreement with the EU. The need for a new agreement was noted by Rudd previously (2004) and was perhaps why he visited the Europe in 2008 so soon
after being elected prime minister, Rudd (2008a) stated that the ‘new Australian Government is committed to building a new, positive partnership with Europe – a new economic partnership, a new security partnership, a new development partnership and a partnership on climate change’.

**The Partnership Framework agreement and moves towards a Framework Agreement**

The signing of the Partnership Framework agreement gave immediate substance to the Rudd Government’s desire for a more broad-based relationship with the EU. As Trade Minister Simon Crean (2009a) remarked,

> The framework partnership that we’re talking about goes far beyond just the traditional trade areas. There are significant areas of cooperation; food security, energy security, these are huge issues for all of us but, coupled with the climate change challenge, I think we can come up with a very creative set of solutions if we work at it together.

The Partnership Framework’s importance is then demonstrated by its comprehensive nature. An increased emphasis on cooperation and coordination is contained within the Partnership Framework on areas such as the Asia-Pacific region, climate change and the environment and, science and technology. This contrasts greatly with previous agreements, such as the Joint Declaration and Agenda for Cooperation which covered relatively fewer areas and were less detailed. As Murray and Zolin (2012, pp. 197-8) argue, the Partnership Framework is indicative of ‘the high level of commitment from both the then Rudd government (and the Gillard government), on the one hand, and the EU, on the other, to engage closely and in policy areas across key global, transnational and regional challenges’.

Subsequent to this agreement, there was a continued emphasis from the Rudd and Gillard governments on broad-based engagement with the EU. The signing in 2009 of a revised Partnership Framework agreement, according to Crean (2009b), showed that it was a ‘practical, outcomes-oriented document’. Importantly, it was the Rudd Government that strongly advocated for this one-year review as it wanted to formally recognise progress achieved on initiatives mentioned in the previous iteration of the agreement. Kenyon and Lee (2011, p. 112) argue that the review of the Partnership
Framework and the appointment of Brendan Nelson as Australia’s Ambassador to the EU were ‘a sign of the higher political importance that the Labor governments under Rudd and Julia Gillard’ have placed on the relationship.

The higher political significance attached to relations with the EU was indicated by the Gillard Government’s decision to propose negotiations a new Framework Agreement in 2011. According to Brendan Nelson there was a desire to ‘institutionalise’ the relationship through ‘legal architecture’ and ‘develop a treaty partnership agreement that covers key areas and that puts obligations and responsibilities onto us and on to them’ (Nelson Interview, 2013). Similarly, a European External Action Service (EEAS) official suggested in an interview that ‘we have a big mission, and a challenge, across both sides to complete an agreement that recognises all aspects of cooperation and are occurring at a bilateral level. There are a lot of practical areas of cooperation that will be recognised in the agreement’ (EEAS Official 8, 2013). The conclusion of negotiations for the agreement in 2015 represents, once again, an opportunity to significantly advance relations between Australia and the EU given its treaty level or legally binding status meaning that it has a budget available.

The official details of the agreement became clear in April 2016 when the European Commission sent to the Council of the European Union a communication detailing the contents of the agreement. The agreement covers three sectors namely: political cooperation on foreign policy and security issues; cooperation on economic and trade matters; and sectoral cooperation, including in the areas of research and innovation, education and culture, migration, counter terrorism, the fight against organised crime and cybercrime and judicial cooperation and intellectual property. Notably the agreement does not necessarily seek to propose a multitude of new initiatives for cooperation, as seen in the case of the Partnership Framework. Its importance nevertheless needs to be seen in more formal terms. As Fabrizi (2015b) argues it finally provides a formal legal and institutional basis for the relationship. This is particularly important due to recent agreements signed such as the Crisis Management Agreement and Delegated Aid Agreement, rather than existing as separate agreements in isolation, now have an overarching legal framework.
The ‘Intensification’ of Relations

The most notable trend in relations between Australia and the EU over the past fifteen years has not only been the number of bilateral agreements signed but that these agreements have become successively more comprehensive in nature. This contrasts with the relationship in the past that was based on a relatively small number of agreements that were sector-specific. The signing of more extensive agreements demonstrates the importance that both Australia and the EU place on more comprehensive engagement predicted on shared interests. The development of ties over this period shows the ‘maturing of the relationship from a period of skirmishes and diplomatic scuffles regarding the EU’s agricultural protectionism and its distortion of world markets to more open, robust and fruitful interaction’ (Murray & Zolin, 2012, p. 200). This section investigates how such a period of maturation and comprehensive engagement has eventuated.

Moving beyond issues of disagreement

A major contributing factor to the development of closer relations between the EU and Australia has been the lessening of bilateral disputes. This development was facilitated firstly by reform of the CAP which facilitated both a broader relationship and a ‘much more constructive relationship’ with the EU (Downer, 1999a). In addition, successive Australian governments have sought to place less on emphasis on the CAP in the context of overall bilateral relations. The Howard Government, despite criticism of the CAP, sought to isolate it as an issue from the rest of its relationship with the EU. As Trade Minister Mark Vaile (2002) suggested, while ‘there are some aspects of the multilateral trade agenda that we are bound to differ on, we also have many shared interests on which we can work together very successfully’ such as the Doha round.

The Rudd and Gillard governments deliberately sought to diminish public criticism of the EU. This point was commented on by Crean (2008), who stated that

If your ambition in government is merely to score points with Australian voters, particularly those in rural areas, you can return from a quick European tour, call a press conference and decry the inefficiencies of the Common
Agricultural Policy. The journalists will laugh at your stories and write you up as a brave Australian truth-telling politician.

Crean’s statement acknowledged the ineffectiveness of past Australian governments’ vigorous protestations regarding the CAP. As part of this approach, the Labor government placed further emphasis on a desire to move all discussion of the CAP to the WTO. Similarly, the most recent Abbott and Turnbull governments have also not criticised the EU publically in the manner in which its predecessor the Howard government did. This approach has been successful, with Murray and Zolin (2012, p. 197) arguing ‘the fact that there has been an increase in agricultural and agri-food trade between the two traders has also been facilitated by an easing of tensions over the last few years and by the broadening of engagement’. This demonstrates how a less assertive approach to the CAP in particular, has provided an environment that has been conducive to closer bilateral cooperation.

**Recognition of common interests**

Apart from the CAP and economic issues, successive governments have managed to expand and intensify engagement with the EU. While trade has helped to facilitate broader engagement, it does have the potential to distract from other aspects of EU-Australia relations. Murray (2007b) suggests in interviews of Australian elites ‘the overall impression that the EU is perceived as an international actor largely in the trade domain’. Over the past fifteen years, successive Australian governments have sought to deepen ties beyond an economic focus. The Howard Government, despite some tension regarding the CAP, attempted to focus on building a more comprehensive relationship focused on areas of commonality with the EU, as was demonstrated in the Joint Declaration and Agenda for Cooperation. These agreements showed how Australia was coming to recognise the EU’s competencies and increased presence as an international actor. This was particularly noticeable with regard to the 2004 enlargement, whereby the EU was seen aside from its ‘global economic significance’, to have ‘the potential to exert increased strategic weight and influence in international diplomacy. Put simply, enlargement to an EU of 25 members will

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12 See Foreign Minister Steven Smith (2008), who noted that ‘our criticism… of the previous government was that it relied too much on bilateral trade arrangements and not enough on multilateral trade arrangements.
have a major impact within Europe and globally’ (Downer, 2003). Significant events such as EU expansion have assisted in successive Australian governments reconceptualise the importance of the EU as an international actor.

A key component of the Howard Government’s recognition of shared interests with the EU was the completion of a number of significant bilateral agreements. Despite the failure of the Framework Agreement, the Joint Declaration provided for the first time some form of mechanism for relations between Australia and the EU. An EEAS official argued the failure of the Framework Agreement ‘did not impede’ cooperation that would occur in the decade after the Joint Declaration (EEAS Official 6, 2013). The Agenda for Cooperation can also be identified as contributing towards this development. Murray (2007a, p. 148) argues the Agenda demonstrated ‘contemporary dialogue’ between Australia and the EU in that it ‘features new security and societal agendas, incorporating hard security and immigration, as well as educational linkages, in a distinctly different context’. The emphasis placed on shared interests became an increasingly important component of the Howard government’s approach to relations with the EU.

The Rudd and Gillard governments sought to distinguish itself from the Howard Government’s approach of privileging relations with member states and placed increased emphasis on the importance of the EU as a single unitary actor. The approach of the Howard Government was previously criticised by Ambassador of Greece to Australia Fotios-Jean Xydas (2003) as demonstrating the ‘difficulty’ that the Howard government had ‘with the concept of the EU as one trading bloc, and prefers to think of it as a compilation of [what was then] 15 separate countries. In fact the EU is one trading area, without any internal borders, with one common policy on foreign trade, exactly the same as Australia has been since federation’. This analysis explains in part the trouble of the Howard government in fully comprehending the importance of the EU as a cohesive international actor of direct relevance to Australian interests. In comparison the Rudd government, according to Crean (2009b), saw ‘Australia and Europe are like-minded on most political, economic and strategic issues’. The emphasis placed on a commonality of interests contributed towards the desire of the Rudd Government to sign a new multifaceted bilateral agreement with the EU within its first year. The Partnership Framework agreement
constituted an expressed desire for a more comprehensive relationship with the EU. Murray and Zolin (2012, p. 197) suggested that the Partnership Framework agreement ‘is an ambitious, broad and detailed document, with a number of dynamic elements. It is also an unusual document, as it is the first of its kind in Australia-EU relations. It is remarkably exhaustive in terms of ambition and the deadlines for substantive achievements over relatively short periods’. Then EU Ambassador to Australia David Daly (2009) also saw the agreement as a providing ‘a flexible and pragmatic outcome based approach to further developing the relationship’ with regard to the manner in which it was designed to clearly articulate specific instances of cooperation.

An indication of the Rudd and Gillard governments’ commitment to closer engagement with the EU was its support for the 2009 Partnership Framework review and the opening negotiations for a new treaty-level agreement. Its unique status was first noticeable in 2008 with the desire ‘to try to create a more living instrument by setting not only long-to medium-term goals in the five main policy clusters identified for cooperation but also short-term “immediate action” aims that would be reviewed and updated on a roughly annual basis’ (Kenyon & Lee, 2011, p. 115). It is these areas for immediate action that demonstrate the effectiveness of the Partnership Framework in facilitating tangible bilateral cooperation. Coming soon after the Partnership Framework, however, were proposals for a new Framework Agreement, which was initiated by Julia Gillard in 2011, with the European Commission successfully obtaining a mandate to commence negotiations subsequently (Barroso, 2011b). Despite its short duration, by Australian standards, the Rudd and Gillard governments were able to complete or initiate two substantive multifaceted agreements with the EU. The significant of these agreements clearly indicate how a pragmatic understanding of shared interests transformed Australian perceptions of the EU as an international actor.

**Into a new era: Bilateral cooperation under the Abbott and Turnbull governments**

With the election of the Abbott Government in 2013, a return in approach to that that of the Howard government appeared a possibility as many members of the new government served as ministers in the Howard government. Secondly, Tony Abbott as Opposition Leader repeatedly stated that he wished to repeal the carbon tax enacted
by the Gillard Government, thereby removing any opportunity to link ETS schemes with the EU, invoking sarcasm, Abbott (2013) suggested

If you were looking around the world to people who you would like to subcontract out an important element of Australian economic policy, who would you choose? Never mind the gnomes of Zurich; never mind the bankers of Wall Street. Oh no, he [Prime Minister Kevin Rudd] has gone to the bureaucrats of Brussels. The people who have been so good at managing the economies of Europe over the last few years.

This comment was also repeated by future Abbott Government ministers such as Treasurer Joe Hockey (2011b) who criticised the Gillard Government’s contributions to the International Monetary Fund bailout of the Eurozone, as he had ‘grave concerns about Australian taxpayers being seen to bail-out the largest economy in the world which is the Eurozone’ and that the ‘Europeans needed to get their own house in order’. Although comments such as these have been perceived by the EU ‘as for Australian domestic purposes’ (EEAS Official 2 2013), they did suggest that the Abbott Government was likely to return to a more critical stance in relations with the EU. This seemed likely with further delays in the signing of the Framework Agreement. Specifically Brendan Nelson (2013) argued that for the EU ‘to say to a country like Australia, to say to my country, you can’t have a treaty framework agreement unless you sign up to non-compliance clauses around human rights, rule of law, democracy and link all of your existing agreements to it, is madness’. These developments indicated that early in Abbott Government there was the likelihood of a regression in bilateral relations.

Despite negative public comments, the Abbott Government sought to further advance cooperation with the EU. According to a DFAT official, ‘to a casual reader in the media there is more change than is actually happening’ with, in particular, ‘the abandonment of the ETS agreement’ coming as ‘no surprise to the EU given that it was a pre-election promise of the new government’ (DFAT Official 3, 2013). The Abbott Government, after some delay, signed the Framework Agreement. The Framework Agreement has been perceived as giving ‘us all that we need to build relations into the immediate future’ given its legally binding status (EEAS Official 1, 2013). It also indicates the potential that ‘no damage has been caused to the relationship from a change in government. I am expecting much more of the same
with regard to the approach of the new government. The importance of the economic relationship particularly, does not change with the election of a new government’ (DFAT Official 5, 2013). The importance of the economic relationship was emphasised by the commencement of scoping exercises for FTA negotiations by the Turnbull Government in 2016. This scoping exercise was completed in 2017 and will be followed by the start of formal FTA negotiations. Negotiations are perceived as being connected to bringing ‘economic growth, and jobs, and prosperity to the EU, which is such a significant economic power in the world, and to Australia’ (Bishop, 2015a). A combination of the EU’s continued economic importance and a sustained emphasis on shared interests demonstrated that bilateral relations under the Abbott and Turnbull governments remained a central feature of Australian foreign policy.

Conclusion

EU-Australia relations have undergone a rapid period of transformation from being dominated by disagreement to being the focus of significant cooperation. Australian governments in the past tended to perceive the EU through a realist lens that resulted in scepticism of its capacities as an international actor and the prioritisation of relations with major EU member states. Scepticism was undoubtedly enhanced by the CAP which saw the EU depicted as behaving in a manner contrary to Australian interests. The idea of trying to establish a more comprehensive relationship was seen to run counter to the prevailing need to aggressively seek reform of the CAP and prioritise relations with major member states (Kunkel, 2003). A perception surrounding the limited relevance of the EU gained further credence due to the idea of Europe’s declining relevance that developed in the 1980s compared to the Asia-Pacific region (Groom, 1992). It is these factors that have dominated EU-Australian in the past. The continued existence of some of these problems demonstrates that while relations have improved, there still remains the potential for disagreement between Australia and the EU.

Given past animosity between Australia and the EU there have been a number of factors that facilitated the rapid improvement of relations. In particular, Kenyon and Lee (2011, p. 127) suggest that the conclusion of the Uruguay Round as contributing
to ‘a more wide-ranging and constructive relationship than the agriculture dominated one of the past’. In addition, the EU itself became a much more coherent international actor particularly taking into its capacity its increasing economic capacity. As noted previously, Damro (2012, p. 692) argues it is through its economic capacity that the EU can most consequentially influence relations with foreign states such as Australia. In response, there have been successive Australian governments, since the implementation of the single market, that have come to recognise the importance of cultivating a closer relationship with the EU. Prime Minister Paul Keating (1995, p. 3) argued that the single market clearly indicated that ‘nobody in Australia should ever think that what happened in Europe doesn’t matter to us’ and that aside from its economic impact the single market would mean that for ‘the first time really since the 19th century, well the first time ever, we would have a united Europe’. This reassessment of the importance of the EU would continue under subsequent governments, with some exceptions under the Howard Government. An example an improved and more constructive approach towards the EU was when Trade Minister Crean (2009b) suggested that

We want to embrace the opportunities of Europe. Our disagreements over agriculture need to be addressed but they should not define our relationship. And as I personally discovered… this constructive approach is welcome in European capitals. That’s because there are so many potential areas of cooperation between Australia, the EU and its member states.

It is precisely this reconceptualisation of the value of cooperation with the EU that has contributed to a rapid improvement in bilateral relations.

Australia now enjoys a bilateral relationship with the EU that indicates how it is perceived by government to be of significance to the national interest. EU-Australia relations are now not only comprehensive in their breath but also in the depth of cooperation. Relations are wide-ranging in nature and are predicated on ‘shared objectives’ such as ‘security, counterterrorism, education, aviation, and science and technology agreements’ (Murray & Zolin, 2012, p. 198). A key recent example of shared objectives is the Partnership Framework agreement. The completion of the Partnership Framework agreement and its 2009 review demonstrates the Rudd and Gillard governments’ comprehension of the benefits of cooperation with the EU. It is important to acknowledge that ‘Australia’s search for a preferred model in
formalising a more positive relationship’ has come ‘full circle in the period from 1995’ (Kenyon & Lee, 2011, p. 115) with negotiations for a new treaty-level Framework Agreement. The conclusion of negotiations for this agreement under the Abbott Government shows a bipartisan commitment to developing closer relations with the EU. The opening of FTA negotiations in 2017 is the latest manifestation of the substantive nature of bilateral relations between Australia and the EU.
Chapter 5: Competitors or Partners? Australia and the EU in the Asia-Pacific region

Introduction

The Asia-Pacific region represents a significant foreign policy focus of both Australia and the EU. Chapter 3 examined how Australia has placed significant emphasis on its relations with Asia, with successive governments since the 1960s emphasising regional engagement as a key priority of foreign policy. The EU, in comparison, however, has only in the past twenty years articulated a coherent foreign policy approach with respect to Asia. This interest was initially influenced by economic imperatives. Starting in 1994 with the European Commission’s communication Towards a New Asia Strategy, however, EU engagement has broadened significantly. This chapter commences with an examination of the evolution of the EU’s engagement with Asia. The EU approaches Asian engagement in a way that places issues such as trade, regional integration, human rights and sustainable development at the core of its approach to the region. This chapter argues that similar, although not identical, interests in the Asia-Pacific region have progressively facilitated closer ties between Australia and the EU.

Bilateral agreements, such as the 1997 Joint Declaration and 2008 Partnership Framework, have provided the context for bilateral cooperation between Australia and the EU on Asia-Pacific matters. Most recently, the 2017 Framework Agreement has consolidated the multifaceted nature of cooperation given its status as a legally binding treaty. Over successive decades these bilateral agreements have firstly established that Australia and the EU have similar interests regarding how to best gain access to many of the rapidly growing economic markets of the Asia-Pacific. Shared security and strategic interests have also provided an additional avenue for cooperation between Australia and the EU on Asia-Pacific issues particularly due to a shared support for strengthening regional organisations such as ASEAN and the Pacific Islands Forum (PIF). These shared interests were directly mentioned in the Partnership Framework under Objective 3 its emphasis on security and strategic concerns and ‘the mutual interest’ of both Australia and the EU in Asia-Pacific affairs. Following strategic concerns, development cooperation has been the most
recent contributor to closer EU-Australia ties with respect to the Asia-Pacific region. The Partnership Framework agreement has facilitated greater cooperation between Australia and the EU. This relates specifically to the establishment of ‘delegated cooperation in aid delivery’, whereby ‘Australia could implement some aid projects on behalf of the EU and the EU could implement some aid projects on behalf of Australia’. In a relatively short period of time therefore Australia and the EU through agreements such as that on development aid have given substance to the extent of shared interests in the Asia-Pacific region.

Reengaging with Asia: The EU’s approach to Asia-Pacific engagement

The path towards Asia-Pacific policy coherence

Prior to the early 1990s, the EU’s relations with the Asia-Pacific region were primarily handled by individual member states rather than by the EU itself. This was because the EU did not having the competencies it has now in relation to foreign affairs. In addition, attention devoted to countries in the Asia-Pacific region was often based on their previous status as colonies of certain EU member states. Despite ‘post-colonial links to the region creating a network of interests that straddled India, Indochina and Indonesia’, relations between EU member states and the region were often peripheral (Holland & Doidge, 2012, p. 159). Engagement with ASEAN was also limited, despite the signing of the ASEAN-European Community Cooperation Agreement in 1980 which, represented the ‘first bloc-to-bloc interregional dialogue that the European Community had with a part of Asia’ (Yeo, 2008a, p. 104). Primarily, the early EU-ASEAN relationship was a donor-recipient relationship. ASEAN, however, was perceived as ranking ‘below the African, Caribbean and Pacific (ACP) and Latin American countries’ in a ‘hierarchy of relations’ due to these regions being seen as of most direct relevance to EU interests (Yeo, 2008b, p. 85).

A key motivating factor in the EU’s reassessment of its Asia policy was its transformation by the 1980s into a ‘dynamic economic region with the potential for becoming the centre of world economic growth’ (Park & Kim, 2008, p. 73). For example, EU-ASEAN two-way trade grew from ‘ECU 22.4 billion in 1988 to more
than three times this figure at ECU 71.3 billion by 1995' (Holland & Doidge, 2012, p. 163). An even more substantial increase in trade with China also occurred. This is demonstrated over the period 1978-1993 when EU-China bilateral trade increased from 2.4 billion ECU to 30.8 billion ECU (European Commission, 1995a). The growing importance of economic markets, similarly to Australia, facilitated the need for the EU to more comprehensively engage with the Asia-Pacific region. As Park and Kim (2008, p. 67) further argue, trade was the most important factor in ‘Asia’s strategic value’ increasing substantially for the EU.

Coinciding with the EU’s renewed interest in the Asia-Pacific region was the increased recognition by member states of the need to formulate common positions on foreign policy issues. As Simon Hix and Bjørn Høyland (2011, p. 311) suggest, the EU during the late 1980s and early 1990s began to view the existing European Political Cooperation (EPC) mechanism as ineffective due to its inability to establish common positions on important foreign policy issues. This need for a more coherent EU foreign policy approach contributed to the establishment of the Common Foreign and Security Policy (CFSP) as the second pillar of the EU under the 1992 Maastricht Treaty. The CFSP for the first time incorporated foreign policy as a formal aspect of decision making with the European Council, with specific emphasis on the establishment of ‘common positions’ requiring ‘member states to implement national policies that comply with the position defined by the EU on a particular issue’ (Hix & Høyland, 2011, p. 312).

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13 The European Currency Unit (ECU) was the former currency unit of the EU. The ECU was used as a standard monetary unit of measurement of the market value/cost of goods, services, or assets and was composed of a basket of currencies of the EU. It was replaced by the euro at a ratio of 1:1 on 1 January, 1999 (European Commission, 2012).
**Early EU Asia policies and the creation of the Asia-Europe Meeting (ASEM)**

**Table 2: Major EU Asian strategies and policies**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Objectives</th>
<th>Criticisms</th>
<th>Implications for Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Towards a New Asia Strategy, 1994</td>
<td>First attempt to define a regional-wide strategy</td>
<td>Needed to focus on the complementarity of the EU as an international as well as economic actor</td>
<td>No mention</td>
</tr>
<tr>
<td>Creating a New Dynamic in EU-ASEAN relations, 1996</td>
<td>Emphasis on ASEM as fostering interregional relations</td>
<td>Seen to prioritise ASEM at expense of ASEAN</td>
<td>Only mentioned in the context of Australia’s membership of the ARF</td>
</tr>
<tr>
<td>EU and Asia: Strategic Framework for Enhanced Partnership, 2001</td>
<td>More emphasis on bilateralism and promoting the EU as a political actor</td>
<td>Overemphasis on China and India at expense of ASEAN states</td>
<td>‘Definition of Asia’ expanded to include Australia. Recognition of Australian role in contributing to regional security</td>
</tr>
<tr>
<td>New Partnership for South East Asia, 2003</td>
<td>Emphasis on ASEAN as ‘probably the best guarantee for peace and stability in the region’</td>
<td>Overemphasis on ASEAN at expense of engaging with ASEAN states</td>
<td>No mention, although policy specifically devoted to ASEAN</td>
</tr>
<tr>
<td>Regional Strategy Paper, 2007-13</td>
<td>Focus on three main areas: regional integration; policy and know-how based cooperation; and aid to uprooted people</td>
<td>Contained too many separate objectives in order to be effectively implemented</td>
<td>No mention</td>
</tr>
<tr>
<td>Guidelines on the EU’s Foreign and Security Policy in East Asia, 2012</td>
<td>Emphasis on development and consolidation of democracy, the rule of law, and respect for human rights and regional integration</td>
<td>Considered to be too broad and ambitious to be successfully implemented</td>
<td>Mentioned as a key ‘extra-regional’ and not a specifically regional partner of the EU</td>
</tr>
<tr>
<td>Regional Strategy Paper Asia Region 2014-20</td>
<td>Key emphasis on streamlining and simplifying in implementation in areas such as regional integration (including trade), promotion of a green economy and aid to uprooted people</td>
<td>Possible return to overemphasising ASEAN and its competencies as an international actor. Less focus on North-East and South Asia</td>
<td>Specific emphasis on the Framework Agreement as the focus for facilitating cooperation</td>
</tr>
</tbody>
</table>
Table 2 documents a select history of EU policies with respect to Asia or more specifically East Asia and Southeast Asia. The first of these policies developed subsequent to the Maastricht Treaty, was the Commission’s 1994 communication *Towards a New Asia Strategy*. This communication represented an attempt to enunciate the need for the EU to establish ‘a strong, coordinated presence in the different regions of Asia… at the beginning of the 21st century to ensure that its interests are taken fully into account there’ (European Commission, 1994, p. 1). The document focused on economic development, democracy, human rights and the rule of law and sought to focus on these issues primarily through an emphasis on the importance of the EU’s support for both existing and newly established regional forums, such as ASEAN and the ARF respectively. The Asia Strategy’s significance was that it was the first official strategy paper released by the EU on the region. It aimed to demonstrate ‘the objective of taking part in the swiftly growing East Asian economies, but more importantly, it expressed European ambitions to play a greater global political role’ (Gaens, Jokela, & Mattlin, 2012, p. 93). This contrasted with the reality that while ‘Europe surely was a strong economic player in East Asia,’ in ‘political and security terms, the EU was largely absent’ (Gaens, Jokela, & Mattlin, 2012, p. 93). Such an argument indicates that the EU’s status as a historically incoherent foreign policy actor restricted its ability to effectively engage with the Asia-Pacific. The Asia Strategy was only the first step towards the EU redressing this situation.

The establishment of ASEM in 1995 was consistent with the Asia Strategy, given its stated desire ‘to strengthen links with Asian countries in multilateral fora, and further encourage Asian participation in multilateral organisations’ (European Commission, 1994). Given the size of ASEM’s membership, which is 53, it is not unsurprising that it was designed to function as a relatively informal organisation aimed at fostering dialogue and cooperation between the EU and the Asia-Pacific region. The structure of ASEM indicates this, given its three pillar system consisting of an Economic Pillar, Political Pillar and a Social, Cultural, and Educational Pillar. In particular, the last pillar reinforces a sense of informality, as they contain little, if any, formal structure. Given this informality, ASEM has often been the subject of criticism based on the lack of tangible improvement in the EU’s ability to advance its interests within the region. Jürgen Rüland (2006, p. 50) argues that ASEM typifies ‘asymmetric
actorness capacities’, which are indicative of ‘the institutional characteristics and cooperation norms of the weaker partner’. As a consequence, the EU as the ‘stronger partner’ has to effectively weaken the functionality of ASEM, so as to conform to the desire of most countries in the Asian bloc’s wishes for an informal interregional institution with limited formal structure. These criticisms contrast with the reality that ASEM was established on the basis of informality. Consequently, from the EU’s perspective, the creation of ASEM has created a forum for ‘constructive engagement’ and ‘political dialogue’ to complement its already pre-existing economic agenda (Jokela & Gaens, 2012, p. 156).

The 2001 EU and Asia: Strategic Framework for Enhanced Partnership and the 2003 New Partnership for South East Asia

Following the 1994 strategy, the 2001 Strategic Framework called for the broadening of the EU’s engagement in Asia both through further ‘bilateral dialogue with key Asian “partners” and through more active participation in regional forums’ such as ASEAN (Pacheco Pardo, 2009, p. 265). Emphasis was placed on bilateral relations with ‘key partners’ such as China and Japan, as well as the mentioning of Australia for the first time. Australia and New Zealand were identified as ‘important overall trade and investment partners of the EU, and are increasingly important as political partners, representing a substantial force for stability in the broader Asia-Pacific region’ (European Commission, 2001, p. 25). Australia and New Zealand were also perceived as partners ‘at the multilateral level… for the EU to deepen our cooperation’. The EU’s preference for multilateralism is a clear feature of the 2001 Asia Strategy. It, however, is a more nuanced document than the 1994 version as it ‘recognises that the institutional framework for relations with Asian countries varies, and that only a small number of these Asian countries are in ‘fully comprehensive (“third-generation”) cooperation agreements’ with the EU (Murray, 2008, p. 191). This suggests that in the period between the 1994 and 2004 strategies the EU began to ascertain the need to articulate a more flexible and pragmatic approach towards the Asia-Pacific region. Specific evidence is seen in the increased prioritisation of bilateral relations with countries in the region in conjunction with a ‘policy of pragmatism especially on trade-related issues’ becoming ‘pivotal in the EU’s regional strategy’ (Gaens, Jokela, & Mattlin, 2012, p. 93).
A notable feature of the EU’s early attempts to articulate an Asia-Pacific regional policy during the 1990s and 2000s was the lack of emphasis placed on ASEAN. This development was surprising, given that ‘despite recognising ASEAN as the “cornerstone” of the EU’s dialogue with Asia, the New Asia Strategy was notably quiet on EU-ASEAN cooperation, raising questions as to the EU’s commitment to this partnership’ (Holland & Doidge, 2012, p. 163). Attempts to redress this situation were made with the issuing of the Commission’s communication *Creating a New Dynamic in EU-ASEAN relations* in 1996. This strategy aimed ‘to give a specific content to our dialogue, to encourage the ties between our two processes of regional integration and to actively stimulate trade and investment’ (European Commission, 1997a, p. 29). The argument has been made, however, that the strategy devoted too much attention to ASEM, rather than focusing specifically on EU-ASEAN relations (Holland & Doidge, 2012). Furthermore, with the issuing of the 2001 strategy, the EU was not engaging with ASEAN effectively with ‘significantly more emphasis has been placed on relations China and India rather than Southeast Asia’ (Murray, Berryman, & Matera, 2008, p. 12).14

The 2003 *New Partnership for South East Asia* communication was a further opportunity for the EU to redress ‘a widespread perception in both Europe and South East Asia that the coherence, impact and political visibility of our relations has not matched the ambitions of the long-established partnership’ (European Commission, 2003a). A more targeted approach to relations with ASEAN was adopted involving a more bilateral focus, which ‘opened up the possibility that the EU and any two ASEAN members could initiate a specific project and go ahead to implement the initiative according to an agreed plan, while it remains open to all ASEAN members to join later when they are ready’ (Yeo, 2008a, p. 117). Consequently, the *New Partnership for South East Asia* has been more positively perceived than the 1996 communication due to the rejection of a ‘rigid inter-regional approach’ (Yeo, 2008b, pp. 99-100). A notable example was the EU’s recognition that disputes surrounding Myanmar’s membership of ASEAN had impacted on the overall EU-ASEAN relationship. By adopting a more flexible approach, the EU aimed to simultaneously

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14 Based on surveys conducted by the authors with elites in the Asian-Pacific region.
maintain criticism of Myanmar and its poor human rights record, while still seeking closer cooperation with other ASEAN member states. This approach was later indicated in the 2007 Nuremberg Declaration on an EU-ASEAN Enhanced Partnership, which emphasises ‘the promotion and the protection of human rights through “practical steps”’ (EEAS, 2007). The EU’s relations with ASEAN are similar to that of the Asia-Pacific region as a whole, given the emphasis on bilateralism and taking a less rigid attitude towards issues such as human rights. The most recent EU strategy of 2015 seems to confirm this approach as it mentions that ‘taking EU-ASEAN relations to the next level’ will involve building on and complementing ‘bilateral ties between the EU and individual ASEAN members’ (European Commission, 2015b, p. 3).

