

11 September 2018

Australia-European Union Free Trade Agreement  
Office of Trade Negotiations  
Department of Foreign Affairs and Trade  
RG Casey Building  
John McEwen Crescent  
Barton ACT 0221

Updated Submission Regarding Negotiations on an Australia - European Union Free Trade Agreement

To whom it may concern

Thank you for inviting the German-Australian Chamber of Industry and Commerce (GACIC) to provide an updated submission on an Australia – European Union Free Trade Agreement.

The German-Australian Chamber of Industry and Commerce (GACIC) is the official representation of German business in all of Australia and represents over 420 company members active in the bilateral business relationship, as well as various industries and company sizes, particularly SMEs and German medium-sized companies ("Mittelstand").

We have worked with our Policy Advisory Committee and our member companies to outline the key areas of significant opportunities to remove trade barriers on both sides and to increase trade and investment, resulting in greater economic growth, increased employment and more consumer choices as also outlined in the European Union's impact assessment study.

We support a comprehensive agreement that addresses all relevant trade barriers to trade in goods and services as well as direct investments. Please find our extended specific comments below.

Specific comments:

The GACIC is in constant dialogue with its members, particularly the highly-engaged members in the Policy Advisory Committee, and the wider bilateral business community with regard to barriers to trade, services and direct investment.

We have identified the following areas of particular importance:

- Visa regulations for overseas workers and recognition of overseas qualifications and skills: Advanced Manufacturing and sophisticated services often require highly qualified staff. We are working with the relevant Australian stakeholders to upskill local staff and produce Australian graduates with the right skills for jobs in areas such as Industry 4.0 or specialist technology roles.



However, there are still significant skills gaps when it comes to some specific technologies and/or in some Australian regions. One such area is the installation or maintenance of advanced manufacturing machinery such as winder systems. Companies in the German-Australian business community are committed to providing the skills transfers, but at the same time require reliable, quick and affordable processes to bring in overseas specialists when necessary. When that is necessary, training at specialist in-house training institutions should be recognised by Australia. In addition, we want to emphasise that to ensure all specialist roles, particularly senior roles in engineering and technology, can be filled with suitable staff is of great benefit also for the Australian economy. International specialists' upskill Australian workers and help to make Australian operations of some SME companies viable in the first place.

We welcome the reintroduction of intra-company transfers and alternative evidence of Labour Market Testing in May 2018; this is particularly well received by companies with the need to transfer talents from overseas operations into Australia to meet immediate shortage of highly skilled and technical subject matters experts.

However, we have experience within the Chamber network of particular issues with intra-company transfers, including applicants being asked to go through an English test even though their previous company posting was in an English-speaking country and particularly with the recognition of overseas qualifications, for example in the area of engineering degrees. This happened despite the applicant having gained the engineering degree from a member of the Washington Accord, to which also Australia is a signatory. The Washington Accord is an international accreditation agreement for professional engineering academic degrees, which, according to Engineers Australia, "recognises substantial equivalence in the accreditation of qualifications in professional engineering, normally of four years duration."<sup>1</sup>

- Product standards and specifications: Often international standards used in the EU such as the CE marking, some ISO International Standards, IEC standards and EU vehicle standards are not fully adopted and accepted in Australia. This is a significant issue affecting members of the German-Australian business community, particularly SME businesses.

Due to the very high and comparable standards with the European Union, we propose to include in the Free Trade Agreement a commitment from the Australian government and the European Union to work with relevant industry bodies to achieve a recognition of.

- Customs: Import duties and similar trade barriers such as the luxury car tax and the wine equalisation tax significantly affect companies importing products and services from Germany and make it harder to offer the latest innovations, safety systems and low-emission products in Australia. Duties and similar trade barriers can also discourage imports and therefore reduce consumer choices.

---

<sup>1</sup> Source: <https://www.engineersaustralia.org.au/About-Us/Industry-Partners/International-Affiliates>, accessed 17 August 2018.



