

European Union (Single Market)

Business Conditions Snapshot

- The European Union (EU) is an integrated and affluent market of almost 450 million consumers and a GDP of EUR 13.9 trillion¹
- The 27 EU member states² form a customs union (i.e. they impose a common tariff for goods imported from outside the EU) and a single market for goods, services and capital. As a bloc, the EU is Australia's third largest trading partner, third largest services export market and third largest source of foreign investment. While the EU market is generally relatively open for most manufactured products, access for many agricultural products is constrained by high tariffs and restrictive quotas, as well as a range of non-tariff barriers.
- The COVID crisis has pushed the EU economy into a significant recession, with the southern member states worst affected. The EU is not expected to recover fully until at least 2022, with some virus containment measures expected to continue over the next two years. In response to the economic impact of the pandemic, the EU is putting in place a EUR1.8 trillion budget and stimulus package, including a EUR750 billion temporary recovery fund ([NextGenerationEU](#)) which will direct grants and loans to the most severely affected regions. A significant proportion of these funds and the EU's budget have been earmarked for climate and sustainability projects.
- The [European Green Deal](#) – which aims to make Europe the world's first carbon-neutral continent by 2050 – will be central to the economic recovery. Priorities for investment include clean energy, hydrogen, batteries, microelectronics, high performance computing, low carbon industry, building renovation, circular economy and e-mobility. At the same time, the EU is considering how to shorten, repatriate or secure supply chains, and build 'strategic autonomy' in critical sectors, including PPE, pharmaceuticals, technology and critical minerals. To fund the cost of the green transition, the European Commission will introduce new sources of revenue, including new taxes on digital services, plastics and the carbon content of imported goods from 2023.

Key facts and figures (EU-27)

- Population: 448 million (2020)
- GDP growth: 1.5% (2019)
- GDP per capita: EUR 31,160
- Political system: intergovernmental union
- Two-way trade: A\$84.7 billion (main exports: coal, gold, personal travel; main imports: passenger motor vehicles, personal travel)
- Two-way investment: A\$1 trillion (2019)

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

² Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.



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- The UK left the EU on 31 January 2020 but remains part of the EU Single Market and Customs Union until the Withdrawal Agreement transition period ends on 31 December 2020. Both the [European Commission](#) and the [UK Government](#) have published guidance to help businesses prepare for the end of the transition period.

Trade and Investment Opportunities

- Business linkages are extensive. While progress has been made in growing Australia–EU linkages in services and e-commerce, Australia’s merchandise exports remain dominated by natural resources and our imports from the EU are predominantly manufactured goods.
- The EU-27 was Australia’s third largest source of foreign investment in 2019, with total investment stocks worth A\$683 billion. A significant range of EU corporates are major investors in Australia.
 - More than 2,000 EU companies have a commercial presence in Australia.
 - Sectors include manufacturing, resources, infrastructure, agri-food and pharmaceutical.
- There are significant opportunities in industries that support the green transition.
 - Energy – particularly renewable energy, [batteries](#) and [hydrogen](#).
 - Resources – notably critical minerals and rare earths (see [Critical Raw Materials Action Plan](#)).
 - Green construction (see [Renovation Wave Strategy](#)).
 - Low emissions materials.
 - [Circular economy](#) – waste management, materials recovery and recycling (see [Circular Economy Action Plan](#)).
- Opportunities also exist in agribusiness, services, advanced manufacturing, pharmaceuticals and medical technology.

Trade Policy and Negotiations

- The Australia–European Union Free Trade Agreement negotiations were launched in June 2018 and have continued in virtual mode throughout the pandemic.
- 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 number of new commercial opportunities as a result of new market access commitments and openings into European supply chains.
 - As the FTA will be a treaty, it will provide a firm and transparent legal basis for two-way trade and investment, including dispute settlement.



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- Australian consumers and companies also stand to benefit from an FTA with the EU through competitive access to goods and services.
- 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.
- There is an ongoing debate in the EU about the benefits of trade liberalisation and how trade policy could be used to export EU environmental and sustainability standards.
 - Since 2018 the EU has ratified FTAs with Japan, Singapore and Vietnam, and has reached agreement on trade deals with Mexico and Mercosur (yet to be signed).
 - The FTA negotiations with Australia and New Zealand, and a renegotiation of its FTA with Chile, are the most advanced of its current negotiations. It is also negotiating with Indonesia, India, and Thailand.
 - The EU is also negotiating an investment agreement with China.
 - The European Commission under President Ursula von der Leyen is currently reviewing EU trade policy and the outcomes are expected to be announced in the first quarter of 2021.
- Agriculture remains an issue of high 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 is pursuing ambitious outcomes on geographic indications (for wine, spirits and food) in its FTA negotiations.
- The UK will leave the EU Single Market and Customs Union on 1 January 2021. At the time of writing, the terms of its future trade relationship with the EU – i.e. whether there will be an agreement or 'no deal' (often described as 'Australian terms' by the UK government) – remains subject to negotiation.
- Without a deal with the EU, the UK would be trading with the EU27 on (much less favourable) WTO terms. The UK's exit from the EU has resulted in the UK and EU splitting their existing EU tariff rate quotas for several agricultural products into separate EU and UK quotas – this will reduce commercial flexibility for Australian exporters.
- Australia and the EU are broadly aligned on international trade and investment policy issues in the WTO, G20/G7, OECD and other international organisations and bodies.
- The following European-level events may provide opportunities to promote Australia's capabilities.
 - Green Week (Berlin) – annually in January.



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- Seafood Expo Global (Barcelona) – annually in April/May.
- Anuga food and beverage fair (Cologne) – biannually in October.
- EU Raw Materials Week (Brussels) – annually in November.
- Hydrogen Week (Brussels) – annually in November.

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