



**CERC WORKING
PAPERS SERIES**

No. 3 / 2000

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**DIVERGENCE AND
CONVERGENCE:**

**The Development
of European Union-
Australia Relations**



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The publication of CERC Working Papers on the EU is generously supported by the European Commission Delegation to Australia and New Zealand, Canberra.

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ISBN 0 7340 2058 9

Published by the Contemporary Europe Research Centre in December 2000, reprinted 2002, 2004.

Acknowledgements

We would like to thank the Delegation of the European Commission, Canberra; officials of the European Commission in Brussels; and the Australian Department of Foreign Affairs and Trade, Canberra, for providing insight on various aspects of the EU-Australia relationship. We would also like to thank the two anonymous referees for their feedback.

None of the institutions mentioned above bears responsibility for the views expressed in this paper — sole responsibility rests with the authors.

Introduction

The increasing importance of the European Union (EU)¹ as an international actor has only recently come to the attention of Australian foreign policy analysts and commentators. Given that Australia's economic policy relations with western Europe are now conducted 'as much, if not more, with the European Union as with the individual countries themselves' (Evans and Grant, 1995: 309) the relationship between the EU and Australia warrants greater consideration. This article explores the broadening of the relationship between Australia and the EU: from the outset when the Australian view was focussed almost exclusively on the UK; through years of turbulent disagreement over the Common Agricultural Policy (CAP); to a more recent phase characterised by greater dialogue and significant bilateral agreements.

The relationship between Australia and the European Union has received little attention in academic literature; and, arguably, has been undervalued by foreign policy-makers (Davison, 1991; Groom, 1989; Murray, 1997, 1999; Richardson, 1992). In some ways this neglect is unsurprising: as noted in a recent analysis of the EU's global activities, 'Australia and New Zealand are among the few countries in the world for which the EU has become less rather than more important since the 1980s' (Piening, 1997: 163). With the development of 'regionalism' in the 1980s and 1990s (Hurrell, 1995: 331), Australian governments moved towards a more focussed engagement with the Asia-Pacific region: geography, not history, was to take precedence. However, the development of the EU into Australia's most important economic partner in the 1990s, and the extension of the EU's reach into an increasing number of spheres, suggests a more complex picture.

At the core of the EU's external relations is the Common Commercial Policy (CCP) and the common external tariff (Dinan, 1999; Nugent, 1999; Smith, 1997). Moreover, 'internal' policies such as the CAP, the single market and the single European currency have significant international implications. The EU also negotiates on behalf of its 15 member states at the World Trade Organisation (WTO) and runs a substantial development aid program. While its international powers have expanded beyond the trade arena, with an embryonic common foreign and security policy, economic issues predominate from an Australian perspective.

The Origins of the Relationship

The issue of European 'integration' and its broader implications for international relations and for Australia came to the attention of Australian officials at least as early as February 1948, when a Western European Customs Union was proposed and discussed among European states at an informal level.² Australian interest centred from the outset on questions relating to British involvement in the proposed structures: this was unsurprising, given that economic and political links between Australia and the United Kingdom were significant at that time. Miller writes that there was 'some, but not much apprehension' in Australia about European integration in the early 1950s, the relative calm being attributable to the conviction that the UK was unlikely to become directly involved (Miller, 1976: 76). In 1955, however, the Messina Declaration signalled a new phase in integration, and by the latter half of the 1950s Australian officials were keenly noting developments. The implications of the integration process for Australia were far from clear, but it was the economic dimensions of the issue which most captured Australian imaginations. *The Age* reported that

it is difficult at this stage for Australian trade experts to predict possible consequences. Indeed the whole plan is so vague its real effect on Australia's trade is hard to analyse (The Age, 1957).

The initial position of the Menzies government on the question of European integration—and even on British involvement in the process—was one of tentative support. The gravity of the post-war situation seems to have impressed upon Australian officials the necessity of increased cooperation between Western European countries. Cumpston argues that Australia welcomed the developments ‘to the extent that a politically and economically integrated Europe should contribute to the strength of the free world’ (Cumpston, 1995: 129). *The Age* noted that ‘the long-range benefits of a united and economically strengthened Europe’ would be sufficient to warrant overlooking some of the ‘short term handicaps’ which it created (*The Age*, 1957). In general it seemed to be accepted among Australian officials that decisions relating to European integration were ultimately a matter for the countries involved. On the Treaty of Rome, for example, Menzies stated that

if Italy, France, Germany, Belgium, Holland and Luxembourg care to make a treaty with one another and ultimately to ratify it, that is their business and there is nothing that anybody can do about it. I have no difficulty in seeing what merits, both politically and economically, it may possess (Menzies, 1957).

Support for European integration ‘in principle’ remained an enduring feature of the Australian approach to the Community in these initial stages.

In practice, however, Australian officials—and for that matter the Australian public—were showing increasing signs of alarm: the likelihood of the integration process including the United Kingdom to the detriment of Australia increased throughout the 1950s. The three principal Australian concerns with British accession to the Community were as follows: first, the fear that Britain was 'directing itself politically and economically towards Europe' at the expense of Australian interests in south east Asia; second, the potential loss of export markets; and third, the implications for the future of the Commonwealth (Goldsworthy, 1997a: 105). Menzies sought to emphasise the political implications of the British application, with a particular focus on the Commonwealth dimension. The success of the Commonwealth was thought to 'depend heavily on British care and initiative' (Butler, 1993: 161) and Menzies could not envisage Britain successfully maintaining both a European role and an active Commonwealth presence. The prospect of European integration seemed to place in doubt the future of the whole organisation.

It was however the economic aspects of the issue which assumed precedence in much of the Australian debate in the 1950s. With UK involvement, the European integration process threatened to jeopardise the system of imperial preference established at the Imperial Economic Conference in Ottawa in 1932.³ The Ottawa Agreements—a series of bilateral arrangements—aimed to 'promote intra-Empire trade, to improve Empire markets and so to increase Empire prices and relieve the hardships of the various producers' (Shaw, 1966: 161). In spite of rhetoric to the contrary, imperial preference was essentially implemented by raising tariffs against countries outside the Empire, thus creating a British-led trade bloc which actively discriminated against those not involved (Shaw, 1966: 161). In the Australian case, the trading relationship with the UK relied on the economic complementarity of the two countries:

the Australian economy had been developed from the outset to supply primary produce and raw materials to the UK, and in turn to provide a market for British manufactured goods. In 1949-50, the UK was the destination for approximately 39 per cent of Australian exports (Benvenuti, 1999: 8).

Following the signing of the Treaty of Rome (1957) it became increasingly clear that European economic integration and the British-led system of imperial preference were incompatible. The 1957 Treaty established the Common Agricultural Policy, thus enshrining agricultural protectionism into the *acquis communautaire*.⁴ As a key element of the Franco-German bargain which underpinned the entire integration process, the CAP was unlikely to be amended and became a defining feature of the Community. In the event that the UK joined the EC, the British government would be obliged to accept the terms of the *acquis*, thereby adopting the CAP and substantially diminishing the established economic relationship with Australia. In the early 1960s it was argued that the possibility of UK membership of the EC put at risk one-fifth of Australia's total exports, and 70 per cent of Australian exports to Britain (Gelber, 1966: 121).

