



**CHAMBERS  
IRELAND**  
IN BUSINESS FOR BUSINESS

**European Commission Consultation on  
the Future of EU Trade Relations with  
Australia and New Zealand**

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## Introduction

Chambers Ireland works not only to represent the views of Irish business domestically, but we also work to ensure that Irish business can trade and invest internationally. With 90% of world economic growth is going to be generated outside of Europe over the next 10-15 years trade must remain a priority focus of Irish and EU policy in the years to come. Therefore it is essential to preserve – and improve – an environment where trading rules are stable, transparent and fair.

Our primary focus for 2016 will be to push for an SME-friendly trade deal between the EU and the United States. The negotiations, which began in 2013, will be at a vital turning point this year, as Americans go to the polls to elect a new President. A deep and comprehensive trade agreement between the EU and US has been a top priority to date but progress will need to be made on many significant areas over the coming months. Beyond the TTIP trade deal, the EU is also looking to negotiate a series of other trade and investment deals to ensure that European businesses remain competitive in the global economy. Of particular interest to Ireland are proposals for a Free Trade Agreement with Australia and New Zealand. In late 2015, the European Commission opened negotiations with Australia and New Zealand. Both of these trade deals will open up new opportunities for Irish exporters.

In 2015, negotiations for the Trans Pacific Partnership (TPP), a free trade deal among twelve Pacific Rim countries including the United States, Australia, New Zealand, Japan and others, were finalised. According to analysis, once the TPP is in effect, it will likely lower demand for products from Europe through trade diversion. Countries covered by the deal are important trading partners for the EU: in 2010, exports to TPP countries accounted for over 30% of the EU's external exports.

By reducing tariffs and lowering trade barriers, trade amongst the countries covered by TPP becomes cheaper, which is likely to increase demand at the expense of the rest of the world, including Europe. It is estimated that although TPP will generate additional global income increases of \$295 billion per year by 2025 (in 2007 dollars), a number of countries and regions will lose income.

The EU is not absent economically or politically from East and Southeast Asia and has completed or is in the process of finalizing trade agreements with nearly all participating countries. However, these trade agreements have been referred to as “old fashioned” since they largely ignore higher-growth goods and services that are more pertinent to today’s global economic and trade system. Because of the likely economic fallout for European businesses operating in the Asia Pacific, the EU must negotiate new modernised trade agreements with each of the TPP and ASEAN countries to secure exports and competitiveness. The proposed negotiations for a FTA with both Australia and New Zealand present significant opportunities to help EU businesses remain competitive in this region and use both of these countries as a gateway to the Asia-Pacific.

### **Opportunities for Trade**

Beyond the strategic importance of ensuring the EU’s access to the Asia-Pacific market, the proposed trade deals present enormous opportunities for EU exporters and investors directly in these markets.

The EU is one of the primary markets for Australia. Australia is an important economic and trading partner for the EU. In 2015, it ranked as the 20th largest trade in goods partner of the EU while the EU represented Australia's third largest trading partner after China and Japan. Ireland also has a lot to gain from increased trade and investment. According to figures released by the Irish Australian Chamber of Commerce and Australian Embassy in Dublin, trade between Ireland and Australia totalling almost €19 billion. Australian merchandise exports to Ireland were valued at \$55 million and imports from Ireland were valued at \$1.82 billion in 2014-15. Australia’s trade in services with Ireland was valued at over \$1.5 billion in 2014-15. In 2014, Ireland’s total investment in Australia was valued at \$16.28 billion and Australia’s investment in Ireland is valued at \$8.83 billion.

New Zealand ranked as the 50th largest trade in goods partner of the EU in 2015 while the EU represented New Zealand's second largest trading partner after Australia. Agriculture has traditionally been the focus of New Zealand’s exports to the EU and this is likely to be a

very sensitive issue as the negotiations progress, particularly for Irish farmers. However, New Zealand is consistently ranked number one in terms of market openness and rule of law in the world. New Zealand also has a longer experience in drafting provisions that actually liberalise markets overseas and has successfully concluded FTAs with partners beyond the comfort zone of EU Member States. The positive impacts of an EU-New Zealand trade deal could extend beyond the trade deal to other countries of strategic interest in the Asia-Pacific region.

## **The Trade Agreement**

### *Customs and Tariffs*

In spite of the successful trade relations with the EU, Australia maintains a number of obstacles to accessing its market. The following description is not exhaustive and reflects only the main problems for EU exporters.