**Recent developments, challenges and the path towards greater EU Asia-Pacific policy coherence**

A clear emphasis on pragmatism and tangible outcomes has been the focus with the issuing of recent regional policy documents. Firstly, the Commission issued 2007-2013 Regional Strategy made a conscious effort to link EU funds with objectives in the Asia-Pacific region. €5.187 billion was allocated by the Commission to Asia for the 2007-2013 period with 81% dedicated to development assistance for individual countries, 16% to regional assistance and 3% as reserve (European Commission, 2008b). A further notable feature of the Regional Strategy paper was a renewed emphasis placed on the support for regional integration through, in particular, ASEM, ASEAN and the ARF. This indicated how regional and interregional bodies remained at the core of the EU’s approach to the Asia-Pacific region.

The EU’s desire to assess the implementation of the Regional Strategy was demonstrated by the issuing of the combined Mid-Term Review of the Regional Strategy Paper and Multi-annual Indicative Programme for Asia 2011-2013. The review component of this document analyses the relative success of the EU in implementing its regional strategy in considerable depth. A notable aspect of this review is the further emphasis placed on the EU’s ‘clear comparative advantage with regard to supporting regional integration’, thereby contributing to the decision to provide further support ‘for regional policy development, drawing on European
experience and know-how through sectoral policy dialogue and capacity building’ (European Commission, 2010, p. 11). This commitment is evident in the accompanying Multi-annual Indicative Programme for Asia. Within this document, there is an additional commitment of €63 million for the 2011-13 period, with specific emphasis placed on ASEM and ASEAN. The importance placed on regional integration clearly demonstrates that the EU preferred method of engagement with the Asia-Pacific is through an interregional framework. This comes despite a previous acknowledgement of the need to be ‘pragmatic’ and engage bilaterally with states in the region.

A key aspect of the EU’s attempts to project a coherent foreign policy, both within the Asia-Pacific region and more generally, has been the establishment of the European External Actions Service (EEAS) under the Lisbon Treaty. Its establishment in 2010 coincided with the EU’s 2007-2013 Regional Strategy. As High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton (2010, p. 3) has argued ‘this new diplomatic service will enable us to forge comprehensive strategies on the big questions of our time’. Yeo (2010, p. 19) argues that the ‘new provisions, new structures and the streamlining of functions and working methods open up opportunities for EU to become a more coherent actor on world stage’. This is apparent in the most substantive changes enacted by the Lisbon Treaty, which included the effective merging of the Commissioner and High Representative for External Relations into a single post and the designation of external delegations as representing the ‘entire’ EU as opposed to just the Commission. With regard to the Asia-Pacific region, the importance of these reforms has been specifically addressed by the European Council through its Guidelines on the EU’s Foreign and Security Policy in East Asia in 2012. This documents argues that the EEAS offers the opportunity to ‘develop and implement common analyses, approaches, and political engagement strategies’, as part of allowing the EU to ‘deploy its weight more effectively in our relations with East Asia’ (Council of the European Union, 2012, p. 10).

Despite an undoubted improvement with the establishment of the EEAS, a significant constraint in the EU’s attempt to more successfully implement its foreign policy in the Asia-Pacific region remains its continuing lack of institutional coherence. Previous
criticism by Murray, Berryman and Matera (2008, p. 16) of the EU is still pertinent as ‘no single area of the EU’s institutional or governance structure is responsible for the development and implementation of the EU’s regional strategy for East Asia has resulted in a disjointed approach towards the region’. While greater foreign policy coherence has been achieved with the establishment of the EEAS, the EU’s regional strategy is not managed directly by one institution. The EU’s Global Strategy (2016, p. 49) mentions that ‘a strong EEAS working together with other EU institutions lies at the heart of a coherent EU role in the world’ but does not mention exactly how increased institutional coherence will take place. It fails to indicate a solution to the situation whereby EEAS manages the EU’s policy towards the Asia-Pacific region while the European Commission still retains competency for trade. As Yeo and Loke (2013, p. 98) argue, ‘despite all the aspirations expressed in the Lisbon Treaty to make the EU more coherent and visible’, it continues to be perceived as ‘hesitant and reactive and one uncertain of its role on world stage’. With regard to the Asia-Pacific region, Murray (2012, p. 277) has stated that the EU faces similar problems with regard to its continued inability to achieve ‘coherence and consistency’ in three areas, namely ‘policy coherence, personality coherence and task coherence’. Thus, despite numerous attempts, there still remain difficulties with the formulation and implementation of a coherent Asia-Pacific foreign policy approach.

Australia and the EU: Competitors or partners for markets in the Asia-Pacific region?

The gradual recognition of common economic interests

Despite the Asia-Pacific region being a vital economic market for both Australia and the EU, cooperation in this area is a relatively recent development. As Elizabeth Wise (1996b) suggested, ‘neither Canberra nor the Union hides the fact that, as traders, they are more interested in Asia than in each other’. Neither Australia’s Garnaut Report nor the EU’s Asia Strategy, despite their desire to increase trade with the Asia-Pacific, makes direct reference to the relative efficacy of stronger EU-Australia cooperation. Prior to the mid-1990s, Australia and the EU perceived each other as having limited shared economic objectives in the Asia-Pacific region.
The promotion of Australia as a potential ‘base’ for European companies in the Asia-Pacific region was undoubtedly a motivating factor in Australia’s decision to seek economic closer ties with the EU. Trade Minister Tim Fisher (1996c) stated that ‘the prospects for growth and the linkages between trade and investment, including the stake that hundreds of European companies have in Australia and in Australia’s success in the region… whether it be for export, regional headquarters or for research and development’. Similarly, Foreign Minister Alexander Downer (1997e) suggested ‘Australia can be a regional gateway economically, and a valuable interlocutor strategically, for our European partners’. These comments show that Australia’s perceived ‘knowledge’ or ‘understanding’ of the Asia-Pacific region emerged during the 1990s as a basis for cooperation with the EU. Table 3 shows a number of both the EU and Australia’s major trading partners being in the Asia-Pacific region. The gradual recognition of this development in the 1990s would provide a substantial basis for bilateral cooperation.

**Table 3: The EU and Australia, major trade partners compared**

<table>
<thead>
<tr>
<th>EU</th>
<th>2014 Two-way trade</th>
<th>$A million</th>
<th>Australia</th>
<th>2014 Two-way trade</th>
<th>$A million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ million</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>USA</td>
<td>516,092</td>
<td>15.3</td>
<td>1 China</td>
<td>152,529</td>
<td>23.0</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>467,191</td>
<td>13.8</td>
<td>2 ASEAN</td>
<td>101,655</td>
<td>15.3</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>285,137</td>
<td>8.4</td>
<td>3 EU28</td>
<td>83,987</td>
<td>12.6</td>
</tr>
<tr>
<td>4</td>
<td>Switzerland</td>
<td>236,926</td>
<td>7</td>
<td>4 Japan</td>
<td>70,326</td>
<td>10.8</td>
</tr>
<tr>
<td>5</td>
<td>Norway</td>
<td>134,148</td>
<td>4</td>
<td>5 USA</td>
<td>60,428</td>
<td>9.1</td>
</tr>
<tr>
<td>6</td>
<td>Turkey</td>
<td>128,831</td>
<td>3.8</td>
<td>6 South Korea</td>
<td>34,499</td>
<td>5.2</td>
</tr>
<tr>
<td>7</td>
<td>Japan</td>
<td>107,848</td>
<td>3.2</td>
<td>7 New Zealand</td>
<td>23,456</td>
<td>3.5</td>
</tr>
<tr>
<td>8</td>
<td>South Korea</td>
<td>82,165</td>
<td>2.4</td>
<td>8 India</td>
<td>15,879</td>
<td>2.4</td>
</tr>
<tr>
<td>9</td>
<td>India</td>
<td>72,539</td>
<td>2.1</td>
<td>9 Taiwan</td>
<td>12,704</td>
<td>1.9</td>
</tr>
<tr>
<td>10</td>
<td>Brazil</td>
<td>68,034</td>
<td>2</td>
<td>10 United Arab Emirates</td>
<td>8,707</td>
<td>1.3</td>
</tr>
<tr>
<td>21</td>
<td>Australia</td>
<td>38,708</td>
<td>1.1</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

With the commencement of Framework Agreement negotiations in 1996, the EU recognised the potential for increased economic cooperation in the Asia-Pacific. The European Commission (1996) suggested that

The Australian government has sought to bring the country closer to its Asian neighbours without diminishing the economic, political and cultural influence that has traditionally come from Europe. The approach now proposed by the Commission is intended to underline in a formal and public way the mutual interest for the EU and Australia in maintaining these links.

This statement indicates that the EU itself recognised Australia’s attempts to build closer relations with the Asia-Pacific region as being potentially beneficial to its own interests. As Elijah, Murray and O’Brien (2000, p. 29) argue, both the EU and Australia became ‘cognisant of the fact that they share an interest - albeit at times a competitive one - in Asia as a market and source of investment, and in trade liberalisation in the region’.

Despite the recognition of a commonality of economic interests in the Asia-Pacific region, this proved to be insufficient motivation for a Framework Agreement to be signed between Australia and the EU. As discussed in Chapter 4, the failure of the Framework Agreement can be mostly attributed to the dispute over the inclusion of a human rights clause. The agreement that was signed in 1997, the comparatively weaker Joint Declaration, contained little mention of shared economic interests in Asia. This suggests that the EU and Australia did not perceive each other to be sufficiently important economic partners with respect to their trade interests in the Asia-Pacific region. Subsequent to the failure of Framework Agreement there was a conscious effort to recognise the importance of shared economic interests. Downer (2001) emphasised that

Australia sees much value in a Europe that is actively engaged in the region on our doorstep. That is particularly so given the extent of Europe's economic interests in the Asia-Pacific and the diversity of its regional experience especially that drawn from its own experiment with multilateralism as it continues to build through the process of EU enlargement.

Continued emphasis on the EU’s importance was an attempt to indicate its economic significance in the region for Australian economic interests.
The signing of the Agenda for Cooperation in 2003 was a modest improvement with regard to the recognition of shared Asia-Pacific economic interests between Australia and the EU. There is a notable emphasis placed on the mutual interest of both Australia and the EU supporting the economic development of the region. According to Downer (1997b), ‘in an increasingly integrated world, the long-term stability and development of the Asia Pacific will also have a progressively greater impact on Europe’s prospects. So it is in Europe’s interest to work with regional countries like Australia across a range of economic and strategic issues of mutual interest’. Bilateral cooperation would enable both interlocutors to engage more effectively with powerful states in the Asia-Pacific, such as China and Japan (Kenyon, 2002).

**The importance of multilateral and regional organisations**

Together with the Agenda for Cooperation, another important development in Australia’s relations with the EU was increased cooperation at the WTO level. The European Parliament (2001) emphasised in a report that ‘both sides reaffirmed their strong support for the multilateral trading system’ and ‘efforts to build consensus for the launch of a new round of multilateral trade negotiations at the WTO Ministerial Conference in Doha’. This support for the Doha round of WTO negotiations has subsequently become a key aspect of EU-Australia economic cooperation, and was demonstrated specifically in the Agenda for Cooperation, which called for the completion of the ‘WTO Doha Development Agenda’ as part of progressing ‘issues of mutual benefit’. Support for the Doha Round involved Australia and the EU having ‘a joint interest in securing the further significant reduction of tariff barriers around the world, especially in the Asian region’ (Kenyon, 2002, p. 15). This is apparent in relation to services trade, which the Australian and EU economies are highly dependent on. As Kenyon and Kunkel (2005, p. 61) suggest, both Australia and the EU have ‘sought a substantial outcome’ to the ‘Doha mandate’s call for progressively higher levels of liberalisation of trade in services with no a priori exclusion of any sector or mode of supply’.

Towards the end of the Howard Government, a more consistent emphasis was being placed on shared economic interests between Australia and the EU in the Asia-Pacific region. Shared interests were evident in the 2007 Joint Ministerial Statement by
Alexander Downer and EU External Relations Commissioner Benita Ferrero-Waldner. This document provided momentum for the announcement of negotiations for a Partnership Framework agreement in June 2007 in order to update the previous Joint Declaration and Agenda for Cooperation. This document emphasised ‘strengthened coordination in the Asia-Pacific region’ (DFAT, 2008, p. 3) and was later an opportunity Rudd Government to further cooperation on shared regional economic objectives.

The signing of the Partnership Framework in 2008 saw further cooperation on Asia-Pacific economic issues with the Chapeau of the agreement noting ‘the growing strategic importance of the Asia and Pacific regions’ and ‘the mutual interest of both Australia and the European Union in greater engagement with these regions and contributing to strengthening institutions there’. This is apparent in relation to support for organisations such as ASEAN and the PIF. Furthermore, the agreement details both the ongoing support for, and increasing extent of, cooperation between Australia and the EU at both the G20 and WTO level. In the context of relations with countries in the Asia-Pacific region, this is particularly relevant, given that, according to the agreement, both Australia and the EU ‘share the same basic values in terms of trade liberalisation and the positive effects for the world trading system and for the world economy including developing countries’.

The updated 2009 Partnership Framework continued to emphasise increased cooperation on economic issues related to the Asia-Pacific. There was continued emphasis on the importance of regional institutions as well as international institutions such as the WTO and G20. Kenyon and Lee (2011, p. 120) saw the G20, in particular, as providing an additional avenue for multilateral engagement with the EU and its key member states. This emphasis on international institutions has had direct relevance for cooperation on economic issues in the Asia-Pacific region. With regard to the South Pacific for example, both Australia’s and the EU’s commitment to the WTO has directly impacted on their approach to the region. Parliamentary Secretary for Pacific Island Affairs Duncan Kerr (2009) argued that ‘close coordination between the EU and Australia, and our respective business communities’ as key elements in attempting to achieve more broadly ‘private sector development and trade liberalisation and facilitation in the Pacific’. The Partnership Framework
facilitated this development through a commitment to ‘work closely with the donor community, including through the Pacific Private Sector Development Donor Group (European Investment Bank, the Asian Development Bank, the World Bank/IFC and New Zealand), to coordinate private sector development and trade liberalisation and facilitation in the Pacific’.

Australia’s participation in the ASEM summit meeting in 2010 was a significant development in EU-Australia relations under the Rudd and Gillard governments. It represented the culmination of a more than decade-long attempt to join the organisation. Membership was initially sought by the Howard Government, with Australia being ‘keen to join the ASEM process both because we recognise its importance as a new link between two economically powerful regions, and because Australia is already closely integrated with East Asia’ (Downer, 1996b). Australia’s perceived need to participate in ASEM was undermined by the suggestion that Australia was already ‘a central member of the two regional bodies – APEC and the ASEAN Regional Forum – addressing the region’s economic and security relations’ (Wesley, 2007, p. 86). This scepticism contrasts with ASEM acquiring ‘a political symbolism that belied its marginal nature’ (Wesley, 2007, pp. 86-87). This symbolism derives from ASEM bringing ‘together so many world leaders and so many of our major trading partners’ in Europe and Asia (Gillard, 2010a)

With Australia now a member of ASEM, both the EU and Australia have an additional organisation through which to cooperation on shared economic objectives. In particular, Commission President José Manuel Barroso (2011a) suggested that Australia’s involvement has not only provided another avenue for EU-Australia cooperation but also strengthened ASEM as an institution. As Murray (2010, p. 53) argued, ‘Australia can be expected to punch above its weight and to play a distinctive role in Asia-Europe dialogue, given its affinity with the countries of Asia and its common values with the European Union’. This argument is disputed by David Capie (2011) who notes that Australia’s lack of interest in supporting the EU’s aspirations to join the EAS will limit its supposed ‘bridging role’ role between Europe and Asia. Nevertheless, Australia’s participation in ASEM saw a pragmatic embrace of an interregional organisation in order to address key interests. As Foreign Minister Stephen Smith (2010) stated, ‘our participation in the Asia-Europe Meeting process
reflects Australia’s commitment to working regionally and multilaterally to address economic, political and security challenges’. ASEM therefore despite its limitations presents an additional opportunity for Australia and the EU to consolidate cooperation on shared interests in the Asia-Pacific region.

**Regional cooperation under the Abbott and Turnbull governments**

A key feature of the Abbott and Turnbull governments was how they saw ‘their Labor predecessors’ as spending ‘too much time thinking about multilateral institutions and too little time thinking about the practical foreign policy issues in Australia’s region’ (Wesley, 2013). This approach has been characterised by one interviewed EEAS official as ‘not helpful and misleading’ due to its simplicity (EEAS Official 1, 2013). As a result, relations with the EU and cooperation in the Asia-Pacific region had the potential to become less of a priority under the Abbott Government. Nevertheless, the Abbott Government did have foreign policy objectives that were conducive to continued close cooperation with the EU. The most obvious was its stated desire to adopt a ‘foreign policy approach in government… that puts economic diplomacy first’ (Bishop, 2013b). A key indication of this development was the Abbott Government’s early commitment to signing bilateral FTAs with a number of actors including the EU. From the EU’s perspective, Ambassador to Australia Sem Fabrizi (2013) suggested that ‘the new Government is very likely devote more efforts into exploring the feasibility of such an FTA, having explicitly listed the EU as a potential partner during the election campaign. We are ready to listen with great attention to Australian proposals’.

The ramifications of the opening of FTA negotiations in 2017 for cooperation between Australia and the EU for Asia-Pacific issues are becoming increasingly apparent. A report commissioned by the Europe Australia Business Council (2013) suggests that an FTA may present new opportunities for Australia. An interviewed Australian official stated that ‘Australia has to be creative in what we’re offering to get the EU to the table. Maybe Australia could be the gateway into Asia.’ Promoting the concept of a ‘gateway to Asia’ as part of FTA negotiations would indicate to the EU how their interests in the region would be served by completing an agreement. The future commencement of FTA negotiations was perceived as part of broader
bilateral cooperation in the region driven by shared economic interests (Fabrizi, 2013). More recently, this has again been expressed in terms of how ‘Australia's economy benefits strongly from Asian growth – that link is, potentially, a huge asset for UK and EU interests looking to springboard into Asia’ (Ciobo, 2016d). The likelihood of an FTA being completed quickly, however, is tempered by the EU having a number of other significant FTA negotiations that are ongoing, such as with India and Malaysia. Nevertheless, it is the negotiations themselves that may underline the extent of shared interests in the Asia-Pacific region thereby demonstrating to both parties the value of closer cooperation.

The Growing Recognition of Shared Security Interests

Early efforts to formalise cooperation

As successive strategy papers from the mid-1990s have outlined, the Asia-Pacific region is increasingly becoming an important foreign policy and strategic concern of the EU, much like Australia’s own longstanding engagement with the region. As Murray (2010, p. 65) argued, the EU and Australia have a ‘shared interest in developing close relations with East Asia, as seen in the EU’s East Asia Strategy of 1994 and the influential Garnaut 1989 report’. Aside from economic issues, additional avenues for cooperation developed in EU-Australia relations during the 1990s. This was demonstrated by the exchange of letters by Prime Minister Paul Keating and then European Commission President Jacques Santer and the subsequent decision to launch negotiations for Framework Agreement. This agreement, according to the Commission (1996) specifically aimed to build upon Australia’s history of engagement with the Asia-Pacific region. This indicates the argument made by Keating (1997) that ‘the more Australia is integrated into (the Asia-Pacific) and the closer our relations are with our Asian neighbours, the greater will be our relevance to Europe and our influence there on the things that matter to us’. This suggests that a shared strategic interest in the Asia-Pacific region in the 1990s underlined the decision of Australia and the EU to seek a closer relationship through negotiations for a Framework Agreement.
Negotiations for a Framework Agreement during the 1990s placed specific emphasis on the opportunity for further cooperation between Australia and the EU on security issues. As Downer (1997a) suggested during negotiations,

It is also clear from Australia’s pivotal role in the Asia-Pacific region - and the EU’s renewed interest in Asia - that there are many other opportunities for cooperation in the region in relation to the development of democratic institutions, the promotion of fundamental human rights, and combating the proliferation of weapons of mass destruction.

From an EU perspective, a similar alignment of interests with Australia in the region was noted in the 1994 New Asia strategy. The importance of the New Asia strategy in facilitating renewed EU interest in the Asia-Pacific region and improved EU-Australia cooperation on regional issues was brought to attention by Downer during Framework Agreement negotiations. Downer (1997a) argued that the EU ‘had neglected important aspects of its relations with Asia’ and that the strategy ‘set out a number of proposals to redress the imbalance’. While negotiations were ultimately unsuccessful, Downer’s assessment would indicate that they helped to identify shared security and strategic interests in the Asia-Pacific region.

The 1997 Joint Declaration refers to shared EU-Australian strategic interests in the Asia-Pacific region. The preamble ‘notes the growing importance of the Asia-Pacific region and Australia’s position as a major country in that region’. These sentiments demonstrate the continuation of government narrative that Australia is perceived to have specific expertise on how to effectively engage with other countries and institutions in the Asia-Pacific region (Downer, 1997a). The 1997 Foreign and Trade Policy White Paper identified the potential for Australia to act as a ‘platform’ in its relations with the Asia-Pacific region (DFAT, 1997). The Commission (1997b, p. 1) argued that ‘Australia plays a unique role in the Asia-Pacific region, which makes it all the more important for the EU to maintain and further develop its relations with Australia in the coming years’. This underlines the importance of Australia’s past experience in engaging with the Asia-Pacific region in contributing towards closer EU-Australia relations.

With the signing of the Joint Declaration, the Australian government expressed a desire to learn from the ‘wealth of experience’ that the EU has in areas such as
‘preventative diplomacy and confidence-building measures’ and their ability to contribute to ‘Asia-Pacific security issues through dialogue processes’ such as the ARF and ASEM (Downer, 1996a). This experience of the EU derives from its own post-World War II experiences and the contribution that it could make to the development of Asia-Pacific security architecture. In addition, a key feature of the Joint Declaration was the subsequent impact that it had in facilitating closer cooperation on security and strategic issues between Australia and the EU. The agreement refers to the shared interest in ‘the promotion, in full respect of international laws and treaties, of peace, stability and prosperity in Europe and the Asia-Pacific region’. This was followed by much more specific pledges for briefings to Australian representatives on Common Security and Defence Policy (CFSP) meetings, with Australia committing to consult the European Council and the Commission on Australia’s foreign policy, including in relation to developments in the Asia-Pacific. Consequently in May 1998, annual meetings between senior officials from both Australia and the EU Troika, which related specifically to developments in the Asia-Pacific region, commenced. These meetings involve discussions between Australia officials and the European Council’s Asia-Oceania Working Group, otherwise known as COASI, and helped to establish that Australia and the EU had similar positions on regional issues. An example being the regional instability associated with the fall of the Suharto regime in Indonesia in 1998 and the independence referendum held in East Timor in 1999. This demonstrates the growing recognition that ‘the EU receives Australian expert analysis on the Asia-Pacific region, especially on human rights and security issues, and has benefitted from the opportunity to tap into the expertise of Australia’s Asian specialists’ (Murray, Elijah, & O’Brien, 2002, p. 409).

The threat of terrorism and regional instability as facilitating greater cooperation

An important factor in building closer security cooperation between Australia and the EU has been the threat of terrorism that emerged subsequent to the 11 September 2001 attacks in the US and the Bali bombings in Indonesia in 2003. The concern about a threat of terrorism to both Australia and the EU was evident in the 2003 Agenda for Cooperation, which noted that since 2002 a ‘strategic dialogue’ had been established in ‘in light of a volatile global environment’ and in order to share ‘our
assessments on international and regional security developments, including through high-level exchanges on strategic issues’. As Director of the Policy Unit of the General Council Secretariat Helga-Maria Schmid (2009, p. 9) remarked, the global nature of terrorism necessitates closer cooperation as ‘no individual country can achieve security alone’. The importance of cooperation, particularly in the Asia-Pacific region was indicated by Downer’s (2004) statement that ‘the work that the European Union is doing in South East Asia to help the South East Asians counter terrorism complements the work Australia’s doing and we appreciate it very much’. The complementarity of Australian and EU objectives in the Asia-Pacific region was evident in relation to the Aceh Monitoring Mission (AMM) which was launched the Province of Aceh in Indonesia during 2005.15 The AMM represented the first time that the EU’s CFSP had been implemented in the Asia-Pacific region. As Downer (2006) later stated,

Aceh is a good example of a European contribution to solving a problem a long way from the continent to benefit the peoples of South East Asia. The efforts of former Finnish President Maarti Ahtisaari, to broker a peace deal in the Indonesian province have been warmly welcomed and the EU’s participation in the Aceh Monitoring Mission followed through on Ahtisaari’s success.

The extent of shared strategic objectives was further consolidated with the establishment in 2004 of the Australian-Indonesian initiative, the Jakarta Centre for Law Enforcement Cooperation. Support from the Netherlands saw the EU subsequently provided financial support for this initiative as it saw it as ‘strengthening the investigative and management capacities of the Indonesian National Police and other law enforcement agencies so that they are better able to detect, prevent and investigate serious transnational crime’ (EU Delegation Indonesia, 2004). The decision to support such an initiative is an example of shared interests resulting in tangible areas of cooperation.

The signing of the Partnership Framework between Australia and the EU further formalised shared strategic objectives in the Asia-Pacific region. Objective 3 of the Partnership Framework outlines in very specific detail the nature of bilateral

15 The Aceh Monitoring Mission ‘was established to monitor the implementation of various aspects of the peace agreement set out in the Memorandum of Understanding (MoU) signed by the Government of Indonesia (GoI) and the Free Aceh Movement (GAM) on 15 August 2005’ (Aceh Monitoring Mission, 2006).
cooperation on regional issues such as supporting democratic reform in Fiji and implementing the Cairns Compact on Strengthening Development Coordination in the Pacific to ‘make aid to the region more effective by reducing aid fragmentation and the administrative burden of aid’. These agreements indicate how ‘the agreement itself has been very important for setting out the sort of things that we are doing and the things that we should do’ (EEAS Official 2, 2013).

An example of cooperation specifically related to security and strategic issues has been the coordination of Australia and EU policy on the issue of Fiji regarding the appropriate measures needed in order to see the restoration of democracy. This ambition, enunciated in the 2008 Partnership Framework, was further emphasised in the revised version of the agreement in 2009. This agreement detailed the continuing need to ‘engage in a concerted manner with all relevant stakeholders to encourage and support respect for human rights, and an early return to democracy and the rule of law in Fiji’. An interviewed Prime Minister and Cabinet (PM&C) official stated, ‘the Partnership Framework had moving parts so things could be achieved. It was an outcomes orientated document’ (PM&C Official 1, 2013). The ‘outcomes orientated’ aspect of the Partnership Framework was later demonstrated by the implementation of the agreement allowing Australia to directly implement EU development aid in Fiji. The overarching structure of the Partnership Framework agreement was then perceived as facilitating tangible instances of cooperation between Australia and the EU on Asia-Pacific issues.

Shared support for regional organisations

A particularly notable aspect of Australian cooperation with the EU in the Asia-Pacific region has been the shared support for both existing and new regional organisations. Table 4 details major Asia-Pacific regional and interregional organisations and indicates whether or not Australia and the EU are members. Regarding ASEM, since Australia joined in 2010, there has been an opportunity to utilise Australia’s ‘networking’ capabilities as part of trying ‘to deal with global challenges’ and to develop ‘common understanding between the EU and the Asia-Pacific region’ (EEAS Official 3, 2012). The EAS, in contrast has seen Australia included in a major Asia-Pacific regional organisation and the EU being excluded.
According to Capie (2011, p. 168) Australia’s view on EU membership ‘in the EAS is that, having settled on eighteen members, “we should shut, lock and bolt the door”’. In response to this situation, the EU has continued to advocate its case for membership, especially given ‘the recent adhesion of Russia and the US’, which has ‘increased the importance of that forum in the field of security’ (Council of the European Union, 2012, p. 14). The EU has called for the Australian government to more actively support its push for membership, given that the Australian government has stated that ‘it would like the EU more involved in the region’ (EEAS Official 4, 2012). The benefits of EU membership, it has been suggested by an EEAS official, would then assist in developing shared EU-Australia Asia-Pacific regional objectives, particularly in the areas of trade, security and human rights (EEAS Official 4, 2012).

Table 4: Asia-Pacific regional organisations: Australia and EU membership compared

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Australia</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARF</td>
<td>Yes, founding member in 1994</td>
<td>Yes, founding member in 1994</td>
</tr>
<tr>
<td>APEC</td>
<td>Yes, since the organisation’s inception in 1989</td>
<td>No, observer status requested in 1993 but declined</td>
</tr>
<tr>
<td>ASEM</td>
<td>Yes, member since 2010</td>
<td>Yes, founding member in 1996</td>
</tr>
<tr>
<td>EAS</td>
<td>Yes, founding member in 2005</td>
<td>No, but is actively seeking membership. Treaty of Amity and Cooperation (TAC) signed as a necessary precursor to membership</td>
</tr>
<tr>
<td>PIF</td>
<td>Yes, founding member in 1971</td>
<td>No, but is a dialogue partner</td>
</tr>
</tbody>
</table>

Despite their shared support for existing regional architecture, there have been suggestions, mainly from Australia, regarding the need for an additional regional organisation. This support for a new regional organisation derives from the shared belief that ‘there is a need for a stronger multilateral security organisation, something more than the ARF’ (EEAS Official 5, 2012). There have been a number of attempts to try to launch discussions surrounding the creation of a new organisation from Australian governments. One of the most notable of these attempts was from Prime Minister Kevin Rudd (2008c), who advocated for the creation of the APC, which would be ‘able to engage in the full spectrum of dialogue, cooperation and action on
economic and political matters and future challenges related to security’, as ‘at present none of our existing regional mechanisms as currently configured are capable of achieving these purposes’. A particularly notable aspect of this speech was Rudd’s emphasis on the need for the Asia-Pacific region to foster, similarly to Europe in the 1950s, ‘prosperity and a common sense of a security community’. The EU was supportive of Rudd’s proposal, with a Council official noting that ‘Australia has made many good proposals, including under Rudd the Asia-Pacific Community, which have failed once or twice already’. The same official did, however, mention that ‘now we are looking at the EAS, and there must be a way to do this and we must be involved, once we get our act together’ (Council Official 1, 2012). This suggests that the EU’s inability to join the EAS curtails its ability to support Australia in further developing what is arguably the major Asia-Pacific security organisation.