The fears of the Menzies government were realised in 1961 when the British government announced its intention to apply for full membership of the Community. The subsequent negotiation period was a difficult period in both Australia-UK relations and Australian relations with the developing European Community, a fact which can be principally attributed to the incompatibility of Australian trade policy with the CAP. The implications for Australian relations with the Community were long-term: Lodge has argued the importance of the unresolved issues in Australia-UK relations in setting a negative tone for Australia-EC relations: 'the changing

nature of Anglo-Australian relations' she writes 'complicated the process of establishing a satisfactory relationship between Australia and the enlarged EC' (Lodge, 1980: 272).

It is a mark of the extent to which Australia viewed European integration through a British lens that Australian diplomatic recognition of the European Community coincided with the increasing importance of the Community to the British government. At the Australian government's instigation, diplomatic relations between Australia and the EC were established in March 1962, just seven months after the first British application to join. Acting Minister for External Affairs Sir Garfield Barwick stated that the appointment of Sir Edwin McCarthy as the first Australian Ambassador to the EC 'reflected the importance of the Community to major trading nations like Australia' (Department of External Relations, 1960).⁵ Evidently the recognition of this 'importance' of the Community to Australia was not reciprocated: the permanent Delegation of the Commission of the European Communities was not established in Canberra until April 1981.

The question of British participation in the Community was not resolved for some years. The first period of negotiations ended in failure in early 1963 when President De Gaulle vetoed the UK application. Australian officials offered suitable condolences to the Macmillan government, and any quiet glee they may have felt at this outcome was short-lived: the UK government showed no inclination to abandon intentions to join the Community, and Commonwealth 'alternatives' continued to be unceremoniously dismissed (Schenk, 1996: 447). Nevertheless, the veto 'gave everyone concerned a comfortable breathing space' (Gelber, 1966: 258). The second British application lodged in 1967 suffered the same fate as the first, and it was not until 1973 that the UK finally

became a member of the EC. In spite of Australian government lobbying for special arrangements for Australian exports to the UK to be incorporated into the Treaty of Accession between the UK and the Six, no concessions were made.⁶ By 1969-70, the percentage of total Australian exports to the UK had dropped to just 11 per cent (Benvenuti, 1999: 8). The Australian government had developed alternative markets by this time,⁷ and an increasingly independent international role. At this time, then, Australia was able to 'take this development in its stride' (Bull, 1987: 109) and 'view the matter with relative equanimity' (O'Brien, 1991: 173). Miller notes the extent to which the Whitlam government actually supported UK participation in the European integration process, rebuking Britain 'for shilly-shallying about whether to stay in the Community or not',⁸ and arguing that UK withdrawal 'would not help itself, the Community, or the rest of the world' (Miller, 1976: 99-100).

Australian displeasure over the Common Agricultural Policy, however, did not subside with British accession to the Community. Rather the focus of Australian diplomatic action regarding trade policy shifted from the British government to the Community level, and to the Commission—the executive arm of the European Communities—in particular. As the following section will demonstrate, the issue of agricultural protectionism became a defining characteristic of the relationship between Australia and the European Community.

Confrontation and Compromise: the CAP and Australia

It was almost inevitable that the major point of contact—and of conflict—in the EU-Australia relationship would be that of agriculture. This came about from a problematic confluence of three inter-related factors: first, the position of Australia as a major world

agricultural exporter; second, its reliance on the UK as a major export market for agricultural produce (and UK entry into the EC in 1973), and third, both the nature and effects of the CAP and extent to which it—as the major 'European' policy—dominated the EC's internal activities as well as playing a major role in its relationships with third countries. As Richardson comments appositely, '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).

From its incarnation as a Community to today's European Union, its main international activities and competencies have revolved around trade, including the common external tariff and the international implications of the CAP.⁹ While the EU has developed into a more wide-ranging actor with multiple competencies, the CAP still dominates the EU budget,¹⁰ and agriculture remains the most important focus of contacts between the Australian government and European Commission.

The nature of the CAP was problematic in two ways. First, via its internal price controls and barriers to agricultural imports, it severely limited Australian access to European (including UK) markets in a number of important areas, including dairy, beef and sugar and cereals (Burnett, 1983: 111). However, this was not as damaging to Australian interests as the second issue: namely the fact that the CAP's internal pricing structures resulted in 'obscene levels of overproduction' (Dinan, 1999: 341), and so contributed towards the EC becoming a net exporter, rather than importer, of agricultural produce. Further, EC policy depressed the world market by selling the over-supply of produce on the world market at hugely subsidised prices.¹¹ In the mid-1980s this policy led to retaliation from the US via its Export Enhancement Program (EEP) and

Australian exports—not a direct target, but ‘caught in the crossfire’—were adversely affected (DFAT, 1996a: 16; Evans and Grant, 1995: 124). Australian efforts have been focussed on the international, or extra-European effects of the CAP: namely, the avoidance of losing export markets to highly subsidised EC produce and minimising the subsequent, retaliatory fall-out from this policy (Richardson, 1992: 212).

Following the ‘transitional phase’ of the Australia-EC relationship under Whitlam (Benvenuti, 1998/99: 64), when the CAP was not yet a major issue, the environment changed dramatically under the Fraser government in the mid to late 1970s.¹² As Australia began to realise the severity of the international trade implications of the CAP, the Australian government under Fraser proposed regular high-level meetings between the EC and Australia and created a Special EC Trade Representations portfolio (Burnett, 1983: 112-13). John Howard was appointed the first special trade negotiator to Brussels in 1977; in October of that year, Howard led the Australian delegation in talks with the Commission. However it was not until 1979 that a decision was taken on instituting a regular set of meetings at ministerial level.

When formal Ministerials commenced in 1981, the CAP, agricultural pricing arrangements and the issue of agricultural surpluses—unsurprisingly—dominated the agenda (Australian Mission to the EC, 1981). Australia was bluntly critical of the CAP and maintained a confrontational stance—Burnett refers to ‘frontal assaults’ (1983: 22). This tendency was exacerbated by the fact that both PM Fraser and Trade Minister Anthony were especially sympathetic to agricultural concerns, defending their farming constituency in Australia and boosted by the feeling that they were

'in the right' and that the workings of the CAP, particularly in external markets, were unjust.¹³ However the vehemence of the Australian approach, a bruising argumentative style, coupled with an inflexible EC bureaucracy, resulted in a clash of both views and styles.¹⁴ With a distinct worsening of relations, involving Australian threats of retaliation, and antagonising the Europeans, who viewed the Australians as having a 'crusade' against the CAP (Benvenuti, 1998/99: 68), the relationship reached its 'lowest ebb'.

The accession of the Labor government in 1983 heralded the possibility of a shift in approach to the relationship, and particularly on the ongoing conflict over agriculture. Prime Minister Hawke signalled that he wished for an improvement in the relationship. The new Minister for Trade, Lionel Bowen, expressed his desire for a sound relationship; he admitted that, while agricultural issues would still be a focus, the development of better relations 'requires that we make headway in resolving trade problems'—a reference to the EC demand that Australia reduce its tariffs on manufactured goods (Department of Foreign Affairs, 1984). However this was clearly not a priority in the foreign affairs portfolio of the new government.¹⁵

As expected, Ministerial meetings continued to be dominated by agricultural concerns.¹⁶ The relationship was at an impasse, as neither side felt willing or able to compromise; however these meetings were 'relatively non-confrontational' when compared with the Fraser years (Benvenuti, 1998/99: 71). The visit by Hawke to Brussels in 1985 and the subsequent Ministerials were described as tackling trade and agricultural issues in a 'spirit of constructive dialogue'.¹⁷ Further, this period of improved relations coincided with the Commission's 1984 attempt at CAP reform, as problems caused by the levels of over-production (sugar, wine, cereals, milk) became clear in Europe. The recognition that reform was necessary—while a

reaction to the costs involved,¹⁸ and the results limited—nevertheless coloured Australian attempts at further reform and placed the relationship in a more positive light.

