The EU and Australia:
Prospects for a Closer Trade and Economic Partnership

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Introduction

The EU is an important export market for Australia accounting for some 15% of Australia’s merchandise exports. The EU is also the major source of imports into Australia, accounting for some 22% of total imports and is our largest source of inwards investment. The trade/economic relationship between Australia and the EU is therefore already a close and important one but could be closer and more important.

The EU is an open market with an increasingly liberal trade policy uniting fifteen of the world’s richest countries in a single integrated economic union. The EU is a trade and economic force in the world second only to the United States. Developments in EU trade and economic policies over the past ten to fifteen years in particular, make the EU an ideal partner for closer cooperation. A closer relationship would be of benefit to both Australia and the EU. Closer cooperation and mutual understanding would increase prospects for the further expansion of bilateral trade. Closer cooperation would also increase scope for jointly achieving shared objectives in multilateral trade negotiations.

From the beginning, economic integration has always been a major driving force for building European unity. Creating a single market amongst the six founding states; France, Belgium, The Netherlands, Germany, Italy and Luxembourg, following the Rome Treaty of 1956; was an important post world war II political objective. The benefits to be extracted from economies of scale were also from the beginning, an important impetus to economic integration and growth in the EU. The success of the original experiment in the 1960s and 1970s created its own dynamic driving the EU towards deeper economic integration and an increasingly open trade policy. This process has intensified as the EU has expanded from the original six to fifteen member states.

Over the past fifteen years in particular, the pace of economic integration and movement to a more liberal trade policy stance has significantly quickened. The relationship of the EU with the GATT/WTO and the important internal changes wrought through the 1992 single European market program have been important determinants of this quickening pace of change. For the future, there are a number of
important elements that will ensure that ‘Economic Europe’ will continue on an open and liberal path. The evolution of the Trade Policy of the EU and its relationship to the GATT/WTO is one element. Completion of the single market program and present objectives to make the EU the most competitive economy in the world by 2010 is another. The ‘Enlargement’ process which has progressively expanded the EU from six to fifteen member states in the past thirty years and could take it to twenty five member states in the next five years or so, is yet another. Finally, monetary union and the realisation of the single currency is a further powerful force that will drive economic integration and openness even more rapidly in the future, especially in the eleven member states that are currently members of the ‘Euro’ zone.

Underlying all these elements as a force for open and liberal policies as the EU moves towards fuller economic integration, is the need for the EU to remain competitive with the United States in order to maintain its place of power and influence in a globalising world economy.

The United States is the EU’s major trading partner, accounting for around 25% of total EU merchandise exports and around 20% of total EU imports. Taking goods and services trade together, the EU and the US are each others largest trading partners and the total two way trade between them is the largest trade flow in the world. In addition to the importance of the US bilaterally to the EU, the United States is also the most influential state in the WTO multilateral trade system.

The trade relationship between the EU and the US is a very close and cooperative one. As is the case with any important bilateral trade relationship, it is the high profile trade disputes that get the most international attention and publicity. The EU and the United States however put great store on getting along with each other. Just as the relationship with Washington is of the highest priority for DG Trade in Brussels, the relationship with Brussels is also of the highest priority for USTR. The reality is that given the importance of the trans-Atlantic trade/economic relationship, Washington and Brussels will always maintain a constructive and co-operative trade and economic relationship.
Trade Policy Evolution in the EU and Australia.

The basic building block of the trade policy of the EU was the ‘customs union’ between the initial ‘six’ established in the Rome Treaty (1956). In creating the customs union, the ‘six’ were required to eliminate their customs duties against each other while adopting a ‘common external tariff’ (CET) consistent with the rules of the GATT, i.e., the CET would not result in tariff barriers against the rest of the world which were higher than those applied previously by the constituent economies of the union. The process of consultation and negotiation with the trading partners of the ‘six’, necessary to reach a satisfactory settlement, established from the beginning a very close relationship between the development of trade policy in the EU and the GATT rules. Consistency with the GATT (and later the WTO) has always occupied a very important place in trade policy formulation in Brussels.

The subsequent Dillon Round of GATT Negotiations (1962) began the process of reducing the CET (at the same time it also opened the way for the EU to increase agricultural protection in advance of the introduction of the CAP during the 1960s). The Dillon Round was followed by the Kennedy Round (1963-67) which for the first time established the notion of negotiated across the board ‘formula’ reductions in industrial tariffs.

