



EUROPEAN UNION CENTRE  
FOR GLOBAL AFFAIRS



Australian  
Services  
Roundtable



EUROPEAN  
AUSTRALIAN  
BUSINESS  
COUNCIL

**Business Forum  
In Pursuit of Services Trade and Investment Outcomes in the  
Australia/European Union FTA**

In collaboration with the European Australian Business Council and the EU Centre for Global Affairs, the Australian Services Roundtable is delighted to invite you and your colleagues to a high profile business discussion on services trade and investment priorities for the Australia-EU FTA negotiation.

The event is a unique opportunity for Australian services firms to receive a high-level briefing on the proposed Australia/EU FTA from the Department of Foreign Affairs and Trade and the EU Delegation. The event will include commentary and discussion from key business representations in Australia and will be moderated by Laura Tingle, Australian Financial Review.

**Details:**

<b>Date</b>	Tuesday 6 June 2017 3:00pm - 5:30pm Light Refreshments will be served
<b>Venue</b>	Minter Ellison Level 40, Governor Macquarie Tower 1 Farrar Place Sydney, NSW 2000
<b>RSVP</b>	This is a complimentary event Register <a href="#">here</a> .

## Speakers Bios



**Alison Burrows** is the Special Negotiator (EU) in DFAT. She has worked extensively on trade issues, including as head of DFAT's Office of Trade Negotiations; lead services and investment negotiator in the Australia - Japan, China and Korea FTAs; and lead agriculture negotiator in the Australia - US FTA. She has also worked in the Department of Prime Minister and Cabinet. She has served overseas as Australia's Ambassador to Cambodia, and earlier as Deputy

Head of Mission in Brussels.



**Ivano Casella** is Counsellor and Head of the Economic and Trade Section of the EU Delegation to Australia and New Zealand. Previously he served as Policy Officer in charge of Trade in Services at the EU Permanent Mission to the WTO in Geneva (2010-2014). Most of his career has been spent in the Directorate General for Trade at the European Commission. He was in charge of trade relations with South-East Asian countries (2001-2003); responsible for trade negotiations with Mercosur countries (2003-2006) and in charge of trade negotiations with Southern African countries (2006-2010). Before joining the European Commission in 2001, he was selected as official and investigator for the European anti-fraud office. He started his career in 1995 working for Business Europe as Trade Adviser.



**Pascal Kerneis** has served as Managing Director since ESF's creation in 1999. He is in charge of running the ESF Secretariat on a daily basis. Since then, he has been able to raise ESF's profile by advocating the further liberalisation of services, and by developing close working relationships with the EU and WTO officials. Pascal Kerneis represents the ESF members both towards European and international institutions and towards professional networks. He is now a well-recognised expert on International Trade in Services and is regularly invited as a speaker for Forums, hearings or summits organised inter alia by the European Parliament or Chambers of

Commerce abroad.



**Jason Collins** was appointed Chief Executive Officer of the European Australian Business Council in 2007. From 2010 to 2013 he was the inaugural Chairman of the European Business Organisations Worldwide, an association of European business organisations and chambers of commerce spanning 5 continents. His previous experience includes working as an advisor and Chief of Staff in the NSW Parliament (1995-1998). From 2000-2002 Jason was Executive Director of the NSW Millennium Forum. In 2002 Jason co-founded Matrix Corporate Marketing, an advisory firm which assists companies on international business strategy, regulatory issues and stakeholder management. He is a board member of the Australia Youth Trust, a former Chairman of the Australasian Sponsorship Marketing Association, Board Member of the Australia Asia Young Leaders Program and Fellow of the University of Melbourne's Myer AsiaLink Leaders Program.

## Facilitator



Journalist, Essayist and Author **Laura Tingle** has spent most of her 35-year career reporting on Australian federal politics, and the country's major policy debate. She is the *Australian Financial Review's* political editor, and has written on economics and politics for *The Australian*, *The Age*, *the Sydney Morning Herald* and the *AFR*. She is the author of *Chasing the Future* - a book about the recession of the early 1990s; of two Quarterly Essays: *Great Expectations: Government, entitlement and an Angry Nation* (2012) and *Political Amnesia: How we forgot how to govern* (2015); and of *In Search of Good Government* (2017). She has won two Walkley Awards and the Paul

Lyneham Award for Press Gallery Journalism.