The more positive relationship was given some tangible form in the 1985 'Andriessen Agreement'—assurances by the Agriculture Commissioner Frans Andriessen, during a Brussels visit by Hawke and Kerin (Minister for Primary Industry) in February of that year, not to sell subsidised beef into Australia's traditional Asian export markets (DFAT, 1996a: 16).¹⁹ This suggested that a less confrontational style of diplomacy could have more practical and positive effects than the uncompromising approach which characterised the Fraser years. Commission President Delors reaffirmed this commitment to Hawke during his 1986 visit to Brussels. He also signalled that the EC was ready to include agriculture in the next round of GATT negotiations, a positive sign from the Australian perspective.

However the brief thaw was not to last: the publication of an extremely critical official report on the CAP (BAE, 1985) shortly before Andriessen's 1985 Australian visit—when he reiterated the EC's commitment on beef exports to Asia—which estimated the cost of the CAP to Australian farmers at \$1 billion per year, indicated that the underlying animosity and pressure for CAP reform had not relented. This signalled a renewed deterioration in relations. Further, the Australian decision to appoint a Special Trade Commissioner to Europe to lobby individual member-states was an irritant to the EC. An especially controversial move, it contributed to the EC threat to cancel the 1986 Ministerial meetings in retaliation (Benvenuti, 1998/99: 71-2). The fact that the Andriessen Agreement has been described by Australian Ministers as the 'cornerstone' of Australia's relations with the EU (DFAT, 1996a: 16)

indicates the lack of significant progress resulting from the regular negotiations and exchange of views.

Overall, the Ministerials through the 1980s illustrated a lack of progress in CAP reform in response to Australian protests. There was little political will in Europe to reform the protectionist CAP: farming lobbies were powerful; consumer groups insufficiently motivated; Australian interests easily brushed aside. While European agricultural policy is of major importance to Australia, Australia's problems barely register in the concerns of European countries and the EC (Brown, 1983: 148). So, whether the protests were 'justified' or not, Ministerials tended to note the differences of opinion, and made marginal advances in other areas (Richardson, 1992: 214).

The agreement to include agriculture in the Uruguay Round of the GATT changed not only the context but, arguably, the nature of the Australian-EC relationship. Moreover, the 1986 launching of Uruguay Round at Punta del Este saw Australia participate as a leading member of the newly-formed 'Cairns Group of Fair Traders in Agriculture'—low-subsidy, agricultural-exporting states.²⁰ Australia's initiative in creating the group in August 1986 (Evans and Grant, 1995: 122-125; Benvenuti, 1997: 65-74) increased Australian 'clout' at the negotiating table, particularly in an environment where the Europeans were being strongly criticised internationally for their intransigent stance on CAP reform. This was reinforced by the Labor government's decision to focus on multilateral negotiations in an attempt to resolve—or at least minimise—conflicts arising from the workings of the CAP.²¹ No longer confined to negotiating in a dramatically asymmetrical environment, the Australian government was able to utilise international pressure in achieving some modicum of success.²²

Australia also argued for CAP reform in other multilateral fora—OECD, Commonwealth Heads of Government Meetings—as well as exerting pressure on individual member-state governments. However it was within the GATT framework that the bulk of negotiating took place.

The fact the Cairns group was widely—and correctly—seen as an Australian-led body did not endear the Australians to EC negotiators—nor, indeed, to the governments of EC member states such as France and Germany with vocal and powerful farming lobbies. It may be argued that the limitations of Australia's middle power diplomacy became apparent once the US and EC were locked in combat and smaller players effectively marginalised (Benvenuti, 1997: 7). Certainly, the role of the US in forcing concessions from the EC was central; the pressure of the Cairns group, however, did add to the EC's isolation and was an impetus for reform. Thus Australia was positioned in direct opposition to the EC in the most important multilateral trade forum.

The implications of the Uruguay reforms for Australian agriculture are disputed: whether marginal or substantial improvement may result is as yet unclear (DFAT, 1996a). Despite reform, the difference in subsidy levels between the EU and Australia has increased (Grant, 1997: 183-84).²³ EU subsidies to its farmers have also continued to rise. In 1996 CAP spending still comprised over 50 per cent of the EU budget (CEC, 1999: 441)—admittedly from a level of some 64 per cent in 1988.²⁴ However the new funding criteria do address over-supply and environmental issues (Dinan, 1999: 341-44). DFAT was cautiously positive, noting that 'the 1992 CAP reforms constitute an important step, but a first step only, in the process of reform of the CAP', but noted critically that such policies are 'generally not tolerated' in other areas of

world trade (DFAT, 1996a: 2). Nonetheless, the completion of the Uruguay marathon—with agreement on EU agricultural reform—was widely judged a positive for the overall relationship.²⁵

Moreover, the change of fora—with agricultural trade being dealt with in GATT/WTO framework—allows more 'space' and, arguably, a less conflictual agenda, at the bilateral level. This removes some of the negative pressures dominating the meetings in the past. Also, dialogue can take place in an environment in which each partner has to a large extent accepted the benefits of liberalisation and free trade: both the Commission and the Australian government have re-affirmed their commitment to a new 'millennium' WTO Round, despite the 1999 Seattle set-back.²⁶ The CAP will not remain immune from these pressures; moreover internal budgetary pressures and increasing concern for the environment in the EU should also contribute to reform.

These two final factors for reform also point to the possibility of improvement in the EU-Australia relationship in the new century (Grant, 1997: 183-212). First, internal EU pressures for major CAP reform have increased with the prospect of eastwards enlargement (CEC, 1996a; Field, 1998; Mann, 1995). The accession of the central and eastern European countries—particularly Poland—with large agricultural sectors will result in huge budgetary pressures related to the CAP in its current form. The second factor relates to the growing salience of environmental issues in the EU, and the need to reform the CAP to address such problems as pollution, soil damage and erosion, bio-diversity and loss of species and habitat (Grant, 1997: 200-203).

Compared to this strong impetus for reform, external pressure from countries such as Australia may well be seen as minor.

Nonetheless, the previous decades of negotiation and reform point to the fact that agriculture will continue to cause substantial friction in the relationship. The more directly critical stance of the Howard government in the late 1990s may again herald a move in the EU relationship to a more confrontational style. At the May 1998 WTO meeting marking the 50th anniversary of the trading system the Cairns group chose to 'blast EU protectionism' and called for the European agricultural market to be opened up (Dinan, 1999: 346). Howard, Fischer and Downer have all been critical of the recent CAP reforms: the measures agreed to at the 1999 Berlin Summit were labelled 'too cautious' and a 'disappointment' (DFAT, 1999a).²⁷ Despite Downer's referring to a 'strengthening relationship' in a February 2000 address to Australian Business in Europe meeting in Brussels, the first point he makes about globalisation and the need for open markets refers in critical tones to the CAP (Downer, 2000).²⁸

Benvenuti (1998/99) judges that Labor's strategy to internationalise the agricultural question was rewarded in the end. But what effect did this have on the relationship overall? During this time, as the EC developed into the EU and took on an increasingly wide range of competences, the context of the Australia-EC/EU relationship also broadened. The relationship moved beyond the dominating issue of agriculture to include a wider range of issues and initiatives.

