



**Council for International Trade and Commerce South Australia
CITCSA**

meet the faces behind the places

AUSTRALIA-EUROPEAN UNION FREE TRADE AGREEMENT SUBMISSION

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Introduction

As Chairman of The Council for International Trade and Commerce SA Inc. I am delighted to authorize the submission to the AU-EU FTA. CITCSA was established in 1994 by the then State Liberal Government and has been continually supported by successive State Governments. As an independent Incorporated Association – the CITCSA charter is creating chambers and then supporting its membership in their development of bilateral economic and cultural relations with their countries of origin. We assist in the identification and facilitation of sustainable export markets for South Australian enterprises. As such we represent some 39 international Chambers and are a unique organization of this type in Australia.

According to the Department of Foreign Affairs and Trade*, with whom we have shared an intrinsic partnership over many decades, the Australian Prime Minister, the President of the European Council and the President of the European Commission agreed in a joint statement on 15 November 2015 to start the process towards a Free Trade Agreement (FTA).

The EU is Australia's largest source of foreign investment and second largest trading partner. In 2015, the EU's foreign direct investment in Australia was valued at \$157.6 billion. Australian foreign direct investment in the EU was valued at \$111.8 billion, a significant increase by 33.8% compared to \$83.5 billion in 2014. Total two-way merchandise and services trade between Australia and the EU was worth \$89.4 billion, increasing by 6.6% from 2014. The EU is Australia's largest services export market, valued at more than \$10 billion in 2015. Services account for 33.5 per cent of Australia's trade in goods and services with the EU and will be an important component of any future free trade agreement.

Together with Henning A. Klövekorn, CITCSA Board Member and the Chair of the specially formed CITCSA subcommittee for the Region, and in partnership with the German European Chamber of Commerce of South Australia Inc., a key AU-EU member of CITCSA, we present a concise but considered set of observations and recommendations for the deliberations in formulating this historic AU-EU FTA.



Mr. Francis Wong OAM KGSJ
Chair
Council for International Trade and Commerce SA Inc.
President
Australia Brunei-Darussalam Business Council



Bro. Henning A. Klövekorn
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Board (CITCSA),
Chair EUUKRF Sub Committee.
Chair
German European Chamber of Com. of SA Inc.

*Source: <http://dfat.gov.au/trade/agreements/aeufta/pages/aeufta.aspx>
<http://dfat.gov.au/geo/europe/european-union/Pages/european-union.aspx>

Parties to the Submission

The ***Council for International Trade and Commerce SA Inc. (CITCSA)*** is the peak body for the thirty nine international chambers of commerce and business councils located in South Australia. It supports its member organisations in developing worldwide networks to facilitate market access for the export of South Australian goods and services, through their bilateral relations with their countries of origin.

The ***German European Chamber of Commerce of SA Inc.*** is the leading German Business Chamber in South Australia and member of the Council for International Trade (CITCSA). The Chamber has significant diplomatic, government and business connections with recent official meetings with the Australian Ambassador to Germany, the French Ambassador to Australia, and the Australian Ambassador to the EU. The Chamber is supported by varying European Consulates and includes Corporate Members such as the University of Adelaide EU Centre for Global Affairs and the Australian Industry Group Australia's peak industry association. The Chamber was a consulting party to the State Government's North Atlantic Strategy.

The ***European Union, United Kingdom and Russian Federation (EUUKRF) Sub-Committee of the Council for International Trade and Commerce of South Australia***, is an advisory body formed through CITCSA for the purpose of analyzing and reporting on key strategic bilateral trade issues within the EUUKRF Region. EUUKRF is composed of (pictured below):

Bro. Henning A. Klovekorn, Chair - Board CITCSA, Chairman German European Chamber of Com. of SA Inc.

Mr. Simon Zyrianov, EU Centre for Global Affairs in the University of Adelaide

Dr Valdis Tomanis, Honorary Consul of Latvia

Mr. Adam Weinert (Lt. Col. Retired)

Ms. Irina Lyudviga, President Russian-Australian Chamber of Commerce & Industry SA Inc.

Mr. Frank Weits, President DutchSA

Mrs. Gosia Hill, Hon. Consul for the Republic of Poland in South Australia

Mr. Adrian Vatovec, Honorary Consul of Slovenia, Board member Slovenian Australian Chamber of Commerce.



Sub-Committee EUUKRF: Pictured from left: Mr Frank, Weits, Mr Adrian Vatovec, Mrs. Gosia Hill, Mr Simon Zyrianov, Dr Valdis Tomanis, Ms Irina Lyudviga, Bro. Henning Klovekorn, Mr Simon Thomson, Mr Adam Weinert.