These developments set a pattern for the future. Every time the EU was enlarged, negotiations with major trading partners were necessary in order to ensure that there were no increases in tariffs i.e., that the expanding customs union was ‘trade creating’ and not ‘trade diverting’. In parallel with this process, successive rounds of GATT/WTO negotiations were driving EU trade barriers down. Until the Uruguay Round (1986-93), agriculture was the major exception to this liberalising trend. The 1993 settlement at the conclusion of the Uruguay Round however finally put agriculture on an effective liberalisation track by bringing the WTO rules on agriculture more into line with the rules for other trade in goods sectors.

The original EU of six was expanded to ‘nine’ with the accession of the UK, Ireland and Denmark in 1973. This was an important impetus for the Tokyo Round of GATT Negotiations (1973-79). This new round of multilateral trade negotiations continued
the process of formula reductions to industrial tariffs and began the focus on non-tariff barriers to trade with the negotiation of new agreements on; subsidies, anti-dumping and safeguards. The accession of; Spain, Portugal and Greece in the early 1980s was a stimulus for the Uruguay Round of GATT/WTO negotiations. The accession of; Sweden, Austria and Finland in 1994 (followed the conclusion of the Uruguay Round and brought the EU to its present membership of ‘fifteen’.

By the 1980’s both the European Union and Australia were also fast becoming post-industrial economies in which the services sector was emerging as an increasingly important contributor to GNP, employment and export income. The Uruguay Round of GATT negotiations was therefore focussed as much on developing rules for opening up world trade in services and associated issues such as the protection of intellectual property rights as it did on continuing the process of liberalising tariffs. Both the EU and Australia were very active participants and cooperated very closely in pursuit of the objective of across the board liberalisation of goods and services trade in the Uruguay Round.

The Uruguay Round was an important watershed in the development of trade policy in both the EU and Australia. Industrial tariffs were reduced all across the developed world to very low levels. More significantly however, important new areas of trade and trade related policy, such as trade in services and intellectual property rights were brought into the negotiations. These developments reflect the importance that services, investment and increasingly meeting the needs of the information knowledge-based economy, have in the trade and economic relationships of all developed countries and increasingly large parts of the developing world, especially in Asia and Latin America.

By the end of the Uruguay round in the early 1990’s (and with agriculture still in a special category) both the EU and Australia had equally open trade policies with; low industrial tariffs bound under GATT/WTO rules and increasingly open services markets.

The practice of working together on a wide range of common trade policy issues during the Uruguay Round and beyond has done much to broaden and deepen the
trade/ economic relationship between Australia and the EU. With a new round of trade negotiations now just beginning, there should be even more opportunities to work together in realising shared interests in multilateral trade liberalisation.

**Agriculture**

The trade restrictiveness of the Common Agriculture Policy (CAP) as an exception to an otherwise open trade policy in the EU has for many years been a major irritant in the bilateral trade relationship between Australia and the European Union. The key point to register about the present situation, however, is that a very important change of direction in the CAP was effected in the 1992 package of agriculture policy reforms and that process of change can be expected to continue into the future.

The original basis for the CAP in the early 1960s was support for farmers through high guaranteed prices. The aim was to stimulate production in the food deficit situation of post World War II Europe. The support arrangements were managed by purchases into government owned stockpiles (intervention) whenever domestic market prices fell below the guaranteed levels. So successful was the policy over time that by the early 1970s, large surpluses of grains, meat and dairy products held in public stocks had become endemic. These surpluses overhanging the domestic and world market could only be reduced by exporting them with subsidies onto world markets.

Intense competition especially between the EU and the US using their respective subsidy war chests for the limited markets available, restricted trade opportunities and depressed prices for other agriculture producing and exporting countries, many of whom were developing countries. Despite efforts by others, agriculture trade was never seriously addressed in the GATT rounds of multilateral trade negotiations that led up to the Uruguay Round. As a consequence, world agriculture trade was much distorted at the outset of the Uruguay Round in 1986. At the same time, internal budgetary pressures over the cost of agriculture support in both the EU and US were building up. Australia was also instrumental in bringing together the ‘Cairns Group’ exporters to bring more co-ordinated pressure to bear to ensure that agriculture was addressed effectively in the new round of negotiations.
The Uruguay Round negotiation on agriculture was a very tough one. It was recognised by the Cairns Group that the total liberalisation of agriculture would not be secured in a single round of negotiations. The important thing was to make significant progress and to lay down fundamental reforms that would facilitate the progressive liberalisation of agriculture in the Uruguay Round and beyond. The Cairns Group knew that income payments de-linked to the greatest possible extent from the production plans of farmers would be the least distorting way for governments to continue to support their farm sectors. The Cairns Group also knew that income payments, because of their visibility and direct implications for national budgetary expenditure would be more easily brought under pressure for progressive further reduction over time.