## Australia - EU Services Trade and Investment Relationship

*Background blog by Jane Drake-Brockman*

*Director, EU Centre for Global Affairs, Institute for International Trade, The University of Adelaide*

*Vice-President, Australian Services Roundtable*

The narrative on commercial relations between Australia and the EU has traditionally been about agriculture. That was largely yesterday's story. In retelling it, we risk remaining blind to current Australian business realities and ignore new emerging public policy priorities. The fact is today's big bilateral trade and investment stories are all about services.

The first story is that balance of payments data for 2015-16 show direct services exports accounting for nearly 40% of Australian exports to the 28 Member States of the EU. This is a remarkable outcome, given that services average a mere 22% in total Australian exports.

What this means is that when it comes to Australia's commercial relations with the EU, the services industries have nearly double their average importance relative to other sectors.

From an Australian perspective this suggests that they deserve perhaps twice as much public policy attention.

The second story is that the EU is generally Australia's top services export market. In 2015-16, Australian services providers sold \$10.5 billion to clients in the EU. Probably half of this is tourism - but Australian professional, business and technical services providers are also big contributors to this strong export performance.

The EU is also a services growth market, though it has not been growing as fast as China which surged ahead to reach \$10.7 billion in 2015-16, due to rapid growth in Chinese tourists and sustained growth in Chinese student numbers. In China's case, services account for only 12% of Australia's exports.

A third aspect of this story is that the EU is also Australia's largest source of services imports, meaning that services figure relatively much more importantly in the overall trading relationship with the EU than on average with other trading partners. Australia's total bilateral trade in services with the EU has grown on average more than 9% p.a. over the last decade.

The fourth strand to this positive bilateral story on services is that it contrasts significantly with the recent evolution of bilateral merchandise trade.

Eurostat data shows that during the period 2010-2014, Australia's merchandise exports to the EU (chiefly primary products including crude materials, mineral fuels, lubricants and related materials which account for 44% of the total) fell by an average of 7% p.a.

Meanwhile Australia's merchandise imports from the EU (chiefly manufactures including machinery, transport equipment and chemical products which account for 65% of the total) increased by 2% p.a.

Over this same period, Australia's imports of services from the EU increased by 9% p.a., but very importantly Australia's services exports to the EU also increased by an average of 3% p.a.

The final piece in the story line is that 2015-16 data show the EU to have become Australia's largest destination for outward foreign direct investment (FDI). And the EU ranks as Australia's largest source of inward FDI stock in Australia, with an approximate 25% share. And to which industries is that EU investment directed? According to FDI Markets data, Australia's top 3 recipient industry sectors of inward FDI from the EU are business services, software and IT services and financial services.

The simple fact is that the rise of knowledge-based activities and the growing importance of intangible assets, together with increasing digitalisation and the enhanced role of services inputs in manufacturing and agricultural, all lead to an increasing importance of services both in Europe and in Australia.

The story comes to its climax in the proposed bilateral trade negotiations between Australia and the EU. The EU is by far the biggest exporter and importer of services in the world – and the world's biggest investor in the services sector. The proposed negotiations offer a potential opportunity for Australia to leverage its own strengths in this sector.

Today's big bilateral business opportunities lie in collaborative innovation and development of the modern services economy: in intensifying an exchange in data-related services inputs to business processes that can drive productivity gains across all industry sectors.

Might the story change after Brexit? Possibly yes.

The UK represents almost half of EU services imports from Australia (four times more than Germany, the second largest services trading partner after the UK) and more than a third of EU exports of services to Australia (twice as much as Germany). The UK is the source of more than half of EU investment in Australia and is the destination for two-thirds of Australian outward FDI in the EU. The services and investment story is strongly UK-oriented.

Meanwhile, in merchandise trade, the UK takes a much higher share of EU imports from Australia than its weight in terms of GDP, while its share in EU exports to Australia is merely in line with its GDP weight. Brexit would seem unlikely to reduce EU27 offensive interests in a trade deal with Australia, and it might boost Australia's market access interests in the EU27.

A bilateral negotiation with the EU27 risks being more about merchandise trade than a negotiation with the EU28 would be. Let's hope we don't get stuck in yesterday's narrative.