



EU-Australia: A Global Alliance for Trade

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Speech by European Commissioner for Trade Cecilia Malmström

Australian National University

Ladies and gentlemen,

I am very happy to be here today. Thank you very much to the Australian National University for inviting me.

I am honoured to join an illustrious list of European speakers such as:

- Vice-President of the Commission Leon Brittan,
- Secretary-General of the EEAS, Helga Schmid,
- and my fellow Scandinavian, Commissioner Connie Hedegaard.

Indeed, it is important that Australians and Europeans seek to understand each other. Australia and Europe have always been intertwined. It's easy to see the connection when you look our history. Starting with the first landings of Dutch, Portuguese, British and other sailors on Australian shores. The ANZAC battalion fighting in the first World War, and again in World War Two.

More recently, 2017 was a major milestone in our relations: The EU-Australia Framework Agreement was signed. A comprehensive statement of our shared values, underpinning our close history and our economic, political and cultural ties.

But little did we know that the most important, momentous step in EU-Australian relations was still to come. A move that would prove controversial. Some questioned whether it was possible, let alone geographically justifiable. But three years on, they are proven wrong. I am, of course, referring to Australia's admission to the Eurovision Song Contest in 2015. And it proved to be a success.

The next step in strengthening our relations will be a trade agreement. And today I want to tell you about why this trade agreement is important. They are important economically, politically and strategically.

A CHANGING WORLD

Both Australia and the EU recognise that the world is changing. A lot of these changes are for the better:

- Poverty is at an all-time low,
- Child mortality has plummeted,
- And the number of democratic nations is the highest it's ever been.

But with achievements come challenges: threats to the environment, global conflict and mass urbanisation to name a few.

And then, of course, we have the rapid speed of globalisation. In the 20th century, the Western world was dominant. We were in this position because we harnessed science and technology, but now as this knowledge becomes ubiquitous things are changing. In the coming years, the vast majority of global growth will occur outside the West. And the dominance of the West is already being transformed by the increasing importance of the Asia-Pacific region, as you know well.

The EU knows it too – and the leadership of the Australian National University know it. Just recently Vice-Chancellor Schmidt and Dean Wesley recommended to expand courses in Asian languages, politics, history and economics. This university has always been renowned for their Asia and Pacific Studies, and an effective actor in engaging graduates and the Australian economy with Asia. This is how universities and students adapt to global shifts. It is clear that countries must adapt too – the question is how.

Some expect developing countries to give up their pursuit of a better life. But we cannot force growing countries to abandon their ambitions. This is short sighted and morally unjustifiable. We need an approach that is practical, intelligent and fits our values. The way the EU does this is by opening up and cooperating with other countries.

In this way, we seek to:

- Build mutually beneficial relationships,
- Establish global rules,
- And enforce them to the benefit of global order.

This is how we plan to establish ourselves in the 21st century. But not everyone agrees with us – some would rather close up in the face of these challenges, they want to hide behind borders and cut themselves off. But we do not agree with this.

OPEN-CLOSED

Indeed, in recent years many have observed a new political divide. The 21st century is no longer simply defined as “Left Versus Right”. It is still there and very important in politics.

In the face of globalisation, a new axis on the political compass has been added: “Open Versus Closed”. The turn of the century saw:

- the financial crisis,
- the Great Recession
- and the migrant crisis.

Some pointed to globalisation as the cause of these challenges. As a result we saw very important political shifts. Brexit, the US election, even the French presidential election. You might see this in Italy as well now. These were all fought along the lines of “Open Versus Closed”.

On the “Open” side we continue to believe in liberal democracy and free trade. We look beyond our borders for prosperity, cooperation and wealth. We believe in open trade and open societies.

Indeed, the Nordic model is often considered the epitome of “Open” politics, and the Australian model too. Whereas in the past Britain and the US were Australia's most important partners, Australia is always seeking new opportunities. Now, with a forward looking trade policy, four out of five of Australia's top trading partners are Asian.

This openness extends beyond simply free trade in goods and services. It is openness to ideas, innovation, people, investment, and change. It comes from the belief that these things make our societies stronger.

On the "Closed" side they are in favour of building walls instead of bridges. They want to isolate themselves from the rest of the world. Often this is in pursuit of an imaginary past. It is an understandable reaction in many ways - we live in a complex world. That is intimidating for many.

But globalisation is happening, and not everybody is a winner. The world is interconnected in an unprecedented way - and Europe in particular. A car can be built with a German design, in a Mexican factory, with an American chassis and an Australian engine. These links are not undone easily, and undoing them won't solve anything. In fact they will complicate matters even further. Hiding from challenges is not the way forward.

AUSTRALIA-EU TRADE AGREEMENT

The EU responds to these challenges and opportunities. We do that through cooperation and also through trade. We have a heavy trade agenda in Asia. And we want Australia to be part of it. For the EU and Australia, there is a lot to gain from further cooperation. As it stands, our bilateral trade amounts to 46 billion EUR each year.

And this is the situation without favourable access to markets like Australia's other partners. An agreement between us would boost this further - by about a third according to estimates. Even as we speak there are minerals, wine and machinery leaving Australian ports for Europe. On the way they will be passing containers with cars, cameras and cheese on their way from the EU.

With an agreement in place we could increase this kind of trade while lowering prices for consumers. And it's not just trade in goods and services, it is of course investment too. The EU is the largest investor in Australia.