**The Abbott and Turnbull governments and bilateral cooperation on Asia-Pacific security issues**

The Foreign Minister under both the Abbott and Turnbull governments, Julie Bishop (2014b), placed ‘economic diplomacy’ as the first priority of the Abbott Government, with the linking of ‘economic growth’ with ‘security, stability and peace’. An emphasis on historical ties and alliances such as those with the US, UK and New Zealand was the second Abbott Government foreign policy priority. Finally, multilateral and regional institutions such as the UN and APEC and building stronger bilateral regional relationships such as with China, Japan and Indonesia, were the final two foreign policy priorities of the Abbott Government (Bishop, 2014c). This formulation of foreign policy priorities created uncertainties around cooperation with the EU. Regarding the Asia-Pacific region specifically, the Abbott Government said that it wants to place significant emphasis ‘on bilateral ties with our friends and neighbours – these are the vital building blocks of our international diplomacy with our particular focus on the Indo Pacific’ (Bishop, 2014b). A consequence of this emphasis were potential limitations on cooperation with the EU given that the government failed to mention it in the context of its approach to the region.

Despite Bishop’s early statements, Australia and the EU still share common interests in relation to regional stability. More recently, Bishop (2014) stated that ‘Australia
supports active European Union engagement in the Asia-Pacific security system, including through all relevant ASEAN-led processes’. Given the renewed focus on regional security and stability, the EU remains an actor of relevance to Australian interests. This was expressed by Bishop (2014) who argued that the ‘government is unambiguously focusing our foreign policy efforts on our region – the Indian Ocean and Asia-Pacific. But that doesn’t mean that we don’t also have interests that are global and interests that coincide with those of the EU’. Statements of this type indicate continued recognition, from the Abbott and now Turnbull governments’ perspective, of the EU’s relevance to Australia’s regional interests. From an EU perspective, the continuing and future potential of cooperation has been noted particularly in relation to ‘counter-terrorism, asylum, organised crime prevention’ (EU Delegation Australia, 2014a), with this being reinforced by the continuation of regular ministerial consultations, and talks between senior officials. The nature of this cooperation suggests that the Asia-Pacific region is now becoming an engrained or bipartisan feature of Australia’s relations with the EU.

**Aid and Development Cooperation**

*Slow recognition of shared interests*

Despite a lack of public recognition, development cooperation between Australia and the EU in the Asia-Pacific region indicates how shared interests have facilitated closer bilateral cooperation. This has been particularly the case with regard to the South Pacific, where the EU and Australia are the two largest aid donors. The potential of cooperation in the South Pacific region was first officially noted in the Joint Declaration in 1997 which specifically suggested that ‘in order to better achieve our common objectives, we will, as far as possible, coordinate our efforts and exchange pertinent information… in particular as regards the South Pacific region’. From the EU’s perspective a notable aspect of seeking further cooperation with Australia on development aid was Australia’s perceived expertise in the region. As Commissioner for External Relations, Chris Patten (2002) suggested that ‘we talk a great deal with our Australian colleagues about the particular aspect of development cooperation where frankly, they’re more knowledgeable than we are. For example, how we can best use our resources in the Pacific region’.
Notwithstanding the growing acknowledgement of shared development cooperation interests, it was only with the 2003 Agenda for Cooperation that tangible cooperation on development aid occurred. This agreement noted cooperation in ‘areas of mutual interest’, such as supporting ‘nation-building processes’ in East Timor and in the Solomon Islands as well supporting ‘programs to build good governance and economic growth in nations in the Pacific, particularly Papua New Guinea’. From the Australian perspective Downer (2004) suggested that ‘the Commission has released a sizeable amount… to help the Solomon Islands and other countries in our part of the world’, which demonstrated ‘the same global perspectives’ and shared values between Australia and the EU on development cooperation. The process of a direct association between Australia and the EU on development cooperation was facilitated by the commencement in 2004 of an annual bilateral development dialogue. The establishment and the continuation of annual development dialogue indicated that AusAID is seen by the EU as an ‘efficient deliverer of aid that complements the EU existing experience in this area’ (Commission Official 2, 2012).\textsuperscript{16} The establishment of an annual dialogue was followed by the issuing in 2006 of the Commission communication \textit{EU Relations with the Pacific Islands - A Strategy for a Strengthened Partnership}. The 2006 communication reinforced, according to Downer (2006), the benefits of ‘close coordination and collaboration’. In relation to Fiji, this was demonstrated by the EU sending 40 election observers to Fiji in 2006, with this representing the ‘first time the European Union has deployed such a long-term election observation mission to the Pacific region’, which demonstrates the bilateral ‘commitment to democratic values’ (Downer, 2006). This shows that how, in a relatively short period of time, the EU and Australia had recognised, and sought to utilise, their shared development interests in the Asia-Pacific region.

Since the publication of the EU’s 2006 Pacific strategy and the election of the Rudd government in 2007, there was additional momentum for increased EU-Australia cooperation on development aid issues. The 2006 Pacific strategy sought to ‘facilitate donor coordination both at EU level and with others, notably Australia and New Zealand, which the Commission will continue to pursue in order to further ease the

\textsuperscript{16} As of October 2013 AusAID was merged into DFAT.
pressure on the limited capacity of the national administrations concerned. Coordination is critical to avoid overlap or inconsistencies between those seeking to achieve common goals’ (European Commission, 2006, pp. 10-11). Similarly, from an Australian perspective, the benefits of cooperation with the EU and the desire to not overlap with regard to the delivery of development aid in the region were particular concerns of the Rudd Government. As Prime Minister Kevin Rudd (2008b) argued,

We have spoken at length about the need to work more closely together in the South Pacific. When I was recently in the Solomon Islands, I opened an aid project concerning health services to people suffering from various categories of diseases in the Solomons. And that was co-funded between the Commission and ourselves as the Australian Government. But it indicates where we can go to further, in the future in harmonising more effectively, our significant development assistance efforts with the Pacific Island countries.

The process of harmonising development assistance was assisted by the decision in 2007 to open a Pacific regional representative office of the European Investment Bank in Sydney. According to EU-Australian Ministerial consultations held in 2007, this decision ‘would help strengthen coordination between the European Union and other donors to the Pacific’ (Downer, 2007). Such a decision indicated the EU and Australia’s commitment to the management and coordination of development assistance in the Pacific region.

**The Partnership Framework and the Delegated Aid Agreement**

The signing of the Partnership Framework in 2008 helped to give new impetus to cooperation between Australia and the EU on development cooperation matters. Despite a commitment to the region, as argued by Parliamentary Secretary for Pacific Island Affairs Duncan Kerr (2009), there remained a lack of bilateral coordination on development issues in the Asia-Pacific. The Partnership Framework aimed to redress that issue by outlining the desire to ‘explore closer practical collaboration, including common diagnostic approaches and harmonised public financial capacity development’. This objective was deemed to be worthy of ‘immediate action’, with the ‘desired outcome’ being ‘improved coordination of Australian and EU assistance in the Pacific, as well as increased use of partner government systems at national, sub-national and sector levels’ in accordance with the 2005 Paris Declaration on Aid
Effectiveness. The 2009 reviewed Partnership Framework enunciated such commitments, demonstrating from an Australian perspective that its ‘interests aligned with the interests of the EU on specific official development assistance (ODA) issues’ (Markovic, 2009, p. 6).

Given the shared desire to more effectively coordinate development assistance, an agreement was proposed as part of the Partnership Framework in order to ‘facilitate delegated cooperation in aid delivery, whereby Australia could implement some aid projects on behalf of the EU, and the EU could implement some aid projects on behalf of Australia’. This proposal was subsequently implemented, with the first two Australia-EU delegated aid projects being in ‘South Sudan - where the EU will deliver food-security assistance on Australia’s behalf - and in Fiji, where Australia will deliver a component of the EU’s assistance’ (European Commission, 2011, p. 1). The decision to exchange funding reflects both parties expertise in development assistance in Africa and the South Pacific respectively. Table 5 explains this decision, given the EU’s significant aid commitment to Africa and Australia’s commitment to aid in the South Pacific. From the EU’s perspective, a notable aspect of this agreement was that ‘Australia is the first non-European donor with which the EU has established delegated aid cooperation arrangements’. As a Commission official suggested, ‘it is something you can only do with a partner with similar values and visions of development’ (Commission Official 4, 2012). An Australian official corroborated the significance of the agreement and also the potential for both Australia and the EU to ‘do a lot more together on overseas development assistance’ (DFAT Official 1, 2013). Development assistance provides a tangible example how underlining common interests in the Asia-Pacific region are driving substantive cooperation between Australia and the EU.
Table 5: 2012 Gross bilateral country-allocable Official Development Assistance: EU institutions and Australia compared ($US million at 2012 prices)

<table>
<thead>
<tr>
<th>EU Institutions</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Turkey</td>
<td>3065.7</td>
</tr>
<tr>
<td>2 Serbia</td>
<td>930.68</td>
</tr>
<tr>
<td>3 Egypt</td>
<td>796.45</td>
</tr>
<tr>
<td>4 Tunisia</td>
<td>602.8</td>
</tr>
<tr>
<td>5 Morocco</td>
<td>505.74</td>
</tr>
<tr>
<td>6 Bosnia and Herzegovina</td>
<td>338.29</td>
</tr>
<tr>
<td>7 West Bank and Gaza Strip</td>
<td>317.59</td>
</tr>
<tr>
<td>8 Congo, Dem. Rep.</td>
<td>284.58</td>
</tr>
<tr>
<td>9 Afghanistan</td>
<td>256.6</td>
</tr>
<tr>
<td>10 South Africa</td>
<td>251.84</td>
</tr>
<tr>
<td>11 Ukraine</td>
<td>245.21</td>
</tr>
<tr>
<td>12 Ethiopia</td>
<td>239.05</td>
</tr>
<tr>
<td>13 Niger</td>
<td>226.01</td>
</tr>
<tr>
<td>14 Kenya</td>
<td>222.38</td>
</tr>
<tr>
<td>15 Kosovo</td>
<td>200.96</td>
</tr>
<tr>
<td>16 Sudan</td>
<td>192</td>
</tr>
<tr>
<td>17 Pakistan</td>
<td>190.12</td>
</tr>
<tr>
<td>18 Brazil</td>
<td>188.8</td>
</tr>
<tr>
<td>19 Moldova</td>
<td>188.5</td>
</tr>
<tr>
<td>20 Mozambique</td>
<td>184.89</td>
</tr>
<tr>
<td>Indonesia</td>
<td>606</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>499</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>227</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>226</td>
</tr>
<tr>
<td>Philippines</td>
<td>174</td>
</tr>
<tr>
<td>Vietnam</td>
<td>145</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>121</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>107</td>
</tr>
<tr>
<td>Cambodia</td>
<td>101</td>
</tr>
<tr>
<td>Pakistan</td>
<td>88</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>67.54</td>
</tr>
<tr>
<td>Myanmar</td>
<td>57.73</td>
</tr>
<tr>
<td>Fiji</td>
<td>57.04</td>
</tr>
<tr>
<td>Laos</td>
<td>53.85</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>51.95</td>
</tr>
<tr>
<td>Samoa</td>
<td>51.49</td>
</tr>
<tr>
<td>Nepal</td>
<td>45.08</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>44.18</td>
</tr>
<tr>
<td>West Bank &amp; Gaza Strip</td>
<td>37.28</td>
</tr>
<tr>
<td>China</td>
<td>32.66</td>
</tr>
</tbody>
</table>

Source: Organisation for Economic Co-operation and Development (OECD) (2014a) and OECD (2014b)

The Abbott and Turnbull government and the implications for development aid cooperation

The Abbott government enunciated an approach to foreign aid that differed substantially from that of the Rudd and Gillard governments. The most obvious aspect of this change in approach involved the abolition of AusAID and the incorporation of all development aid responsibilities into DFAT. Julie Bishop (2014c) stated that 'we are refocusing our efforts, placing our aid program more clearly in the context of Australia’s national interest and that is why the aid program is now part of the Department of Foreign Affairs and Trade. We have created a single department with responsibility for advancing Australia's interest in diplomatic
trade and development context’. More importantly the Abbott government reduced Australia’s aid budget by $107 million in 2014 (Bishop, 2014a). Bishop (2014c) argued that this reduction was a response to the need to reduce the federal budget deficit and to focus ‘our efforts on our neighbourhood – the Indian Ocean Asia-Pacific – where we can make the biggest difference’. This decision may place constraints on the ability of Australia and the EU to advance cooperation in the future on development issues.

Irrespective of the continued budgetary constraints placed on Australia’s aid budget by the Abbott and now Turnbull governments, the Delegated Aid Agreement is still likely to facilitate bilateral cooperation on development related matters in the Asia-Pacific region. Sem Fabrizi (2014a) has suggested that the agreement allows the EU and Australia ‘to manage aid projects on each other’s behalf and thus avoiding costs of duplication of resources’. In 2014, specific monetary commitments associated with the agreement were announced, with $2.5 million being committed by Australia ‘over three years to an EU food security initiative to support the Government of South Sudan to strengthen the quality and use of food, livestock and nutrition information in decision-making’. Similarly, the EU will delegate $5.9 million ‘over three years to provide formal training and job placements through the Australian-Pacific Technical College’ (Bishop, 2014f). The agreement demonstrates to future governments that the EU is an effective and reliable partner in delivering Australian aid in a period of increased budgetary constraints. Fabrizi (2014b) suggested that the Delegated Aid Agreement involves ‘talking about spending taxpayers’ money – you must imagine the high level of mutual trust which this entails!’

The relevance of the EU as a partner in times of financial constraint is further apparent when considering the Crisis Management Agreement. This agreement is designed to strengthen Australia’s ‘ability to respond jointly to international crisis, by enabling Australian contributions to EU-led missions’ (Marles, 2013). As Fabrizi (2014b) remarked, such an agreement ‘will allow Australians to participate in EU-led civilian and military crisis management missions, such as our missions in the Horn of Africa’, which is ‘a potentially cost-effective way for Australia to engage in regions where it has significant interests’. Through increased cooperation with the EU,
future governments may find an effective actor with which to cooperate in support of its regional and international interests.

**Conclusion**

The development of cooperation between Australia and the EU on Asia-Pacific related matters has been a gradual process. Australia, due to its geographic proximity, has always had some degree of interaction with the region. This interaction, however, has shifted from being based on perceptions of the region as a threat to one of economic opportunity. The *Australia in the Asian Century* White Paper (2012, p. 78) states that since World War II ‘successive generations have transformed Australia from a nation that once built defensive walls to shield itself from the region and the globe into an open, outward looking, prosperous society, securing its future in the region’. Conversely, due to the lack of geographical proximity, the EU historically was less concerned with the concept of the Asia-Pacific region as a threat. A focus on other regions necessitated the decision by the 1990s ‘to accord Asia a higher priority and to deepen and extend its dialogue with Asian countries and regional groupings’ (European Commission, 1994, p. 1). For this reason, close cooperation on Asia-Pacific issues between the EU and Australia has only been a recent development.

Closer cooperation on the Asia-Pacific from an Australian perspective has been influenced by recognition of the EUs ‘commitment and institutional capacity to advocate democracy, the rule of law and human rights’, according to the Chairman of the European Australian Business Council Alastair Walton (2012, p. 4). This makes the EU Australia’s ‘natural ally as we confront the challenges that will inevitably arise during the ‘Asian Century’ (Walton, 2012, p. 4). An example has been the support by successive Australian governments since the 1990s for the EU to contribute its perceived expertise on the development of regional organisations such as ASEAN, the ARF and ASEM. Similarly, from an EU perspective, and particularly since the 2001 Asia Strategy, there has been a growing recognition that Australia is useful state with which to engage with on Asia-Pacific matters. An interviewed EEAS official suggested that there ‘is an opportunity for us to be collaborate in order for us to engage better with Asian countries in order to promote broader principles about level playing fields, investment, openness’, which are ‘all concepts that we both embrace’
In a substantive manner, these ‘broader principles’ have become increasingly more present in major bilateral agreements signed over the past decade such as in the 2008 and 2009 versions of the Partnership Framework agreement. The Partnership Framework particularly has helped to give expression to the nature of bilateral cooperation due to an entire section being dedicated to the Asia-Pacific region. Within that section, it is perhaps the Delegated Aid Agreement that best demonstrates the extent of bilateral cooperation, given that it involves the exchange of financial resources. The 2017 Framework Agreement also contains a commitment to ‘promoting synergies’ between respective aid ‘programmes, improving the division of labour and enhancing effectiveness on the ground’.

The likelihood of closer Asia-Pacific related bilateral cooperation is not necessarily certain, due to the financial constraints faced by the EU. From an Australian perspective, this issue has become particularly concerning, with a DFAT official remarking that ‘the continuing economic problems are going to reduce their [the EU’s] resource base. Their ability to provide the same level of foreign aid and exert the same level of smart power as they have in the past will be curtailed’ (DFAT Official 2, 2013). Also problematic is the reduction in Australia’s aid budget that has occurred under the Abbott and Turnbull governments. ‘Australia’s ODA budget has been cut by 33 per cent since 2013’, while ‘spending across government has increased by around 10 per cent over the same period’ (Bruere & Hill, 2016, p. 26). The reduction in aid spending contrasts with the reality, however, that the EU remains an actor of considerable relevance to Australia as demonstrated by the government’s decision to commit to delegating aid to the EU despite reductions in aid spending elsewhere. As Walton (2012) argues, it remains in Australia’s ‘national interest that the EU project is successful because of our need for Europe to continue to project its ‘soft power’ in the future of the Asian Century’. In purely financial terms, this is discernible, for example, in relation to EU’s funding of Australian counter-terrorism initiatives in Indonesia and its contribution to development aid in Fiji. Regardless of financial constraints, the Asia-Pacific region now represents a substantial foreign policy priority of the EU. As an EEAS official remarked, ‘if it’s the Asian century for Australia it is as much the Asian century for everyone, the European Union included. This serves as a focal point for a lot of the work that we do together’ (EEAS Official 6, 2013). With the Asia-Pacific region being a major focus of both Australia’s and
the EU’s foreign policies, it is likely to remain a key feature of bilateral cooperation between both actors.
Chapter 6: Case Study 1: ‘The protectionist monster’, the Common Agricultural Policy and its impact on EU-Australia relations

Introduction

The CAP has been the single greatest issue of contention in Australia’s relationship with the EU. This chapter analyses how the CAP became, and remained, the most significant irritant in bilateral relations between Australia and the EU. It focuses on how successive Australian governments, in the process of criticising the CAP, allowed one issue to negatively influence broader relations with the EU. Australia’s reluctance to engage with a unique international actor is consistent with realist scepticism of the EU due to its perceived complexity and limited coordinated foreign and security policy capabilities (Keukeleire & Delreux, 2014). This framework shows how an emphasis has been placed on relations with actors deemed to be of most importance to Australia’s core strategic and economic relationships, namely the US and the Asia-Pacific region, at the expense of other actors such as the EU. The EU has traditionally been perceived as an actor that is marginal or even contemptuous of Australian interests in the case of the CAP.

Despite its longevity as a source of conflict between Australia and the EU, this chapter argues that the CAP, over the past twenty years, has become a significantly less problematic issue. This development can be associated firstly with major EU reforms of the CAP during the 1990s. Also important was the decision of successive Australian governments from the late 1980s onwards to begin to place less emphasis on the CAP in the context of overall bilateral relations. Australia realised the effectiveness of ‘multilateralising’ discussion of the CAP by moving discussion to the multilateral or WTO level. Australia became cognisant of the increasing capacities of the EU as an international actor, contributing to a belief that Australia’s interests were best attended to by seeking a more broad-based approach to bilateral relations that places emphasis on cooperation in areas such as trade, research and innovation, education and climate change. As a case study, the CAP demonstrates the evolution of Australia’s approach to relations with the EU, a transition from focusing on a single issue of disagreement to engagement across a wider variety of issues.
Identifying a Threat: The implementation of the CAP and the impact of UK accession

The introduction of the CAP and initial Australian perceptions

The CAP was first enunciated in the Treaty of Rome in 1957 in Article 33, establishing the European Economic Community (EEC), which identified the need for a common policy ‘to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour’ (EEC, 1957). The CAP was implemented in 1962 as part of an attempt by the EU to ‘achieve the objectives of farm income support, promote technical efficiency and efficiency of resource use, price stabilisation and food security’ (BAE, 1985, p. 1). These objectives, in particular, indicate that agriculture had, already by 1957, developed into a policy area where control at the supranational level was perceived as desirable particularly due to the need to avoid food shortages, as was the case in the immediate aftermath of World War II. The original design of the CAP showed the position of agriculture in Europe as ‘a sector lagging behind the modernisation path in which the general economy had embarked’, thereby justifying a ‘special status among public policies’ (Garzon, 2006, p. 172).

Irrespective of its perceived merits as a core policy of the EEC, the impact of the CAP was to restrict the access of third countries to EEC agricultural markets. Two of the CAP’s main principles, the Community preference principle and the financial solidarity principle, directly restricted the access of third countries. The Community preference principle refers to the ‘CAP regime of import tariffs and export subsidies designed to give preference to EU products over imported ones’ effectively protecting domestic producers ‘from foreign competition’ (da Conceição-Heldt, 2012, p. 163). From the perspective of third countries, the subsidisation of EU agricultural exports artificially decreased world prices for agricultural goods. This created a ‘protectionist system contrary to the principles of non-discriminatory trade’ (da Conceição-Heldt, 2012, pp. 163-164), which had severe repercussions for countries with substantial agricultural trade with the EU at the time of the CAP’s introduction in 1962.
The impact of the implementation of the CAP on Australia was not perceived to be significant by the Menzies Government given that Australian agricultural exports focused almost exclusively on the UK, not yet an EU member. Deputy Prime Minister of Australia John McEwen (1970a, p. 323) argued that Australia ‘has never had an important trade with the present Six countries of the Community, this system has not hurt us significantly up to the present’. Furthermore, the Australian government had supported early European integration, although to a lesser extent with regard to agriculture. Prime Minister Robert Menzies (1968a, p. 284), after the signing of the Treaty of Rome in 1957, suggested that ‘we have a very watchful eye on the future of our agricultural exports, but if the economic strength and therefore the purchasing power of Western Europe is improved, we as a trading nation may secure some benefit’.

**British EU accession negotiations and the response of the Australian government to the ‘threat’ of the CAP**

Following the EU’s implementation of the CAP, the Australian government’s focus was entirely on the likely impact of UK accession to the EU. Menzies (1961, p. 139) argued that

> The decision that will ultimately be taken by Great Britain, to enter on the negotiated terms or to stay out, will be the most momentous peace-time decision in living memory. Upon its wisdom and success probably the future of the free world and most certainly the future of our own family of nations will turn. It follows that Australia will bring to her own negotiations with Great Britain and, as we venture to hope, with The Six, not only the most powerfully presented exposition and defence of her own interests, for her own future is our special care and responsibility.

The Australian government was to maintain its campaign to secure continued access to the British market throughout the period of UK attempts to join the EU during the 1960s and 1970s. The determination of the government was indicated by McEwen (1970b, p. 4), who argued that ‘Australia will fight and fight hard for satisfactory trading opportunities to which we are entitled. In particular we cannot, and will not, stand by while Common Markets are formed at the expense of increasing the barriers to trade against third countries’. In response, however, it was noted that ‘during the
last ten years, Australia has succeeded in diversifying its export markets and its sources of capital and adapting the structure of its exports thanks to the expansion of mining and the development of manufacturing’. Australia was further perceived as being ‘in a favourable position to develop trade with the enlarged Community which will be perhaps different from that done traditionally with the United Kingdom but which will be no less profitable’ (European Commission, 1972, p. 354). The response of the EU to Australian complaints needs to be seen in the context of how Australia’s criticism of the CAP towards the end of the 1960s had begun to take on a more strident tone. An interviewed Department of Agriculture, Forestry and Fisheries (DAFF) official suggested that ‘there were times when there was almost open warfare such as during the time of Jack McEwen’ (DAFF Official 1, 2013). This aggressive tone and approach would then come to define much of Australia’s attempts to secure continued access to the British market.

With the emerging possibility of UK accession, the Australian economy was also beginning to diversify with respect to the number of exports markets available. The UK’s unsuccessful attempts to join the EU were an impetus for this development. It provided further momentum for Australia to consolidate the development of new markets such as iron ore with Japan, meat with the US and wheat with China, during the 1950s and 1960s (Miller, 1976, p. 93). In addition to the growth of trade with alternative markets there was a decline in Australia’s trade with the UK during the 1960s, irrespective of accession negotiations. Figure 8 shows the clear decline in trade with the UK occurring simultaneously to the rapid growth in exports to Japan. Another important development demonstrated in Figure 8 was the slight increase in trade that occurred with Australian exports to EC member states despite the supposedly negative impact of the CAP. Ultimately, such evidence brings into question the credibility of the Australian government’s complaints with regard to the potential impact of British EU membership on the Australian economy.
Despite the apparent lessening of the potential impact of UK accession, it was still perceived by the Australian government as likely to have a significant impact on the Australian economy. McEwen (1970b, p. 2) argued that ‘Britain has always been, and remains a vital market for many of our farm products. In 1969-70 Britain took 41 per cent of our fresh fruit; 67 per cent of our butter. It was a market for $44 million worth of our meat; $31 million of our sugar; $36 million of our butter. For many of these products there are just no alternative available markets’. These claims explain the Australian government’s decision to continue to adopt an aggressive approach to securing continued UK market access.

The continued identification of negative implications surrounding the impact of UK accession on the Australian economy had the effect fostering and sustaining Australian criticism of both the UK and EU. The sense of indignation experienced by Australian officials was directed towards British negotiator for EU accession, Geoffrey Rippon. Rippon was criticised by Prime Minister William McMahon in 1971 for failing to secure for Australia a ‘transitional period’, which he had promised in an earlier visit to Australia (Benvenuti, 2008, p. 56). This transitional period would

Source: (Crawford, 1968, p. 224)

\(^{17}\) Average 1950-55 figures for all export markets has been calculated based on the average value of exports across the 1950-55 period.
have allowed for the gradual, instead of abrupt, ending of Australian access to the British agricultural market. When an announcement was made that such a transitional period would not occur in 1971, a widespread view emerged that Australia’s interests were considered by British and EU officials as being of little importance in the context of overall accession negotiations (Benvenuti, 2008). According to Miller (1976, p. 103), Australia was viewed by these officials as being ‘remote, prosperous and rich’, and was capable of adapting to any loss of access to the British market. Australia’s situation was contrasted with that of New Zealand, which was able to negotiate some level of continued access to the British market. This was based on the Commission’s assertion that Australia’s ‘total external position would… be affected only marginally by British entry, whereas New Zealand’s could be wrecked’ (Miller, 1976, p. 103). Perceptions of this nature emphasised the dramatic divergence between Australia and the EU in their understandings of each other’s interests.

Despite the lack of concern from UK and Commission officials, the response of the then Australian government contributed towards the further deterioration of relations with the EU. This was based on what Miller (1976, p. 102) termed the ‘McEwen line’ with regard to the perceived ‘demanding tone’ of the Australian government in its negotiations with Commission officials. A specific example was McEwen’s (1970b, p. 5) statement that Australia was willing to effectively bypass the Commission by doing ‘all that it can to obtain the cooperation of others in requiring terms and conditions consistent with a “fair deal” for our exports’. This position demonstrates the Australian government’s reluctance to negotiate with the Commission directly and the EU more generally on the question of UK accession. The tone of these negotiations would provide the context for what would prove to be a particularly antagonistic decade of bilateral relations between Australia and the EU.
The One-Policy Relationship: The CAP’s emergence and consolidation as the overriding issue in EU-Australia relations

British EU accession and its initial impact on Australia

The UK’s accession to the EU had the immediate effect of terminating the longstanding United Kingdom-Australia Trade Agreement (UKATA). Deputy Prime Minister Doug Anthony (1972, p. 1530) suggested that ‘once Britain assumes its obligations to the enlarged European Economic Community, she will be unable to continue to carry out her obligations under UKATA’. The Australian government did not immediately abandon attempts to secure some form of compensation for the loss of access to the British agricultural market. Upon its election in 1972, the Whitlam Labor government continued to seek tariff reductions and other concessions from the EC. The Commission specifically mentioned that during 1974 ‘the measures taken by the Community to restrict imports of meat were a major point of discussion’ between Australia and the EU (European Commission, 1975, p. 431). Ultimately in 1974, this resulted in what was termed by Deputy Prime Minister and Minister for Overseas Trade Jim Cairns (1998, p. 479), as a ‘settlement’ between Australia and the EEC. This settlement saw the reduction of certain duties imposed on Australian goods entering the EEC market and an increase in the EEC’s levy free-quota for beef and veal. Despite the negotiation of this deal, it was not viewed as ‘adequate compensation’ by Cairns (1998, p. 480) due to the combined loss of market access to the UK, Ireland and Denmark, which had all acceded to the EU in 1973. The government’s perception of the inadequacy of this ‘settlement’ consolidated existing negative attitudes towards the EU prior to the UK’s accession.

The inadequacy of its ‘settlement’ with the EU would help to further foster and intensify Australian criticism of the CAP. The Whitlam Government clearly enunciated that while industries that were affected by Britain’s entry into the EEC represented only $158 million of overall primary exports of $2 billion, these industries were ‘particularly sensitive’ and would face difficulties finding alternative overseas markets (Grassby, 1972, p. 1300). The major concerns of the Whitlam Government regarding the CAP were the ‘build-up’ of EU beef stocks and the virtual closure of access to the EU market for beef by 1975 (Sprott & Dickie, 1976, p. 32).
Whitlam (1975, p. 63) noted the ‘disruptive and harmful nature’ of restrictions on the Australian meat industry. The Bureau of Agricultural Economics (BAE) assessed the impact of UK accession as contributing to Australian rural exports declining from $283 million in 1970-71 to $100 million in 1975-76 (Sprott & Dickie, 1976, p. 32) as indicated in Table 6. Similar figures were presented in 1978 by the Fraser Government, which argued that ‘in 1972-73 Australia exported 427,000 tonnes of sugar, 32,200 tonnes of butter and 110,000 tonnes of beef to the EEC’, the application of the CAP to UK imports had subsequently ‘wiped out’ exports of these commodities (Garland, 1978, p. 831). These calculations correspond to the decline in trade evident with respect to several commodities in Figure 9. Figure 9 indicates the rapid decline in exports of commodities such as sugar, wheat and barley. This provides support to the arguments of successive Australian governments as to the immediate impact that UK accession would have on Australian exports. As a further example of this, Malcolm Fraser (1977, p. 352) argued that ‘in 1960 our exports to members of the Community accounted for 40 per cent of our total exports. Now that proportion has been reduced to fewer than 15 per cent, to a significant extent because of the restrictive policies of the European Economic Community’.