While the EU level of tariffs for industrial products is not higher than 5%, Australia still applies tariffs of a maximum of 10% (textiles, footwear, motor vehicles and parts) and 17,5% for clothing for EU exports. However, these tariff peaks are due to reduce to 5% by 2015. The applied tax of 25 % on luxury cars from the EU is not concerned by the latter reduction.

Tariff barriers between the EU and New Zealand are already quite low, therefore the majority of the negotiations will probably be on decreasing the non-tariff barriers by unifying regulation and streamlining services, trade, and public procurement

### *Trade Barriers*

Following the entry into force of the Australia-United States Free Trade Agreement (AUSFTA), Australia implemented a non-discriminatory regime for procurement at the Commonwealth level of government. However, some restrictions still exist at the state and territory level of government (for example, certain states apply surcharges for goods with imported content). Australia has not signed the WTO/Agreement on Government Procurement.

Some problems exist regarding the non-respecting of intellectual property rules (Geographic Indications) for products such as wine and cheese. While this is not an issue of particular importance for Irish exporters (due to the limited use of Geographic Indications in Ireland) this will be a matter of significant concern to our European counterparts in Italy, France, Spain etc.

Both Australia's and New Zealand's cautious approach to quarantine, sanitary and phytosanitary (SPS) regulations reflects its island geography, which has isolated it from many diseases and pests in its flora and fauna. Therefore access to the New Zealand and Australian markets on agri-food products is particularly difficult.

### *Barriers to Investment*

Australia has made increasing use of dispute settlement procedures, having been a party to two panels against the EC - to examine the EC export subsidies on sugar (joined by Brazil and Thailand) and against the EC protection of trademarks and geographical indications for agricultural products and foodstuffs (joined by US). As a third party Australia has been involved in panels against the EC concerning GMOs and hormones.<sup>1</sup>

### **Priorities for the Trade Agreement**

Chambers Ireland has advocated for an SME-friendly trade agreement during both the CETA trade negotiations with Canada and the ongoing TTIP trade negotiations with the United States. We advocate taking a similar approach in both of the proposed Free Trade Agreements with Australia and New Zealand. The trade agreements must be ambitious and must be accessible to businesses of all sizes. Chambers Ireland believes that the following elements must form the core priorities of the negotiation process:

- Customs and trade barriers must be reduced so that SMEs can trade more easily with the United States.
- Negotiators must work to increase regulatory harmonisation and eliminate duplication in regulatory standards. However, we believe that this should not come

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<sup>1</sup> <http://www.eubusiness.com/topics/trade/eu-australia-trade/>

at the cost of very high food and safety standards already in place. In addition, any moves made to increase regulatory co-operation must prioritise the inclusion of SME representatives as key stakeholders.

- There must also be a dedicated ‘SME Chapter’ in order to ensure that small and medium businesses can realise the benefits of a transatlantic trade agreement. This Chapter, which aims to provide a ‘One Stop Shop’ of information for SME exporters, must be sufficiently resourced.
- We firmly believe that investment protection, and consequently an effective investor-state dispute mechanism is a necessity for any comprehensive agreement to be successful. However, we are also of the view that any such mechanism must include measures to ensure investor state dispute resolution is accessible to SMEs.

## **Conclusion**

Chambers Ireland is a firm believer that Ireland’s economic future can only be secured if we continue to build strong trading relationships globally. Our place in the EU is central to this objective as our membership of the EU that will ensure Ireland can trade feely and easily with markets all over the world. Research shows that open economies grow faster than closed ones. However, there are signs that anti-trade sentiment is already translating into protectionist policies. As part of the [International Chamber of Commerce \(ICC\) campaign #TradeMatters](#), businesses around the world are coming to together to make a positive case for trade as a driver of jobs, growth and opportunity. 2015 saw the biggest rise in protectionist activity since the onset of the financial crisis in 2009—with an estimated 40% rise in trade barriers introduced<sup>2</sup>. Over the past two decades trade has been a powerful driver of GDP growth and job creation. That position seems to be changing however and it is important that we do not accept this as the new status quo. It is for this reason that Chambers Ireland supports trade deals like TTIP and like the proposed trade agreements with Australia and New Zealand.

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<sup>2</sup> <http://www.ft.com/intl/cms/s/3/89620006-d59c-11e5-829b-8564e7528e54.html#axzz4AJm8fnnK>