Beyond the CAP: a Stronger Relationship?

The 1980s and 1990s saw significant change in Australia's external relations, as it moved to a broader and more immediate engagement with regional partners in Asia. At the same time, the EC was pursuing its own regionalist, integrationist agenda, with the creation of the Single Market and Economic and Monetary Union (EMU). There were, however, signs of a broader relationship between Australia and the EU and Evans and Grant suggested that there was 'scope to expand the relationship with the EU into new and more productive areas' with the conclusion of the Uruguay Round (1995: 309). Despite extensive trade and investment flows between Europe and Australia, Australia's shift towards greater engagement with the Asia-Pacific region and its attempts to be accepted as an Asian actor can be seen in the context of a perceived shift *away from* Europe. Nevertheless the 1990s saw a recognition that the EU and Australia share common interest in developing closer links with Asia.

Three factors need to be considered in the context of a strengthening relationship. The first was the development of the EU-Australia economic relationship, the second was the increase in high level political contacts and the conclusion of bilateral agreements and the third was the engagement of Australia with the Asia Pacific region and its decision, as a 'middle power', to pursue its interests in multilateral fora.²⁹ Thus, while the EU was to establish itself as Australia's primary economic partner, there was a perceived foreign policy reorientation as the Asia Pacific became the focus of successive governments in the 1980s and 1990s. It was not this latter factor, however, which contributed most to a decline in EU-Australia relations, but rather the failure of attempts to strengthen relations through a treaty-based instrument over a wide

range of sectors. Such a failure signalled that any broadening of links which might occur would be piecemeal rather than in the context of a comprehensive agreement.

First, during the 1990s, the EU became Australia's major trading partner and investor, in an asymmetrical relationship. While 25 per cent of Australia's exports go to the EU, (compared with 15 per cent to the US and 17 per cent to Japan), Australia's trade with the EU counts for less than 2 per cent of EU trade. In 1997/98 20 per cent of all Australian overseas transactions were with the EU, while the US accounted for 17.4 per cent of all transactions, Japan 13.6 per cent and ASEAN 11 per cent (Delegation of the European Commission, 1999).

However, despite the differences in size, the figures in Table 1 indicate that, in absolute terms, there is a substantial two-way flow of trade. Tables 2 and 3 indicate that there has been a substantial growth in two-way flow of merchandise trade in recent decades. While the make-up of Australian exports is diversifying, as Table 4 indicates, an influential 1996 DFAT Report emphasised that 'the fortunes of Australia's traditional exports to the EU will remain a dominant factor in the overall trading relationship' (DFAT, 1996b: xii).³⁰ An issue of concern for Australia is its large trade deficit with the EU. A counter-balance to this is that sales by Australian firms in the EU exceed the value of exports to the EU from Australia of goods and services (DFAT, 1996b: 6-7; Delegation of the European Commission, 1999).

Table 1. Australia-EU Trade and Investment, 1998, 1999

Merchandise Trade	1998	1999	% change
Exports	\$12.3 billion	\$10.8 billion	-12.2 ³¹
Imports	\$23.1 billion	\$23.1 billion	0
Trade Balance	-\$10.7 billion	-\$12.3 billion	
Services	1998	1999	% change
Credits	\$ 5.1 billion	\$5.5 billion	7.8
Debits	\$6.7 billion	\$6.5 billion	- 3.0
Services Trade Balance	-\$1.6 billion	-\$1 billion	
Investment	30 June 1998	30 June 1999	% change
Inwards – Total	\$194.5 billion	\$199.6 billion	2.6
- Direct	\$57.3 billion	n.a.	n.a.
Outwards – Total	\$73.9 billion	\$73.9 billion	0.0
- Direct	\$29.7 billion	n.a.	n.a.

Source: Department of Foreign Affairs and Trade, Canberra, unpublished database, 2000.

Table 2. Growth of Australia's Merchandise Exports to EU, 1977-1997

Year	1977	1982	1987	1992	1997
A\$m.	1955	2968	6202	7710	8676

Source: DFAT (1998), Direction of Trade Time Series 1977-1997, Canberra, DFAT.

Table 3. Growth of Australia's Merchandise Imports from EU, 1977-1997

Year	1977	1982	1987	1992	1997
A\$m.	3128	5467	10320	12698	20294

Source: DFAT (1998), Direction of Trade Time Series 1977-1997, Canberra, DFAT.

Table 1 indicates that there is a healthy two-way flow of investment and this is far more intense than the bilateral trade relationships (DFAT, 1996b: 37). Looking at the investment figures, it can be argued that the value of the economic relationship has been undervalued by both the EU and Australia (Brooking, 1996: 107). The EU takes 24 per cent of total Australian investment, compared with 34 per cent to the US, 5 per cent to New Zealand and 4 per cent to Japan. The EU provides 32 per cent of all foreign investment in Australia, compared to 26 per cent by the US and 10 per cent by Japan. Of all the EU's overseas assets held as Direct Investment, the amount held in Australia is 4.3%.³²

Table 4. Australian Merchandise exports to EU, 1988 - 1998

	1988 – per cent	1998 - per cent
Primary products	71	42
STMs	6	8
ETMs	15	20
Other exports	9	30

Source: DFAT, 1999b.

ETMs= Elaborately Transformed Manufactured products

STMs = Simply Transformed Manufactured products

Table 5. Major Australian Merchandise Exports to EU, 1999

Coal	\$1.3 billion
Wool	\$838 million
Alcoholic beverages	\$722 million
Non-monetary gold	\$598 million
Iron ore	\$363 million
Confidential items accounted for ³³	\$1.7 billion.

Source: DFAT, 2000b.

While Australia engages with all EU member states, the tendency to engage with the UK as a primary contact has continued, with the UK central to Australian business and trade links in Europe.³⁴ There has been more understanding of the relationship with individual nation states of Europe than of a relatively new regional bloc, the EU. There was evidence of a lack of full understanding of the EU's potential as a source of investment and trade by many, including the media, especially in the 1980s (Camilleri, 1996). This is in part due to the dominance of the agricultural aspects of the relationship, as we have seen, and in part due to the decision by Australian governments to further economic relations with Asia (Garnaut, 1989). Further, bilateral relationships with the individual member states remain important to government and are being emphasised under the current Coalition government, for example in its 1997 foreign policy White Paper *In the National Interest* (DFAT, 1997).

The 1990s saw the EU's Single Market set in place. Australian reaction was predictable, with scant attention from the media. Business and government opinion was generally positive, recognising the advantages of free movement of goods, services, capital and labour and the advantage of a single customs document (Austrade, 1990; DFAT, 1990, 1991). Trade Minister Blewett acknowledged this, stating that the 'Single Market should reinforce trade liberalisation, not work against it' (1990: 8). However, the influence of agricultural issues was seen even here, with Blewett commenting that 'the architects of the Single Market are also the people desperately clinging on to the Common Agricultural Policy, the most pernicious form of protectionism' (1990: 8). The creation of Economic and Monetary Union and the single currency, the Euro, was viewed as generally positive for Australian business, although it

was seen as 'likely to have modest overall implications for Australia' in the short term (DFAT, 1999c).