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Source: (Sprott & Dickie, 1976)
As part of sustained criticism of the CAP by the Fraser Government there was an attempt to achieve some form of increased access to the EU agricultural market through the appointment of John Howard as Special Trade Representative to the EEC. Howard (1977, p. 2875) would later claim that ‘there is now a much better understanding, both of the depth of feeling throughout Australia and the fact that this Government will not be easily dissuaded in its efforts to improve our access to those markets’. The actual effectiveness of Howard as Special Trade Representative was questionable with Roy Jenkins (1989, p. 189), President of the European Commission, arguing that ‘Howard ... was perfectly nice but inexperienced. He had clearly been sent by the egregious Fraser with an extremely rough but foolish negotiating brief’. Criticism of Howard also came from the Labor Party opposition. While careful to note ‘the very dire effects on the trading relationships of this country with the European Economic Community’, the Labor Party’s spokesman on Industry and Commerce Christopher Hurford (1979, p. 2570) argued that
If ever ockerism was epitomised in national negotiations, we find the evidence of it in the relationships between the Fraser Government and the EEC. No amount of huffing and puffing, whether it is by Prime Ministers before dinner or by Ministers for Special Trade Representations after dinner, will repair the damage that has already been done to this country’s reputation in the way that these negotiations have been carried on.\footnote{The term ‘cker’ can be used both as a noun and an adjective for an Australian who speaks or acts in an uncultured manner.}

The forceful stance of the Fraser Government was perceived to have ‘merely impaired the already unsatisfactory relations with the EEC’ (Renouf, 1983, p. 76). Subsequently, this demonstrates how, irrespective of the validity of its criticisms of the CAP, the Fraser’s Government’s approach further exacerbated the decline of bilateral relations with the EU.

Australian criticism of the CAP came at the same time as significant expansion of alternative agricultural export markets during the 1970s. The need to diversify Australia’s agricultural markets, irrespective of criticism of the EU, was promoted by successive Australian governments. For example, Ransley Garland (1978, p. 831), Special Trade Representative to the EEC after Howard, stated that ‘when the EEC was expanded from the original six countries to its present nine countries… all acknowledged the need for us to seek new markets. That we have done and that we shall continue to do’. The relative success of the diversification of Australian exports was shown by the growth of agricultural exports to the Asia-Pacific region. With regard to Japan for example, trade grew by 59.6 per cent from 1963 to 1975 (McColl & Nicol, 1978). The diversification of Australia’s agricultural export markets contributed the Commission stating that the Fraser Government criticism of the CAP was disproportionate to its actual impact on the Australian economy. In particular the Commission called for emphasis to be ‘laid on the need to improve relations through a more constructive and more detailed approach which took into account both sides’ longer-term economic and political interests’ (European Commission, 1979, p. 279). Certain Commission officials were also critical of Malcolm Fraser with the \textit{Australian Financial Review} (1986, p. 14) noting that ‘Fraser astonished and angered the European Community with what they called his ‘wild buffalo diplomacy’.

Nevertheless, it is important to note that the EU at the time was particularly obstinate with regard to negotiating on agricultural issues. Benvenuti (1999, p. 182) has argued...
that ‘although Fraser’s European policy was unsuccessful, this was not principally his fault’, with the EU’s inflexibility meaning that he could never secure any substantial measures that would improve Australian access to EU agricultural markets. In particular, the Commission appeared more concerned with what it saw as ‘Australian protectionist measures, in particular those affecting ‘Community exports of footwear, motor-cars and textiles’, rather than Australia’s ‘considerable concern over certain aspects of the Community’s agricultural policy’ (European Commission, 1981, p. 272).

By the end of the 1970s, the Fraser Government’s concerns regarding the CAP began to focus increasingly on its distortionary impact on the global market for agricultural goods. As Fraser (1977, p. 352) argued, ‘to make matters worse, artificially stimulated domestic surpluses in the European Economic Community are being exported’ to Australia’s ‘other traditional markets around the world’. Figure 10 shows how the CAP resulted in Australia’s exports of certain agricultural goods such as wheat, butter and cheese decline as an overall percentage of world trade. Over the same period, however, the EU’s export of these same agricultural goods expanded significantly. The significant increase of subsidised EU exports under the CAP provided an additional element of complexity in an already strained EU-Australia relationship. This further consolidated the Fraser Government’s perception that Australia was ‘the country worst affected by the enlargement of the EEC and its Common Agricultural Policy’ given that ‘surely nobody thought that the EEC would compete with us through its heavily subsidised agricultural surpluses in those new markets to which we have turned’ (Garland, 1978, p. 831).
Through continually focusing on the CAP, the Fraser Government failed to appreciate that some progress might be made in this area if Australia developed the overall relationship such as in relation to political, defence and social issues (Renouf, 1983). This argument was also made by the Commission (1983, p. 250) which stated ‘that relations continue to be somewhat strained on the economic plane, since Australia complains that the common agricultural policy is hitting its export trade and refers to the “growing imbalance in trading opportunities”’. The approach of the Fraser Government did not improve the chances that it had to achieve any substantial reform.
of the CAP. Fraser (1979, p. 2564) argued ‘the justice of the Australian case’ and that ‘there has been increasing acceptance in Europe of the basic correctness of the Australian position’, meaning that ‘that the Common Agricultural Policy could and should be amended to take account of the legitimate trading interests of countries such as Australia’. The Fraser Government also sought to utilise Australia’s close relations with the UK as a means to try to secure reform of the CAP despite this approach proving to be largely futile (Kunkel, 2003). This approach underlined scepticism of the EU and a counterintuitive emphasis on seeking to utilise ties with the UK despite its unwillingness to advocate on Australia’s behalf.

**The further consolidation of the CAP as a bilateral irritant during the early 1980s**

The beginning of the 1980s consolidated the CAP’s position as the major irritant in EU-Australia relations. The election of the Hawke Labor Government in 1983 continued the aggressive approach of Australian governments in seeking reform of the CAP. As Brown (1983, p. 23) suggested, ‘so long as agricultural surpluses are exported by the EEC as a result of subsidised production under the Common Agricultural Production, there will be difficulties between Australia and the Community’. The Hawke Government’s criticism of the CAP focused its impact on Australia’s agricultural exports globally. This emphasis continued that of the Fraser Government, in that ‘Australia’s concern was not so much to recover lost European markets but to avoid losing markets in other areas to heavily subsidised European exports’ (Richardson J., 1992, p. 212). Concerns of this nature were expressed by Bob Hawke (1985, p. 593), who argue that the impact of the CAP ‘has been compounded by a major new issue – the threat to our third markets posed by the subsidised export of very large agricultural surpluses’. Of particular concern was the loss of competitiveness in the Asia-Pacific region due to the ‘dumping’ of subsidised exports, which contributed in part to estimations that the CAP cost Australia’s agricultural industry $1 billion a year (Dawkins & Kerin, 1985, p. 893). In response to the issue of dumping, Hawke (1985, p. 593) argued that, while ‘EC enlargement in 1972 had urged the course of market diversification’, the decision to export subsidised goods to the Asia-Pacific region ‘now puts the fruits of that responsible effort to risk’. Given the depiction of the international impact of the CAP by the Hawke
Government, it was no surprise that it remained the dominant issue in EU-Australia relations.

Despite its criticism of the CAP, a notable ambition of the Hawke Government was to formulate a more subtle and considered campaign for reform. Kerin (1983a, p. 197) stated the Hawke Government’s ‘wish to resolve our bilateral trading problems by more constructive and effective consultations’. Richardson (1992, p. 213) contrasted the ‘ministerial pronouncements in the previous decade’, which ‘had been notable for their vehemence’, with ‘the rhetoric of the 1980s [which] was couched in the economic rationalist language of the time’. The framing of its approach with regard to the Hawke Government’s domestic economic reform agenda did not necessarily mean that the Hawke Government’s criticism of the EU and the CAP was delivered in a less forthright manner than had previously been the case. For example, Hawke (1987, p. 14) argued that ‘the problem of protectionism to not only economic well-being’ but to ‘goes to our fundamental political relationships’. In response, the Commission report of 1987 noted the manner bilateral discussions were directed towards economic, and in particular, agricultural issues (European Commission, 1988, p. 301). Hawke’s criticism indicates how his government initially still viewed the CAP as a central issue in relations with the EU irrespective of its attempts to differentiate itself from the previous government.

In seeking reform, the Hawke Government sought to demonstrate the negative impact of the CAP within the EU. A significant component of this attempt was the BAE report published in 1985, *Agricultural Policies in the European Community: Their origins, nature and effects on production and trade*. The report aimed to demonstrate the costs and inefficiencies associated with the CAP within the EU. The Commission’s Delegation to Australia (1985) suggested, however, that

While such academic exercises had their value they should not be carried out in isolation from the real world, and in particular, should not overlook the need to evaluate policy options in all relevant terms such as the advantages to consumers and to producers, of a degree of stability of supply and of prices greater than those associated with world markets, and of the inter-relations between policy choices on a multilateral scale.
The report nevertheless was also used by the Hawke Government to attempt to
demonstrate to the EU that the CAP was the ‘number one problem faced by
Australian farmers in their attempts to obtain reasonable return for their products on
the international market’ (Dawkins & Kerin, 1985, p. 893). The BAE report had a
dual purpose of providing ‘detailed estimates of the cost of the CAP to Australian
exporters, amounting to almost $1 billion per year’ and placing ‘emphasis on the costs
to the European countries themselves’ (Richardson J., 1992, p. 213). In addition, the
report was issued immediately prior to the visit to Australia by European
Commissioner for Agriculture Frans Andriessen. The Hawke Government used the
report to reinforce to Andriessen the internal implications of the CAP, and that ‘the
CAP is also the basic factor in the very serious problems faced by all temperate
climate primary producing industries in Australia’ (Kerin, 1985a, p. 896). The
effectiveness of the report was questionable as Andriessen would later state that ‘it is
my conviction that if we allowed the market to operate, we would lose millions of
farmers and the economy would be charged with the burden of supporting them’

The BAE report demonstrated that the Hawke Government’s approach to the issue of
the CAP did not differ substantially from that of the Fraser Government. Indeed, the
commissioning of such a report shows how the Hawke Government let the issue of
the CAP dictate its scepticism of the EU. For example, the Australian Parliamentary
Delegation to the EU’s (1985, p. 22) report noted that ‘the initial impact of loss of
access to community markets for a wide range of key commodities had subsequently
been compounded by the market eroding and price depressing effects of the
subsidised disposal of EC surpluses to third countries’. Hawke (1985, p. 593) also
indicated the inconsistent approach of the government in its desire to adopt a less
aggressive approach to the CAP when he argued that ‘we may in recent years have
sought less stridently to obtain a more cooperative relationship with the Community’,
while at the same time appointing a Special Trade Commissioner to the EU to lobby
individual EU member states. This demonstrates the similarity of the Hawke
Government’s approach to CAP reform to that of the Fraser Government. The
‘increasingly censorious’ approach of the Hawke Government towards the EU and the
CAP resulted in annual ministerial consultations being cancelled by the EU in 1986
(Benvenuti, 1998, pp. 71-72).
A factor that had the potential to change the approach of the Australian government was the possibility of CAP reforms. In 1985 the Commission offered a form of concession when it ‘undertook not to extend the export of subsidised beef into markets in East Asia’ to which Australia had significant exports (Richardson J., 1992, p. 214). While this decision only related to one particular aspect of agricultural exports, it was viewed as important by Kerin (1985b) in helping to develop positive government attitudes towards the newly appointed Commission. Nevertheless, Australian criticism of the EU and the CAP continued due to continued lack of substantive reform. As Richardson (1992, p. 214) argues, while the EU’s undertaking regarding the export of subsidised beef was ‘observed for the remainder of the decade’, it ‘did not signal any general willingness on the part of the Commission to restrict exports, and was not followed up with respect to other commodities’. Only a number of months subsequent to the so-called ‘Andriessen assurance’, Hawke (1986a, p. 236) suggested that Australia need to utilise all of ‘diplomatic capacity to bring about any substantial change in direction’ as the ‘massive agricultural export subsidies provided by the European Economic Community and others are well entrenched’. The nature of these comments suggests that only substantial reforms would lessen the focus of the Australian government on the CAP in its relations with the EU.

The launch of the Uruguay Round of the GATT and the creation of the Cairns Group: The implications for the CAP and EU-Australia relations

The most notable event with regard to reform of the CAP during the Hawke Government occurred with the launch of the Uruguay Round of the GATT in 1986. This saw the emergence of the Hawke Government’s desire for a multilateral approach to CAP reform and recognition of the failure of the previous bilateral approach. The 1985 BAE report, in addition to aiming to foster EU agricultural reform, was intended by the Hawke Government to provide further impetus towards having the CAP, and agriculture internationally, included as part of the next round of multilateral trade negotiations (MTN). This came in contrast to ‘previous rounds of MTNs’ which failed ‘to address seriously the causes of our corrupted international agricultural trading system’ with the consequence for Australia being, the ‘persistent,
insidious erosion of our position as a major non-subsidising supplier of farm products’ (Hawke, 1986b, p. 334). With the start of a new round of MTNs, however, also came the idea, from an Australian perspective, that the EU should be more receptive to at least some reform of the CAP. Trade Minister John Dawkins (1986b, p. 810) suggested that the EU ‘committed the community to negotiations on agriculture in the Community’s interests as well as that of others’ based on the CAP ‘costing too much – and the character of the cost is becoming more evident’.

A major development associated with the commencement of the Uruguay Round was the establishment of the Cairns Group. Operating within the framework of the Uruguay Round, the Cairns Group aimed to ‘build the most broad-based and strongest possible coalition of non-subsidising agricultural exporters who like Australia, have seen their markets damaged by the subsidy practices of the major trading countries’ (Dawkins, 1986a, p. 617). From an Australian perspective the emphasis that it placed on the Cairns Group was recognition that it alone could not achieve reform of the CAP. Dawkins (1986a, p. 617) argued that ‘Australia’s international leverage depends fundamentally on working in collaboration with other non-subsiding countries. Otherwise our shared interests and concerns could by bypassed’. By negotiating in isolation, Australia could be dismissed as an outlier, whereas by working ‘within the broad church of the Cairns Group’ they could initiate policies that ‘had negotiating weight and substance’ (Adams, Brown, & Wickes, 2013, p. 123).

Despite the commencement of the Uruguay Round, the establishment of the Cairns Group, at least initially, only provided an additional avenue for Australia to criticise the EU and the CAP. This indicates the slow progress of the Hawke Government’s desire to multilateralise the issue of the CAP. Hawke (1986c, p. 655) argued at the first Cairns Group meeting in 1986 that agricultural reform ‘requires a dedicated and concerted effort by all countries committed to the liberalisation of agricultural trade; and it is a process requiring a series of deliberate, carefully considered steps’. Direct criticism came, however, when he argued that

Each year the European Community channels into agriculture in the order of US$100 billion in direct subsidies and consumer transfers. This massive subsidy to European farmers has induced them to produce much more than Europe itself can consume. The huge surpluses are being dumped onto world
markets, with the aid of large export subsidies. Not only is this devastating farming communities in our countries, it is hurting Europeans themselves.

The tone of such comments demonstrates that the Cairns Group, at least initially, acted as an additional avenue for Australian criticism of the CAP and the EU. Table 7 demonstrates further the specific focus of the Hawke and later Keating governments’ on the EU and its agricultural policies. It shows the number of anti-dumping cases taken by Australia against the EU compared to other actors within the GATT. For example in 1991-92 Australia took 22 cases against the EU while only taking 4 cases against the US, a country which had often been the subject of Australian criticism regarding its agricultural policies. Australia’s emphasis on the EU was commented on by Commissioner for External Relations and Trade Willy De Clercq (1988, p. 9), who drew attention to criticism of the CAP in comparison to the failure to acknowledge the US’s Export Enhancement Program.

Table 7: Australia's anti-dumping actions against selected countries and regions

<table>
<thead>
<tr>
<th>Year</th>
<th>ASEAN</th>
<th>China</th>
<th>Korea</th>
<th>Taiwan</th>
<th>USA</th>
<th>EU</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983-84</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>0</td>
<td>8</td>
<td>18</td>
<td>6</td>
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<tr>
<td>1984-85</td>
<td>4</td>
<td>0</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>1985-86</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>1986-87</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>5</td>
<td>8</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>1987-88</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
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<tr>
<td>1988-89</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>2</td>
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<td>1989-90</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>4</td>
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<td>0</td>
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<tr>
<td>1990-91</td>
<td>7</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>5</td>
<td>11</td>
<td>5</td>
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<tr>
<td>1991-92</td>
<td>11</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td>4</td>
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<td>1992-93</td>
<td>17</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>14</td>
<td>1</td>
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<tr>
<td>1993-94</td>
<td>11</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>9</td>
<td>2</td>
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<tr>
<td>1994-95</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
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Source: (Kenyon & Lee, 2006, p. 57)

A contributor to the tense nature of the EU-Australia relationship throughout the 1980s was Australia’s inability to comprehend the importance of the CAP as an EU policy. The CAP, despite its inadequacies, continued to be viewed as a justifiable policy by the EU in that it ‘had improved farming in the Community’ and ‘enabled the EC to become one of the biggest world producers and exporters of foodstuff’ (Benvenuti, 1998, p. 59). The CAP was viewed as a ‘perfectly legitimate system of
agricultural management’, since the EU saw agricultural markets as not being ‘governed by free market forces’ (Benvenuti, 1998, p. 59). Frustration was specifically expressed, as there was ‘broad agreement between the EC and Australia in 14 of the 15 sectors to be negotiated’ in the Uruguay Round (European Commission Delegation Australia, 1990). The Hawke government, however, continued to be unable to grasp the importance of the CAP to the EU. Hawke (1991, p. 7) argued that

The key to the future of world trade is GATT; the key to GATT is the Uruguay Round; the key to the Uruguay Round is agriculture; and the key to agriculture is reform of the European Community’s agricultural protection policies. The Europeans are principally responsible for the corruption of the international market in agricultural goods, which adversely affects this country and other free traders in the Cairns Group.

The repetition of such criticism was viewed with some annoyance by the EU, especially considering what was viewed as substantial reforms of the CAP in the 1980s. Higgott (1991, p. 256) argued that ‘gradual change over the last decade has been noticeable and the Commission has expressed irritation at the failure of Australia, and others, to notice’. This frustration also extended to what the EU perceived somewhat as Australian hypocrisy over the quarantine restrictions placed on EU goods such as pork and beef entering Australia. Despite Australia seeing such restrictions as a necessary biosecurity measure, the EU saw them as ‘hypocritical and protectionist’ (Bambrick, 2004, p. 10). Consequently, the commencement of the Uruguay Round of the GATT, at least initially, saw little decrease in bilateral tensions between Australia and the EU over agriculture.

From a Major Issue to a Minor Irritant: The CAP’s declining influence on the EU-Australia relationship

**A changing environment: The realisation of the impact of the CAP on broader bilateral relations**

Despite criticism, there was gradual acknowledgement of the impact of the excessive focus on one issue by government in the context of overall bilateral relations. Kerin (1983b, p. 950) for example, criticised the previous Fraser Government by
questioning ‘what runs did the Opposition get on the board with the EEC by engaging in abuse and head kicking? It got nowhere. Today we deal in trade negotiations by diplomacy, not by abuse. There are no gains from indulging in abuse’. Kerin’s observations about ‘abusing’ the EU indicate the ineffectiveness of Australia’s traditional approach to seeking CAP reform. Such an emphasis on attacking the EU reinforced how opportunities for closer overall bilateral cooperation were ignored. EU Ambassador to Australia Ove Juul Jorgensen (1987, p. 16) for example, suggested that the ‘there is more to the EC-Australia relationship than just agriculture, with the ‘EC remaining Australia’s second-largest export market and its largest supplier. The Community is also Australia’s major source of foreign investment’. Figure 11 details the significance of EU investment to Australia in 1990, prior to the implementation of the single market, and its importance compared to other sources of foreign investment. Despite this situation the recognition of the EU’s economic importance to Australia, in contrast to an emphasis on the CAP, would be a gradual process that would only begin to emerge in from the late 1980s onwards.

**Figure 11: Foreign investment in Australia 1990: Total level of investment ($A million)**

![Diagram showing foreign investment in Australia 1990](image)

Source: (EC Delegation Australia, 1992, p. 26)
Motivating greater Australian interest in the EU, as analysed in Chapter 4, was the ratification of the Single European Act (SEA) in 1987. The aim of the SEA ‘was to add new momentum to the process of the European construction so as to complete the internal market’ by 1992 (Europa, 2010). The Hawke Government was obliged to consider the implications of the SEA, irrespective of remaining concerns surrounding the CAP. The need to consider the impact of the single market was suggested by Michael Duffy (1989b, p. 3), who argued that ‘the domestic policy adjustments of the European community… have an enormous bearing on the economic welfare of third countries such as Australia’. There was a recognition that ‘the harmonisation process, the structural adjustment that will need to take place within Europe, and the fact that exporters to Europe will face one set of regulations instead of several, should provide new and easier opportunities for export’ (Duffy, 1989c, p. 188). An indication of the need to better understand the single market was the issuing by DFAT of a series of reports titled The European Single Market Implications for Australia. These reports detailed that, among other benefits, the ‘single market should simplify and assist trade in manufactured products and services’ and also ‘offer increased opportunities for joint ventures between Australian and European firms’ (DFAT, 1992). The development of the single market demonstrated to the Hawke Government the opportunities associated with a more constructive relationship with the EU.

Coinciding with the EU’s establishment of the single market was the continuation of negotiations of the Uruguay Round of the GATT. The first four years of the Uruguay Round ‘passed by without much being achieved’, with ‘Australia, the Cairns Group and the US, on one side, and the EC, on the other’ (Kenyon & Lee, 2006, p. 186). Although these negotiations placed significant emphasis on the CAP, they did help to consolidate the belief that the ‘crucial reality is that Australia alone can have only limited impact on the entrenched protectionist interests’ (Flood, 1987, p. 312). The Uruguay Round provided Australia with the opportunity to ‘internationalise the contentious issue of the CAP and garner international support in order to urge the EC to reform its agricultural polices’ (Benvenuti, 1998, p. 72). In addition, there was the important recognition that the reform would occur as a consequence of the ‘high cost of the CAP, not because of pressure for change from Australia, Canada, America or elsewhere’ (Haig, 1992, p. 23). While this may appear to negate the importance of initiatives such as the Cairns Group, they did help to indicate the need for the
Australian government to further encourage the process of CAP reform that was already occurring within the EU due to budgetary constraints. This was acknowledged by the report of the Australian Parliamentary Delegation to the EU (1989, p. 88) that the most effective way of obtaining CAP reform ‘is to attempt to convince those responsible for financing it, of the costly and inefficient practice that they are funding’. Statements of this nature indicate the increasing recognition at the political level of the futility of Australia’s previous attempts to seek reform of the CAP.

An important factor in decreasing bilateral tensions was also the increased recognition of the Hawke and Keating governments that the CAP itself should no longer dominate relations with the EU. This development was not only associated with the SEA, and the move towards the single market, but with the perceived need to engage with the EU areas of common interest particularly in relation to trade. The Australian business community, in particular, sought to develop ‘a relationship with Europe based on trade’, which recognised ‘that the EU does not merely equal the CAP and that the EU cannot simply be characterised as an economic monolith’ (Murray & Topic, 1993, p. 8). Furthermore, attention was drawn to Australian politicians and the need to ‘consider when they are making statements about the EU that they can do Australia a great deal of damage, simply by giving the impression that we do not really mind whether we have European long-term industrial investment or not’ (Haig, 1992, p. 26). Haig’s support for a more broad-based approach to relations with the EU was accompanied by the significant growth in bilateral trade and investment that had taken place in the late 1980s and early 1990s. A specific example was the growth in services trade that occurred over the period 1985-94, indicated in Table 8, with services exports more than doubling. As a result, the gradual development of a more constructive approach to the issue of the CAP reform can, in part, be seen as being motivated by economic imperatives.

**Table 8: EU-Australia services trade 1985-94**

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<tr>
<td><strong>EU</strong></td>
<td>1295</td>
<td>1494</td>
<td>1745</td>
<td>2049</td>
<td>2299</td>
<td>2423</td>
<td>2538</td>
<td>2862</td>
<td>2917</td>
<td>3189</td>
</tr>
</tbody>
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Source: (DFAT, 1996b, p. 5)
The Keating Government’s recognition of excessive criticism of the CAP contributed to an approach to relations with the EU with a more positive mindset. An example was Gareth Evans (1992) noting that ‘despite longstanding difficulties over agriculture, Australia had developed a positive relationship with the European Community focusing on bilateral cooperation’, including ‘collaboration on a range of issues, such as the environment, energy, science and technology, development assistance, industry cooperation and business networks’. A key indication of this trend was the signing of the Science and Technology Agreement in 1994, with Australia becoming the first ‘non-EU member country to sign a Science and Technology Agreement with the EU’ (DFAT, 2011). In addition, a Wine Agreement was signed in 1994 granting Australia greater access to the EU wine market. Commenting of both agreements in the context of the CAP, the Australian Parliamentary Delegation to the EU (1993, p. 6) ‘stressed the importance of bilateral cooperation’ and ‘commended the development of agreement to improve access and promote the trade of Australian wine to the discerning markets of Europe and an agreement on science and technology transfers’. Developments of this nature suggest that even before the conclusion of the Uruguay Round, the shift in approach of Australian governments was beginning to ensure that the CAP was becoming less of a dominant feature in bilateral relations.

**The importance of CAP reform and changing Australian perceptions of the EU**

The lessening of tensions surrounding the CAP in the 1990s was a gradual development. This process was facilitated in the first instance by the 1992 MacSharry reforms. These reforms aimed to increase the ‘competitiveness of EU agriculture, stabilise the agricultural markets, diversify the production and protect the environment, as well as stabilise the EU budget expenditure’ (DG Agriculture and Rural Development, 2012). Consequently, it became clearer that CAP reform was motivated by internal rather external pressures. Jorgensen (1991, p. 21), suggested that reform did not occur because of ‘external trade or foreign policy reasons’ but as a result of the need to more effectively meet the needs of European producers and consumers. Reforming the CAP would have ‘important consequences in our [the EU’s] external trade relations, as price and market support become less important in
maintaining our farmers’ income’ (Jorgensen, 1991, p. 21). From an Australian perspective the MacSharry reforms were perceived as providing ‘encouraging signs’ for the completion of the Uruguay Round of the GATT (Crean, 1991). For the first time an Australian government could begin to become more confident regarding the EU’s commitment to reforming the CAP, thereby facilitating the process in which it could become less of a dominant factor in bilateral relations. The reforms ‘represented a watershed. They helped to reduce the “out and out” protectionism of the CAP’ (DAFF Official 1, 2013).

The MacSharry reforms undoubtedly provided significant momentum for the eventual completion of the Uruguay Round in 1994. The reforms helped to ‘pave the way for the European Community’s eventual agreement to major reforms of the GATT rules for agriculture’ (Tanner, 1996, p. 3). Momentum provided by the reforms resulted in the Keating Government issuing positive pronouncements regarding the EU’s contribution to the eventual completion of the Uruguay Round. Evans (1994) acknowledged ‘the EU’s eventual support for the conclusion of the Uruguay Round’ as being a ‘welcome acknowledgement of the importance it really does place on global trade liberalisation’. Moreover, this support ‘helped to clear away the only substantial blockage in the government-to-government relationship’. These thoughts are understandable, as the completion of negotiations contributed ‘at least conservatively $2.5 billion worth of benefits for Australia, including $1 billion of benefits from an agreement on agriculture’ (Keating, 1993, p. 1). Keating’s estimations of the benefits of the completion of the Uruguay Round would later be demonstrated by the significant expansion that took place in Australia’s agricultural exports to the EU and Japan as indicated in Figure 12. Table 9 further indicates that the total value of Australian exports to the EU15 grew from $1.9 billion in 1992-93 to $2.4 billion in 1999-2000. These developments therefore provide clear evidence of the substantial benefits of agricultural reform to the Australian economy.
Figure 12: Value of Australian agricultural exports by select markets 1992-93 to 1999-2000 ($A million)

Table 9: Value of Australian exports to the EU15 1992-93 to 1999-2000 ($A million)

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</thead>
<tbody>
<tr>
<td>EU15</td>
<td>1989</td>
<td>1854</td>
<td>2105</td>
<td>2008</td>
<td>2224</td>
<td>2762</td>
<td>2425</td>
<td>2452</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Agricultural and Resource Economics (ABARE, 2000, p. 21)

The completion of the Uruguay Round provided further momentum for the reconceptualisation of bilateral relations beyond a singular focus on issues of disagreement to encompass multifaceted cooperation. This improvement was noted subsequent to the 1995 EU-Australia Ministerial Consultations. The 1995 Joint Communiqué suggested that ‘fresh perspectives, resulting from the strengthened multilateral trading system with the conclusion of the Uruguay Round and the establishment of the WTO, as well as the entry into force of the Maastricht Treaty, have created a basis for a broader and more forward looking relationship’ (European
Commission, 1995c). The Maastricht Treaty in particular, facilitated increased acknowledgement of the EU as an international actor due to the creation of the Common Foreign and Security Policy (CFSP) and the moves towards the creation of the Euro. The completion of the Uruguay Round, however, resulted in ‘running sores’ being able to be ‘left behind, having been dealt with to the mutual satisfaction of both parties and we can make a fresh start in the relationship’ (Brittan, 1994). Indicative of this ‘fresh start’ was the commencement of negotiations for a Framework Agreement in 1995 in order to provide ‘a formal instrument to underpin the growing importance of the EU-Australia relationship’ (European Commission, 1995c). The Australian government was able to see the broader benefits of closer cooperation with the EU. Consequently, the period of the Hawke and Keating governments saw a tangible reduction in tensions surrounding the CAP and the emergence of broader bilateral relationship with less emphasis on singular areas of policy disagreement.

‘The anti-Australian policies of the EU’: The re-emergence of the CAP as a bilateral issue under the Howard Government

Despite the transition that took place under the Hawke and Keating governments’, the re-emergence of a ‘one policy’ relationship under the Howard Government was a distinct possibility. The Howard Government’s complaints regarding the CAP came in addition to their scepticism of the relevance of the EU as an important international actor. The CAP re-emerged as a source of bilateral tension in successive highly critical statements that emanated from future Howard Government ministers during the early 1990s. Future Foreign Minister Alexander Downer (1991, p. 34) argued that since British EU accession Australia had

A dialogue of the death with Brussels. Everybody knows that the Common Agricultural Policy is ridiculous nonsense and European politicians, particularly those outside Britain and the Netherlands, are politically pusillanimous; they do not have the guts to address the issue and at the end of the day they just do not care. Their selfish indifference is as great as the indifference to human welfare of nineteenth century British mill owners. Their behaviour is just disgraceful.

Downer’s sentiments indicate the historical animosity of members of the Howard government towards the EU regarding the CAP. Contemplating his time as Special
Trade Representative, Howard (2004a) argued that ‘I’ve been complaining about the European Union for the whole time I’ve been in politics. The second ministerial job I had was Minister for Special Trade Negotiations in 1977 trying to get a better trade deal in Europe. I didn’t do very well, but then neither have any of… my successors’. Consequently, the election of a Howard Government presented a high likelihood of a return to a bilateral relationship with the EU being dominated by the issue of the CAP.