Key Observations and Recommendations

CREATION OF CROSS TENDER PLATFORM: Globalization and technological advances have contributed to the ability for small to medium size businesses to contribute to global supply and manufacturing chains irrespective of geographical locations. As Australia is typically characterized by SME/Niche suppliers, a Centralized EU-AU trade and tender platform should be developed to allow SME to manufacture/supply into large scale builds in European markets.

INCREASED FUNDING: To allow Australian companies to improve their understanding of European markets and supply chains, funding of Incorporated Chambers to facilitate networking and trade initiatives must remain a fundamental commitment by both Australian and European Union authorities.

REVIEW IMPORT DUTY RESTRICTIONS: A significant barrier to EU direct investment into Australia is caused by excessive import duties, such as that imposed on alcohol sales. Whilst these duties are applied to protect internal industries, a review of their effectiveness and 'on balance' performance is required to ensure the net benefit of such restrictions apply and does not inhibit FDI opportunities.

VISA RESTRICTIONS: Current Visa restrictions limit opportunities for European-based businesses to bring key technical resources to Australia. These restrictions act as barriers to progress business opportunities, particularly for the small to medium size business ventures. Significant review into more accessible visa options must be presented to facilitate economic activity,

STREAMLINING: Significant success has resulted from Australia's commitment to streamline legislation across all States and Territories in areas such as Work Health and Safety Regulations. This has been prompted by the concept that streamlining such processes results in greater productivity.

This opportunity presents itself on a broader international scale by Australia adopting key International Standards to replace Australian Standards in the workplace. This reduces double handling of certifications and optimizes cooperative work scenarios. A transition period should be negotiated to allow mutual recognition of conformity assessments and certifications to reduce the costs of testing and certification of products.

Such 'streamlining' opportunities need to be analyzed as specific to key industries where both Australia and EU have differing accreditations, regulations or specifications, including rules linked to food processing.

Consideration must be given to how current and future standards are developed, particularly in cases where Australian standards are more stringent and a relaxing of same could have serious effect on Australia's sovereignty or environment (e.g. biodiversity)

ETHICAL FRAMEWORK: The EU AU FTA must agree on key business drivers affecting the environment and social responsibility, this includes a commitment to the traceability of products, using non-slave and non-child labor. Key fundamentals must underpin a future AU EU FTA including a commitment to ISO26000 (Social Responsibility), ISO 14001, and the future ISO 45001, International Labour Organisation standards and key UN declarations such as the Universal Declaration of Human Rights.

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SAFETY NET: Negotiating a FTA with the EU, an economic region significantly larger than Australia, heralds potential risks to Australia's economic independence and prosperity. Clearly understanding or anticipating trade implications are difficult. The FTA must contain mechanisms to periodically report and oversee a verifiable dividend status, be it a benefit or deficit (economic/environmental/social) to Australia.

The FTA framework should include:

- Provisions with the FTA which may be based on formula, governing key thresholds and emergency failsafe benchmarks for particular economic losses such that no specific industry and/or environmental or social impact, can be subject, without prior opportunity of remedial action, to severe hardship.
- The formation and maintenance of an independent oversight board, which has the powers of oversight, forensic audit and ability to initiate remedial actions in cases where specific and previously identified thresholds have been surpassed. These remedial actions may include the ability, under specific circumstances, to safeguard particular affected industries, through the application of caps, duties or revoking of same.
- A commitment to continually review and adjust where required, the terms of the FTA, to the joint benefit of the parties.

COLLABORATION: Whilst the EU and AU have significant areas of expertise in varying industries, both Continents at times fall subject to skills gaps in specific industries or during key cycles of innovation within certain industries. To make use of the combined opportunity the AU-EU FTA provides, mechanisms such as a joint innovation and skills program, should be considered, to allow cross continental resource sharing.

GEOGRAPHICAL INDICATORS: Australia to consider protection of Australian geographical naming rights in connection with its products.

REMOVE DOUBLE TAXATION: Current taxation laws across the EU and Australia can result in double taxation on entities trading in both regions. A review of taxation laws is required to remove double taxation impositions.



Key Contacts

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Disclaimer:

The parties identified in this submission utilized and relied upon the best available data at the time of submission review to formulate the responses. The submission does not in all cases reflect the views or opinions of specific submission contributors, sponsors, partners or corporate members shown in the submission, instead, the submission hereby consolidates the top key submission observations and recommendations brought forward by the parties during the submission process for the attention of the AU-EU FTA review.

Thank you to our Sponsors, Partners and Corporate Members:

FINLAYSONS