Driven by the mounting internal cost of the CAP and the realization that the Uruguay Round could not be concluded without a substantive result on agriculture, the EU finally made the shift to income support in the CAP reform package of 1992. This fundamental shift, which significantly reduced domestic support price levels in the EU for grains and to a lesser extent for meat and dairy, opened the way in the Uruguay Round package for the replacement of import restrictions by tariffs. It also opened the way for a negotiated settlement on reducing the use of export subsidies.

These were outcomes of historic importance. The GATT rules previously had no effective means of preventing quantitative restrictions on farm products or controlling export subsidies. Securing effective limitations for the first time on the use of export subsidies was of particular importance to Australia. Through the ground broken in the Uruguay Round agriculture agreement, the basis on which further significant relief from high agriculture tariffs and export subsidies can be achieved in future WTO negotiations was established.

The outcome however was only a partial success. The price paid for the advances made on export subsidies and market access was in the looseness of the arrangements that de-linked income supports from production and the high levels of tariffs which remain on many basic farm products. WTO negotiations on agriculture have now been re engaged on the basis of continuing the reform process begun in the Uruguay
Round. Since the conclusion of the Uruguay Round the EU has undertaken further limited CAP reform in the ‘Agenda 2000’ package and during the course of 2002 is due to make further efforts. The European Commission has also recently released proposals on the further adaptation of the CAP consequent on the enlargement of the EU.

The important thing about the developments of the past ten years is that while there is still a considerable way to go before the adverse effects of the CAP on world trade have been completely dealt with, significant progress has already been made and the CAP is now set on a path of fundamental change that 10 years ago, during the GATT/WTO Uruguay Round, seemed a very distant prospect indeed. This process of continuing change will be driven by; continuing internal budgetary pressure, the further enlargement of the EU to take in large agricultural producers such as Poland and the new WTO trade round.

As a result of these combined pressures, the future evolution of the CAP is likely to be towards; continuing lower support prices and income supports increasingly delinked from production and increasingly tailored to supporting specific environmental and regional development objectives. Managed correctly, this should shift agriculture support policy in the EU in a direction which is significantly less production and trade distorting than it was in the past.

**The Single Market of the European Union.**

By the mid 1980s in the EU, the Customs Union was a reality, the EU had been expanded from the original six to twelve member states and the Common External Tariff (at least for industrial products) had been significantly reduced through the participation of the EU in the Dillon, Kennedy and Tokyo Rounds of multilateral trade negotiations. The EU however was not yet a single internal market. Agriculture was the only sector in which there were common support and price policies across the EU and where common standards were applied. In other sectors of the goods market and in services and the capital market the EU economy remained fragmented within member state boundaries.
While under the logic of the customs union, products imported into any one member state could be freely traded in all others, intra-EU trade was impeded by border controls and the lack of EU wide product standards. Banking and insurance were effectively confined within their home member states by legislation and differing prudential and consumer protection standards. Telecommunications remained essentially under member state government control. Public utilities such as gas, electricity and water services were largely confined within member state boundaries. While under the Rome Treaty labour mobility was guaranteed, it was severely constrained in reality by differing labour laws and the lack of pension portability between member states.

Though a single entity in trade policy ‘Economic Europe’ remained fragmented internally. To deal with this situation, the EU initiated the European single market program in 1986 (underpinned by the European Single Act) to have in place legislation aimed at eliminating impediments to intra EU trade in goods and services by 1992. The main aim was to follow up the earlier elimination of intra-EU tariff barriers by clearing away the remaining non-tariff obstacles to internal trade and through this process to create one seamless market, through what were at the time the twelve member states of the EU. An equally important objective was to create the opportunities for European businesses in both the goods and services sectors to grow through access to the larger EU wide market and as a consequence to be better equipped to compete with US and Japanese multinationals on the world market.

The Single European Act of 1992 was the first step in the realisation of the creation of a genuine single market in the EU. Much was achieved under this program, especially in the opening up of the free flow of trade in goods between the member states of the Union. The slowing down of the economy in the EU in the 1993/94 period however also slowed down further progress particularly in the integration of the internal EU services sector and the de-regulation of the labour market.