Upon being elected in 1996, the Howard Government adopted an approach to the EU and the CAP that reflected its rhetoric in opposition. Deputy Prime Minister and Trade Minister Tim Fischer (1996b) saw ‘agricultural policy issues’ as remaining ‘central to the Australia-EU relationship, given the importance of this sector to Australia’s economic growth and the capacity for EU agricultural policies to directly affect the livelihood of Australian farmers and exporters’. As a result of this renewed emphasis on the CAP, the Howard Government issued a report entitled European Union Agricultural Policy Towards 2000: An Australian Perspective. This report regarded the MacSharry and Uruguay Round reforms as being ‘an important step, but first step only, in the process of reform of the CAP, and that reforms must ultimately lead to less government intervention and subsidies whilst increasing responsiveness to international market forces’ (DFAT, 1996a, p. 22). The report further emphasised that, although the Australian government would adopt a ‘constructive approach’ towards encouraging further CAP reform, they would ‘protect vigorously Australia’s national interests’ in the agricultural sector.

The years subsequent to the report on the CAP confirmed the centrality of agricultural issues in relations between Australia and the EU under the Howard Government. The most notable instance of criticism of the CAP came in relation to comments made by Howard (1997b, p. 3) who advocated the ‘need to reject the minimalist approach of the European Union’. Criticism of the CAP was not restricted to the Prime Minister. Minister for Transport and Regional Development Mark Vaile (1997, p. 3639) argued that ‘anybody who has travelled to Europe and raised the issue of the Common Agricultural Policy with any of those European countries knows that you get met with a stony look and a blank wall with regard to any moves to address the inequities that that policy creates’. In response to the lack of CAP reform, European Commissioner for Agriculture Franz Fischler (1997, p. 2) argued at a conference in Australia that ‘as
we do not go around telling others how to run their farming sectors, others should do likewise with us’. Comments such as these demonstrate how criticism of the CAP in the early years of the Howard Government saw it again emerge again as a conflictual issue in bilateral relations.

The Howard Government’s early antipathy towards the CAP continued despite the EU’s Agenda 2000 reforms in the late 1990s. The reforms contained a number of objectives, including improving the competitiveness of EU agriculture on both internal and external markets; contributing to the stability of farm incomes; integrating environmental goals into the CAP and develop the stewardship role of farmers in managing the countryside; assisting the creation of alternative job opportunities for farmers and; contributing to economic cohesion within the EU (Garzon, 2006, p. 46). These reforms were described by European Commission Vice President Leon Brittan (1998, p. 4) as a ‘highly significant step towards a European agricultural regime which will progressively eliminate production subsidies in favour of direct payments for farmers, in a manner not entirely dissimilar to the mechanisms which already exist in Australia and elsewhere’. The Howard Government, however, saw the Agenda 2000 reforms as inadequate. Fischer (1997a) argued that ‘the actual proposed changes to the CAP arrangements themselves would be too limited in scope and too slow. They would also fail to deal with important market access restrictions’.

In response, Brittan (1997, p. 5) argued that the ‘repetition of long-standing arguments of principle on agriculture is not going to help the case for, or pace of, reform and may overlook the very substantial steps which have been taken’. In addition, the EU began to reiterate previous complaints regarding restrictions on access to the Australian market due to quarantine restrictions. EU Trade Commissioner Pascal Lamy (European Commission, 2003b, p. 1) argued that ‘despite Australia’s constant claims to be the leading force of free agricultural trade, its own quarantine system continues to block unjustifiably the import of a number of agricultural products into Australia. Contrary to WTO rules, these import prohibitions are not based on a scientific risk assessment’. These contrasting perspectives clearly demonstrate the wide gulf in perceptions that were apparent between the EU and Australia during the initial years of the Howard Government.
Bilateral relations as more than just agriculture: The broadening of the Howard Government’s engagement with the EU

The shift of the Howard Government towards adopting a less strident approach towards the issue of the CAP was a gradual process. An early indicator of a shift was when Downer (1998b, p. 5295) suggested that ‘where there have been disputes over agriculture, there still are tensions, but we are heading in the right direction’. The downplaying of tensions was challenged by the perceived inadequacy or delay in substantial CAP reform. This was the case with the maintenance of criticism of the Agenda 2000 reforms with Fischer (1999) arguing ‘the failure of the Agenda 2000 reforms to deliver any meaningful reforms earlier this year, means that Australia and the Cairns Group of agricultural fair traders, will be pursuing agricultural reform all the more vigorously in the forthcoming WTO negotiations’. Subsequently, there was some moderation of language when Trade Minister Mark Vaile (2001) argued that ‘that our relations with the EU are defined by more than just agriculture, important though it is. We have an increasingly diverse economic relationship’. The emphasis on the broader economic relationship, similar to the Hawke Government, needs to be viewed in the context of a major EU economic initiative in the introduction of the Euro. At the government level by Tim Fischer (1998b) and at the official level through a report commissioned by DFAT (1999), specific benefits were identified as being associated with the Euro’s introduction for Australian exporters to the EU. Murray (2005, p. 72) suggested the importance of the introduction of the Euro as contributing to a ‘heightened emphasis on the EU as an entity’ of importance for Australia. These developments demonstrate the transformation of previously inadequate preconceptions of the EU’s importance to Australian interests.

Following the Agenda 2000 reforms and the introduction of the Euro, was the signing of the Agenda for Cooperation. Issued with this agreement was a ‘stocktake’ of bilateral relations, which noted the broad-based nature of bilateral cooperation in areas such as trade, employment, science, the environment and development aid. Improved EU-Australia relations also need to be viewed in relation to the 2003 ‘Mid-term’ review of the CAP, as part of the Agenda 2000 reforms. This review process aimed to ensure the ‘economic viability of European agriculture’ by reinforcing market orientation; achieve ‘social balance by means of income support’; reinforce
‘the rural development policy by increasing its funding and focusing on the most fragile regions’; and improve the ‘implementation of CAP decisions through simplification, decentralisation and budgetary rigour’ (Garzon, 2006, p. 48).

Responding to the announcement of these reforms, Vaile (2003a) argued, ‘I am pleased to see proposals for de-linking payments from production, as many of the payments under the CAP are currently production-stimulating. The reduction in farm-payments is also welcome’. Australia and the EU were beginning to develop similar views on the issue of agricultural reform, particularly in the context of the Doha Round of the WTO. For example in 2004 when the EU agreed to reduce agricultural export subsidies Downer (2004) argued that if similar reforms could be ‘embraced by other countries and … to be frank, if it can be embraced by the United States, that is something that we’d very much welcome’. The improved nature of relations with the EU was further indicated when Downer (2004) suggested that ‘we don’t want just to come to Brussels and criticise the Commission on agriculture, it’s good to be able to come here and say something really positive about what they’re doing’.

In its latter years, the Howard Government continued to adopt a less critical approach towards the issue of CAP reform and relations with the EU more generally. According to Kenyon and Kunkel (2005, p. 55), this resulted in ‘the rejection of some of the stridency that scarred the relationship in earlier periods in favour of pursuing a policy of broader engagement with the EU based on common values and interests’. An indication of the ‘rejection of stridency’ was continued emphasis on a less confrontational approach to relations with the EU by several Howard Government ministers. For example, Downer (2007) again reinforced that Australia and the EU predominantly had similar objectives with respect to the Doha round of the WTO. Statements of this nature, however, did not result in the elimination of disputes between Australia and the EU over the CAP. EU Trade Commissioner Peter Mandelson (2006) suggested, ‘if we heard as much messaging to the United States on the farm subsidies as we in Europe hear from Australia on market access in agriculture, then I think that Australia’s approach would be considered a bit more

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19 An interviewed Commission official noted the extent to which ‘a lot of agricultural discussions now happen through the WTO’, and that, in particular, ‘Doha cooperation is in contrast to difficult relations in the past’ (Commission Official 2).
balanced’. Mandelson’s frustrations indicated the tendency for agricultural issues to remain as an issue of contention, especially due to Australian quarantine restrictions.

Furthermore, the EU Delegation to Australia (2013, p. 22) noted in a rather blunt manner, in a publication to celebrate 50 years of EU-Australia relations, that ‘throughout the period of his [Howard’s] government in 1996–2007, relations were not easy’. Most prominent of these tensions were those that occurred between Downer and a number of EU Ambassadors to Australia. Downer (McPhedran, 2003), for example, ‘called in’ EU Ambassador to Australia Piergiorgio Mazzocchi for official condemnation after he was seen to respond too aggressively to John Howard’s criticism of the EU.

By the end of the Howard Government’s term, the CAP no longer influenced relations between Australia and the EU to the extent that it had previously. The 2007 Joint Statement of the Australia-European Commission Ministerial Consultations demonstrated this development, with emphasis placed on the Doha Round and the need to ‘substantially improve access to agricultural markets and substantially reduce trade-distorting domestic support, as well as improving access to non-agricultural markets and services’ (Downer, 2007). Statements such as this suggest that while agriculture remained a significant irritant in EU-Australia relations, it was no longer a determinant of broader bilateral ties.

**EU-Australia Relations in the Post-CAP Era**

*New Government, New Approach? The impact of the Rudd and Gillard governments on the declining relevance of the CAP in bilateral relations*

Prior to winning the 2007 election the Rudd Government in 2007 gave limited indication as to how they would approach the issue of agricultural reform. For example, the 2007 Labor Party election platform mentioned that Australia ‘needs to recognise the continuing integration of Europe and the size and importance of the European Union to Australia’s trading interests’ (ALP, 2007), but did not mention the CAP. Once elected, however, the new government was positively perceived by the EU as ‘one of Rudd’s first acts was to sign the Kyoto Protocol, signalling a return to multilateralism, which was welcomed by the EU’ (Hussey & Lightfoot, 2010, p. 509).
The EU also expressed support for the Rudd Government’s trade policy agenda when Mandelson (2008) mentioned that he was ‘very impressed by the economic agenda of the new Australian government, very similar to the Lisbon process in the European Union. We will have a lot more to talk about, a lot more to collaborate on, and I look forward to working with Minister Crean and the new Australian Government under Prime Minister Rudd’.

The first sign of the Rudd Government’s approach to the CAP came when Kevin Rudd visited Brussels in early 2008. Commenting on agriculture in context of the bilateral relationship, Rudd (2008a) stated that it was

Normal past practice for Australian Prime Ministers and Ministers to travel to Brussels, bash up the Commission, issue a press release, then go home. And it has not been unusual for the Commission to do the same. In a departure from normal practice and protocol, I do not intend to do this.

Trade Minister Simon Crean (2008) also stated that ‘our disagreements over agriculture need to be addressed but they should not define our relationship. And as I personally discovered when I visited Brussels in late January, this constructive approach is welcome in European capitals’. The new approach of the Rudd Government was corroborated by an interviewed Department of Prime Minister and Cabinet who suggested that ‘there was a move from a single issue focus to a broader relationship under the Rudd Government. This was happening before Rudd but Rudd helped to bring greater attention to the extent of cooperation’ (PM&C Official 1, 2013). Statements of this nature demonstrate how the Rudd Government not only sought broad-based cooperation with the EU beyond the issue of the CAP but actually wanted to draw greater public attention towards the importance of bilateral relations.

During the first year of the Rudd government in 2008, further CAP reforms were announced by the EU. These reforms were a ‘Health Check’ of the 2003 reforms and aimed to abolish arable being set-aside, increase milk quotas (gradually leading up to their abolition in 2015) and convert market intervention into a genuine safety net. Direct payments to farmers were also reduced and the money transferred to the Rural Development Fund (European Commission, 2008a). The announcement of these reforms provided an early opportunity for the Rudd Government to indicate whether it would adopt an approach to the CAP that differed from the Howard Government.
Crean (Australian Associated Press, 2008) sought to contrast the Rudd Government’s approach with that of the Howard Government, which ‘seemed to almost relish’ attacking the EU ‘for its restrictive agricultural policies’. The ability of the Rudd Government to emphasise a more positive approach to relations received greater momentum with the decision in 2009 of the EU to end dairy export subsidies. Minister for Agriculture Tony Burke (2009) made a clear distinction between the EU, which was ending its subsidies, and the US, which was continuing to subsidise its dairy industry, noting that ‘the EU decision is good news for Australian dairy producers but the next step is for the United States to also end dairy export subsidies’. Statements such as these provide evidence of the willingness of the Rudd Government to acknowledge successful reform of the CAP. This is corroborated by a Prime Minister and Cabinet official, who suggested that ‘the most significant changes’ [regarding acknowledging CAP reform] occurred under the Rudd Government, with it being harder to acknowledge such developments ‘under Howard despite CAP reforms’ (PM&C Official 1, 2013).

The 2008 Partnership Framework agreement was undoubtedly an important development in the bilateral relationship, as analysed in Chapters 4 and 5. The Partnership Framework’s importance with respect to agriculture was less noticeable, given that there was only a commitment to ‘establish a dialogue on sanitary and phytosanitary issues’ through a ‘forum for bilateral policy dialogue and cooperation on animal and plant health and food safety issues of operational and strategic importance’. This forum was established by 2009 and was also followed by a number of other key developments in the bilateral relationship. There was the signing of a revised Mutual Recognition Agreement (MRA) which updated the 1998 agreement and aimed to further facilitate trade ‘by allowing conformity assessment (testing, inspection and certification) of [industrial] products traded between Europe and Australia to be undertaken in the exporting country, rather than have to be carried out on arrival in the importing country’. Following this agreement, EU Trade Commissioner Catherine Ashton and Simon Crean (2009) co-authored an article in the Wall Street Journal that indicated Australia and the EU’s like-mindedness on issues related to the Doha Round, including agriculture. This article, according to an EEAS official, indicated that Australia and the EU were ‘on the same side of the table… in an area that has dogged relations for 30 to 40 years. We have been able to
do things now that in the past we weren’t able to do’ (EEAS Official 2, 2013). More importantly, the emphasis on closer cooperation that was occurring under the Rudd Government was to have further tangible and positive outcomes. As Brendan Nelson suggested, in the context of ‘the good working relationship between Simon Crean and Catherine Ashton’, there was an agreement in to increase the ‘high-quality grain fed beef quota’ for Australian exports into the EU (Nelson Interview, 2013). The substantive nature of many of these initiatives then demonstrates how the Rudd Government took a pragmatic approach to relations with the EU that was grounded in shared interests rather than a dominant focus on the CAP.

The Gillard Government: Cultivating a multifaceted relationship beyond the CAP

The re-election of the Labor government in 2010, with Julia Gillard as Prime Minister, saw the continuation of a conscious effort to not let the CAP negatively dictate bilateral relations. This was apparent in October 2010 when Gillard proposed the commencement of negotiations for a new Framework Agreement. Gillard (2010b) stated the Framework Agreement ‘would not be a free trade agreement, but it would outline the cooperation between Australia and the EU. We want to have the same kind of status with the EU that other G20 countries do’. A notable exception to the positive momentum generated by proposals for the Framework Agreement was the emergence of a dispute surrounding possible measures that the EU might take against countries without carbon price mechanisms. According to Trade Minister Craig Emerson (2010), such measures were indicative of the EU’s ‘old protectionist instincts coming out and we will use whatever rules, trading rules there are through the WTO to fight against the use of these devices to protect industries in Europe, or anywhere else, against competition’. Nevertheless, this one issue in isolation did not detract from the Gillard Government’s desire to continue the Rudd Government’s policy of not letting single issues of disagreement influence bilateral relations. The following year, Emerson, according to the EU Delegation to Australia’s First Counsellor Andrea Nicolaj (2012, p. 3), reaffirmed that ‘the European Union and Australia are allies in seeking an early conclusion to the (Doha) Round’. This comment was perceived by Nicolaj (2012, p. 3) as being indicative of Australia and the EU going ‘from frontal assault’ on the issue of the CAP to ‘allies and partners’ within the context of the WTO.
Aside from the launch of negotiations for the Framework Agreement, a substantial aspect of improving bilateral relations came with the appointment of Brendan Nelson as Australia’s Ambassador to the EU. While Nelson’s appointment occurred towards the end of the Rudd Government, it would have greatest significance under the Gillard Government. This significance came firstly as a consequence of Nelson’s high profile as a former minister in the Howard Government. Nevertheless, the greatest importance of Nelson’s appointment was his desire to advocate an approach to bilateral relations that was less confrontational.

I have said to Australian ministers, secretaries of Australian departments and in cables, that for 30 years we hit the Europeans over the back of the head on agricultural policy, on the Common Agricultural Policy, subsidies and all of these things which we know have effectively and artificially reduced global food prices and reduced food availability. After 30 years what have we achieved, absolutely nothing (Nelson Interview, 2013).

This attitude was demonstrated again when Nelson (2013) spoke publically to the National Press Club. He emphasised that ‘if the only thing you ever do is complain about something and the same issue, and we have every reason to do so, then it’s not surprising that we’re not going to make a lot of progress’. Nelson’s and the Gillard Government’s desire to place less emphasis on agriculture was also acknowledged by the EU. For example, a Commission official suggested that ‘progress has definitely been made. In a recent discussion with the Australian Ambassador [Brendan Nelson] he told me that my predecessors was spending 20-30 per cent of his time on agriculture but that he was only spending 5 per cent of his time on agricultural issues’ (Commission Official 3, 2012). An EEAS official also indicated that ‘the problem we had with Australia was not that there were a number of disputes; the problem is the perception of these disputes as an indicator of the level of relations’ (EEAS Official 7, 2012).

With the continuation of the Gillard government’s desire to adopt a less critical approach there was also further recognition of the possibility of cooperation more broadly in the area of trade. In part, this recognition came as a consequence of the fact that the CAP ‘is unsustainable and it’s going to change. The reason it’s going to change is not because of any haranguing from us or other Cairns Group, G20 or free
trading countries but because it is unaffordable’ (Nelson Interview, 2013). This
acknowledgement provided the context where there could be unequivocal recognition
of the many shared trade interests that Australia and the EU have. An interviewed
DFAT official argued that ‘the de-emphasis on agriculture has allowed cooperation in
other areas. Agriculture is no longer a central facet of bilateral relations’ (DFAT
Official 4, 2013). Murray and Zolin (2012, p. 189) note that cooperation is occurring
in areas such as ‘fisheries, food security, forestry (illegal logging) and broadly
speaking on WTO negotiations’. A further example of cooperation has been on
negotiations for the Doha Round of the WTO. As a DAFF official stated, ‘we both
still place significance importance on completing the Doha Round’ (DAFF Official 1,
2013). Similarly, an EEAS official suggested that ‘the WTO framework of the Doha
round has been important’ in improving bilateral cooperation, ‘as well as the Uruguay
round that came before it. Our agricultural policies are not the same as they were 10
years ago and this is contributed to improved bilateral relations with Australia’ (EEAS
Official 8, 2013).

Demonstrating the reduction of bilateral tension surrounding the CAP during the
Rudd and Gillard governments was the positive response of EU officials. An
interviewed Commission official stated that ‘through communication, dialogue and
instruments that we have put in place in recent years the relationship has evolved
substantially and now we are able to exchange not just on trade irritants, that by the
way are fewer and fewer, but on the overall policy dimension of our respective
agricultural policies’ (Commission Official 3, 2012). Similarly, an EEAS official
remarked that ‘the trade irritant aspect of our relationship with regard to the Common
Agricultural Policy has been virtually eliminated’ (EEAS Official 2, 2013). Key
contributors to this development were decisions made at the EU level. Commissioner
for Trade Karel De Gucht (2011b) suggested that ‘with respect to agriculture, the
tensions between Europe and Australia have considerably come down simply
because, by 2013 European Union will have no export subsidies anymore for
agriculture products. We still have direct income support, but that could also become
irrelevant in the future as commodity prices and agriculture prices, world prices, are
rising’. Consequently, the decrease in tension surrounding the CAP as an issue in
bilateral relations needs to be understood in the context of decisions made by the EU,
as well as the changed approach of the Rudd and Gillard governments.
The Abbott and Turnbull governments: A return to a more critical approach towards the CAP?

There was a distinct possibility of a return to a more aggressive approach to CAP reform as fifteen members of the Abbott ministry had been ministers in the Howard Government. Nevertheless, there was very little attention directed at the CAP, with senior Abbott Government ministers instead focusing on the EU’s broader economic policies such as in relation to the Eurozone crisis (Abbott, 2013). Criticism of this nature suggested that the Abbott Government was likely to adopt a critical approach to relations with the EU. EU Ambassador to Australia Sem Fabrizi (2014b) suggested that in ‘the Australian media there is rather one sided and gloomy view of the European Union’. Media criticism of the EU in the context of the Eurozone crisis occurred while the Abbott Government sought to promote closer economic engagement with ‘a particular focus on the Indian Ocean, Asia-Pacific region’ (Bishop, 2014g). Prioritisation of these economic concerns led to less emphasis by government, at least in the public domain, on the importance of ties with the EU. Even in the context of the CAP, there was less attention paid to it due to the Abbott Government’s prioritisation of the Asia-Pacific region. The only criticism that occurred was at the official level. For example, an interviewed DAFF official argued that ‘the new CAP’ that was implemented in 2013 ‘is a step backwards, even according to Commission officials’ given the amount of funding it would still receive in the context of the overall 2014-20 EU budget. ‘Australia is not the only country complaining’ (DAFF Official 2, 2013). This criticism nevertheless did not indicate that the Abbott Government was seeking to adopt a more critical approach to the CAP, given that the issue was rarely mentioned publically by ministers.

The Abbott and Turnbull governments’ emphasis on ‘economic diplomacy’, with its perceived emphasis on economic ties to the Asia-Pacific region, has provided opportunities for ongoing EU-Australia cooperation. As a DFAT official suggested, ‘the importance of the economic relationship particularly, does not change with the election of a new government’ (DFAT Official 5, 2013). Similarly, a DAFF official commented that cooperation between Australia and the EU continued under the Abbott Government, even on issues related to agriculture (DAFF Official 2, 2013).
with this continuing under the Turnbull Government. A DFAT official argued that while ‘there are still are strong disagreements over Geographic Indicators’, ‘these aren’t front and centre like they were twenty years ago. It is more about detailed technical issues that’s not really big picture’ (DFAT Official 2, 2013). This ‘big picture’ emphasis suggests that it is only relatively insignificant issues that are the subject of disagreement between Australia and the EU. As Fabrizi (2013) suggests, ‘on the global economy – both bilaterally and in the context of the G20 - we are working closely together on a range of issues – like international trade, reform of financial international institutions, taxation. We are ready to work with Australia towards a successful G20 Leaders’ Summit in Brisbane in November 2014’.

The Abbott and Turnbull governments prioritised completing bilateral FTAs with a number of Australia’s major trading partners, namely Japan, South Korea and China prior to its election in 2013. A DFAT official has suggested that they were ‘anticipating more attention’ to be placed on relations with the EU with being more likely ‘in relation to trade where greater engagement is more likely’ (DFAT Official 3, 2013). Proposals for closer cooperation with the EU on trade, however, were not necessarily seen initially to result in the launch of FTA negotiations. This was based on the fact that both the EU and Australia were negotiating multiple FTAs with other partners. An interviewed DAFF official argued that ‘the Canada and US FTAs with the EU will squeeze Australia out’ (DAFF Official 2, 2013). In 2015, this situation began to change with both the Abbott and later the Turnbull governments publically seeking FTA negotiations with Australia. By the end of 2015 this desire for an FTA was reciprocated by the EU, which in the Commission (2015a) strategy Trade for All: Towards a more responsible trade and investment policy endorsed the opening of steps towards negotiations.

The opening of the scoping phase of FTA negotiations in 2016 was a significant moment for EU-Australia relations. Despite this development the ramifications of the opening of negotiations for agriculture may not necessarily be positive. This was indicated previously by a DAFF official, who argued that ‘agriculture is not part of the positive part of our relationship. We don’t want to be drawing attention to irritants’ (DAFF Official 1, 2013). Similarly, a Commission official remarked that ‘I think there is an elephant in the room on all these things when it gets to agriculture for
both sides and it’s also the same with New Zealand’ (Commission Official 3, 2012). Completing a comprehensive FTA that includes agriculture may not be possible, especially taking into account the desire of both parties to avoid drawing attention to the CAP. Proposals, however, for a less comprehensive FTA or bilateral trade agreement have been made, with Villalta Puig (2014) suggesting that an agreement may need to be signed that encompasses only bilateral services trade and investment. The narrow scope of such an agreement, nevertheless, raises questions as to whether seeking negotiations would be worthwhile. Furthermore, it is unlikely that the EU would be interested in signing a less than comprehensive agreement with Australia given its ‘Global Europe’ trade policy strategy, which takes the position that ‘FTAs should have a wider scope of content than the existing ones in the context of neighbourhood policy, the Economic Partnership Agreements (EPAs) currently being negotiated with the African, Caribbean and Pacific (ACP) countries, or the Association Agreements with Latin America and the Andean Community’ (Europa, 2009).

From late 2017 onwards the role of agriculture in an FTA is going to become clearer with the completion of the scoping phase and the opening of formal negotiations. During the scoping phase the Turnbull Government suggested ‘Australia has a track record of negotiating substantive and balanced outcomes on agriculture with our other FTA partners and we look forward to the opportunity to engage the EU in this important aspect of the agenda’ (Ciobo, 2016e). This suggests that an FTA without the inclusion of agriculture, to a substantial extent, is unlikely. The Commission (2016, p. 1), however, has argued the need in its Inception Impact Assessment for ‘EU agricultural sensitivities’ to be ‘taken into account’ in any future FTA. This position needs to be qualified by the recognition that ‘agricultural issues will presumably be a key component of any FTA trade-offs with Australia given its status as a major food producer and one of the top beef exporters to the EU’ (Fabrizi, 2016). The sentiment of such a statement demonstrates that both the EU and Australia are now able to talk openly and constructively about agricultural issues. This is testament to the maturing of bilateral relations that has seen to agriculture and the CAP transition from the subject of heated debate to constructive dialogue.
Conclusion

Australia’s past emphasis on the CAP saw the EU deemed as irrelevant and even acting contrary to Australian interests. An interviewed DFAT official argued that ‘for a long time our relationship was one dimensional focusing on trade and, in particular, disputes over agriculture. We used to complain about the CAP, and the EU complained about Australian customs and quarantine laws’ (DFAT Official 5, 2013). These complaints persisted from the UK’s accession to the EU in 1973, through to the implementation of substantial reforms of the CAP during the early 1990s. During this period, the CAP ‘was always on the agenda for Prime Ministers, Foreign Ministers, Trade Ministers, Industry Ministers etc. to raise. There would be very few meetings where Australia didn’t feel obliged, even if only to put on the record, our continuing concerns with lack of European reform’ (DFAT Official 2, 2013). This approach to bilateral relations succeeded in creating a situation whereby the EU was deemed to be an actor contemptuous of Australian interests.

Successive reforms of the CAP have led to the reassessment of unfavourable assessments of the EU’s relevance to Australian interests. Commencing in the mid-1980s, the most notable CAP reforms have been the MacSharry reforms of 1992 and the Uruguay Round of the GATT in 1994. These reforms, an EEAS official argued that these were the ‘biggest reforms as far as Australia were concerned. These were the big changes in terms of incentives to overproduce and the distortion of markets’ (EEAS Official 9, 2013). The subsequent Uruguay Round reforms were viewed as a major development in lessening bilateral tensions by Australia. A DFAT official stated that ‘the single most important event was the conclusion of the Uruguay round. The Europeans signed onto a number of things that made a real difference’ (DFAT Official 2).

The combination of the Uruguay Round and MacSharry reforms provided an environment that was conducive to Australia reassessing the importance of its relations with the EU. An important contributor to this development was the establishment of the EU’s single market and the signing of significant bilateral agreements such as the Science and Technology Agreement and the Wine Agreement.
Consequently, Australia came to recognise the EU as an interlocutor with which it needed to engage with in a more substantive manner. Under the Howard Government ministers such as Mark Vaile and Alexander Downer acknowledged the commonality of interests that existed between Australia and the EU, particularly in the context of the WTO. The emphasis on the WTO allowed both Australia and the EU a setting whereby issues to do with agriculture could be discussed in isolation from the broader relationship.

The election of the Rudd Government in 2007 facilitated further reassessment of the role of the CAP in bilateral relations between Australia and the EU. The Rudd and Gillard governments sought to place an even greater emphasis on not utilising critical rhetoric when discussing the CAP in public. This approach, motivated by pragmatism, saw the need to seek a broad-based relationship with the EU due to its significance as an international actor. Murray and Benvenuti (2013, p. 610) argue that ‘Australia-EU engagement… has broadened from agricultural tensions to comprehend a broad range of policy issues’ with more emphasis on shared interests. With the election of the Abbott Government, however, there were questions as to whether there was likely to be a reversion to the EU-Australia relationship again being understood through a more critical framework. Interviewed Australian and EU officials have suggested that FTA negotiations may draw attention to the CAP and the impediment it has provided for bilateral relations under previous Liberal Party governments. The commencement of FTA negotiations under the Turnbull Government in 2017 nevertheless indicates that any lingering tensions surrounding agriculture are no longer likely to curtail ambitions for a comprehensive agreement, as they may have done in the past.
Chapter 7: Case Study 2: Australia and the ‘European Disease’: The Eurozone crisis and the implications for bilateral relations

Introduction

With the significant decline in tensions surrounding the CAP, a period emerged when there were no longer any significant irritants in the bilateral relationship between Australia and the European Union. The launch of the Euro as a currency between 1999 and 2002 was perceived as a fundamentally positive development for Australia (DFAT, 1999). The emergence of the Eurozone crisis in 2008, however, brought into question the nature of the Euro as a positive influence on external perceptions of the EU as an international actor. This chapter critically assesses how the emergence of the Eurozone crisis has facilitated increased Australian and international criticism of the EU as an economic and foreign policy actor. The Eurozone crisis has been a contributing factor in the return of scepticism of the EU as an international actor of relevance to Australian interests. This scepticism derives from the manner that the Eurozone crisis has contributed to the undermining of perceptions of the EU as an economic actor. Scepticism of the EU’s economic capacity aggravated previous realist suspicion of its limited capacity as an international actor derived from its limited coordinated security capacity (Webber, 2011). By viewing bilateral relations in such a context, this has the ability to undermine the extent to which Australia’s relations with the EU have improved substantially in recent decades.

Despite the remaining instability associated with the Eurozone crisis, this chapter argues that the EU-Australia relationship remains sufficiently durable so as to withstand bilateral tensions. As an interviewed DFAT official suggested, ‘it does have an impact [on perceptions] but I don’t feel that it has an impact that really changes the overall relationship’ (DFAT Official 1, 2013). While such statements in isolation do not dilute the negative impact of strongly worded exchanges at the political level, the chapter argues that the Eurozone crisis has not yet detracted in any substantive way from the broad-based nature of the EU-Australia relationship. The Eurozone crisis as a case study demonstrates that, unlike during the period of significant tension regarding the CAP, bilateral relations between Australia and the EU are now sufficiently resilient so as to withstand issues of disagreement. This
resilience is predicated on the EU’s transformation into a more coherent international actor and the substantial reduction in bilateral tensions over the CAP, as discussed in the previous chapter. A succession of significant bilateral agreements, such as the Partnership Framework, that have been completed throughout the duration of the crisis, indicate the ongoing importance of the EU as an international actor for Australian interests. Most recently, under the Abbott and Turnbull governments, the signing of the treaty-level Framework Agreement, the Delegated Aid Agreement and the opening of negotiations for an FTA suggest that the Eurozone crisis has not detracted tangibly from positive developments in the bilateral relationship.

