



EUROPEAN UNION

What's happening in this economy

The European economy is expected to grow for the seventh year in a row in 2019, with expansion forecast in every member state. The pace of growth overall is projected to slow compared to the relatively high rates of recent years.

The near-term outlook for the European economy is overshadowed by global trade tensions and significant political uncertainty. These continue to weigh on confidence in the manufacturing sector, which is the most exposed to international trade. Structural problems persist, notably weakness in the banking sector, rigidities in the labour market and an ageing population. Regional income inequality has also led to increasing political polarisation in a number of areas, in some cases making reforms more difficult to implement.

Brexit will have a range of effects across the EU-27, especially if the UK leaves without a deal. The lack of clarity on the final EU–UK trade relationship is a concern for businesses and many are enacting contingency plans.

Key facts and figures

- Population: 512.4 million
- GDP growth: 2.0% (2018)
- GDP per capita: EUR 30,900
- Second largest trading partner, and second largest source of foreign direct investment
- Two-way trade: AUD 109 billion (main exports: coal, gold, personal travel. Main imports: personal travel, motor vehicles, medicines)
- Two-way investment: AUD 1.7 trillion

Trade, investment, and commercial opportunities and activities

- Business linkages are extensive. While progress has been made in growing Australia–EU linkages in services and e-commerce, Australia's exports remain dominated by natural resources and our imports from the EU are predominantly manufactured goods.
- A significant range of EU corporates are major investors in Australia:
 - there are more than 2,000 EU companies with a commercial presence in Australia, and
 - sectors include manufacturing, resources, infrastructure, agri-food and pharmaceutical.
- There are opportunities for greater commercial cooperation and two-way investment. This includes in:
 - energy and resources (including critical minerals and hydrogen)
 - agribusiness
 - advanced manufacturing
 - services
 - infrastructure, and
 - medical technology.



Trade policy and negotiations

The Australia–European Union Free Trade Agreement negotiations were launched in June 2018. Australia is seeking an ambitious and comprehensive agreement to drive Australian exports, economic growth and job creation. An agreement with the EU could open up a market for Australian goods and services of half a billion people, and a GDP of EUR 15.8 trillion.¹ It would provide Australian exporters with a competitive edge and give Australian business access to the larger export market of the EU. Australian consumers and companies stand to benefit from an FTA with the EU through greater access to goods and services at lower prices. DFAT welcomes submissions throughout the negotiations from interested individuals and groups on the potential opportunities and impacts of an FTA with the EU. For information, including Australia’s objectives and negotiating aims, visit dfat.gov.au/auseufta

Notwithstanding public debate about the benefits of trade liberalisation in the EU, in the past year the EU has concluded FTAs with Japan (in force) and Singapore and Vietnam (pending ratification), and has reached agreement on trade deals with Mexico and Mercosur (yet to be signed). It is negotiating with several partners including Indonesia, Chile (update to existing agreement), India and New Zealand and has recently decided to resume its stalled negotiations with Thailand. The EU is also negotiating an investment agreement and geographic indications arrangement with China.

Agriculture remains a key area of sensitivity for the EU in trade negotiations. While internal reforms over many years have produced a shift toward more market-oriented policies, some sectors in Europe remain highly resistant to any competition, most notably meat/beef and sugar. The EU pursues ambitious outcomes on geographic indications (for wine, spirits and food) in its FTA negotiations.

The UK is committed to leaving the EU and regaining control of its trade policy. Without a deal with the EU, the UK would be trading with the EU27 on (much less favourable) WTO terms until a trade deal could be agreed. The UK/EU proposal to split between them existing tariff rate quotas (for several agricultural products) in the WTO would impact arrangements for Australian exporters. Australia and the EU are broadly aligned on trade and investment issues in the WTO, G20 and OECD.

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¹ <https://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tec00001&language=en> (current prices, million euro)



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Key facts & figures box: statistical sources:

Population (2018): <https://ec.europa.eu/eurostat/databrowser/view/tps00001/default/table?lang=en>

GDP growth (2018):

<https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115&plugin=1>

GDP per capita (2018):

<https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00001&plugin=1>

Two-way trade (2018): <http://dfatintranet.titan.satin.lo/reading-resources/statistics/trade-statistics/Pages/trade-statistics.aspx>