The second factor at work in the relationship is the increase in high level political contact and the negotiation by Australia with the EU on a range of issues, in recognition of the extended reach and multiple competences of the EU. These contacts took place across the range of EU institutions: at Ministerial level, in negotiations with the Commission; at EU Presidency level; and at the parliamentary level. This increase in high level contacts, with both sides aware of the other's market potential and the need for collaboration, saw the signing of agreements on a number of issues.

As well as Ministerial Consultations between Australia and the Commission taking place annually, high-level contacts were initiated with a range of EU institutions when important issues came onto the agenda or, for example, when a change of government took place. At the level of Australian and Commission officials, there are ongoing regular meetings.³⁵ In May 1991, the Australian government revived the Agricultural Trade and Marketing Experts' Group (ATMEG), whose function is to provide a regular forum for Australian and Commission officials to discuss developments in global and bilateral agricultural commodity trade. The increase in Ministerial meetings was supplemented by parliamentary-level meetings. There are now annual meetings of parliamentary delegations from the Australian Commonwealth Parliament and the European Parliament (EP). It is worthy of note that such meetings appear to have been less acrimonious than those at ministerial level, and as early as 1979, an EP report suggested that the 'Community should do its utmost to satisfy some of the Australian government's demands' (European Parliament, 1979: 14).

In the 1980s, the Labor government declared itself committed to trade liberalisation—a commitment which it had in common with the European Commission—and this policy was continued by the Coalition (Liberal and National parties) which assumed power in 1996. Regular bilateral negotiations took place in both Brussels and Canberra, as well as in multilateral fora, regarding not only agriculture, but also negotiations on services and industrial tariffs and investment, competition policy and trade. The Australian—and EU—commitment to trade liberalisation continued, with its support for a WTO millennium round and the elimination of non-tariff barriers to trade (Brittan, 1994, 1996).

High level consultations were thus not confined to agricultural issues. The Australian government was cognisant of the political aspects of the EC's external relations, and in May 1990, the EC and Australia agreed to enhance both the level and the quality of their political contact on foreign policy questions, through Ministerial contact on European Political Cooperation. This led to Ministerial level meetings, meetings with the Presidency Political Director every six months and annual meetings at Troika level.³⁶ Bilateral meetings with the EU Presidency also take place every six months. At a multilateral level, there are regular meetings at the annual ASEAN Regional Forum (ARF) and at the annual ASEAN Post Ministerial Conference.³⁷

The widening of the relationship was seen with the signing of bilateral agreements in the early 1990s (See Table 6). Until that time, the only bilateral agreement was the 1981 Nuclear Agreement between Euratom and Australia, regulating the transfer of Australian nuclear materials to Europe. In 1992, there was an Agreement to establish an Australia-EU Joint Group on Industrial Cooperation, with the objective of encouraging increased industrial cooperation

and industry to industry contact. 1994 saw the culmination of negotiations on a range of issues, with important agreements signed to strengthen ties. The first was the Wine Agreement, whereby the EU accepted Australian wine-making practices as comparable to European practices, appellations were agreed and the Commission agreed to remove technical barriers to the export of some Australian dessert wines. This facilitated the export of Australian wine to Europe considerably. The second was a Cooperation Agreement on Science and Technology, whereby Australian researchers could join their European counterparts as full participants in research programs managed by the European Commission. It also encouraged European participation in Australian research activities in biotechnology, medical and health research, marine science and technology, environment, and information and telecommunication technologies. These agreements were seen by both parties as productive and leading to better understanding and links. They were to be substantially renegotiated in later years, and in the case of Science and Technology, considerably expanded. 1994 also saw the commencement of negotiations on a Mutual Recognition Agreement on Conformity Assessment (MRA),³⁸ signed in 1998, which resulted in EU-wide accreditation of Australian certification facilities. This is regarded as an important trade facilitation measure for manufactured products by reducing the time and costs of product certification.

The more positive approach by both sides was illustrated in the attempt to negotiate a formalised cooperation structure or Framework Agreement for trade and cooperation between the EU and Australia. In April 1995 there was exchange of letters between PM Keating and Commission President Santer, proposing that the EU and Australia examine means of giving 'formal expression' to the relationship through signing a treaty (CEC, 1996b). Such

agreements already existed with the US and Canada and other OECD countries.

Table 6: Key Dates in Australia - European Union relations.

Date	Developments
18 April 1951	Belgium, France, Germany, Italy, Luxembourg and the Netherlands sign the Treaty of Paris establishing the European Coal and Steel Community (ECSC).
1–2 June 1955	The Messina Declaration signals a new phase in integration.
25 March 1957	Signature of the Treaty of Rome, establishing the European Economic Community (EEC) and Euratom.
9 August 1961	First UK application to join the European Community (EC)
14 Jan 1962	The Council of Ministers of the EC agrees the terms of the Common Agricultural Policy (CAP).
8 March 1962	Australia's first Ambassador to the EC assumes office in Brussels.
14 Jan 1963	France vetoes UK application to the EC.
10 May 1967	UK re-applies for EC membership.
19 Dec 1967	France vetoes UK application to the EC.
30 June 1970	Beginning of UK accession negotiations.
22 Jan 1972	UK and EC conclude negotiations and sign accession treaty.
1 Jan 1973	United Kingdom joins EC.
Sep 1974	Agreement to hold informal consultations at official level between the European Commission and Australia.
5 June 1975	UK Referendum approves continuing EC membership, with 67 per cent of voters in favour of participation.
June 1977	Agreement that informal discussions between the European Commission and Australia move to regular high-level consultations.
July 1977	The Fraser Government appoints a Minister for Special Trade Negotiations with the EC.
15 Jan 1979	Report of the European Parliament's Committee on External Economic Relations on the state of the Australian-EC relationship.
25 July 1979	Fraser announces that regular Ministerials will be held between the EC and Australia.
April 1980	Preliminary round of Ministerial meetings in Canberra.
April 1981	The permanent Delegation of the Commission of the European Community is established in Canberra.
Sep 1981	Signature of Agreement between Euratom and Australia on the transfer of nuclear materials from Australia to the EC.

1 Dec 1981	First official round of Ministerials between Australia and the Commission of the European Communities in Brussels.
13-14 Jul 1983	Second Ministerial Meeting held in Brussels.
March 1984	Third Ministerial Meeting held in Canberra. Agreement to hold regular meetings between EC-Australian agricultural and marketing experts. Initial moves towards Andriessen Assurance.
4-5 Feb 1985	Andriessen Assurance that the EC would not export beef to 'traditional' Australian markets in Asia.
14 June 1985	Fourth Ministerial Meeting held in Brussels.
17 Feb 1986	Signature of the Single European Act; provision for Single Internal Market by end of 1992.
August 1986	Inaugural meeting of the Cairns Group.
Sep 1986	The GATT Uruguay Round is launched at Punta del Este.
12 Nov 1986	Fifth Ministerial Meeting held in Canberra.
12 Oct 1987	Sixth Ministerial Meeting held in Brussels.
2-4 May 1988	Seventh Ministerial Meeting held in Canberra.
22 Oct 1989	Publication of the Garnaut Report: <i>Australia and the Northeast Asian Ascendancy</i>
17 May 1990	Agreement to enhance dialogue on foreign policy between Australia and the EC through contact at ministerial level.
5 June 1990	Eighth Ministerial Meeting held in Brussels.
April 1991	Establishment of the EC-Australia High Level Group on Energy.
20 May 1991	Ninth Ministerial Meeting held in Canberra.
16 March 1992	Tenth Ministerial Meeting held in Brussels, focussed on the Uruguay Round. The European Business Cooperation Network (BC-NET) is extended to include Australia.
1992	Establishment of the Australia-EU Joint Group on Industrial Cooperation (JGIC).
7 Feb 1992	The Treaty on European Union is signed at Maastricht.
31 Jan 1994	Signature of the EC-Australia Wine Agreement.
23 Feb 1994	Eleventh Ministerial Meeting held in Canberra. Signature of the Cooperation Agreement on Science and Technology.
July 1994	The ASEAN Regional Forum is formed, including the EU and Australia.
15 April 1994	Formal conclusion of the Uruguay Round at Marrakesh.
June 1994	Keating and Delors discuss economic growth and employment.
1994	Negotiations began on a Mutual Recognition Agreement on Standards Certification (MRA).
April 1995	Santer and Keating initiate Framework Agreement discussions.
15 May 1995	Twelfth Ministerial Meeting held in Brussels. EU-Australia High Level Environmental Talks held simultaneously.
March 1996	The ASEM process begins in Bangkok.
23 April 1996	Downer announces a 'new phase' in Australia-EU

