

From Friction to Free Trade Negotiations: Australia's engagement with the EU

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From Friction to Free Trade Negotiations: Australia's engagement with the EU by Philomena Murray <pbmurray@unimelb.edu.au>

Abstract: Following decades of skirmishes, Australia's relationship with the European Union has finally come of age. With the commencement of negotiations for a Free Trade Agreement, the outlook is promising for enhanced cooperation. Yet there are distinctive – and at times diverging - hierarchies of interests. This article argues that, although the EU and Australia regard each other as like-minded partners, their interests and domestic pressures do not necessarily denote comprehensive convergence. This is due to the burden of memory, divergent concerns and values, some mutual neglect and an element of mutual misunderstanding.

Everything always comes back to agriculture (Moore, 2004, 83)

1. Introduction

Following decades of skirmishes, Australia's relationship with the European Union (EU) has finally come of age. The recent Framework Agreement made its diplomatic mark as the most substantial agreement they ever signed, consolidating the progress made in the relationship (Mogherini and Bishop, 2015) and raising expectations for further progress, with the commencement of negotiations for a Free Trade Agreement (FTA). The outlook is promising for enhanced cooperation at bilateral, regional and multilateral levels. Yet there are distinctive – and at times diverging - hierarchies of interests. This article argues that, although the EU and Australia regard each other as 'like-minded' and 'natural partners, with a shared commitment to the rule of law, global norms and free and open markets' (DFAT, 2019), their interests and domestic pressures do not necessarily denote comprehensive convergence. This is due to the burden of memory; divergent interests and values; some mutual neglect and an element of mutual misunderstanding.

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2. The Burden of Memory: Agriculture and the UK

Australia's past engagement with Europe took the form of trade relations with the UK, which favoured Commonwealth states. Australian policymakers expressed concern from the early 1960s at the prospect of UK accession to the European Economic Community, subsequently the European Community (EC). Before UK accession, 95% of Australia's total beef exports to Western Europe went to the UK. Trade Minister McEwen complained of Europe's 'towering tariff walls' (Gelber, 1966, 248) and saw it as 'unthinkable' that 'foreigners' could have a preferred place in the UK market (Ward, 2001, 101).

It has been suggested that the Australian focus on trade had the disadvantage of appearing parochial and narrow, when seen from London or Brussels, with a defensiveness and 'naïvete' in the Australian government's position (Gelber, 1966, 248-9). Gelber (1966, 258) suggested that the first British application to join the EU 'forced Australia to look at her relationship with Britain and the outside world with a new and cold eye.....nothing would be the same again' and that Australian interests were not regarded as vital. Ward (2001, 102) goes so far as to argue that UK accession 'challenged core ideological assumptions about the organic unity of the British world'

When the UK joined in 1973, there was no transitional period for Australian exports. Access to the UK market for wheat and other cereals, sugar, fruit, beef, sheep meat, wool and dairy industries came to an end (Benvenuti, 1999; Murray, 2005). Schedvin (2008, 149-150) noted that the 'United Kingdom continued to be the focus of attention of both trade officials and businessmen. It continued to be assumed that the London-based trade office was the powerhouse of trade promotion in Europe as a whole.'

The Australian pattern of trade with Europe gradually altered, with an increase in the export of manufactured goods. The end of Commonwealth preferences signalled the end of a privileged trading relationship with the UK,

although the UK remained a pivotal market for Australian goods within the EU.¹ Loss of markets was combined with the need to compete with European subsidised agricultural goods on the world market.

Australia regarded the Common Agricultural Policy (CAP) as problematic because, firstly, the EU's internal price controls and its barriers to agricultural imports severely limited Australian access to European markets, including dairy, beef and sugar and cereals. Secondly, the CAP's internal pricing structures resulted in massive overproduction, resulting in the EC becoming a net exporter of agricultural produce for several years, particularly before the Uruguay Round Agreement. The EC's subsidising of its own overproduction on the world market meant that Australian goods had to compete with European subsidised goods.

Australia consistently criticised the lack of access to European markets, tariff barriers and internal subsidies as well as the EC's subsidies of exports to third countries. Australia as a leader of the Cairns group was to call for the phasing out of agricultural subsidies. The conflictual nature of agriculture had come about from a problematic confluence of three interrelated factors: Australia's position as a major world agricultural exporter; Australia's reliance on the UK as a major export market for agricultural produce; and both the nature and effects of the CAP and extent to which, as a major European integration policy, the CAP had dominated the EC's internal activities as well as playing a major role in its relationships with other countries (Murray et al., 2002). Thus, 'it has been Australia's misfortune ... that its interests have collided with those of the EC precisely where it is most protectionist' (Richardson, 1992, 212). They since held disparate views on market access, multifunctionality and precautionary principles.

3. Formal engagement and mutual neglect

¹ The name 'EU' is utilised to refer to the earlier European Communities when discussing engagement over time.