Completion of the single market especially in the services area has gathered new momentum over in recent years. Three important developments are driving this; the further enlargement of the EU to take in 10 new member states from Eastern and
Southern Europe, monetary union and the 2002 introduction of Euro notes and coins and the need of the EU to fully face up to the challenge of the ‘information society’.

The European Council, meeting in Lisbon in March 2000, established a forward action program to deal with these challenges. The so-called ‘Lisbon Strategy’ has as its objective the completion of the European Single Market within the next ten years, especially in the services sector and including information society developments and dealing with labour market imbalances. Indeed, the Lisbon Council specifically established a new strategic goal for the EU to become ‘the most competitive and dynamic knowledge-based economy in the world’ within the next ten years. Monetary union and the single currency is now an additional powerful force driving deeper economic integration in the EU.

While it cannot yet be assessed how much of the Lisbon program will be realised in the 10 year timeframe, the task the EU has set itself is clear, i.e. to match the global competitiveness of the United States in an increasingly services driven world economy. Looked at very broadly, the drive to create a fully integrated and globally competitive single market is, no more and no less, the EU rising to meet the challenges of globalisation. There are possibly parallels with Australia’s own experience in meeting the same challenges of globalisation over the past decade in particular.

**Enlargement**

The successive enlargements of the EU from ‘six’ to ‘nine’ to fifteen’ over the past thirty years have been extremely important in developing and extending the global reach and power of the EU. The accession of major powers like the UK and smaller but very prosperous countries such as the Scandinavian group has significantly enhanced the political and economic prestige of the union. In other cases, such as that of Spain, Ireland and Portugal, accession to the EU has transformed them from severely underprivileged states to very rich and prosperous ones. In other cases, notably Greece and also to some extent Portugal, accession has also brought an important measure of political stability. The balance sheet judgement on enlargement up to this point of time therefore would very clearly be on the credit side of the ledger.
Now the EU is embarked on an enlargement program which is of a very different scale than anything attempted in the past. The ten most important of the candidate countries; Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Lithuania, Estonia Latvia, Romania and Bulgaria are former Warsaw Pact countries or in the case of the Baltic, constituent parts of the former Soviet Union. The challenges of bringing this group of countries into an economic union anchored firmly in the western free market tradition are enormous. The accession of the Eastern European states will swell the population of the EU by more than 100 million people and will pose great economic and political challenges to both sides. Poland alone has a population of 40 million. The other two candidate countries, Cyprus and Malta, are small by comparison, but at least in the case of the former, there are difficult and sensitive political issues that may finally be resolved in the context of accession to the EU.

With previous enlargements, the impact of accession has been primarily on the acceding countries. The policy framework, the so-called ‘acquis’, of the EU, including the CAP has always in the past been accepted by the new members. The forthcoming enlargement, taking in 10 new members of very different levels of economic development to the current ‘fifteen’ will impose big changes on the acceding counties. It will also however entail changes in the ‘acquis’. The big problems in the accession of the Eastern European candidate countries are; agriculture, environmental standards, labour movements and product standards. There will be a need for transitional arrangements for several years beyond the formal accession dates to enable the candidate countries to adapt to EU environmental and product standards. Careful arrangements may well have to be worked out to manage the people flow from the new member states into the territories of the fifteen and indeed from the counties further to the east into the new member states. Inside the EU, further important changes to the CAP will have to be made and significant changes in institutional arrangements will be necessary in order to ensure that an EU of 25 members or even eventually 28 members will be able to function effectively and efficiently.
The structure of agriculture in the acceding countries, especially in Poland is very different from that in the EU. There are large numbers of very small and in many cases very poor farmers. Land values and consumer prices are also very much lower than in the present fifteen member states of the EU. In addition there are important differences in product and environment standards. Absorbing the candidate countries into an EU wide agriculture policy will entail significant further changes to the existing CAP. The Constitutional Convention established at the Laeken Summit (under the Belgian Presidency) in December 2001 is to report later this year on institutional changes that will, inter alia, enable the EU to absorb the new member states. Fundamental issues such as, whether each member state will retain the right of direct representation on the Commission and voting rights in the Council will need to be resolved in a way that does not make the enlarged EU too cumbersome to operate.