	relations, and the negotiation of a Framework Trade and Cooperation Agreement and Joint Political Declaration.
3 June 1996	Thirteenth Ministerial Meeting held in Sydney.
17 July 1996	Commencement of the first and only round of negotiations on the proposed Framework Agreement.
30 Jan 1997	Negotiations for the proposed EU-Australia Framework Agreement stall over the inclusion of a human rights clause.
26 June 1997	Signature of the Joint Declaration in Luxembourg.
10 Sep 1997	First Europe-Australia Dialogue held in Brussels to promote business links.
11 Sep 1997	Fourteenth Ministerial Meeting held in Brussels.
October 1997	EU-Australia Round Table on educational cooperation in Brussels.
May 1998	WTO meeting marks the 50 th anniversary of the trading system.
23 June 1998	Second Europe-Australia Dialogue.
24 June 1998	Fifteenth Ministerial Meeting held in Canberra. Signature of Mutual Recognition Agreement.
21 May 1999	Sixteenth Ministerial Meeting held in Brussels.
27 May 1999	Third Europe-Australia Dialogue
21 June 1999	Discussions on the EC-Australia Wine Agreement in Perth.
Dec 1999	The Seattle WTO Conference is suspended and the launching of the Millennium Round of negotiations delayed.
March 1999	EU members agree to CAP reforms at the Berlin European Council.
4 May 2000	Fourth Europe-Australia Dialogue
18–19 Jul 2000	Second EU-Australia Round Table on education, training and research.

The change of government in Australia did not appear to be an impediment to negotiations. In April 1996, Foreign Minister Downer announced that Australia and the EU would negotiate a Framework Trade and Cooperation Agreement accompanied by a Joint Political Declaration, announcing that the relationship had entered a 'new phase'. It was envisaged that the Agreement would have provisions to further develop and diversify trade and investment, to enhance economic and industrial cooperation and to promote cooperation in areas of common interest. On 17 July that year, the first and, as it turned out, only round of negotiations on the proposed Framework Agreement took place. In January 1997, continuing discussions

between Commissioner Leon Brittan and Downer in Brussels signalled that there were major difficulties in negotiating the Treaty due to the EU's insistence that all agreements with third countries include a human rights clause (CEC, 1995; Wise, 1997). This was deemed unacceptable to the Australian government, which refused to connect human rights and trade, and the proposed Framework Agreement was abandoned (*The Australian*, 1977; Henning, 1997; McCathie, 1996; Suter, 1997).³⁹ In June that year, a Joint Declaration was signed in its place. It was considerably narrower, more general in scope and did not contain a budget line.⁴⁰ Further, the refusal to accept the inclusion of the human rights clause meant that any agreement that might be signed would not be binding (Brandtner and Rosas, 1998).

Despite the lack of a Framework Agreement, regular meetings and negotiations continued on market access and other issues. Indeed, the Ministerial Consultations of September 1997, the first since the Political Declaration was signed, were worthy of comment as they did not emphasise agriculture but rather revised and enlarged the scope of the Science and Technology and Wine Agreements.⁴¹ Negotiations also took place on a veterinary agreement and meat inspection and on intellectual property aspects of the Wine Agreement. There is, however, evidence of Australian disquiet regarding the EU's approach to veterinary checks at present (DFAT, 2000b) and there have been Australian objections regarding the Commission approach to national beef labelling systems, with an Australian official quoted as seeing the Commission demands as a technical barrier to trade (Neligan, 1998). There is some broadening of the relationship in other areas, including geo-political issues, and it is anticipated that a Ministerial meeting in 2000 will include discussion on regional (in particular South Pacific) security

issues, which are recognised to be of mutual interest (Chong, 2000).

Thus, while there is no current prospect of a renegotiation of the Framework Agreement under the current government,⁴² there is a broadening of discussion areas, and the relationship continues to be marked by frequent meetings at a range of levels and regarding a range of subject matters. There is discussion on cooperation in the field of education as well as data protection and consumer protection under the framework of the Political Declaration. Education remains a potential area of further cooperation, despite the lack of joint funds to date, due to the lack of a Framework Agreement, and this matter is currently being explored by senior representatives of educational institutions in Australia with the Commission.⁴³

The third factor that has influenced the development of the relationship is Australia's Asian engagement. Within Australia, there was considerable debate in the 1980s and 1990s regarding Australia's economic and political relationship with Asia and the need to 'choose' either Europe or Asia. Brett (1996: 187-8) asserts the overriding importance of Asia, pointing out that:

unlike in the past the great and powerful friends who will keep us in the mainstream of world activity are not Western, but Asian. It is geography, and not history, that must determine our future. Australia's future is an Asian future.

This emphasis on geography and region has been part of a change of direction in the relationship with Asia and the Labor governments of the period accorded Asia highest priority (DFAT, 1994). Indeed, as Higgott and Nossal note that 'few countries have as self-consciously sought to "relocate" themselves in international

politics—economically, diplomatically and militarily—as Australia did in the 1980s and 1990s', (1997: 169).

The late 1980s saw the beginning of Australia's involvement in multilateral arrangements in the Asia Pacific with the creation of the Asia Pacific Economic Cooperation (APEC) forum in 1989.⁴⁴ The APEC forum is regarded as a cornerstone of Australia's regional trade policy. Meanwhile the EU also recognised the need to forge closer ties with the developing 'tiger' economies of south-east Asia and in 1996 initiated the Asia-Europe meetings (ASEM) between the EU and East Asia 'to establish a new relationship between the two regions' (CEC, 2000c, Dent, 1999). Australia, despite its efforts of relocation and redefinition in the 1980s and 1990s, was not invited to participate, thus denied an opportunity to take part in the major regional forum for dialogue and cooperation with the EU. While many European member states support Australian participation, this will only occur when all Asian members agree (Chong, 2000: 8). Thus, Australia is neither a part of the European bloc nor of an Asian bloc: in the major EU-Asia regional forum, Australia is absent.

However, Australia's engagement with Asia can be seen as rendering Australia 'a more, rather than less, interesting partner for the EU, including as a base for commercial operations in the Asia Pacific region (Brooking, 1996; DFAT, 1996b: xiii). For example, Australia has proposed that it act as an intermediary between Europe and Asia, and an Asia Pacific base for European companies and businesses. Further, each is 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.