There was some mutual neglect, with the exception of agriculture, for some years. Ludlow (2001) suggested that Australia was too far away, too rich and too stable to concern Europe very much, and Miller (1976, 103) commented in 1976 that 'Australia does not matter enough to be central to Commission thinking'. Domestic concerns were paramount in stances adopted by the interlocutors. The EU had a hierarchy of interests and preferences and it was to take a considerable amount of effort for Australian policymakers to feature on the EU's radar screen. The CAP remained the characteristic feature of Australian engagement from 1973 to the mid-1990s, and it still plays an important role in the current FTA negotiations.

The severity of the CAP's international trade implications became clear to the Fraser Government, which proposed regular high-level bilateral meetings. In 1979 a decision was made to hold these regularly at ministerial level. Under Fraser, Australia was strongly critical in all meetings: relations deteriorated and mutual trust was low.

The Australian Government reaction to agricultural protectionism in the early 1980s was regarded as 'abrasive' (Pomfret, 1995) and unsuccessful, to be replaced in the mid-1980s by a 'step by-step approach avoiding animosity and recrimination', although from 1983, Prime Minister Hawke sought to improve relations while continuing to criticise the CAP in a 'relatively non-confrontational' manner (Benvenuti, 1999). Hawke's Brussels visit in 1985 and subsequent ministerial consultations were constructive, at a time when the European Commission was advocating CAP reform. The Andriessen agreement between the Commission and Australia, that the EC would not sell subsidized EC beef into Australian Asian export markets marked some progress.

Under Paul Keating, bilateral engagement developed, with prospects for a broad Framework Agreement even with a subsequent change of government. Criticism of the CAP continued under John Howard. The Framework Agreement negotiations were halted in 1997 when Australia rejected its human rights clause, underscoring their differences on the inclusion of values in formal

agreements (Murray, 2005). Nevertheless, there was also some broadening of sectoral linkages (see Table 1).

Table 1. Some key stages in Australia–EU trade relations

1962	Australia's first Ambassador to EC, Sir Edwin McCarthy in Brussels.
1974	PM Whitlam visits Commission and Belgian, UK Irish, French, Italian; German governments.
1973	UK joins EEC.
1976	Ministerial consultations between European Commission and Australia
1981	First round of ministerial meetings
1982	Visit of Gaston Thorn. EC Delegation in Canberra opens.
1982	Euratom-Australia agreement on transfers of nuclear materials
1994	Scientific and Technical Cooperation agreement
1994	Wine Agreement
1996	Negotiations on a Framework Agreement
1998	Mutual Recognition Agreement: Conformity Assessment, Certification and Markings
2008	Partnership Framework
2008	Agreement on Trade in Wine
2009	Revised Partnership Framework

2015	Agreement to commence negotiations for a Free Trade Agreement
2017	Signature of Framework Agreement
2017	Scoping exercise on FTA
2018	October. Framework Agreement provisionally applied
2018	May. EU Council authorise opening of FTA negotiations. July. First FTA round November. Second FTA round
2019	March. Third FTA round

Through the Cairns Group, Australia led international criticism of European reluctance to discuss CAP reform. It placed the negotiations on agriculture outside of the bilateral EC–Australia relationship, with two results: the opportunity to expand Australia–EC dialogue to other sectors; and, further, an essentially asymmetrical relationship between the two parties was redressed somewhat in the Cairns group context.

From UK accession to the late 1990s, then, Australia-EU engagement was characterised by tense encounters and diplomatic quarrels regarding the CAP, with trenchant criticism emanating from Canberra and much of the Australian media. Thus, '[t]he stage was ... set for a period of unpleasant misunderstanding and disagreement' (Benvenuti, 1999). An Australian diplomat later reflected on: 'all of Australia's efforts merely impaired the already unsatisfactory relations with the EEC' (Renouf, 1983).

The economic relationship thus had commenced with Australian critiques of the EU as a protectionist bloc that restricted market access for primary products (Benvenuti, 1999; Ward, 2001). A dominant Australian narrative

associated the EU with the loss of the UK as a preferential export market. The CAP rendered Australian agricultural exports less competitive in the EU and globally, due to its highly subsidised agricultural sector, particularly before CAP reforms. Australia was strongly critical in the Cairns Group especially in the GATT Uruguay Round, The EU regarded Australia as creating obstacles to trade through its biosecurity system, with its strict quarantine requirements and food safety standards. The Australian elite – and media – perception of the EU was of a monolithic, negative, obstructionist bloc unleashing its regulations and protectionism on the world stage.

The relationship was dominated by a single-issue focus on the CAP and the single prism focus on the UK. The end of Commonwealth preferences had signalled the end of a privileged trading relationship with the UK, although it remained a pivotal market for Australian goods within the EU. Spenceley and Welch (1998, 389) argue that ‘the conviction that Australia has been wronged and that the Europeans could not be trusted has become a prominent frame of reference for Australian governments’ and they suggest that the ‘legacy of bitterness and suspicion helps explain the turbulent course Australia–EU relations have taken since 1973’.