A number of the Eastern European candidate countries are already important markets for Australia, for agricultural products as well as raw materials based products and services, especially consultancy services. Their accession to the EU will further increase the importance of the EU as a trading partner for Australia. Further enlargement will also increase the influence of the EU in the WTO multilateral trading system.

**Monetary Union**

Following on from the creation of the customs union and the single market, the decision to move to full monetary union, especially with the introduction of Euro notes and coins from January 2002 signals deep economic integration in the EU. It reinforces the need for the current program for the completion of the single market under the’ Lisbon Strategy’. A seamless market in goods and services in the EU will be essential for the proper functioning and success of monetary union and the single currency. As a result in future, major investment decisions by companies, especially of a development kind, are likely to be genuinely EU wide once all the necessary policy changes are in place. Monetary union will force further change. Pressure for the further liberalisation of the labour market is likely to grow as a consequence of monetary union. The development of genuine EU wide enterprises including financial conglomerates is likely to be a further consequence of monetary union. These
developments will bring an EU wide dimension to the implementation of Takeover legislation and consumer protection standards which until now have remained essentially a member state preserve. Tax policy, especially company tax and vat rates are likely to receive more serious attention in the future as a result of monetary union.

Also, the provisions of the ‘stability pact’ enforcing tough rules on governments in the Euro zone to limit, inflation rates, budgetary deficits and public indebtedness, as we have seen recently in Germany and Portugal, impose tight disciplines on governments which could have not only important implications for economic policy settings but political implications as well.

The decision to go to full monetary union is a very fundamental one with far reaching consequences for the further economic integration of EU counties in the Euro Zone. It used to be said that the Common Agriculture Policy was the ‘cement’ of the EU as the only example of deep economic integration in the EU. These days it would be far more appropriate to consider monetary union to be the ‘cement’ of the EU. Its implications will certainly be far more far reaching and have far more fundamental implications for the direction of the further development of the EU as an integrated economic entity.

**Sustainable Development/ Social Policy concerns**

In many respects, sustainable development and modernising social protection procedures in the EU is the social policy dimension of the market driven impetus to create a seamless integrated goods and services market in the EU fully competitive with the United States. Given the importance of social policy issues in the EU, the two will need to move forward together.

Just as the ‘Lisbon Strategy’ and other associated objectives such as labour market and competition policy reform demonstrate the new ascendancy of welfare for all being delivered by letting the market work (US style), a renewed focus on sustainable development sends a signal that in moving away from state provided services or state determined welfare objectives, legitimate social policy objectives, particularly relating
to the environment, full employment and the provision of a fair standard of living and equity for all in the provision of basic services will not be forgotten.

The Future of the Australia-EU Trade and Economic Relationship

On the basis of the above, some observations or conclusions might be drawn.

First, drawing on the way that successive WTO rounds have driven down the CET and on the efforts made over the past 15 years in particular by the EU to build a fully integrated and globally competitive single market, it seems clear that; the pursuit of deep economic integration and global competitiveness, especially in relation to the United States, will continue to drive EU trade and economic policy in an increasingly open and liberal direction. This can be expected to lead to Australia and the EU sharing a growing range of common trade policy attitudes as well as a growing range of common experience in meeting the challenges of globalisation.

On tariffs, in services, on competition policy, and in investment, the EU will be seeking a more open and transparent global market place. On agriculture, budgetary pressures and enlargement will force further reductions in domestic support which will make it easier to secure relief from high agriculture tariffs and export subsidies in WTO negotiations.

Second, taking into account the way the trade policies of the EU and Australia have evolved in a similar open and liberal direction and the reform track that the CAP in the EU is now on; Australia should have no greater trade policy differences or problems with the EU in the future than it does with its other major developed country trading partners such as the United States or Japan. In other words, there could be more issues and objectives that unite rather than divide Australia and the EU in the totality of the bilateral and multilateral trade/economic relationship.

Australia’s continuing trade policy problems with the EU, eg over agriculture should therefore be capable of being handled both bilaterally with the EU and multilaterally in the WTO negotiations in much the same way as similar trade policy differences are dealt with in the close relationships Australia has with both the United States and
Japan. A closer trade/economic partnership in which both sides cooperate on a
growing range of trade policy issues should not inhibit Australia from continuing to
pursue its trade policy differences with the EU with appropriate vigour. Conversely,
continuing to press our differences with the EU over agriculture, should not prevent
Australia from pursuing closer economic/trade cooperation in areas of common
interest. Similarly, closer cooperation between Australia and the EU in the pursuit of
multilateral trade policy objectives where we share common aims and objectives
should not prevent Australia and the Cairns Group from continuing to press their
legitimate objectives for further agriculture trade reform in the current WTO round.