**Historical Context: Australian attitudes towards the single currency**

*The Euro proposal and the initial Australian approach*

The introduction of the Euro as a single currency for participating EU member states was first officially stipulated under the 1993 Maastricht Treaty. Much of the focus at the time, however, was on the implementation of the EU single market. Foreign Minister Gareth Evans (1994) saw the establishment of the single market as ‘the most important and most challenging aspect of European unity, with measures such as the abolition of internal physical frontiers, the liberalisation of EU products and financial markets, and the development of one set of EU product standards, improving the business environment for all operators in the market’. In this context, the Keating Government’s assessment of the developments associated with the Maastricht Treaty and the single market, focused on the likely benefits of increased EU economic integration. DFAT’s First Assistant Secretary for Europe and the Americas Greg Wood (1993, p. 9) argued that the Economic and Monetary Union (EMU) would result in Australian business benefitting from a ‘single European currency’, as it would bring ‘lower transaction costs in currency convertibility, reduced risks and uncertainty in exchange rate variability, greater price stability and lower inflation’. In the last year of the Keating Government greater emphasis was placed on the impact of the introduction of the Euro as distinct from the single market. Keating (1995, p. 3) saw the introduction of a currency such as the Euro facilitating ‘a much more stable set of currencies because when there's a flight out of the American dollar, people buy Deutschmarks. But Deutschmarks only have the monetary base of one country, that's
Germany. If there’s an EMU (European Monetary Union), there’s a bigger monetary base.

With the election of the Howard Government in 1996, there was optimism surrounding the introduction of the Euro. Tim Fischer (1997b) argued that the ‘EMU will affect Australia through its impact on EU economic growth and the EU’s international competitiveness, and therefore import growth. It will also have indirect implications for Australian exports to, and investments in, third countries which supply the European import market’. There was some caution, however, regarding whether the introduction of the Euro was likely to be beneficial for Australia. Fischer (1998a) suggested that there was ‘some opportunity’ for Australian exporters, but this would be based on the ‘need to check on the contracts existing between their purchases of their exports and vice versa’. Fischer’s caution, nevertheless, did not undermine what were generally positive sentiments surrounding the introduction of the Euro. For example, Gary Johnston (1998), Assistant Secretary of the International Finance, International and Investment Division of the Department of Treasury argued in a Senate Estimates Committee that the Euro would be ‘important for Australia in the sense that it is an anchor of strength in a troubled global economy and it has helped underpin a good outlook for Europe over the next couple of years’. Consequently, the likely benefits of the Euro to the global economy outweighed concerns regarding the Euro’s impact on Australian businesses.

During the introduction of the Euro, the Howard government was also focused heavily on CAP reform, as analysed in the previous chapter. Fischer (1998a) suggested that the Euro

Will make things more transparent, including the Common Agricultural Policy. That’s a good thing. But what will the bigger deciding factor on our market access to places such as Europe in general will not so much be the currency but the World Trade Organisation millennium round outcome. It’s those decisions which will have more bearing than the switch of eleven into the European Monetary Union and the advent of the Euro.

Alexander Downer (1998a) also saw the establishment of the EMU, as being inextricably linked to the ‘ongoing process of EU reform’ associated with policies such as the CAP and that the ‘adaptation and enlargement under way in Europe’ has
influence internationally. The introduction of the Euro was seen by the Howard government as needing to be associated with broader reform within the EU.

In an attempt to assuage uncertainty surrounding the introduction of the Euro, the EU, and in particular the Commission, sought to reemphasise the benefits for Australia that would be associated with a single European currency. While noting that there is still ‘some uncertainty as to the exact impact on the international community’, the Commissioner for Budget, Personnel and Administration Erkki Liikanen (1997, pp. 20-21) argued that ‘the Euro should help Australian business’. Liikanen listed three reasons why Australia would benefit from the Euro.

Firstly, firms across the world - and not just in Europe – will be helped by improved growth prospects, a stable currency and sound finances in Europe. Secondly, the euro also gives Europe a truly single market [excluding those member states that decided not to join the EMU], to the benefit of all firms. This is good for competition, but it also brings down the cost of doing business. Thirdly, based on sound economic principles and a credible anti-inflationary institutional framework, the euro will be a factor of greater stability in the international monetary system.

Commission Vice-President Leon Brittan (1998, p. 3) also argued that ‘the notion that EMU will lead to backward-looking economic policies is deeply misguided. Rather, EMU will propel the European Union to take further steps towards economic liberalisation and deregulation’. In such a context a clear attempt was made by leading EU elites to portray economic reform more generally, as being likely to be positively influenced by the Euro’s introduction.

A significant government initiative was the issuing of a DFAT report entirely devoted to the implications of the Euro for Australia prior to its introduction as a virtual currency in 1999. While the report was cautious in its observations, it was noticeably more optimistic about the impact of the Euro’s introduction with the suggestion that ‘in time Australia could benefit from potentially higher levels of EU growth and lower long term interest rates (DFAT, 1999, p. 2). Commenting on the report, Fischer (1998b) argued that the ‘study finds that the Euro will completely reshape European business’ in a manner whereby Australian ‘exporters could benefit’. Enthusiasm for the Euro in the report, however, was somewhat tempered by the UK’s decision to not participate in the EMU. The UK’s ‘non-participation in EMU at the start means that
Australian companies which have invested in the UK as a staging post for European markets will be placed at a competitive disadvantage compared to Eurozone based companies’. In addition, concerns were raised about the need for exporters ‘to adjust their invoicing and accounting systems to accommodate the euro. Even though there is a three-year transitional period, banks and suppliers to major European customers will be under pressure to make the switch to the euro from day one’ (DFAT, 1999, p. 2). Nevertheless, the report signified the positive outlook of the government to the EMU, with a further example being the creation of ‘greater price transparency’ due to all prices being denominated in Euros effectively leading ‘to greater competition for those doing business in Europe, particularly in price sensitive products’ (DFAT, 1999, p. 2).

The Euro Introduced: The approach of the Howard Government to the Euro following its introduction

The Euro was introduced to world markets as a virtual currency on 1 January, 1999. Commenting on this event, Opposition Leader Kim Beazley (1999, p. 7) argued that ‘as profound as the European Common Market was for Australian trade policy in the 1970s, so too the advent of European Monetary Union and the rise (or fall) of the Euro will play a powerful role in our trade policy as we go forward’. Similarly, the Howard Government supported the ‘EMU because we see it as, potentially, a key element in bringing about long-term economic reform and growth in the EU, which in turn will benefit the global economy’ (Downer, 2000a). The emphasis on the importance of the Euro to Australia was accompanied by some words of caution from Alexander Downer. Downer (1999b) suggested the difficulties associated with introducing ‘the single currency, while facing economic difficulties both internally (such as high unemployment and sluggish economic growth) and externally (including financial crises in Asia and Latin America)’. In comments which are pertinent retrospectively, Downer also argued that ‘the success of EMU also depends on the economic cycles of the Eurozone member states becoming more synchronised’ by the harmonisation and integration of the ‘economic and fiscal policies of the 11 member states’. Downer’s assessment was replaced by more positive statements from government ministers. Peter Costello (2000) as Treasurer, for example, spoke
frequently about the importance of the Euro as a global currency of importance for Australia.

On 1 January, 2002 the Euro was introduced as a physical currency in all Eurozone member states of the EU. The full circulation of the Euro as a currency was the culmination of the EMU’s introduction after the Maastricht Treaty. According to Murray, Elijah and O’Brien (2002, p. 397) the importance of this development was increasingly being understood in Australia. This observation was based on a survey carried out in late 2001 indicating ‘that Australian businesses are now more aware of the impact of exchange rate flexibility; insurance issues; advantages for Australian exporters; ease of currency transactions; simplification of market access; and lower currency risks’. Nevertheless, the importance of the Euro’s introduction did not necessarily result in debate in Australia commensurable to its impact. This was apparent at a government level, where there were few speeches, press conferences and media releases that directly focused on the topic of the Euro. Van Veen (cited in Murray 2005, p. 72) suggested that there were two reasons for this: ‘a large part of Australia’s exports to the EU is destined for the UK, which was not in the euro zone; and the euro is not yet a major reserve currency, so there are few direct implications for Australia’. A notable exception to this trend was the publishing of Export EU: A guide to the European Union for Australian business which suggested that ‘for Australians doing business in the EU, the euro reduces cross-border transaction costs, impacts on pricing strategies, and creates a deeper and more liquid financial market’ (DFAT, 2003, p. v). This indicates that the focus on the Euro was predominantly confined to the elite and official levels with limited discussion at the political level regarding its implications for Australian interests.

Subsequent to 2002, the Euro soon became a currency of global importance. It became ‘the second-largest economy and financial market after the USA’ and ‘the second most important currency on international financial markets’ (European Commission Delegation Australia, 2004). The growing importance of the Euro in Australia was demonstrated when the Reserve Bank of Australia increased its reserve holding of the Euro to 45 per cent of its total international reserves (European

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20 Please note that this source is no longer accessible other than in (Murray, 2005).
Commission Delegation Australia, 2004). At the elite level, the introduction of the Euro was also seen to have an impact according to the survey findings of Murray (2003a, p. 106), in that ‘the existence of the Euro ‘‘heightened emphasis on the EU as an entity’’ and ‘encourages contact with countries of the EU beyond the UK’ (Murray, 2005, p. 72). The importance of the EU as an international economic actor was further indicated by Australian journalist Geoff Kitney (2004), who suggested that ‘however the European Union manages its own evolution ... it remains the world’s largest trading bloc, the manager of the world’s second most important currency and a bloc increasingly keen to assert itself in world affairs. Australian decision makers have to take it seriously’.

Table 10 demonstrates the ever-increasing importance of the EU to Australia’s economic interests based on two-way trade over the period of the Euro’s implementation. In response to these developments the Howard Government also began to recognise the importance of the Euro and the EU itself to Australia’s economic interests. Trade Minister Mark Vaile (2003b) suggested that the Euro ‘serves to reduce business risks, especially through greater currency stability and reduced business cycle volatility’, and that ‘all these factors present a sound environment in which Australian companies and entrepreneurs can do business’. The Euro would facilitate greater engagement with the EU as an international actor as would become noticeable towards the end of the Howard Government. Downer, for example (2006), described the EU as a single entity that is Australia’s ‘largest trading partner. It is our largest source of foreign direct investment and second-largest investment partner overall’. These attitudes demonstrate how, by the end of the Howard government, the Euro had undoubtedly enhanced perceptions of the EU’s importance to Australian interests.

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<td>1998</td>
<td>35.957</td>
<td>34.438</td>
<td>38.513</td>
<td>41.8</td>
<td>44.899</td>
<td>46.888</td>
<td>47.097</td>
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Source: Australian Bureau of Statistics (ABS, 2015a)
The Global Financial Crisis: Early bilateral interactions before the Eurozone crisis

After its election in 2007, there was very little indication of the potential for bilateral tensions to re-emerge under the Rudd government. The EU’s importance as an economic partner for Australia was emphasised when Parliamentary Secretary for Trade Anthony Byrne (2009b) argued that ‘the Australian Government wishes to highlight the vital role that European trade and investment has played, and is playing, in the Australian economy’, with ‘34 per cent of Australia’s total FDI, or about $133.2 billion’ coming from the EU. Equally important to recognition of the EU as an economic actor was when Kevin Rudd, within one year of being elected prime minister, visited Brussels to emphasise the EU’s relevance to Australia interests as an international actor. In comparison, John Howard, despite being elected as Prime Minister in 1996, did not visit Brussels until 2002. The major significance of Rudd’s visit, however, was the signing of a new comprehensive bilateral agreement in the form of the Partnership Framework agreement, which consolidated the government’s commitment to build ‘a constructive working relationship’ with the EU that indicated ‘shared values and aspirations’ (Crean, 2008).

Early interactions between the Australia and the EU during the Eurozone crisis were mostly of a supportive nature. Initially, this was due to the Eurozone crisis being perceived by the Rudd government to be directly associated with the start of the global financial crisis (GFC) in 2008. Foreign Minister Stephen Smith (2008b) called for ‘the need for a global response to the international financial crisis’, instead of specifically criticising the EU. The origins of the crisis would be later be commented on by Kevin Rudd as Foreign Minister. Rudd (2012c) argued that ‘when the crisis began in 2007-2008, it was a crisis generated by under-regulated lending within the US home mortgage market which had been underwritten by a whole range of US financial institutions through derivatives and a range of other exotic financial instruments’. By looking at the Eurozone crisis through such an analytical framework, it was the US as much as the EU that was the key source of global economic instability during the Rudd Government.
The G20 was the focus of cooperation between Australia and the EU in the context of the GFC and the emerging Eurozone crisis. According to Byrne (2009a), the GFC ‘was a shock which brought forth unprecedented levels of positive international cooperation’. Byrne (2009b) further argued that

As we work through the fallout from the global financial crisis, it is clear that Australia and the EU have converging trade interests. It is clear we have substantial shared interests in reduced global economic imbalances. We have shared interests in communicating to our citizens the benefits of free trade, ensuring that we present the arguments against the siren call of protectionism.

From an EU perspective, the G20 was also perceived as the most appropriate forum to address the GFC. Commissioner for Internal Market and Services Charlie McCreevy (2009) stated that ‘Australia has made a highly visible contribution to discussions in the G20 while the European Commission has also contributed, not only as a member of the G20, but also in its role as the coordinator of the policy responses at European level’. The Partnership Framework assisted in further consolidating EU-Australia cooperation in relation to the GFC. EU Ambassador to Australia David Daly (2009) suggested that the 2009 Partnership Framework was revised specifically to facilitate increased dialogue to allow both the EU and Australia to ‘continue to coordinate our responses’ to recovery from the GFC.

The Eurozone Crisis and the Emergence of Increasingly Antagonistic Political Rhetoric

A shift in approach as the Eurozone crisis emerges as distinct issue from the GFC

With the continuation of the GFC throughout 2009-2010, the approach of the Rudd Government became more critical of the EU. Instability in the Eurozone was perceived by the government to be prolonging the GFC. The statements of Australian government ministers over this period demonstrate how perceptions of the EU were evolving. For example, while noting cooperation to ‘develop effective responses to the global economic crisis’, Crean (2009b) also drew attention to the role of ‘protectionism, which we've seen signs of, including here in Europe’, in ‘prolonging’ the GFC. This comment suggested the possible return to framing the EU as an actor
that is behaving contrary to Australian interests, as previously analysed with regard to the CAP. Other ministers such as Assistant Treasurer Nick Sherry (2009) also saw the ‘sovereign debt concerns in the Eurozone’ as the most immediate threat to ‘investor confidence in the global financial recovery’. Even with regard to the G20, subtle differences between Australia and the EU began to emerge involving ‘the relative merits of continuing stimulus policies or cutting deficits’, in addition to ‘tensions stemming from currency instabilities’ (Kenyon & Lee, 2011, p. 120). This indicates the divergence between Australia and the EU that would gradually become more apparent as the Eurozone crisis emerged. Equally important was the decline in exports that has occurred with the EU over the period of the Eurozone crisis. Figure 13 and Table 11 demonstrate the decline in Australian exports to the EU that occurred over the initial period of the GFC and the subsequent downturn in the EU economy. Whereas there has been a stabilisation in Australian exports to markets such as the Japan and the US, the decline in exports to the EU is particularly significant when compared to the significant expansion in exports to China.

**Figure 13: Australian exports 2005-14 by select markets**

![Graph showing Australian exports 2005-14 by select markets](image)

Source: Australian Bureau of Statistics (ABS) (2015a)

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21 China does not include SAR of Hong Kong and Macau in addition to Taiwan.
Table 11: Australian exports 2005-14 to the EU ($A billion)

|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

Source: ABS (2015a)

More explicit criticism of the EU, as distinct from the GFC, would emerge towards the end of the Rudd Government in 2010. Rudd (2010) sought to draw attention to developments in Europe which

Have been of great concern to the International Monetary Fund, they have been of concern to the World Bank and they have been of concern to the whole raft of financial institutions, not least of which are the European Central Bank and the European Union. The reason for that is always the risk of contagion from one financial market to another in times of great financial instability. That is why we have been watching developments in Europe particularly closely.

Of particular concern in early 2010 was the risk that Greece could default on its sovereign debt. Although the rest of the Eurozone organised a €80 billion bailout loan, this event exacerbated the Australian government’s perception of the EU as the source of continued global economic uncertainty. Treasurer Wayne Swan (2010) suggested that ‘the Australian Government, as always, through its regulators is always in contact with international regulators and, of course, we are urging a speedy a resolution as is possible in the circumstances’. While there is a level of caution in this statement, it nevertheless provides the context for understanding how the EU’s management of the Eurozone crisis would become the main focus of Australian government criticism.

The Gillard Government and the consolidation of criticism of the EU’s management of the Eurozone crisis

The shift from criticism of the EU in the context of the GFC and the Eurozone crisis, to criticising the EU directly was a gradual process. Prime Minister Julia Gillard (2010c) stated that ‘with the global financial crisis we obviously saw that events starting in some parts of the world can flow through our financial system’ and that
‘there are obviously some individual nations now under particular pressures, like Ireland… but the world, I think, at the G20 and beyond, has worked well together on financial stability, on coordinating macroeconomic policy’. Comments such as this continue the growing sense of angst previously evident under the Rudd Government. Subsequently, in 2011, however, the Gillard Government began to take a more openly critical stance of the EU as it saw its mismanagement of the Eurozone crisis as prolonging international economic instability. This was affirmed when Gillard (2011b) argued that ‘it’s time for Europe to respond. Yes, we acknowledge the steps Europe has taken and how painful they have been. But much more needs to be done, and needs to be done fast’. The Gillard’s Government’s new stance was further apparent when Deputy Prime Minister Wayne Swan (Uren & Norington, 2011) suggested that ‘I accept that they face a European crisis, for Europeans to solve… but Europe must also recognize that there is a weight of responsibility to all other economies of the world to do this’. The fact that both the Deputy Prime Minister and Prime Minister were so openly critical indicates the manner in which the Eurozone crisis became an issue of high level political conjecture.

During 2012-13 criticism continued from the Gillard and later second Rudd Government regarding the EU’s mismanagement of the Eurozone crisis. A notable feature of such criticism was the suggestion that Australia, given continued economic growth, was in a position from which to advise the EU. Gillard stated that ‘we acknowledge that every country faces its own unique circumstances; but we do believe there are some lessons for the world in the Australian way’ (ABC News, 2012). Similarly, Treasurer Wayne Swan (2014, p. 267) would later suggest that during 2011, ‘I had become accustomed to the constant state of denial in which my Europeans colleagues lived’ regarding the Eurozone crisis and the need to implement significant economic reforms. This accusation of denial was then contrasted with ‘Australia’s economic achievements’. Irrespective of perceived Australian expertise, suggestions as to how to more effectively manage the Eurozone crisis were also offered by Rudd as Foreign Minister. Rudd (2012c) specifically noted that the EU needed to create ‘a treaty-based fiscal agreement, which is something they should have done 10 years ago, at the time that they launched the Euro. Now they are doing it 10 years later. It’s a necessary step, and a more painful step. But you know something — politicians make mistakes everywhere in the world’. These sentiments
indicate the way the Gillard government adopted a very direct and public approach to criticising the EU’s management of the Eurozone crisis.

The Eurozone crisis contributed to the emergence of Australian criticism that had not been present in the bilateral relationship for over twenty years. As a DFAT official suggested, ‘the problem already existed that negotiating with Europe was hard because of the difficulty of getting them to reach an agreement’ but the ‘Eurozone crisis has made Europe even more inward looking’, even if this has been ‘for perfectly logical, sensible, understandable reasons’ (DFAT Official 2, 2013). This criticism represented a possible return to perceptions of the EU as ‘Fortress Europe’ that were expressed prior to the introduction of the single market (Duffy, 1989a). Criticism was to continue throughout the final years of the Gillard and then Rudd governments.

A specific feature of such criticism was not only the instability caused by the perceived mismanagement of the Euro but also regarding the ‘European road of savage austerity’ policies introduced by several Eurozone states (Swan, 2013). Similarly, as part of criticising the Liberal Party opposition, Rudd (2013) brought attention to the failure of ‘European style austerity’.

Given Australia’s criticism of the EU’s management of the Eurozone crisis, it was to be expected that there would be some concern regarding its impact. A DFAT official noted the emergence of a possible divergence between diplomats and politicians by stating that ‘you’d always like these [critical] things not to have been said rather than to have been said’ (DFAT Official 2, 2013). A specific example came in relation to Gillard and Swan’s letter to all G20 leaders before the 2012 summit calling for European leaders to ‘learn lessons’ from Australia’s response to the GFC. According to journalist Dennis Shanahan (2012), EU officials at the summit saw Gillard’s comments as ‘only repeating what some European leaders had already been suggesting, and contained no “new ideas”’. This observation was corroborated by an interviewed EEAS official who suggested that such criticism was indicative of the way the Australian government had become ‘a little overenthusiastic in terms of encouraging actions to be taken within the EU’ (EEAS Official 9, 2013). Criticism of the nature espoused by Australian political leaders had the potential of demonstrating the re-emergence of renewed Euroscepticism both in Australia and internationally. An interviewed EEAS official, for example, posed the question as to whether
criticism is ‘coming because of a genuine concern about how this will affect the Australian economy or is this part of reaffirming a view that the European project is wrong’ (EEAS Official 7, 2012)? This provided evidence of the potential for the EU to again be framed through a more critical lens due to the impact of the Eurozone crisis.

With the continuation of Australian criticism under the Gillard and Rudd governments, it is perhaps unsurprising that the EU began to more explicitly show its frustration with such an approach. An EEAS official argued that ‘singling out the Europeans last year, we might have been willing to take the stick, but this year, I think as our political public begins to have a more mature sense of all this, there will be a greater sense of impatience regarding too much criticism’ (EEAS Official 3, 2012). A similar perspective was expressed by Commission President José Manuel Barroso who suggested in response to Gillard and Swan’s letter that ‘frankly, we are not coming here [G20 Summit] to receive lessons in terms of democracy or in terms of how to handle the economy’ (Wintour, Traynor, & Smith, 2012). Nevertheless, EU officials were cognisant of responding to external criticism of the management of the crisis. A Council official (Council Official 1, 2012) suggested that

Australia is extremely worried, so whenever an Australian minister comes to Brussels the first thing they ask about is the crisis. Fortunately Barroso and Van Rompuy have rehearsed their responses very well because Australia is not the only one asking questions. So they have their responses ready and they always explain things very clearly and honestly to the Australians.

Attitudes such as those expressed by this official, however, may indicate the growing frustration of third countries regarding the EU ‘rehearsing’ or offering the same explanations when questioned regarding attempts to manage the crisis. An example was when Swan (2014, p. 267) noted with scepticism that ‘I’ve seen this movie before and I know how this ends’. The EU’s inability to directly deal with both the crisis and external criticism therefore facilitated Australian scepticism of the EU as a coherent and effective international economic actor during the Gillard Government.

*The Abbott and Turnbull governments’ approach to the Eurozone crisis*

Prior to its election in September 2013, the Abbott opposition had been more vociferous in its criticism of the EU’s handling of the Eurozone crisis than both the
Rudd and Gillard governments. Tony Abbott (2011) in particular saw ‘the lesson of the Eurozone crisis’ as being that ‘a terrible judgement is eventually pronounced against countries and peoples that live beyond their means. The turmoil in Europe is largely a function of governments consistently living beyond their means in the expectation that someone else will pick up the bill’. This more critical stance was further demonstrated when Abbott (2012) argued that ‘the Eurozone crisis is a terrible verdict on governments that spend too much, borrow too much and tax too much’. Shadow Treasurer Joe Hockey (2011a) criticised the Gillard Government’s decision to contribute towards the IMF bailout of Greece is 2011 by arguing that ‘we have no problem with what the IMF does in individual European countries, but we do have a problem giving the Europeans a get out of jail free card by offering them additional funds through the IMF when they need to resolve this issue themselves and fast’.

While it is important to acknowledge that such criticism occurred in the context of criticising the Gillard Government, it nevertheless shows the arguably more critical attitude of the Abbott opposition to the EU’s handling of the Eurozone crisis.

In the months leading up to the 2013 election, Abbott and other senior figures from the opposition continued their criticism of the EU. Most notably, Abbott (2013), while criticising Australia’s linking of its emissions trading scheme (ETS) with the EU also criticized its management of the Eurozone. Abbott’s attitude demonstrated clearly the scepticism with which the Coalition parties had come to view the EU as a consequence of the Eurozone crisis. The 2013 election platform of the Liberal Party (2013, p. 13) noted that ‘unfortunately, like Europe, under Labor Australia remains fixated on the spending side of the economy rather than on the productive side of the economy – the side that creates greater wealth and prosperity for the nation’. This document demonstrates how mismanagement of the Eurozone crisis was perceived as ‘reenergising Euroscepticism in Australia’ (DFAT Official 2, 2013). This again undermined conceptualisations of the EU’s importance to Australia.

The rhetoric that was expressed in opposition by the Abbott Government prior to its election in 2013 demonstrated its inherent scepticism of the EU. According to a DFAT official, such rhetoric was indicative of the view that ‘the EU is broken and finished’ and that ‘the EU is turning inwards and is self-absorbed’ (DFAT Official 3, 2013). Subsequent to its election, however, the Abbott government tended not to
comment publically on the EU’s management of the Eurozone crisis. A possible reason for this may have been the desire to open FTA negotiations, thereby contributing to a need to be less openly critical of the EU. A notable example of this was Treasurer Joe Hockey complementing the ‘sophisticated and targeted measures’ taken by the European Central Bank (Magnay, 2014). Subsequent instability in the Eurozone did undermine such an emphasis on the positive measures taken by the EU. Tony Abbott (2014c) noted the need to get the ‘budget under control’, otherwise Australia ‘will eventually succumb to the European disease. We all look at the countries of Europe – or many of the countries of Europe – we see bloated public sectors, we see an entitlement mindset which is proving very resistant to better leadership’.

The possibility of a Greek exit from the Eurozone in 2015 reenergised the Abbott and then Turnbull governments’ criticism of the EU’s handling of the Eurozone crisis. While this criticism was moderated by support for EU’s attempts to ameliorate the situation, there was again an emphasis on there being ‘a salient lesson here not just for Australia but for everyone, that if you don’t undertake the necessary reforms to get your house in order when you can, then ultimately the pain will be much more significant further down the track’ (Hockey, 2015). More direct criticism of the EU or Greece came from Small Business Minister Bruce Billson (2015), who argued that ‘the central issue is you cannot keep borrowing from your creditors if they are not feeling like you are fair dinkum about paying it back’.22 Despite a third bailout of Greece occurring in July 2015, future uncertainty in the Eurozone may again see Australian government criticism re-emerge, as has been the case previously. Indeed, any significant instability could see a return to more negative Australian government approach to bilateral relations with the EU.

22 ‘Fair dinkum’ is an Australian informal term for the need to be serious about addressing a problem or issue.
From Internal to External: The emergence of the Eurozone crisis as a potential factor in EU external relations

The financial implications of the Eurozone Crisis and its impact on EU foreign policy

It is important to consider the economic impact on the EU’s foreign policy capabilities of the Eurozone crisis. Firstly, under the current and previous EU budget funds available for external relations under heading Number 4 ‘Global Europe’ only saw a very small increase. During the budget period 2007-2013 Global Europe received €56.8 billion compared to €58.7 for the period 2014-2020. This increase represents an increase of 3.3 per cent compared to the increase in funding towards the initiative of ‘smart and inclusive growth’ which saw a 37.3 per cent increase (UK National Audit Office, 2016, p. 6). Despite assurances from an interviewed Commission official that ‘stalled’ funding has ‘not come at the expense of external relations’ (Commission Official 6, 2012), the EU is likely to face some level of scepticism regarding whether this impacts its external capabilities indefinitely. The constraint on resources available further underlines previous criticism of EU foreign policy capabilities, such as have been associated with the so-called ‘capabilities expectation gap’ (Hill, 1993). This ‘gap’ between the expectations placed on the EU compared to its actual capacity as an international actor, has the ongoing potential to be exacerbated by financial constraints associated with the Eurozone crisis.

A clear result of the Eurozone crisis has been the perception that the EU will have fewer resources available for managing external relations. As Holland and Chaban (2013) argue, in the context of Asian elite perceptions of the EU, ‘the ongoing sovereign euro debt crisis has led economic external profiles of the EU to once again become dominant, yet they are now depicted from a different vantage point. In the eyes of Asia, the EU turned from an “economic giant and powerhouse” into a “hobbled economic giant”’. Such a negative view from an economic standpoint has the potential to cloud more generally, the way third countries perceive the EU. Simon Duke (2012, p. 6) argues that the Eurozone crisis ‘is in danger of defining the EU’s external image in the absence of any concerted efforts to otherwise define the Union’s
global role’. These arguments demonstrate the pervasiveness of the narrative, not only in Australia, of the dysfunction of the EU associated with the Eurozone crisis.

The Eurozone crisis and the undermining of the EU’s credibility as an international actor

In addition to the financial constraints placed on the EU by the continuation of the Eurozone crisis, a secondary problem has emerged with respect to external relations. As Spyros Economides (2013) argues, ‘the severity of the internal financial crisis, and its inescapable political and social consequences, has resulted in a heavy dose of ‘Euro-introspection’. Europe is turning away from the world as it is consumed with its internal arrangements and future prospects for European integration’. The nature of such developments creates questions regarding the EU’s ability to focus on relations with third countries while it is consumed with internal issues. Fraser Cameron (2013, p. 1) suggests that the ‘first casualty’ of the continuation of the Eurozone crisis has been ‘the time available for foreign policy. EU leaders are devoting 90% of their time to economic and financial matters with a consequent reduction in time available for foreign policy’. Criticisms such as Cameron’s indicate a perception that the Eurozone crisis is so substantial that it is curtailing the EU’s ability to focus on anything aside from internal issues. These perceptions present possible repercussions for the EU in its ability to present itself as a credible and coherent international actor.

The Eurozone crisis has facilitated the undermining of perceptions of the EU as a model of governance. As Simon Duke (2012, p. 6) has argued, ‘the Euro crisis is already shaping third-party perception of the EU due to the simple fact that much of the Union’s presumed external attractiveness has been based upon the export of its internal values and principles’. The Eurozone crisis functions as a fundamental challenge to the EU’s continuing ability to promote itself as a successful and coherent actor. Much of this problem stems from the reality that the Eurozone crisis has contributed fundamentally to ‘the degradation of the reputation of the European Union as a whole on two accounts: as a model of competent economic policy management and as a model of enlightened regional integration’ (Emerson M., 2012). The duration of the Eurozone crisis then presents obvious challenges to external perceptions of the EU.
Perhaps the most important aspect of the EU’s approach to foreign policy has been its desire to emphasise its ‘soft power’ credentials. High Representative for Foreign Affairs and Security Policy Catherine Ashton (2011) referred to the EU as having a ‘soft power with a hard edge – more than the power to set a good example and promote our values. But less than the power to impose its will’. The Eurozone crisis poses a specific threat to such aspirations, given that is has undermined the EU’s ‘economic health’, thereby causing ‘damage to the EU’s image as a well-governed entity, an important basis for the EU’s attraction as a soft power’ (Cameron, 2013, p. 1). Criticism of the EU effectiveness as an international actor, however, predates the beginning of the Eurozone crisis. As Duke (2012, p. 6) argues, the EU’s ability to present a ‘coherent, effective and visible face to the world’ has been a longstanding problem of the EU due to the divide between foreign policy competencies held and both the member state and supranational level. Consequently, the continuation of the Eurozone crisis acts to further damage the EU’s capacity to project itself as a unified international actor. Although the Eurozone crisis in itself is not the major source of the EU’s perceived ineffectiveness as an international actor, it has magnified pre-existing problems with regard to the EU’s ability to successfully manage its external relations.