- Quarantine rules: We understand the importance of a robust quarantine regime. However, quarantine rules are often labour-intensive, bureaucratic and can cause delays. We support strong quarantine rules and propose a risk-based approach on country-of-origin principles. Therefore, both Australia and the European Union should make it easier for food, agriculture and drink manufacturers to import items that pose no or very limited quarantine risks. One example of such cases is the 2018 import requirement for German sea freight goods to be treated against the brown marmorated stink bug before reaching Australia. This import requirement in place from 1 September 2018 was announced at short notice and the inclusion of Germany in the list of affected countries was done based on unclear criteria.
- We strongly support the introduction of a dedicated SME-Chapter in the FTA as foreseen by both sides. This needs to be supported by SME-friendly requirements such as in the Country of Origin (COO) rules to achieve a high utilisation rate of the agreement and will be therefore crucial for its long-term success. We propose to use a horizontal rule of origin with a 15% tolerance level for individual semi-manufactured products and 20% for product compilations of different products.
- Digital Trade will be another vital component of the FTA. As global trade is increasingly digital, removing Digital Trade barriers will open further significant growth opportunities for Australian and German companies.  
As part of the pro-digital arrangements in the FTA, it should also be acceptable to keep relevant records for items such as country of origin documentation in digital form and with external expert suppliers if companies choose to do so.
- Another important modern aspect of international trade is the level of services contributing to the production of physical goods ("Modus 5"). Due to an increasing level of services within the production of physical products, especially in Industry 4.0 factories, there should be specific rules in the FTA about this. This should ensure that services receive the same FTA-benefits irrespective whether they are included in physical products or not.
- Access to government procurement will be an important aspect for businesses both from Australia and the EU. The FTA should include access at the Australian State level and, given the significant size of some Councils, also the Australian Council level.
- Foreign investment rules: The current rules in Australia in respect of foreign direct investment in Australian businesses, commercial and residential property and the acquisition of agricultural or urban land are overly complex and bureaucratic. Whilst we appreciate the policy behind these rules, we submit that the FTA should provide for an increase of the various monetary screening thresholds for proposed investments from private investors (including corporations) from EU countries to the same level as applies for private investors from the US, Chile and New Zealand. The monetary screening threshold for investments by private investors (as opposed to state owned investors) from these countries is currently \$1,134 million for all:

- non-land proposals, including agribusinesses (except for proposed investments in sensitive businesses or businesses in the media sector where lower thresholds apply); and
- land proposals (except for proposed investments in residential land and vacant commercial land where \$0 threshold applies).

The proposed increase in the monetary screening threshold will ensure that only large scale projects are subject to the onerous foreign investment regulations and thereby remove a barrier to beneficial direct investment by private investors (including individuals and corporations) from EU countries and the creation of Australian employment opportunities.

The GACIC is encouraging the negotiating parties to remove such barriers affecting trade, services and investment between Australia and the European Union to the greatest extent possible. We support Australia's upcoming membership in the Agreement on Government Procurement (GPA) at the World Trade Organization (WTO).

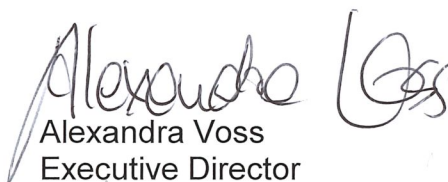
The German-Australian Chamber of Industry and Commerce is looking forward to continuing our engagement with the Australian Government and the European Commission in order to achieve an agreement that advances the trade and investment relationship between Australia and the European Union in a significant and comprehensive way.

Please do not hesitate to contact us if we can be of further assistance in this matter. Our Director of Policy, Dr Michael Zettinig, will continue his engagement with you in order to provide you with further information and relevant examples of trade barriers.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J. Connolly', written over a horizontal line.

Jeff Connolly  
Chairman of the Board  
German-Australian Chamber of  
Industry and Commerce

A handwritten signature in black ink, appearing to be 'Alexandra Voss', written over a horizontal line.

Alexandra Voss  
Executive Director  
German-Australian Chamber of  
Industry and Commerce