Neither Canberra nor the Union hide the fact that, as traders they are more interested in Asia than in each other. But they nevertheless stress the political importance of the relationship—and acknowledge that their combined weight may help push Asian partners to open markets as well (Wise, 1996).

Under the Howard government the primary focus on Asia has softened, although it still counts as the major priority. Former Trade Minister Fischer stated 'we haven't ignored the rest of the world as Labor did—it is Asia first but not Asia only' (Fischer, 1998: 8). There is evidence to suggest that Australian engagement with the Asia Pacific is being pursued less actively than by the Keating government in the past. There have been calls for government affirmation that the Asia Pacific 'continues to be Australia's highest foreign and trade priority' (Milner, 2000: 184). It is however argued that the Howard government is 'downplaying Asia and traditional Australian diplomacy within such Asia-Pacific bodies as the Asia-Pacific Economic Cooperation forum' (Sheridan, 2000: 6). At the same time the government is stressing historical links with Europe, and some have judged that 'Europe' has been accorded more priority in foreign affairs (Sheridan, 2000: 6). However the focus has been on the individual member states, and by implication, perhaps, less on the regional bloc. It may even be surmised at this stage that a realist approach based on state-to-state negotiations is at the heart of the foreign policy approach of the Howard government. Indeed, the government stressed bilateralism in its foreign policy White Paper (DFAT, 1997) rather than the multilateral activity which so characterised the Labor administration.

Conclusion

The relationship between Australia and the European Union has been marked by long-standing differences of opinion. From the

reluctance of the EC to cushion the effect of UK accession, to subsequent conflict over the CAP in the 1970s and 1980s and the failure of the Framework Agreement in the 1990s, the relationship has been marred by a number of incompatible interests. A degree of diplomatic mismanagement in the past has only served to exacerbate the problems (Benvenuti, 1998/99; Gelber, 1966). Overall European integration is judged to have resulted in the weakening rather than the strengthening Australia's relationship with European countries (Piening, 1997: 6).

The asymmetrical nature of the relationship is inherently problematic: the EU is far more important to Australia than vice versa. This is in part due to the 'Triad' problem for 'non-member' countries such as Australia. With Japanese, EU and US dominance of world trade, the challenges for smaller countries, particularly those that do not 'fit' into an established regional grouping, will remain significant. Australia's efforts to forge closer ties with its neighbours in the Asia Pacific, and the Australian-led APEC initiative, may be seen as a pragmatic move to mitigate the effects of this. However regional alliances in the Asia-Pacific remain underdeveloped and instances of closer cooperation (eg ASEAN, East Asian Economic Caucus) remain closed at present to Australian membership. Further, the EU's recognition of the need to develop a stronger relationship with Asia has resulted in the establishment of ASEM, from which Australia is excluded. Given this state of affairs, the EU-Australia relationship will remain asymmetric for the foreseeable future.

However, there are important points of agreement that may be built upon. On specific issues, Australia and the EU share a general consensus on the benefits of trade liberalisation and the benefits of working within multilateral economic fora such as the

WTO. On a more general level, Australia is identified with the developed 'Western' countries, sharing an interest in the maintenance of liberal democratic systems. As a developed country, Australia forms part of the 'like-minded' Western European and Other group (WEOG) alongside the Europeans in the UN (Brown, 1983).

From an Australian point of view, the relationship can and should be expanded. First, it is important that Australia recognise the need to further develop relations with the EU *as a regional body* as well as the individual nation-states of Europe. The EU has extended its reach and scope with the introduction of the single currency and ongoing harmonisation of previously national policies. Further, it is developing a common foreign and security policy and taking on new international roles in addition to its existing economic competences. These developments make it imperative for Australia to engage successfully with the regional body at all institutional levels, including Commission, Council and Parliament. Within the Commission, this encompasses the need to maintain effective contact across the Commission structure, including the Directorates General and *cabinets* of Commissioners. Beyond the activities of the Commonwealth government, a more cohesive overall approach to Europe—including state and industry bodies—has been called for (Blewett, 1990: 11).

Australia does have meaningful historical and cultural connections with Europe which provide a foundation for a healthy relationship. This is not to underplay the extent of differing interests. Agriculture will remain a point of friction and priorities will inevitably differ in some areas. However analysis of the relationship to date illustrates that opportunities for enhanced cooperation do exist. The EU merits increasing focus as an international actor and

areas of shared interest should be exploited in order to strengthen a vital economic and political relationship which is beneficial for both parties.

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ENDNOTES

¹ The European Union (EU) was known as the European Community prior to the ratification of the Maastricht Treaty in November 1993.

² Public Record Office: PREM 8 787, 'Foreign Policy 1948', Outward telegram from Commonwealth Relations Office to the U.K. High Commissioner in Australia, February 19 1948.

³ The Ottawa system initially included Australia, Britain, Canada, India, New Zealand and Rhodesia. Further agreements were subsequently concluded with other Commonwealth countries.

⁴ The term *acquis communautaire* refers to 'the body of common rights and obligations which bind all the Member States together within the European Union', and above all consists of 'the common objectives laid down in the treaties' (CEC, 2000b: 17).

⁵ McCarthy was formerly the Australian Ambassador to Belgium and the Netherlands and had also served as Deputy High Commissioner in London.

⁶ In the case of New Zealand, however, Protocol No. 18 of the Treaty gave the New Zealand government a 'declining quantitative guarantee' for certain exports to the British market until 1977, after which date the terms were reviewed (Miller, 1976: 95). New Zealand continues to enjoy special trade arrangements with the EU.

⁷ Benvenuti writes that 'Australia had been under no illusion: sooner or later Britain was bound to join the EC. Knowing this, Australia had already started to diversify its farm trade towards the Asian region' (Benvenuti, 1999: 2).

⁸ The UK government held a referendum on EC membership in June 1975: 67 per cent voted for continued membership.

⁹ For an overview of the CAP, see for example Dinan (1999: chapter 12); George (1996: chapter 9). For a more detailed examination, including its effects on world trade, see Grant (1997); Ritson and Harvey (1997).

¹⁰ CAP expenditure—in the form of the Agricultural Guidance and Guarantee Funds—as a percentage of the EU budget is as follows:

% of total expenditure	1989	1993	1996
EAGGF Guarantee	57.7	52.4	50.1
EAGGF Guidance	3.2	4.4	4.3

The Guarantee section finances the CAP price guarantees, intervention purchases, income subsidies and export refunds; this expenditure increased 6-fold between 1970 and 1986. The Guidance section finances agricultural structural improvement. See CEC / Eurostat (1999); CEC / Eurostat (1995).

¹¹ For change in EC self-sufficiency levels, see Richardson (1992: 213). By 1982 EC self-sufficiency levels had risen to over 100 per cent in wheat, beef, veal, butter, cheese and sugar.

¹² As Benvenuti notes, during the 1972-1975 (Whitlam) period, the CAP had not yet become a major international problem. Not fully effective until the late 1960s, the adverse effects of export subsidies were not apparent until the mid 1970s. See also Burnett (1983: chapter 5).

¹³ In the media release following the consultations, Deputy PM and Minister for Trade and Resources Doug Anthony noted that 'I left the Commission in no doubt that, where we see problems created for us by the operation of the CAP, we will continue to voice our concerns bilaterally and in any other forum available to us', Australian Mission to the EC (1981).