Public Criticism versus Bilateral Cooperation: Australia’s increased prioritisation of relations with the EU despite the Eurozone crisis

The expansion of bilateral cooperation under the Rudd and Gillard governments despite the Eurozone crisis

Analysing the Eurozone crisis’s tangible impact on continued EU-Australia may not necessarily be perceptible, as while there have been calls from ‘Australia to the EU to act in a responsible way… this has not impacted on the everyday relationship’ (Commission Official 3, 2012). This suggests that a clear distinction needs to be made between political rhetoric and cooperation between EU and Australian officials. A DFAT official suggested that the Eurozone crisis ‘is something that has been used for domestic politics in Australia. European diplomats, and I’m guessing most of their politicians, to the extent that they are aware the remarks have been made, will
understand that the remarks have been made for domestic politics purposes’ (DFAT Official 2, 2013). This indicates the need for a distinction to be made between criticism from political leaders and actual tangible bilateral cooperation.

A Commission official argued that the Eurozone crisis was not likely to have a substantial impact ‘when you talk about partners like Australia but it may have implications for our developing partners simply because of the economic crisis and the whole debate about the budget means that we might have more constraints than in the past in financial terms’ (Commission Official 5, 2012). Nevertheless, it has been suggested that any potential financial constraints as a result on the Eurozone crisis could contribute to closer cooperation on aid delivery to developed countries. A DFAT official argued that the ‘crisis is forcing the EU to do more with less money, meaning that closer cooperation with Australia is in its interests’ (DFAT Official 1, 2013). An example potentially is the Delegated Aid Agreement implemented by the EU and Australia in 2014 that, while not directly related to EU budget constraints, could be a potential future example of bilateral cooperation despite the ongoing Eurozone crisis. The completion of negotiations for the Framework Agreement in 2016 underlined a commitment to continue to implement delegated aid cooperation on each other’s behalf.

A key observation, corroborated by a number of interviewed EU and Australian officials, is that the Eurozone crisis has, thus far, not altered the core dynamics of the EU-Australia relationship. A Commission official argued that while the Eurozone crisis ‘does have an impact… I don’t feel that it has an impact that really changes the overall relationship’ (Commission Official 6, 2012). An EEAS official also argued that ‘there is a difference between political rhetoric and reality’ (EEAS Official 1, 2013), indicating that a clear distinction needs to be drawn between criticism at the political level and the substantive nature of cooperation that is actually occurring. A DFAT official further added that the ‘relationship is broad-based enough so as to mean that one particular issue cannot have a significant impact. Australian criticism of the EU is reflective of an honest relationship’ (DFAT Official 1, 2013). EU-Australia relations are sufficiently durable so as to withstand a dispute over an issue such as the Eurozone crisis. This situation is predicated on the realisation that criticism of the EU that occurs is for Australian domestic purposes (Council Official 1
In addition, Australian officials and politicians are aware of the need to not be deceived by simplistic depictions of the Eurozone crisis. A Council official remarked on this fact by noting that ‘the Australian Mission [to the EU in Brussels] is very much aware that what the media says is not the whole truth and that we still, by far, have the largest economy in the world and we are still one of your largest trade partners’ (Council Official 1, 2012). This then demonstrates how rhetoric exchanged at the political level has been isolated from building further substantive bilateral cooperation.

The decision of the Gillard Government in 2011 to provide financial support towards the IMF’s bailout of Greece is an important demonstration of continued bilateral cooperation despite the Eurozone crisis. In 2012, this decision resulted in a contribution of $7 billion to make sure ‘the IMF is adequately resourced, particularly so it can prevent any contagion which may flow through the global economy from events particularly in Europe or elsewhere’ (Swan, 2012). The reasons for implementing this measure were further commented on by Kevin Rudd as Foreign Minister. Rudd (2012a) suggested, that ‘what happens in Europe flows to the entire global economy. It’s important for example through the International Monetary Fund, that we in Australia and other partners beyond Europe, with our friends in Europe, also provide appropriate support for the stability of the global financial system’. The impact of such a sizeable commitment to the IMF bailout clearly indicates that despite its often critical rhetoric, the Gillard Government still saw the EU as an essential actor worth supporting. Australian Ambassador to the EU Brendan Nelson suggested that ‘it was extremely important’ to the EU that ‘Australia was willing to make an increased commitment towards the IMF’, and ‘that was something that they were thankful for’ (Nelson Interview, 2013).

Occurring simultaneously to the Gillard Government’s commitment to the IMF bailout was the continuation of negotiations for a treaty-level Framework Agreement with the EU. Negotiations for this agreement followed the signing of the Partnership Framework agreement with the EU in 2008. The signing of these agreements and the commencement of negotiations for a Framework Agreement indicates that tangible cooperation has outweighed public criticism of the EU regarding the Eurozone crisis. Nelson argued that ‘the relationship is much more resilient now, which means that
things that are said that might irritate the EU or the European Commission will not irritate the EU as a whole as much as they would have ten years ago or even five years ago’ (Nelson Interview, 2013). A similar perspective was also expressed by an EU official who argued that, irrespective of any rhetoric exchanged, ‘the Framework Agreement shows that the Australian government takes the EU seriously’ (EEAS Official 1, 2013). In particular, the EU remains of significance ongoing economic importance to Australia. Rudd (2012b) suggested that ‘the formidable strengths of the European economies remain, whether it’s in aggregate economic activity or whether it’s in their size and slice of global exports, or the formidable volumes of European investment capital which makes jobs and growth possible in other parts of the world’. Figure 14 shows the EU’s importance to Australia is indicated by the ongoing significance of foreign investment. Indeed, Figure 14 shows that foreign investment by the EU and Australia has continued to expand, with some exceptions, throughout the duration of the Eurozone crisis.

**Figure 14: Foreign investment in Australia by select markets 2001-14**

![Figure 14: Foreign investment in Australia by select markets 2001-14](image)

Source: ABS (2015c)

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23 Data not available for all of the years listed.
The Framework Agreement and FTA: Continuing close bilateral cooperation under the Abbott and Turnbull governments

The Abbott government, like its predecessors, continued to seek closer cooperation with the EU despite its concerns regarding the management of the Eurozone crisis. The decision to continue negotiations for the Framework Agreement was particularly important, despite concerns over the inclusion of a human rights clause. Nelson (2013) emphasised the previous concerns of the Howard government regarding the idea of linking existing agreements and future agreements to accusation of non-compliance on human rights and the rule of law. These fears were assuaged in 2015, however, when negotiations for the agreement were completed, with EU Ambassador to Australia Sem Fabrizi (2014c) noting that the agreement will ‘bring all the elements of cooperation under one umbrella for the first time in the form of a legal, binding agreement’. Nevertheless, the Abbott Government’s rhetoric on the issue of climate change resulted in an aspect of substantive bilateral cooperation being eliminated. The Abbott Government also conflated the EU’s perceived mismanagement of the Eurozone crisis with the need to abandon the future linking of an Australian ETS with that of the EU. An EU official quoted in The Australian (Gartrell, 2014) suggested that the EU had lost an ‘ally’ and that Australia had become ‘disengaged’ on climate change since the election of the Abbott Government. Such sentiments were also apparent when the same official suggested that the EU was ‘not very happy’ about climate change not being on the agenda for the G20 summit in Brisbane during 2014.

Despite the impact of disagreements over the Eurozone crisis and climate change, a new emphasis would emerge in bilateral relations with the proposal of, and eventual commencement of, FTA negotiations.25 Previously, such proposals had been viewed sceptically by both Australian and EU officials. An Australian official suggested that ‘there is a problem regarding resources on both sides’ and an EEAS official (EEAS Official 4, 2012) suggested that ‘the EU is rather overloaded with free trade agreement negotiations such as with the US and Japan’ (DFAT Official 4, 2013).

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24 Please note that it is still uncertain as to how the issue of the ‘human rights’ clause has been resolved.
25 Proposals for FTA negotiations were first announced by the Abbott Government prior to its election in 2013 by the then Shadow Treasurer Joe Hockey (2013).
Moreover, negotiations for the Framework Agreement were delayed due to the issue of the human rights clause (Nelson, 2013), which in turn also stalled the opening of FTA negotiations. This situation derives from the EU’s need for all FTAs to be accompanied by a treaty-level political agreement such as the Framework Agreement. After the election of the Abbott Government and the completion of the Framework Agreement, however, there was a subtle shift in attitude towards negotiations for an FTA, particularly from the EU. Fabrizi (2013) has suggested that the EU is ‘ready to listen with great attention to Australian proposals’, in contrast to previous ambivalence about commencing negotiations. The G20 summit in 2014 also provided momentum for negotiations to commence, with a potential FTA being mentioned in Tony Abbott’s joint press conferences with German Chancellor Angela Merkel and French President François Hollande. Abbott (2014b) noted that he was ‘very much looking forward to opening soon discussions between Australia and the European Union on a free trade agreement’. During his press conference with Abbott, Hollande (2014b) cautioned that the ‘design’ of a potential FTA would need to ‘be very wide-ranging and allow for certain products, which currently cannot come into Australia, be admitted and I’m thinking of pork producers who have a lot of difficulty in terms of having their products tasted by Australian consumers’. Subsequent to this press conference the possibility of FTA negotiations commencing began to gain momentum during 2015, with a scoping exercise being undertaken in 2016 and the formal commencement of FTA negotiations in 2017 (Ciobo, 2016a).

The emphasis on seeking FTA negotiations continues to demonstrate that Australia still perceives the EU as an important international, and more particularly, economic actor. In particular, the commencement of negotiations in 2017 is likely to see less emphasis placed by the Australian government on the EU’s management of the Eurozone crisis and more emphasis on its continuing significance to Australia’s economic interests. In late 2015 Trade Minister Andrew Robb (2015b) stated that the formal commencement of negotiations ‘is a significant step towards expanding our trade, investment and economic links with the EU. Having concluded landmark trade deals with Korea, Japan and China, along with negotiations for the 12-country Trans Pacific Partnership Agreement (TPP), the EU is certainly the next frontier when it comes to future agreements’. Subsequently, the next Trade Minister Steven Ciobo (2016a) continued to emphasise during the scoping process for negotiations that an
FTA ‘will open new export markets, creating opportunities for Australian businesses that will drive economic growth and create jobs’. While statements of this nature do not detract from the likelihood of there being some areas of difficulty in FTA negotiations, particularly around agriculture, they are likely to see less emphasis placed on the Eurozone crisis. Principally, this is likely to result from the situation whereby the Turnbull Government or any future government is unlikely to want to undermine the rationale of seeking an FTA with the EU, irrespective of any concerns it may have over the management of the Eurozone crisis.

While the Eurozone crisis has not had an impact on bilateral cooperation to a tangible extent, the likelihood of a similar trend continuing into the future could be uncertain. Ongoing instability surrounding a possible Greek exit from the Eurozone provides an opportunity to assess the ongoing impact of the crisis on bilateral relations. Bishop (2015d) emphasised that Greece ‘is an important economy, it is an important part of the EU and of course Australia is a partner with the EU in trade, in commerce and in investment, so it would have an impact on Australia were Greece to default and were there an impact on the EU’. Subsequent to the bailout of Greece in July 2015, Hockey (2015) suggested that he had ‘been reassured that the leaders of the Eurozone have matters in hand’ and ‘that has proven to be true’. These comments appear to again indicate that the EU is ‘a natural ally with Australia’ and that ‘we are on the same side as Australia in almost all trade discussions’ (Council Official 1, 2012). With such common interests, it would appear that the continuation of the Eurozone crisis would not pose a significant threat to future bilateral cooperation. As a DFAT official remarked, ‘the Eurozone crisis is an issue where we can get judgements wrong about the EU. At risk is a lack of nuance about Europe particularly at the political level. We have to remain conscious of the EU’s continued economic importance’ (DFAT Official 5, 2013). An example of the EU’s continuing importance is that the Euro remains the second most traded currency in the world (European Commission, 2014), making it of great importance to third countries such as Australia. As a Prime Minister and Cabinet official surmised, ‘it is in our interest to help the EU to get out of the mess that it’s in’ (PM&C Official 1, 2013). This comment more broadly demonstrates the reality that regardless of the EU’s perceived mismanagement of the Eurozone crisis, the EU as international actor remains of considerable importance to Australia.
Conclusion

The Euro has had significant impact in influencing external perceptions of the EU as an international interlocutor. In the case of Australia, the Euro was viewed as a positive development both for Australia and the world economy. With the emergence of the Eurozone crisis, however, a perception was created that the crisis has both ‘consumed the energies of policymakers internally and generated perceptions of disunity and incompetence externally’ (Niemann & Bretherton, 2013, p. 263). Within Australia, a similar trend has been apparent in that the Eurozone crisis has impacted on perceptions of the EU, particularly at the political level. Criticism has focused on the gap, identified by Hill (1993), between the expectations of the EU to directly manage the crisis and its actual capabilities as an actor. This criticism at the political level has been apparent across successive Australian governments and conforms to realist scepticism of the EU and the manner in which ‘competition and conflict’ amongst member states is seen to constrain cooperation ‘even when they share common interests’ (Soetendorp, 2014, p. 4). At the official level, this criticism was also evident, although to a lesser extent, with a DFAT official linking the strength of the EU’s economy to the ‘ability of European countries both individually and collectively to be players’ (DFAT Official 2, 2013). An EU official also suggested that the Eurozone crisis had come to define the ‘narrative’ of the EU in its external relations (EEAS Official 10, 2013). Such comments therefore indicate that whether the EU’s protestations, the Eurozone crisis has become a core feature of the way it is negatively perceived by Australia and by other international actors.

Despite being the source of significant criticism, the Eurozone crisis has not detracted to a substantive extent from the EU’s continuing relevance as an international actor. As Fägersten (2012, p. 16) has argued, ‘while the Euro-crisis could lead to both more balanced and slightly more asymmetrical partnerships—depending on the partner—it will not necessarily diminish the value of having Europe as partner’. The relevance of this argument is demonstrated by a DFAT official who argued that while ‘we’d like Europe to get its house in order’, the Eurozone crisis has not meant that Australia is ‘less interested in Europe. Business is not less interested’ (DFAT Official 5, 2013). A key indicator of Australia’s continued interest in the EU as an international actor
has been the decision of successive Australian governments to continue to seek major bilateral agreements with the EU. In the case of the Gillard Government there was the commencement of negotiations for the Framework Agreement. The Abbott and Turnbull government have also expressed a desire ‘to move as quickly as we can’ (Abbott, 2014b) on completing FTA negotiations despite the existence of continuing instability in the Eurozone.

A clear distinction must be drawn between external perceptions of the Eurozone crisis and its tangible impact on bilateral cooperation. From an Australian perspective, the Eurozone crisis has not detracted from its desire to engage with the EU due to its continued relevance as an international actor, particularly in an economic setting. The EU’s status as an important international actor was commented on by a DFAT official who argued that ‘one of the huge values for Australia in the past has been that the EU has been a fabulous entity to work with. If they are on board then they can make a real difference and this has been shown time and again regarding a huge range of international settings’ (DFAT Official 2, 2013). Statements of this nature help to demonstrate why Australia has continued to seek closer cooperation with the EU due to its status as an actor of international significance. Whereas the duration of the Eurozone crisis may be an irritant in EU-Australia relations, it is unlikely to substantially alter the likelihood of Australia seeking closer bilateral ties.
Chapter 8: Conclusion

The principal objective of this thesis has been to analyse why Australian foreign policy towards the EU was transformed from open criticism to broad-based cooperation. This transformation has involved Australia overcoming a post-war tendency to see foreign policy as being predominantly concerned with the US and the Asia-Pacific region and be able to more fully comprehend the importance of engaging with a unique international actor such as the EU. Realism provides a lens for determining why Australia has historically prioritised relations with the US alliance and key states in the Asia-Pacific region. A consequence of this prioritisation was a reluctance to engage with the EU. In investigating this trend, this thesis has relied on realist critiques of the EU that see it as ‘a weak and ineffective actor’ due to its lack of coherent foreign and security policies (Hyde-Price, 2008, p. 34). Firstly, a fear over its own security has seen Australia seek and maintain a security alliance with the US. Engagement with the Asia-Pacific has similarly been prioritised due to the need to develop relations with states in Australia’s immediate region. Underlining Australia’s approach has been the determination that foreign policy should not be predicated ‘on dreamy idealism, but on a clear-headed understanding of the power structures of the Asia-Pacific region’ (Downer, 2000b). Given the attention given to these two overriding foreign policy concerns, this thesis argues that there has often been limited scope available for Australian foreign policymakers to focus on relations with a distant and non-state actor such as the EU.

Bilateral disputes have exacerbated Australia’s scepticism of the EU as an international actor. The CAP specifically contributed to Australia adopting an approach to relations with the EU that was framed in a negative context. Furthermore, when Australia first sought to engage with the EU on issues of disagreement there was a prioritisation of relations with major member states such as the UK rather than with the EU as an actor itself. This trend was particularly apparent with regard to the CAP, where Australia sought to utilise its historical ties to the UK in order to try to achieve improved market access, irrespective of the actual validity of this approach. A further example is the focus of government on the need for leaders of member states to address the Eurozone crisis rather than the EU and its institutions. The case studies of this thesis, the CAP and the Eurozone crisis, provide clear
evidence of how Australia has viewed the EU with suspicion and as an actor behaving contrary to its interests.

Despite the prominence of bilateral disputes, this thesis has examined how and why the importance of the EU to Australian interests has been reassessed, particularly over the last twenty years. Reform of the CAP was critical in this development, as it removed the most significant irritant in bilateral relations and contributed to establishing the EU’s importance to Australia. It corresponded with greater acknowledgement of the significance of the EU as an economic partner, due in part to the establishment of the single market by the end of 1993 and the moves towards the introduction of the Euro during the 1990s. Damro’s concept of Market Power Europe indicates how a state such as Australia needed to reconceptualise the EU’s significance as an international actor. This was due to the single market’s global economic significance and its ability to ‘externalise’ its ‘economic and social market-related policies and regulatory measures’ (Damro, 2012, p. 682). The signing of two sectoral agreements the Wine Agreement and the Science and Technology Agreement, both in 1992, constituted early evidence of Australia’s re-evaluation of the importance of relations with the EU. These agreements were succeeded by two comprehensive agreements, namely the Joint Declaration in 1997 and the Agenda for Cooperation in 2003, which placed specific emphasis on the importance of a broad-based relationship with the EU.

Australia has adopted an approach to bilateral relations that recognised the increased capacities of the EU as an international actor that have developed over the last thirty years. This has meant that Australia, irrespective of concerns over issues such as the CAP and the Eurozone crisis, has been obliged to engage with the EU. An example is the 2008 Partnership Framework agreement and its commitment to immediate short-term objectives relating to specific initiatives such as the coordination of development aid funds. These commitments are in contrast to previous agreements that were often vague or non-specific as to substantive instances of bilateral cooperation. Assessments of the broadening of cooperation between Australia and the EU were tempered by the election of the Abbott Government in 2013, due its criticism of the EU and its commitment to abandon the linking of a proposed ETS with the EU. There remains, however, a bipartisan emphasis on fostering closer bilateral relations
given the conclusion of negotiations in 2016 for the treaty level Framework Agreement and the commencement of negotiations for an FTA in 2017. Therefore, while the US and Asia-Pacific region still receive the majority of attention from government, Australia has increasingly been able to develop a relationship with the EU that is characterised by both its depth and breadth.

**Reassessing Realism’s Ongoing Relevance to the Analysis of Australian Foreign Policy**

A focus of this thesis has been examining the manner in which realism assists in explaining the past reluctance to engage with the EU as an international actor within the context of overall Australian foreign policy. Chapters 2 and 3 examined how realism helps provide a lens for examining the emphasis placed on the US alliance and security issues within the context of overall Australian foreign policy. Its prominence within foreign policy established a longstanding tradition whereby Australia, as analysed through Wesley’s (2009) concept of systemic pessimism, has sought a ‘powerful friend’ as a guarantor of its security. This also aligns with Patience’s (2014, p. 218) argument that Australia has an ‘entrenched habit of junior partnering in foreign and defence policy: first with Great Britain (in the context of the British Empire) up to about 1942 and subsequently with the USA’. Placing the US alliance in such a context helps to demonstrate its longevity as a driver of Australian foreign policy. Furthermore, the alliance continues to retain bipartisan support and the support of the Australian public. In such a context, Wesley’s (2009, p. 326) experiential characteristic of realism also explains how Australia’s ‘size, isolation, wealth, population, culture’ appears to have influenced the alliance’s longevity. The emphasis on the alliance has created a situation whereby Australia has historically regarded relations with actors outside its immediate region to be of limited importance.

Chapter 2 and 3 also examined how engagement with the Asia-Pacific region and its major states has become the second major focus of Australian foreign policy. This approach towards the region conforms to Wesley’s experiential of realism with Australian characteristics. This thesis has argued that an emphasis on pragmatism has
seen the continuation of the promotion of the significance of the US alliance, particularly in the context of regional instability. In addition, the need to seek closer bilateral relations with key states in the region was influenced by their increasing importance to the Australian economy. Foreign Minister Alexander Downer (1997d) stated that ‘closer engagement with the region’ would be done ‘by seeking concrete practical outcomes at the bilateral level’.

After the defeat of the Howard Government in 2007 there was a conscious attempt to reconceptualise Australian engagement with the region by the Rudd Government. This attempt to redefine ‘Asian engagement’ as a concept was done specifically by Prime Minister Kevin Rudd (2008c), who described his government’s ‘comprehensive engagement with Asia’ as the ‘third pillar of our foreign policy’, recognising that ‘there is a brittleness in a foreign policy based only on bilateral relations’ necessitating ‘strong and effective regional institutions’. The issuing of the *Australia and the Asian Century* White Paper in 2012 by the Gillard Government further consolidated the Labor government’s emphasis on Asia-Pacific regional organisations. The White Paper and its findings, however, were rejected by the Abbott Government after it won the 2013 election. This decision was indicative of the Abbott Government’s emphasis on pragmatism, with the Asia-Pacific region being ‘recast in the frame of economic diplomacy’ (Reece, 2014, p. 355). The prioritisation of economic interests at the forefront of foreign policy saw an emphasis placed on completing a number of bilateral FTAs with China, Korea and Japan, in addition to completing negotiations for the Trans Pacific Partnership (TPP).

Consequently, it appears that Asian engagement, as it was previously under the Howard Government, is now being driven by a pragmatic emphasis on economic imperatives and bilateralism.

Given the emphasis placed on the US alliance and on key states in the Asia-Pacific region such as China and Japan, Chapter 3 questioned whether these foreign policy priorities are incompatible. From a realist perspective Mark Beeson (2015, p. 313) queries whether ‘it is not unreasonable to ask: what is the pay-off for alliance partners such as Australia - especially when they would seem to have little to fear from ‘traditional’ security threats’? Beeson’s analysis indicates how the alliance has become an embedded element of Australian foreign policy. Specifically, the future
longevity of the US alliance can be questioned in the context of Australia’s broader interests in the Asia-Pacific region, particularly regarding the compatibility of continued close relations with Australia’s security guarantor and largest economic market in the form of the US and China respectively. Current tensions in the South China Sea are a clear example of where Australia may have to choose between aligning itself with the US and protecting its economic ties with China. Uncertainty surrounding the trajectory of the presidency of Donald Trump also contributes to the possibility of tension emerging between Australia’s core strategic and economic interests. As a result, Chapter 3 established the importance of scrutinising Australia’s core foreign policy objectives, given their potential future incompatibility.

**The limitations of Australian foreign policy**

Realism, this thesis has argued, explains why the EU has traditionally been perceived as an actor of decreased relevance to Australia. Chapter 4 examined how a focus on the EU as a collection of states rather than a coherent international actor has historically caused difficulties in bilateral relations. In particular, Australia historically tended to place an emphasis on relations with key members such as the UK when trying to engage with the EU on issues of contention such as the CAP. The Howard Government, for example, according to Stats (2010, p. 25), viewed the EU as ‘complex and difficult’, particularly with regard to the CAP, and sought to engage with the EU largely via its member states, which were identified as ‘the bedrock of Australia’s European engagement’. This approach came in direct contrast to the reality that the EU itself, rather than its member states, holds significant competencies, particularly in relation to areas of importance to Australia such as trade and agriculture. Ignorance of the EU’s competencies, however, has not meant that the EU has not been the subject of specific criticism by Australia with significant attention being directed towards the EU itself. As Chapter 6 showed, the CAP in particular indicated how Australia simultaneously sought to engage with major member states such as the UK while directing most of its criticism at the EU. More recently, the Eurozone crisis as analysed in Chapter 7, has further demonstrated the way that, similarly to the CAP, it can be framed as a contributing factor towards negative Australian attitudes of the EU.
The emphasis placed on the US alliance and the Asia-Pacific region raises questions about whether these two objectives constrain the ability of Australia to focus on other foreign policy concerns such as the EU. This was indicated by the Abbott Government’s approach, which emphasised the two most important aspects of Australian foreign policy, being ‘economic diplomacy’ and ‘historical ties and alliances’ (Bishop, 2014b). Embedded in this approach is also the significance of ‘geography’ in ‘dominating’ the government’s foreign policy, ‘with the Indian Ocean Asia-Pacific’ specifically viewed as the region most ‘critical to Australia’s national interests’ (Bishop, 2014b). Framing Australian foreign policy in this context raises questions as to whether relations with interlocutors outside the region are still central to ‘Australia’s national interests’. Sentiments of this nature were supported by Downer (2006b), who argued that Australia ‘can take our strengths and use them to advance our interests on the global stage. Or we can be less ambitious, less self-assured - and narrow our focus to our immediate region’.

Due to the focus on its immediate region there has been a risk that Australia’s relations with the EU are being ‘taken for granted’ (EEAS Official 11, 2012). This also applies to relations with other actors in addition to the EU. For example, in relation to Africa, David Mickler and Nikola Pijovic (2015, p. 100) argue that, despite some increased attention associated with Australia’s successful bid for a UN Security Council seat during the Rudd and Gillard governments, ‘Canberra has largely ignored Africa while seeking, as its principal national interests, to anchor and sustain its American military alliance and deepen its economic and political enmeshment with a rising Asia.’ The limited prioritisation accorded to Africa appears to have been present when considering the reduction of foreign aid spending by the Abbott Government and its continuation under the Turnbull government. Consequently, the EU is only one example of an actor deemed to of lesser importance to Australian foreign policy.
Reconceptualising Australian Foreign Policy towards the EU

Beyond the alliance and Asia: The identification of the EU’s importance to Australian interests

The thesis has argued in Chapters 4 and 6 that substantive reform of the CAP in the 1990s has been the main facilitator of Australia’s reconceptualisation of the importance of its relationship with the EU. A Commission official argued that the reform of the CAP contributed to ‘the realisation that we have far more in common than perhaps had been at the outset where the relationship I think was clouded by the bad start of the UK’s accession to the EU’ (Commission Official 6, 2012). The realisation in the early 1990s by the Australian government of the potential for broad-based cooperation with the EU does not, however, undermine the ability of realism to explain the evolution of the bilateral relationship. Reform of the CAP in particular helped to remove a major impediment to bilateral relations, with Australia increasingly able to seek a relationship with the EU that emphasised pragmatic cooperation. Indicators of this development were the completion of the Wine and the Science and Technology Agreement in 1994. This demonstrated how the bilateral relationship was increasingly being influenced by a sense that a more multifaceted relationship with the EU was in Australia’s national interest. An interviewed DFAT official suggested that during the 1990s ‘the science and technology relationship started to bloom’, as ‘there was obvious shared interest from the perspective of both Australia and the EU’ (DFAT Official 2, 2013).

An additional facilitator of Australia’s reconceptualisation of relations with the EU was the growth in trade that occurred concurrently with the implementation of significant CAP reform. For example, over the period 1985-89 trade with the EU grew from $4.4 billion to $6.5 billion (EC Delegation Australia, 1990, p. 9). Australia and the EU were increasingly finding a growing range of shared economic interests, particularly in relation to a desire for further liberalisation of trade in manufacturing and services. Australia’s recognition of the EU was also enhanced during the 1980s and early 1990s by a number of internal developments, the most notable of these being the moves towards the implementation of the single market and the signing of the Maastricht Treaty. These developments demonstrated to the Australian government that the EU, particularly in relation to trade, was becoming an
increasingly coherent international actor. An example was Foreign Minister Gareth Evans’s (1990, p. 133) view that the single market was ‘likely to result in a more competitive and dynamic European economy with the advantages of greater economies of scale, a wide choice of base for investment, and a bigger pool of skilled labour’. As Chapter 4 established, the significance of the establishment of the single market was that ‘it contributed to facilitating greater ease of trade with the EU’, as was noted in several reports issued by DFAT at the time. Importantly, however, the single market also ‘served to promote the EU as a more liberal trading entity’ rather than a protectionist bloc, as was the case prior to CAP reform (Kenyon & van der Eng, 2013, p. 227).

**From supportive statements to substantial bilateral agreements**

Following the creation of the single market and the passing of major CAP reforms Australian governments were able to seek a more broad-based approach to relations with the EU. An initial indication was the Keating Government’s decision in 1995 to seek negotiations for a treaty-level Framework Agreement with the EU. Despite the commencement of negotiations, the agreement was ultimately not signed after the election of the Howard Government in 1996. This change in government resulted in the return of a more critical and sceptical approach to relations with the EU, at least initially. The years subsequent to the failure of the Framework Agreement negotiations saw a gradual moderation in the tone of the Howard Government towards the EU. While John Howard remained critical of the EU, other ministers cultivated a more broad-based relationship. Brendan Nelson (Nelson Interview, 2013) identified Foreign Minister Alexander Downer, ‘even though he holds Eurosceptic views himself’, as realising ‘in 2002 that we needed to lift our game with the EU and he started the process of improving relations’. Downer’s more positive approach contributed to the negotiation of the 2003 of the Agenda for Cooperation, which sought to emphasise, in general terms, bilateral cooperation in areas such as trade strategic issues, immigration and asylum, the environment, education, science and technology. Importantly, cooperation also became apparent in relation to the previously sensitive area of trade and agriculture. Trade Minister Mark Vaile (2004) identified the common agenda of Australia and the EU in areas such as services liberalisation, investment, competition policy, government procurement, and trade
facilitation in relation to the Doha Round of the WTO. Further evidence of substantive cooperation was also apparent in the 2007 Ministerial Consultations Joint Statement, with the establishment of a ‘joint expert working group’ to discuss longstanding disputes over sanitary and phytosanitary (SPS) issues regarding quarantine and biosecurity measures. More significantly, this statement was the first official indication as to the intention to begin negotiations for a new comprehensive bilateral agreement in the form of the Partnership Framework.