There are many reasons the EU seeks closer ties with Australia. Not only are you among the fastest-growing developed economies, but we also believe in the same values. We both have high standards in labour and we care about the environment. We believe in health and consumer protection. These standards do more than just protect people - your sanitary standards help preserve your unique biodiversity.

We want smart, sustainable and inclusive growth. And we are committed to open, fair and well-regulated markets. All of our agreements these days include chapters that include these topics. They are called Trade for Sustainable Development chapters. They uphold and promote our values in the world, protecting the environment, labour rights and human rights.

By coming together in trade negotiations, that I was happy to launch today with Prime Minister Turnbull and Minister Ciobo, the EU and Australia are sending a signal:

- That we are open, outward-looking traders with busy negotiating agendas.
- That we are not giving into the politics of fear and closing.
- That we believe in a rules-based multilateral system and well-regulated markets.
- And that we stand against uncontrolled liberalisation, unilateralism and the temptation of protectionism.

CIRCLE OF FRIENDS

And as the list of countries standing up for fair, open and rules-based global trade is growing, we form an even bigger circle of friends. You can tell by looking at the EU's recent trade agenda. We have concluded an agreement with Japan. It not only eliminates tariffs, but includes specific provisions on topics like:

- Corporate Governance,

- Small and Medium Enterprises,
- and doing away with costly non-tariff barriers to trade.

Our deal with Canada is now in force. It is a progressive agreement with a strong Trade and Sustainable Development chapter. It commits us and Canadian friends to high standards in human rights, transparency, environmental protection and labour rights.

We have upgraded a very old agreement with Mexico to the point where it's basically a new agreement. An agreement for the 21st century, that includes topics like intellectual property and services, and it reflects our values, with our first ever chapter on anti-corruption.

Elsewhere in Latin America we are negotiating with the four countries of Mercosur. We are making good progress in these negotiations, and we are working intensely, but we need a bit more time. We do not want a fast deal at the expense of a good deal. If trade is going to work, it needs to work for everyone.

Our list of agreements now includes Singapore and Vietnam too. We are in the process of negotiating agreements with other ASEAN member states. And soon we will have a deal with Chile. Trade and society at large are changing, and we want our agreements to reflect that. Trade needs to work for everyone, and everyone should feel that trade is working for them.

Every negotiation concluded sends a message to the world. The EU and its partners are coming together to:

- shape globalisation,
- stand up for open trade,
- and to agree on a rule book that works for everyone.

And we will need many allies to help us in pursuing these goals, right now.

MULTILATERALISM

So we have a very busy bilateral negotiating agenda, just as Australia does. We still believe that the WTO is the fairest and best system for trade. It is also the best way to secure our long-term interests in global trade. A strong, rules-based approach to global trade:

- stands against protectionism,
- ensures a fair environment for all businesses to operate in,
- and creates prosperity by opening up markets worldwide.

This has been extremely important for developing countries. But the system is currently threatened – and we need to stand up for it.

We need to reform the system and address the longstanding transparency problems. We must fill the gaps in the current rule book, in particular to address level playing field issues. And we need to make sure that one or two countries cannot block initiatives in the WTO. The EU has already taken the lead on some matters, to see how we can reform different areas of the WTO.

The **Multilateral Investment Court** initiative is moving forward, more and more countries are interested in it. We want to create a fairer and more transparent dispute settlement system for foreign direct investment. And in the field of e-commerce, we have 80 countries that want to cooperate further to have global rules in this area. Australia is a leader in pushing this agenda forward.

Many in the international community are looking to both the EU and Australia these days. We are building consensus to move forward with these reforms. We are very worried that the challenges to the WTO are compounded by recent US actions. They undermine the WTO. For instance, the US is now blocking nominations to the Appellate Body. We need for the WTO dispute settlement system to work - without it, WTO rules are meaningless.

The EU, Australia and the EU have all been frequent clients of this system, and it has served us well.

US AND CHINA RELATIONS

We are concerned by many of the recent US moves on trade, for instance on steel and aluminium, as they compound the problem. The tariffs on steel and aluminium are an illegal move and threaten to destabilise the WTO. Also, it is frankly ridiculous that EU steel is considered a threat to US national security. As longstanding allies of the US we were disappointed.

We did everything we could to avoid this situation, but now we have no choice but to respond. The EU has a responsibility to stand up for open global trade. Our response is proportionate, reasonable and intelligent.

We have taken this issue to the WTO already. And in a few days' time, we will put rebalancing measures in place on a range of US products.

We hope that our partners in the US will soon see again that trade can be a win-win. The rise of others does not mean our decline. As more parts of the world get richer, we can all benefit. In pursuit of this, multilateral rules are an opportunity, not a hindrance.

We should all be working together to encourage China to take up its responsibilities at the WTO. If they want to be considered a global player, they need to be a member of the global community. Rights come with responsibilities. The more that China and others take up these responsibilities, the stronger the multilateral system will become. And if we can guarantee the multilateral system, we can guarantee a stable future.

CONCLUSION

The world is changing. Both Australia and the EU need to be ready for that change. At home we can do that by moving up global value chains, and cooperating with partners to bring about new opportunities. On the global stage we can do it through building a solid, rules-based system that is fair and works for everyone.

We believe that the EU and Australia can be partners in this. We have shared values, a progressive worldview and a global outlook. That makes us natural partners. We can support each other and learn from each other, and the progressive trade agreement that we launched negotiations for today will be the next natural step in this. I see great possibility in these negotiations, and we want to progress as quickly as possible.

Thank you for inviting me.