¹⁴ Burnett notes, however, that despite criticism over style—'European politicians ... usually keep their cutting or disparaging comments out of print' (1983: 221)—the EC member states, particularly France and Germany, were not likely to make

any concessions in agriculture whatever the polish and sophistication of the Australian negotiators.

¹⁵ The major shift in foreign policy during this time was towards a greater engagement with the Asia-Pacific region, leading some to claim that the relationship with Europe was being down-graded, despite its continuing economic importance to Australia in terms of both trade and investment.

¹⁶ *The European Report*, July 12 1983, covering high-level meetings in Brussels in 1983, noted that '... on the bilateral aspects ... the accent will **of course** be firmly on agriculture' (our emphasis).

¹⁷ The fourth round of Ministerials in 1985 were described in a Commission note as 'confirming the new spirit which exists in the EC-Australia relationship since the visit of PM Hawke', CEC (1985). The fifth round in 1986 'ended with optimism that the relations between the two partners would be revitalised by a new spirit of cooperation', CEC (1986).

¹⁸ MacLaren (1992) notes that both the 1984 and 1988 CAP reforms came about because of severe budget crises in the EC.

¹⁹ These 'assurances' were formalised by a Commission letter, and covered Japan, Malaysia, Papua New Guinea, Singapore, South Korea, and Taiwan.

²⁰ The original 14 member countries were Argentina, Australia, Brazil, Canada, Chile, Fiji, Hungary Indonesia, Malaysia, New Zealand, Peru, Thailand, The Philippines, and Uruguay. Since then Bolivia, Colombia, Costa Rica, Guatemala and Paraguay have joined; the only European member—Hungary—has left. The Australian Trade Minister chairs the annual ministerial meetings. See DFAT (2000a).

²¹ Benvenuti (1997: 4) notes that from 1986 onwards EC-Australia agricultural negotiations took place 'almost exclusively' within the Uruguay Round. On the multilateral theme, this was one of the developments that marked a distinctively new approach to Australian foreign policy-making in the 1980s. See Cooper *et al.* (1993), Goldsworthy (1997b).

²² Dinan (1999: 341) notes that the inclusion of agriculture put the EC 'on the defensive even before the negotiations opened'; the CAP was placed under massive pressure from both the US and the Cairns Group to reduce protectionism and export subsidies.

²³ Grant notes the percentage PSE (Producer Subsidy Equivalent) in the EU as being five times the level in Australia: the following figures shows the increasing disparity of support:

	1979-81	1989-91	1994
Australia	8%	10%	10%
EC/EU	36%	45%	50%

(Source: OECD, *Agricultural Policies, Markets and Trade in OECD Countries, 1995*, reproduced in Grant, 1997: 184).

²⁴ The WTO states that the Community spent 45% of its budget on the CAP in 1999. See WTO (2000).

²⁵ Planned to take place over four years from 1986, the Uruguay Round was finally concluded after seven, with agreement in December 1993 and final signing in Marrakesh, April 1994.

²⁶ Both the previous Commissioner in charge of EU trade, Leon Brittan, and the current Commissioner Pascal Lamy, have reiterated the EU's position, namely, the launch of a new round in order to 'further liberalise access to markets for goods and services'. See the Commission Directorate General (DG) Trade web-site at <http://europa.eu.int/comm/trade/2000_round/index_en.htm>.

²⁷ According to Fischer, the EU 'has clearly missed a valuable opportunity to make meaningful reforms to its Common Agricultural Policy ... As Chair of the Cairns

Group, I commend this statement which sets out clearly our concern with the limited nature of the reform package announced by European leaders at the end of March', DFAT (1999a).

²⁸ He situates his critique, though, not in defence of Australian agricultural producers, but in defence of the developing world and 'the poor'.

²⁹ This was part of the positioning of Australia as a middle power in international affairs—see in particular Cooper *et al.* (1993). Goldsworthy (1997b) defines the three salient characteristics of 'Middle Power' politics as: multilateralism: eg. Cairns Group; interest-based coalition building; and good international citizenship.

³⁰ Australia remains dependent on the export of raw materials to the EU, although this has balanced out in favour of STMs and ETMs in the 1990s. The EU's main exports to Australia are passenger motor vehicles, medicaments and telecommunications, while each partner exports and imports transportation services and travel services. DFAT (1999b).

³¹ This decrease is largely attributed, by DFAT, to the 'reduction in non-monetary gold exports from the abnormally high 1998 levels', DFAT (2000b, chapter 1).

The overall trend is one of increasing trade flows.

³² Our thanks to Keith Bailey of the European Commission Delegation for this figure.

³³ The breakdown for this figure is not publicly available. It consists of uranium exports, non-strategic metals, including aluminium, and commercial-in-confidence figures for some exporters.

³⁴ Australian two-way trade with the UK accounted for \$9.1 billion in 1999, while the figures are \$7.1 billion for Germany and \$4.3 for Italy, of a total of \$33.9 billion with the EU. DFAT (2000b)

³⁵ The Department of Foreign Affairs and Trade in Canberra has a European Union section as well as a diplomatic representation to the EU in Brussels. The European Commission in Brussels has a section dealing with EU-Australia relations as well as the European Commission Delegation to Australia and New Zealand, based in Canberra.

³⁶ EPC was the coordination of foreign policy stances by EC member states, now superseded by the CFSP. The new terms of the dialogue were set out in a letter to Senator Evans from the Irish Foreign Minister as President of the Council of Ministers. The Troika refers to the current, previous and forthcoming holders of the EU Presidency of the Council.

³⁷ The Association of Southeast Asian Nations (ASEAN), formed in 1967, consists of Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, Vietnam. The ASEAN Post Ministerial Conference takes place after the annual meeting of ASEAN, with dialogue partners including the EU and Australia. The ARF, formed in 1994, is the major security forum of the Asia Pacific.

³⁸ Australia and New Zealand were the first countries with which the EU commenced negotiations on this type of agreement.

³⁹ Head of Delegation of the European Commission to Australia Aneurin Hughes stated in *European Union News* that the Australia-EU relationship was 'flowering' and referred disparagingly to the media 'brouhaha' surrounding the wording of the draft cooperation agreement. Delegation of the European Commission to Australia and New Zealand (1997): 1.

⁴⁰ It was signed in Luxembourg by Commission Vice President Leon Brittan, Dutch Foreign Minister and Council President Hans van Mierlo and Australian Foreign Minister Downer.

⁴¹ Issues raised included veterinary concerns, industrial cooperation, consumer policy, competition conformity, employment dialogue and educational cooperation; see CEC-DFAT (1997). A Round Table on Educational cooperation was held in October 1997 and followed by one in July 2000.

⁴² The Labor Party has, however, indicated that it accepts the linking of human rights and trade and it would renegotiate a Framework Agreement. Shadow Minister for Trade, Senator Cook, indicated that the 'stumbling block' of human rights was not a problem, stating that an Australia-Europe Trade Treaty would be an important priority for Labor. Cook (2000).

⁴³ The Ministerial meeting in 1995 had agreed to examine the possibility of an agreement to promote student and academic exchanges in higher education and vocational training as well as mutual recognition of qualifications and credit transfers (DFAT, 1996b: 83-84), but were not immediately pursued after the failure of the Framework Agreement talks. A meeting was held in Brussels on 18 July 2000 regarding the possibility of renewing discussions on educational cooperation, with particular reference to vocational education and training.

⁴⁴APEC consists of Australia, Brunei, Canada, Chile, the People's Republic of China, Hong Kong, China, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, the US and Vietnam.

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