The election of the Rudd Government in 2007, discussed in Chapter 4, led to another major shift in how Australia approached relations with the EU. Rudd as Prime Minister saw increased engagement with the EU as constituting an important aspect of his foreign policy agenda. Kevin Rudd (2008b) personally sought to fast track negotiations of the Partnership Framework as a means to ‘prosecute’ a ‘broad-based relationship with the EU’. It was also designed to facilitate specific projects such as delegated aid in Fiji, rather than just simply emphasise shared values and interests as often apparent in previous agreements. The continuing improvement in relations was further perceptible in 2011, with the commencement of negotiations for a new Framework Agreement, despite the intensification of the Eurozone crisis. The aim of the treaty has been to ‘provide an institutional platform for facilitating closer contact on a range of “soft power” foreign and security policies’ (Kenyon & van der Eng, 2013, p. 226). Further important developments were the signing of an updated Wine Agreement in 2010, an updated Mutual Recognition Agreement in 2012, the Passenger Name Record agreement, and the opening of negotiations for a Crisis Management Agreement in 2011. These agreements indicate the Rudd and Gillard governments’ desire for a broad-based relationship predicated on the formalisation of substantive bilateral cooperation.

**Current EU-Australia relations: The Framework Agreement and the FTA**

With the election of the Abbott and later Turnbull government there was the possibility of a less multifaceted relationship with the EU. Chapter 4 argued that the most obvious example of this was the Abbott government’s decision to repeal the carbon tax and remove the ability to link ETS schemes with the EU. Accompanying this decision were critical statements directed by Abbott Government ministers
regarding the EU’s ETS. As Chapter 7 argued, it also maintained and in some instances intensified criticism of the EU’s management of the Eurozone crisis that first occurred under the Rudd and Gillard governments.\textsuperscript{26} Occurring simultaneously to these critical statements, however, were proposals for negotiations for an FTA with the EU that first were enunciated by the Abbott Government in opposition and are to be formally commenced by the Turnbull Government in 2017. Proposals for the agreement indicate that the Turnbull Government, like the Abbott Government, continued to place significant emphasis on the value of bilateral FTAs, given the completion of agreements with China, Japan and South Korea. The commencement of FTA negotiations with the EU under the Turnbull Government, however, risks again drawing attention to the issue of the CAP, meaning that ‘negotiations would likely be quite difficult’ (EEAS Official 8, 2013). The Commission (2015a, p. 32) has noted in its most recent Trade and Investment strategy that it will ‘request authorisation to negotiate FTAs with Australia and New Zealand’ while warning of the need ‘take into account EU agricultural sensitivities’. As a consequence, agriculture is likely to be a significant issue of consternation in future FTA negotiations. Nevertheless, the Turnbull Government’s ongoing commitment to sign the Framework Agreement signals that it remains interested in cultivating a broad-based relationship with the EU.

Realism and an emphasis on pragmatism explain the Abbott and Turnbull governments’ decision to seek a broad-based bilateral relationship with the EU, irrespective of any misgivings they may have regarding the Eurozone crisis and climate change policy. An indication of this commitment was the decision to continue negotiating and eventually complete agreements such as the Crisis Management Agreement and the Framework Agreement. In relation to trade, the desire for FTA negotiations shows that, despite the duration of the Eurozone crisis, the Abbott and Turnbull governments view the EU as an important international economic partner. This was demonstrated at the G20 summit when Tony Abbott placed particular emphasis on commencing FTA negotiations with the EU in addition to multilateral economic cooperation. As an EEAS official suggests,

\textsuperscript{26} For example see (Abbott, 2013) and criticism of both the ETS linkage proposal and the EU’s management of the Eurozone crisis.
I think that world circumstances have thrown us together more than people in the past would have expected. The global financial crisis, for example, and the role that the G20 is playing has been one of those factors (for increasing bilateral cooperation). As a result of that, we have seen the need to have high-level bilateral discussion on macro financial issues which we did not use to have (EEAS Official 2, 2013).

Despite the occasional exchange of critical language, an emphasis on pragmatic cooperation has seen the Abbott and Turnbull governments continue to engage broadly with the EU as evident by the negotiation and signing of major bilateral agreements.

**Limitations of the Analysis of Australian Foreign Policy and Relations with the EU**

*Theoretical constraints in the analysis of EU-Australia relations*

This thesis has investigated and critically analysed why there has been a substantial shift in the EU’s perceived relevance as an international actor to Australian interests. The major focus of Australian foreign policy has been on state-to-state relations in the Asia-Pacific region as they are seen to most closely reflect Australia’s security and economic interests respectively. The EU in the past has ‘rarely featured as an economic or political entity for successive Australian governments, whose bilateral state-to-state realism has determined their foreign policy orientation’ (Murray, 2007a, p. 265). The CAP historically reinforced Australia’s negative perception of the EU and interest in engaging with it as an actor. Reform of the CAP and the EU’s development into a major economic actor contributed to Australia reassessing bilateral relations. Realism and an emphasis on ‘pragmatic’ engagement with the EU explain how Australia reassessed the EU’s importance as an international actor. It also helps to take into account the broad-based nature of cooperation on issues previously deemed to be of limited importance, such as development cooperation, as Australia increasingly became aware of the commonality of interests it shares with the EU. Consequently, realism provides a useful, although not complete, explanation of the evolution of Australian foreign policy and relations with the EU.
Alternative theoretical conceptualisations of Australian foreign policy that were not utilised in this thesis do have some capacity to explain the evolution of Australia’s approach to relations with the EU. A specific example is constructivism, which has not been used to examine Australian foreign policy to a significant extent, despite being suggested by Reus-Smit (1996) as offering a useful lens for understanding its development. Reus-Smit (1996, p. 194) argued that constructivism provided the context for understanding the emphasis by the Keating government on ‘international human rights norms – along with other norms, rules and principles – as important structural elements of the global system’. More recently, Andrew Carr has also sought to use constructivism as a means to analyse Australia’s approach to Asia-Pacific engagement. Carr (2015, p. 32) argues that Australia’s ‘identity’ as a middle power has been a major influence in shaping how it approaches foreign policy. In addition, Carr (2015, p. 32) argues that Australian foreign policy has been less influenced by ‘strategic concerns’, and influenced more by ‘norms, identity and ideational factors’. The most recent developments in relations with the EU could also be analysed utilising a constructivist framework. In particular, the Partnership Framework speaks of a ‘shared commitment to the respect for and promotion of human rights, fundamental freedoms, democracy and the rule of law which underpins their internal and external policies’.

Nevertheless, this thesis has argued that agreements such as the Partnership Framework have been sought by Australia as a ‘pragmatic’ means to pursue its own interests rather than necessarily as a result of shared norms, identity and ideational factors. The Partnership Framework’s structure demonstrates this approach as it details multiple projects for ‘immediate action’ such as funding for the Jakarta Centre for Law Enforcement. Initiatives of this nature indicate how Australia pragmatically has come to see the EU as a partner that coalesces with its own interests. This development has continued with the most recent bilateral agreement under negotiation with Australia agreeing to sign the Framework Agreement in 2017 irrespective of concerns regarding the inclusion of an operative human rights clause. The need for this agreement to be signed prior to commencing FTA negotiations suggests that Australia made the pragmatic decision to sign the Framework Agreement. This decision was made in order to satisfy the EU’s need to have a treaty-based bilateral agreement completed in order for FTA negotiations to be able to commence.
An additional component of constructivism is the emphasis placed on the role of individuals, and more specifically leaders, such as the Prime Minister and Foreign Minister, in the formulation of foreign policy. Although an emphasis on individuals is not something that is strictly exclusive to constructivism, constructivists such as Carr (2015, p. 40) argue that ‘elite policy makers – especially presidents and prime ministers – are well placed to promote norms as they can corral the substantial resources of government to the task’.

Constructivism provides some indication as to how prime ministers such as Kevin Rudd and Julia Gillard personally sought to advance negotiations on major bilateral agreements such as the Partnership Framework and Framework Agreement respectively. These initiatives provide a lens for understanding partly the way Australia’s leaders and governments have acted as ‘autonomous agents in constructing and executing Australian foreign policy’ (Neack, 2003, p. 176). Despite the role played by leaders, this thesis has argued that other factors have contributed more significantly to improved EU-Australia relations. An indication has been the way that major agreements proposed under the previous Rudd and Gillard Labor governments were signed by the Liberal Abbott and Turnbull governments. The principle examples are the Framework Agreement and the Delegated Aid Agreement, which were signed by the Abbott and Turnbull governments respectively despite being initiated by the previous Labor government. This demonstrates that an increasingly bipartisan understanding of the value of bilateral cooperation has developed that is not dependent on the personal attitudes of political leaders towards the EU.

**The dominance of trade and political relations**

The thesis has a predominant focus on the politicisation of trade in its investigation of EU-Australia relations. The importance of trade was seen initially by way of the UK’s attempts to join the EU during the 1960s and the way Australia would lose prioritised access to the British market. This thesis’s two case studies the CAP and Eurozone Crisis give a clear indication of how trade has been politicised. Both case
studies capture the transition of EU-Australia relations from being dominated by singular areas of dispute to their current multifaceted nature. The CAP demonstrated how successive Australian governments became preoccupied with one specific trade issue at the expense of cultivating a broad-based relationship. Similarly, the Eurozone crisis fostered perceptions within recent Australian governments ‘that the EU is broken and finished’ (DFAT Official 3, 2013). As this thesis has argued, however, the EU-Australia relationship has evolved substantially from a one policy focus to encompass cooperation on a wide range of issues, with CAP reform helping to facilitate this process. The current Eurozone crisis also indicates the transformation of the EU-Australia relationship as it has not impacted on the bilateral relationship in any tangible way, as demonstrated by the completion of the Framework Agreement. Similarly, the decision to seek an FTA with the EU in recent years indicates the robustness of the bilateral relationship. A focus on the positive intersection between trade and political relations therefore has provided the framework for understanding the current broad-based nature of bilateral relations.

Notwithstanding the emphasis placed on political and trade relations, a number of other important issues have become a focus of EU-Australia relations, which were outside the scope of this thesis. An example is development cooperation, where Australia and the EU have implemented a Delegated Aid Agreement. As Fabrizi (2013) suggested, this agreement involved exchanging development aid and not simply positive rhetoric. While this agreement was analysed in the context of cooperation in the Asia-Pacific region, there is the potential for research in future should this exchange of aid expenditure continue. Nevertheless, by focusing on major agreements such as the Partnership Framework, this thesis has still been able to focus on the most important and substantive expressions of the multifaceted nature of the current EU-Australia relationship.

Cooperation on science, technology and environmental issues are additional elements of EU-Australia relations that have the potential to be the subject of future research. Although climate change was discussed, the abolition of the carbon tax under the Abbott Government has largely eliminated the potential for bilateral cooperation in this area. It has, however, been suggested by an EU official that there is ‘now hope for climate and Australia’s role in the world, and so many more things’ since
Malcolm Turnbull replaced Tony Abbott as Prime Minister in September 2015 (Heath, 2015). Positive sentiment towards the Turnbull Government was also enhanced by Australia’s commitment at the 2015 UN Climate Change Conference in Paris, when a commitment was made to reduce emissions by 26-28 per cent on 2005 levels by 2030 (Department of Environment, 2015).

Nevertheless, in the period since becoming Prime Minister, Malcolm Turnbull has recommitted his government to the climate changes policies of his predecessor, meaning that any future substantive cooperation with the EU is unlikely to occur. In comparison, there has been continuing close cooperation on science and technology issues. This cooperation was apparent initially with the signing of the 1994 Science and Technology Agreement. The agreement has resulted in Australian researchers being able to join their EU counterparts as participants in research programs that are managed by the Commission as part of EU’s Framework Program for Research and Technological Development. As part of the 7th Framework Program from 2007 until 2013 Australia was able to participate in 169 projects worth €13 million (EU Delegation Australia, 2014b). As with the Delegated Aid Agreement, cooperation of this magnitude indicates the mutual trust that exists between Australia and the EU with regard to the exchange of financial resources.

**The signing of the Framework Agreement and the opening of FTA negotiations**

An important development influencing this thesis’s findings was the delay in the completion of negotiations for the Framework Agreement. Although negotiations commenced in 2011, the agreement was not completed until April 2016 and has only recently been signed. An implication of this delay was the inability of interviewed officials to be able to discuss the content of the agreement due to the confidentiality of the negotiating process. Importantly, since the signing of the agreement in 2017 there still have not been any public statements on how the issue of the human rights clause was resolved. The agreement itself since the completion of negotiations in 2016 does also not give a significant indication regarding future bilateral cooperation initiatives, as was the case with the Partnership Framework. There are expressions of commitments ‘to intensifying high-level political dialogue, and reaffirm the shared
values and common principles that underpin their bilateral relations and form a basis for cooperation’ but these commitments are often accompanied by a limited range of new initiatives in the various sectors of the agreement. An example is delegated aid where there was only the mentioning of the potential for further cooperation ‘where appropriate’. Nevertheless, the agreement for the first time provides a legal basis for budget expenditure on bilateral cooperation initiatives. It also provides ‘for the possibility of suspending its application in the case of a violation of essential elements’, clearly indicating that some form of human rights clause has been included. Both these elements still make the Framework Agreement a major milestone in the history of EU-Australia relations.

Notwithstanding its significance in formalising bilateral relations at the treaty level, the completion of the Framework Agreement has created an environment in which FTA negotiations are now possible. FTA negotiations initially, however, were perceived as secondary to completing the Framework Agreement by both the Australian government and EU officials (Kenyon & van der Eng, 2013). This was particularly the case under the Rudd and Gillard governments which did not see the finalisation of the Framework Agreement as a precursor to FTA negotiations. Nevertheless, by 2014 there was a change in approach when Prime Minister Tony Abbott placed an FTA on the agenda during the G20 summit. Moves towards the commencement of FTA negotiations gained further momentum under Prime Minister Malcolm Turnbull with the suggestion that he was ‘the leading supporter in Australian politics’ of an FTA and that ‘Abbott, a noted Eurosceptic, had been slow to seize the opportunity to start negotiations on such an agreement’ (Heath, 2015). The momentum towards negotiations slowed when Trade Minister Andrew Robb (2015a) suggested that, as part of the European Commission’s new trade and investment strategy, Australia is ‘on the list for the next five years to conclude a trade agreement with the EU’ but that ‘the first priority’ of the Turnbull Government was to conclude FTA negotiations with India. Ultimately, during November 2015 Turnbull, President of the European Council Donald Tusk and President of the European Commission Jean-Claude Juncker agreed to commence work aimed at launching negotiations on an FTA, with the scoping process being undertaken in 2016. As formal negotiations are not beginning until after this thesis’s submission in September 2017, however, there is an inability to offer a definitive prediction as to how they might proceed.
Nevertheless, in covering the period up until September 2017, this thesis was able to analyse the significant improvement in bilateral relations that has provided the scope for these negotiations to begin.

Towards a New Research Agenda for Australian Foreign Policy and Relations with the EU

Moving beyond the predominant focus on the US and Asia-Pacific region

A focus of this thesis has been to understand why Australia foreign policy historically has placed less emphasis on the relative importance of relations with the EU as compared to major actors in the Asia-Pacific region. This thesis has firstly utilised realism to explain Australia’s past scepticism of the EU’s capacities as an international actor. There has been quite extensive analysis of the problematic nature of Australia’s historical relationship with the EU due principally to the CAP. In contrast to this past analysis, however, there has been less examination of the substantial transformation of Australia’s relationship with the EU, notwithstanding some exceptions such as Murray (2005), Benvenuti and Murray (2014), and Kenyon and Lee (2011). Successive governments, including the current Turnbull Government, have sought to engage with the EU due its increased capacity as an international actor, particularly in relation to trade. With the completion of the Framework Agreement there is additional scope to analyse bilateral relations and their relative depth and breadth. In addition, the opening of negotiations for an FTA under the Turnbull Government provides an important opportunity to again reassess the centrality of trade in overall EU-Australia relations. This thesis therefore has aimed to provide a basis from which further analysis of Australian foreign policy and relations with the EU can be examined.

While the thesis has focused on historical difficulties in relations with the EU, it has attempted to draw the attention of scholars to other actors outside the central focus on the US and Asia-Pacific region. Alternative regions that have received limited attention include Latin America and Africa. José Blanco (2015) has argued that ‘there are compelling reasons for Australia to give greater priority to its engagement with Latin America, not as a substitute for what Asia has to offer, but as a strategically important component of Australia’s international policy and economic mix’.
Blanco’s assessment of the state of Australia’s engagement with Latin America coalesces with similar assessments made in this thesis regarding the emphasis placed on the US and the Asia-Pacific region. There have also been suggestions regarding the prioritisation of relations with Africa. David Mickler and Tanya Lyons (2013, p. 2) argue that since the emergence of ‘Australia’s independent foreign policy interests’ subsequent to World War II, Africa has ‘remained one of Canberra’s lower foreign policy priorities – a relationship in need of reengagement’. Mickler and Lyons also argue that Australia’s major international relations journals, such as the *Australian Journal of International Affairs* and Australian foreign policy scholars such as Stewart Firth (2011), have covered in little or no detail the nature of Australian foreign policy towards Africa. This indicates the need for Australian foreign policy scholars to examine in greater depth foreign policy interests beyond a central focus on the US and Asia-Pacific region. Relations with the EU in addition to regions such as Latin America and Africa therefore still have significant scope for future analysis within the context of Australian foreign policy.

*Future analysis of key developments in EU-Australia relations: The Framework Agreement, FTA and a ‘strategic partnership’*

The Framework Agreement is likely to be the focus of analysis in the field of EU-Australia relations. Its ability to draw on financial resources, as it is a treaty level agreement, makes it a significant development in bilateral relations. The Framework Agreement ‘will strengthen all-of-government engagement by Australia with the EU and its institutions’ (Murray, 2015, p. 16), making it of undeniable importance in future analysis of bilateral relations. Following on from the Framework Agreement are FTA negotiations, which present another natural area of future research on EU-Australia relations. Some initial research prior to the commencement of negotiations was undertaken by the Europe Australia Business Council (2013) and by Gonzalo Villalta Puig’s (2014). With the opening of negotiations in 2017 there will be the first opportunity to begin to assess their progress as they unfold. A useful starting point for comparison may be the examination of other FTAs that the EU has recently completed such as the Comprehensive Economic and Trade Agreement (CETA) with Canada. CETA could provide a useful case study for negotiations given that Canada is comparable to Australia in terms of the size of its population and economy. It also
offers an opportunity to consider how the issue of agriculture may be approached during negotiations, as Canada, similarly to Australia, ‘is a major agricultural exporter with sectors that could benefit considerably from increased market access to the EU’ (Kerr & Hobbs, 2015, p. 438). Should the issue of agriculture be included in any future FTA, this would obviously have substantial positive implications for EU-Australia relations.

Brexit presents a complicating factor in bilateral relations and more specifically FTA negotiations. Despite some confusion in the immediate aftermath of Brexit, however, the Australian government has sought to affirm that an FTA with the EU remains its priority ahead of any potential negotiations with the UK. This comes despite suggestions from Abbot (2017) and Oxley (2016) that an FTA with the UK would be easier to complete and more beneficial to Australia’s economy. Nevertheless the uncertainty regarding the process of Brexit and the UK’s future relationship with the EU will create difficulties for the current and any future Australian governments. It has been suggested that there is the potential for Australia to be ‘caught up in a messy divorce between the UK and the EU. Whilst it is true that Australia’s contemporary relationship with the UK is grounded in its EU membership, the converse is also true: the UK is a crucial conduit for Australian relations with the EU (Wellings, Elijah, & Wilson, 2017, p. 2). Importantly in the process of FTA negotiations with the EU, ‘Brexit requires that Australia consolidates new friendships in Europe at the same time as seeking to do well out of a post-EU Britain’ (Wellings, Elijah, & Wilson, 2017, p. 4). How this process unfolds is therefore likely to be the subject of any future analysis of the EU-Australia relationship.

Given the breadth and depth of recent bilateral agreements signed such as the Partnership Framework and Framework Agreement, an inevitable question relates to what is likely to be the next major development in EU-Australia relations. Murray (2015), for example, has suggested that the relationship has the potential to be characterised as a ‘strategic partnership in all but name’. Currently Australia’s strategic partners are the US, Japan, India, Indonesia, Brazil, ASEAN, Singapore and France. The EU’s strategic partners are Brazil, Canada, China, India, Japan, Mexico, Russia, South Africa, South Korea and the US. Using the definition of a strategic partnership of Michael Reiterer (2013), Murray (2015, p. 3) concludes that that the
‘key elements of all of the external conditions enunciated by Reiterer are evident in the EU–Australia relationship. Contemporary engagement is based on reciprocal interests, rights and duties to realize mutually defined goals, particularly in the Asia-Pacific region’. Consequently it appears that the EU-Australia relationship is becoming what could be considered a strategic partnership that is comparable to those the EU has with other partners. This is especially the case given the completion of Framework Agreement negotiations and the commencement of FTA negotiations. As Murray (2015, p. 17) further acknowledges ‘whether it is called an SP [strategic partnership] is perhaps not important. Rather, what is remarkable is the stability and enduring nature of this breadth and depth of engagement and the fact that the Asia-Pacific is a mutual focus’. There is therefore obvious scope for future analysis of the EU-Australia relationship, particularly given its under-researched status within the context of Australian foreign policy scholarship.

**Concluding Comments**

Analysis of Australian foreign policy has tended to be concerned predominantly with an emphasis on the US alliance and the Asia-Pacific region due to their perceived link to Australia’s core security and strategic interests. In comparison, the EU has received limited attention due to scepticism of its capacities as an international actor. This can be understood through a realist framework which sees the EU depicted as being controlled by its member states and having a limited coordinated military capacity (Soetendorp, 2014, p. 4). In the past there has been a reluctance to engage with the EU as an actor. Firstly, this is indicative of the way that ‘awareness of the importance of the EU for Australia... remains low among the general public.

Australian media presence in Brussels has been minimal, with most European news being covered from Euro-sceptic UK sources’ (Winand, Kalfadellis, & Witzleb, 2015, p. 68). This lack of awareness and negative perception of the EU have been compounded by Australia’s longstanding grievances over the CAP. More recently, the Eurozone crisis has similarly cultivated negative Australian perception of the EU. It has ‘distorted expectations and perceptions of the EU’s capacity to be an effective multilateral actor, one that is less able and less willing to engage globally due to pressing, if myopic, parochial priorities’ (Holland & Chaban, 2014, p. 249). Australia
in the past sought to approach relations with the EU in a manner that only saw emphasis placed on issues deemed to be direct relevance to its interests. As a result, bilateral irritants had the impact of fostering perceptions of the EU as an interlocutor of limited relevance to Australia.

Notwithstanding the continued pre-eminence of the US alliance and Asia-Pacific engagement as the core focus of Australian foreign policy, successive Australian governments have, particularly over the last twenty years, sought to build a more comprehensive relationship with the EU. The first motivating factor for this change was the implementation of substantial reform of the CAP in the early 1990s. CAP reform also occurred in conjunction with the implementation of the single market and plans for a single currency, which obliged Australia to become more cognisant of the EU as an economic actor. As noted by Damro (2012) the EU through establishing the single market gained its greatest ability to consequentially impact international affairs. This development facilitated a process whereby Australia’s ‘pragmatic’ approach to relations with the EU was now able to be predicated on substantive bilateral cooperation rather than on issues of disagreement. Evidence came when Prime Minister Paul Keating personally sought a treaty-level Framework Agreement with the EU in 1995. Although the subsequent Howard Government did not sign the Framework Agreement, they eventually saw merit in trying to cultivate a broad-based approach to relations with the EU via agreements such as the Joint Declaration and Agenda for Cooperation.

With the election of the Rudd Government in 2007, a concerted attempt to establish closer relations with the EU was apparent when Kevin Rudd argued that the EU formed part of a pillar of his three-pillar foreign policy. This approach resulted in Rudd visiting Brussels within the first year of his prime ministership and signing the comprehensive but not treaty-level Partnership Framework. The momentum generated by the Rudd Government continued under the Gillard Government, despite the intensification of the Eurozone crisis. A clear example was the commencement of negotiations again for a treaty-level Framework Agreement. There was also the commencement of negotiations for a number of other agreements, including most notably the Crisis Management Agreement and the Delegated Aid Agreement, underlining the extent to which the broad-based nature of the bilateral relationship
under the Rudd and Gillard governments resulted in tangible outcomes. These last two agreements in particular demonstrate the continuation of a tendency towards pragmatic cooperation with the EU in areas deemed to be of direct relevance to Australian interests.

The current EU-Australia relationship is dominated by two significant and substantive developments, namely the completion of negotiation for the Framework Agreement in 2016 and the anticipated opening of negotiations for an FTA in 2017. Both these agreements suggest that the EU, while still not receiving significant publicity in an Australian context, has become an important international partner for Australia. The Framework Agreement underscored the commitment of the Abbott Government to broad-based relations with the EU, despite its decision to abandon the linking of ETS schemes. The commitment of a conservative Liberal government to signing the Framework Agreement demonstrates that a broad-based commitment to relations with the EU is becoming an increasingly bipartisan feature of Australian foreign policy. This emphasis can be understood through an emphasis on pragmatism, particularly due to the need for the Framework Agreement to be completed before negotiations for an FTA could commence. The completion of major agreements such as the Framework Agreement and the commencement of negotiations for an FTA, demonstrate that there is now an ability to be more cognisant of relations with actors such as the EU outside of the predominant focus on the US alliance and the Asia-Pacific region.
Appendices

Appendix 1: Interview Questions for Australian Officials

Interview questions for officials and politicians in Brussels, Belgium and Canberra. Participants were drawn from the following departments: The Department of Agriculture, Forestry and Fisheries (DAFF); the Department of Foreign Affairs and Trade (DFAT); and the Department of the Prime Minister and Cabinet.

1. How would you characterise relations currently between Australia and the EU? To what extent has there been a significant improvement in relations over the past decade?
2. What impact does the UK, and in particular the UK media, continue to have on Australian perceptions of the EU’s relevance?
3. Does Australia’s historical emphasis on the CAP continue to inhibit the growth of a broad-based relationship with the EU?
4. To what extent was the inability to complete a Framework Agreement in 1997 a reflection of the difficult nature historically of Australia’s relations with the EU? Was it too ambitious at the time?
5. What for you have been the most important achievements of the 2008 Partnership Framework Agreement?
6. What impact did the Partnership Framework have with regard to addressing challenges evident during the negotiations for a Framework Agreement in 1997?
7. What for you has been the most important aspect of the PF agreement? Has it been a success for Australia?
8. If a Framework Agreement is signed between Australia and the EU, how will this build upon what was achieved under the PF agreement? What examples can you provide?
9. Do you think this is necessary for a free trade agreement (FTA) to be included as part of the treaty. If not, why?
10. Do you see the Eurozone crisis as damaging the potential for closer relations between Australia and the EU, particularly in view of the Australian government’s criticism of the EU’s handling of the crisis?

11. Do you see the Eurozone crisis as facilitating Australia’s prioritisation of other foreign policy concerns, particularly the Asia-Pacific region, at the expense of the EU?

12. To what extent can shared interests in the Asia-Pacific region be utilised to build closer relations between Australia and the EU? Could you provide an example?

13. Now that Australia has joined the Asia-Europe Meeting (ASEM), can this been seen as facilitating closer relations with the EU?

14. What areas of Australia’s relationship with the EU would you like to see receive increased emphasis?

15. How do you see the relationship ten years from now?

**Appendix 2: Interview Questions for European Union Officials**

Interview questions for officials and politicians in the European External Action Service (EEAS), European Commission and European Parliament in Brussels, Belgium and, for officials working for the Delegation of the European Union to Australia in Canberra.

1. How would you characterise relations currently between the EU and Australia? To what extent has there been a significant improvement in relations over the past decade?

2. Do you believe that Australia continues to see the EU through the lens of its relationship with the UK? If so, how does this impact on Australian perceptions of the EU?

3. What impact do disputes about the CAP continue to have on EU-Australia relations?

4. To what extent was the inability to complete a Framework Agreement in 1997 a reflection of the historically difficult nature of relations between the EU and Australia? Was it too ambitious at the time?

5. What for you have been the most important achievements of the 2008 Partnership Framework Agreement? Has it been a success for the EU?
6. Has the Partnership Framework addressed some of the challenges evident in the EU-Australia relationship during the 1997 Framework Agreement negotiations? What are some examples of this?

7. In what ways will the currently under negotiation treaty or Framework Agreement seek to build upon the Partnership Framework?

8. What do you see as the particularly important areas of the new Framework Agreement?

9. Do you think this is necessary for a free trade agreement (FTA) to be included as part of the treaty. If not, why?

10. What impact do you see the Eurozone crisis as having on EU-Australia relations?

11. Do you see the Eurozone as damaging perceptions of the EU’s importance to Australia and other third countries around the world? Is this reflected in the Australian governments criticism of the EU’s handing of the crisis.

12. To what extent are the EU and Australia focused on their respective immediate regions at the expense of other foreign policy concerns? Has the Eurozone crisis contributed further to this trend?

13. Is increased cooperation or competition in the Asia-Pacific region likely to be a feature of relations in the future?

14. Now that Australia has joined the Asia-Europe Meeting (ASEM), can this been seen as facilitating closer relations with the EU?

15. What areas of the EU’s relationship with Australia would you like to see receive increased emphasis?

16. Where does the EU see relations with Australia 10 years from now?
Appendix 3: List of Officials Interviewed

Unless otherwise specified, all officials interviewed chose not to be identified other than their position and the date of the interview. Director Generals of European Commission officials have not been included due to the potential to compromise anonymity.

**Australian Officials**

Brendan Nelson interviewed by the author 8 August, 2013
DAFF Official 1 interviewed by the author 7 August, 2013
DAFF Official 2 interviewed by the author 13 November, 2013
DFAT Official 1 interviewed by the author 8 August, 2013
DFAT Official 2 interviewed by the author 24 July, 2013
DFAT Official 3 interviewed by the author 12 November, 2013
DFAT Official 4 interviewed by the author 7 August, 2013
DFAT Official 5 interviewed by the author 12 November, 2013
Prime Minister and Cabinet Official 1 interviewed by the author 6 August, 2013

**European Union Officials**

Commission Official 1 interviewed by the author 28 November, 2012
Commission Official 2 interviewed by the author 29 November, 2012
Commission Official 3 interviewed by the author 26 November, 2012
Commission Official 4 interviewed by the author 21 November, 2012
Commission Official 5 interviewed by the author 26 November, 2012
Commission Official 6 interviewed by the author 20 November, 2012
Council Secretariat Official 1 interviewed by the author 23 November, 2012
EEAS Official 1 interviewed by the author 13 November, 2013
EEAS Official 2 interviewed by the author 5 August, 2013
EEAS Official 3 interviewed by the author 23 November, 2012
EEAS Official 4 interviewed by the author 23 November, 2012
EEAS Official 5 interviewed by the author 29 November, 2012
EEAS Official 6 interviewed by the author 8 August, 2013
EEAS Official 7 interviewed by the author 22 November, 2012
EEAS Official 8 interviewed by the author 13 November, 2013
EEAS Official 9 interviewed by the author 8 August, 2013
EEAS Official 10 interviewed by the author 8 August, 2013
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