

Overview: In this edition of showCASE, our experts look at two halves of the English-speaking world and their relationship with Europe. In one half, Commonwealth member Australia is moving closer to the European Union with a recently-concluded trade agreement. In the other half, the UK is still close to Poland but continues its drift away from the continent with Brexit.

Australia as an EU Partner

By: *Richard Pomfret, CASE Fellow, Professor of Economics at the University of Adelaide*

The European parliament has recently given a green light to the proposed European Union (EU) – Australia trade agreement, setting [guidelines](#) for trade talks. In his State of the Union Address on 13 September 2017, the European Commission President, Jean-Claude Juncker began by reaffirming the EU’s openness to business and then stated “[t]oday, we are proposing to open trade negotiations with Australia and New Zealand.” (emphasis in the [official printed version](#)). This proposal has been previously embraced by Australia, and a [framework agreement](#) was signed in August.

Past EU-Australia relations have been cordial but not warm. Australia lost its major agricultural market when the UK joined the EU. Agriculture continues to be a source of discord even though farm products now account for a small part of each partner’s trade. One of the few EU-Australia agreements concerns wine, but suspicion remains, e.g. over EU efforts to include “[prosecco](#)” as a geographic indicator in an EU-China accord.

Agricultural details may dominate FTA negotiations, but agriculture is not the major driver, and should be



Photo: Reuters

manageable. The recently concluded and implemented [Canada-EU Trade Agreement](#) provides a blueprint to facilitate negotiations. With few non-agricultural goods facing serious tariff barriers in either Australia or the EU, the major goal will be to negotiate WTO+ measures in areas such as trade facilitation, services, investment, and intellectual property rights.

For many Australian firms, trade with Europe has been discouraged by high trade costs. However, the obstacles of distance are falling. Information and communications technology advances continuously improve the quality and reduce the cost of real-time communication. [In 2018](#), non-stop Australia-EU air service will begin between Perth and London. Already, large Australian firms such as News Corp in the media, [Westfield](#) in shopping malls and [Macquarie](#) in infrastructure, as well as niche producers of consumer goods such as Aesop, Rip Curl or Billabong have a European presence.

A particular concern for Australia is the [low level](#) of participation in global value chains (GVCs), which so far have centred [on the EU or on East Asia](#). This development was highlighted by the disappearance in 2017 of Australia's integrated [car manufacturing](#) which cannot compete with cars produced in GVCs. Since 2015 the iconic GM brand *Holden* has been assembled at the Opel plant in Gliwice (Poland) from components sourced from across Europe before being shipped to Australia.

The WTO+ elements of a EU-Australia trade agreement could help Australian producers to participate in EU-based GVCs. More imaginative commentators see Australia as a link between EU and East Asian GVCs, or as a base for European firms' operations in Asia (a suggestion made in passing in the EU's 2015 [Trade for All](#) White Paper). With a business culture and lifestyle familiar to most Europeans and on convenient time zones to the main Asian centres, Australia can offer a good intermediate solution.

The extent to which these hopes will be fulfilled is, of course, uncertain, but the EU-Australia trade agreement will be another step towards global economic integration. Already since 2004 [trade between eastern Europe and Australia has boomed](#), albeit from a low base, as Australia's imports of cars assembled in Poland, Slovakia, and the Czech Republic are accompanied by commodity exports to those countries. The outcomes are as unpredictable as Holden cars coming from Gliwice, but there will be specialization in an increasing number of niches as global production networks become the norm.

Poland and the UK: Will There be Good Relations After Brexit?

By: [Klaudia Wolniewicz-Slomka](#), *Economist at CASE*

The narrative surrounding the Brexit vote has been quite pessimistic, with pundits claiming [‘a mass exodus of EU workers’](#), [economic](#) and [political](#) isolation of the United Kingdom (UK), and perhaps even [collapse](#) of the European Union (EU). And while many of these dark scenarios may come true in the medium-term, at the moment it seems that the British will not have to worry about one thing at least: their relationship with Poland, which seems to be improving on different levels and in different fields. Since the Brexit vote, the [number of Poles in the UK](#) has actually *increased*, one of the most popular Polish retail brands LPP (owner of Reserved) opened its first store in London, and a Polish Studies program at the University of Cambridge was launched. In addition, the Ministers of Defense and the foreign Secretary of Poland and the UK met in London and discussed defense cooperation (so called [‘Quadriga meeting’](#)) and representatives of British government met with the Polish minority in the UK and discussed their situation after Brexit. Will such comity continue if the UK does finally sever its links with the EU? Or are the politics of Euroscepticism just bringing the two closer temporarily?