Third, drawing on the above and on the similar problems faced by both Australia and
the EU in meeting the challenges of globalisation, Australia and the EU would both
benefit significantly from a closer trade/economic partnership. The Australia/EU
trade/economic relationship is already an important one. The EU is a market for
around 12% of Australian merchandise exports. The EU is our major source of
imports accounting for around 22% of merchandise imports and is our largest source
of inwards investment. In global trade terms, the EU is comparable to the United
States; as a world trading power and in the level of its influence in the multilateral
trading system.

A closer bilateral and multilateral partnership would be helpful in further expanding
bilateral trade and in realising shared global trade policy objectives.

**Scope for a Closer Trade/Economic Partnership**

Multilaterally, there is a growing range of multilateral trade policy issues on which
Australia and the EU share common interests and objectives.

Australia and the EU have a joint interest in securing the further significant reduction
of tariff barriers around the world, especially in the Asian region. Australia and the
EU have a joint interest in securing the liberalisation of trade in services especially,
financial, telecommunications, professional and transport services including maritime
transport. The Uruguay Round was very successful in laying down a set of WTO rules
for the future liberalisation of services trade, largely reflecting the domestic
liberalisation and de regulation that had already taken place throughout the economies of the developed world. Very little trade liberalisation however was secured in the last trade round.

Australia and the EU have a joint interest in working together to strengthen WTO rules especially in areas such as, dispute settlement, which bear on the resolution of trade disputes with key trading partners such as the United States. Non-tariff measures including domestic regulatory regimes that have a trade restricting impact, customs regulations, domestic subsidies and competition policy practices that restrict trade, are other areas of the Doha agenda on which Australia and the EU share common objectives. Australia and the EU would therefore have a joint interest in working together to achieve trade liberalising outcomes to the aspects of the Doha agenda that relate to these issues eg; competition policy, investment and trade facilitation.

The other important area of the Doha agenda where Australia and the EU share common objectives is in ensuring that developing countries secure outcomes to the negotiations that maximise their trade opportunities in an increasingly open and competitive world market. This includes agriculture as well as industrial products and services. Close cooperation between the EU and Australia on devising solutions that will satisfy the negotiating objectives of developing countries in the Doha negotiations could help secure an early and successful outcome to the negotiating round as a whole.

Bilaterally, there are already agreements between Australia and the EU on Science and Technology research collaboration and the mutual recognition of product standards. The sixth framework program for research and technological development which will come into effect in the EU in November 2002 will offer scope for increasing the level of bilateral research cooperation. The existing agreement on standards offers similar scope for expanding bilateral cooperation on mutual recognition issues. Closer cooperation in these areas could have a positive impact on the expansion of goods and services trade between Australia and the EU. Education is another area where growing interest in bilateral cooperation could make a positive contribution to expanding bilateral trade in education services.
The experience of the EU through the construction of the single market and meeting the challenges of globalisation and international competitiveness are not dissimilar to the experience of Australia over the past 10 to 15 years in dealing with the same issues. Furthermore, the problems we both still face, e.g., in meeting the economic and social consequences of re-structuring our economies are also similar. More focus bilaterally in comparing respective experience and prospects for dealing with these problems could be to the benefit of both sides. Competition policy and consumer protection policy are two specific areas where closer dialogue between Australia and the EU on comparing shared experience could yield particularly fruitful results. Experience in dealing with the challenges of globalisation could also have an impact on positions being taken by both the EU and Australia in the Doha WTO negotiations, e.g., on services.

The history of ‘Economic Europe’ has been one of steady progress

- Progress towards an open and liberal trade policy through: the strong relationship with the GATT/WTO, reform of the CAP and close cooperation and competition with the United States

- Progress towards deep economic integration through the customs union, the single market program and monetary union

- Progress towards a position of trade and economic importance in the world second only to the United States through; the powerful impetus to economic growth in Europe provided through the creation of a single integrated market in the EU and through the enlargement over the past 30 years from the original six to fifteen member states.

These developments increasingly make the EU an ideal partner for Australia in closer cooperation. Closer cooperation would be of mutual benefit bilaterally. It would also be of mutual benefit multilaterally and regionally, especially with regard to our respective interaction with both the Asian region and with the United States.