Australia’s critical stance towards the CAP was prominent throughout consultations from the 1980s, which were dominated by confrontation over subsidies; trade distortions, pricing arrangements and agricultural surpluses; the lack of access to European markets and tariff barriers. It featured at meetings of ministers and Commissioners, senior officials and parliamentary delegations, relating to market access and Australian reservations about the EU use of the precautionary principle in the WTO as it could be utilised to oppose trade liberalisation. A former EU chief negotiator with Australia, Sir Leon Brittan, said during a visit in 1998 ‘Being completely frank, we haven’t suffered terribly from Australia’s attitude’.

The fact that the relationship and the rhetoric of successive governments focused on agriculture meant that the burgeoning overall trade relationship was not recognised in the Australian policy community perception of the EU, a

perception that has been manipulated by politicians who receive considerable domestic credibility in subjecting the EU to scathing criticism. Australian journalist Geoff Kitney (2004) had proposed an end to 'Europe-bashing', suggesting that Australia should stop regarding Europe as 'public enemy No. 1' and recognise its growing impact on global political, economic and strategic issues. Certainly, broad economic linkages between the EU and Australia – in trade, investment, and formalised sectoral agreements amounted to a very positive story. Two-way trade and investment flows increased substantially over the last four decades.

From the 2000s, advances in Australia–EU engagement were evident in more nuanced and cooperative language of joint communiqués, and the increase number of two-way visits. The increase in specialised agreements has been beneficial for both parties. There have been significant shifts of debate, emphasis and policy orientation in Australian policy, with a reorientation from historical dependence on the UK – including for media analysis - to engagement with the EU as major trading partner and investor and partner in multilateralism.

4. Responding to the changed realities and global developments

The EU–Australia relationship currently features a large array of issues, ranging from foreign policy, economics, security and trade issues to environmental issues. The EU and Australia share values and global goals, such as human rights, trade liberalisation, liberal democracy, good governance and counter-terrorism (Matera and Murray, 2019). Uncertainties regarding international trade and geopolitical turbulence have resulted in a growing converging of concerns in the bilateral trade relationship. Yet, although the EU and Australia 'have the potential to be important allies in creating a more effective and inclusive system of global trade governance' (EP, 2019, 51), there remains potential for disagreement.

Firstly, there is the issue of values and interests. The EU's trade policy, and explicitly the 2015 *Trade for All* strategy, 'explicitly acknowledged that EU trade policy is not just about interests but also about values' (EP 2019, 39). McKenzie and Postnikov (2019, 3) argue that 'Australia has adopted a rather

narrow approach towards trade liberalization through bilateral FTAs, focusing on trade-plus, regulatory issues, such as investment and intellectual property rights, while shying away from the social trade agenda'. Yet Australia does have a 'very developed regulatory system in terms of labour and environment' with high levels of protection (EP, 2019, 42). However, its approach to FTAs is focused heavily on promoting its commercial interests and not values. Australia's Foreign Policy White Paper (DFAT, 2017, 61) states that 'these prospective FTAs will advance our commercial interests, especially in investment, services and agriculture.'

Secondly, and linked to this, Australia and the EU are not negotiating in a vacuum. Each is committed to multilateralism and their FTA – once completed – would feature in their respective web of agreements and economic diplomacy. There is some EU anticipation that this type of agreement could contribute 'to setting standards well beyond the bilateral partnership they underpin' (EEAS 2019, 16).

5. Concluding reflections

The relationship has evolved from early decades of disagreements and distance, where engagement has been difficult at times. Bilateral relations are no longer characterised by tensions. Disagreements regarding agricultural trade are not the only forum of tensions, however: other policies also influence progress across the relationship. There have been significant differences on climate policy. A mutual commitment to the Paris Agreement on Climate Change is a standard feature in EU trade agreements and it can be expected that this will feature in the FTA. The EU has questioned the continued expansion of coal mining in Australia and energy policy more broadly. There is scope to work together on current divergent hierarchies of interests on climate change adaptation; phasing out of coal and on renewable energy.

There are many shared values, but, although there is common ground, Australia and the differ considerably on public procurement and geographical indications and their stated objectives for the FTA do not always coalesce. The EU and Australia have different hierarchies of preferences on agriculture, the

wine market and environmental issues. Agriculture will be expected to feature prominently in the final rounds of negotiations on the FTA. They will also play a prominent part in Australian negotiations with the UK post-Brexit.

The EU and Australia have shown that they can work cooperatively on many policy areas and in multilateral and regional forums. There may be no need for Australia to privilege the relationship with the EU, but equally it is of questionable utility for Australian national interest to consistently critique it. There is much in the relationship that brings them together. The relationship is more than agriculture and more than the UK. Yet the burden of memory may cast a shadow at times.

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