



Celebrating
50 years: EU-Australia

Conversations

on the EU:

Financial crisis, foreign policy and Australian relations

In the 2012 public Conversations series between Ambassadors of the EU Member States and Australian politicians, diplomats and officials, a wide range of issues were discussed. This article provides a short overview of the discussion of the financial debt crisis, EU foreign policy and relations with Australia.



As covered in the previous article, the Conversations series began with an explanation of why countries joined the EU. They then flowed into discussion on the challenges being faced by individual Member States and by the EU as a whole. This inevitably led to considerable debate on the sovereign debt crisis, as well as many other issues. The Conversations were frank and fearless and many topics were broached.

Resilience in the financial debt crisis

Over the past two or three years, tensions between Member States and recriminations over measures to control the financial debt crisis have led many commentators to predict the collapse of the euro, and, indeed, the very demise of the European Union. But throughout the Conversations series in 2012, the EU Ambassadors and a good majority of the Australian representatives showed greater faith and argued that both the euro and the EU would emerge stronger from the crisis.

EU Ambassador David Daly stressed that it was perfectly normal to have tensions and differences of opinion within fundamentally a democratic club. Ambassador Daly pointed out that the story of Europe has always been a story of countries coming together to face up to enormous crises. World War II is the primary example but there were other crises as well. He recalled the constitutional crisis of the 1960s (the so-called 'empty chair crisis'), and the 'euro-sclerosis' of the 1980s, among others.

'These crises have brought us forward because European leaders and governments and peoples have seen that the answer to overcoming the crises tends to involve a large amount of *more* Europe as part of the solution, rather than less,' Ambassador Daly said. He pointed to the development of the single market as the answer to the euro-sclerosis of the 1980s, and to the emergence of a more pronounced common foreign and security policy in answer to Europe's apparent paralysis during the Balkan wars, as striking examples. 'With regard to the financial crisis, you can see a much stronger economic and monetary policy coordination and a much stronger system of the common currency... While these measures are ongoing and difficult, do not conclude from that, that we are unable to handle it, because one thing the EU has shown, is that it is extremely resilient, economically and politically,' concluded Ambassador Daly.

The call for greater European integration was echoed by both French Ambassador Romatet and German Ambassador Mueller. 'The way forward for Europe to face its challenges of promoting peace and development, global warming and global threats, and to continue its role in this new world is to be more integrated and to be more united,' stressed Ambassador Romatet.

Ambassador Mueller proffered '...these problems have to be solved by all or not at all. We have no choice but to pool our resources, and to do that effectively, we have to continue on the road of sharing more and more sovereignty, and the biggest chunk of sovereignty shared by the eurozone countries is the chunk related to monetary interdependence'.

However, Dr Ben Wellings, then Convenor of European Studies at ANU, was not so sure. He acknowledged that more integration was supported in some parts of the EU, but not all Member States were of the same frame of mind – pointing to the UK (its planned referendum on Europe a point in question) and Ireland (its tendency to vote 'no' on important EU referenda) as prime examples. In this regard, Dr Wellings pointed to the communication problem faced by the proponents of a 'greater Europe'. New political parties have emerged and they communicate their populist messages to create mass support at the grass-roots level. They find it very easy to blame Brussels for just about everything. But, argued Dr Wellings, the EU per se has no political base from which to draw its grass-root levels of support. Nevertheless, Dr Wellings was convinced that the EU had the 'profound political will' – if not the economic means at this stage – to pull through the financial crisis and keep the eurozone intact.

Dr Wellings warned that Europe's further integration also created new divisions. 'Of course, there aren't the intra-European wars of the 19th century or the first half of the 20th century but there are certainly new fault lines, (for example eurozone countries facing default) that are opening up as their process of integration deepens. That's going to be interesting politically over the next decade or so,' he said. >

Left: Relations between Australia and the EU are at a new stage, with high-level visits between the two countries.

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'The question of Greece and other states in critical financial situations is not an economic issue; it is a political one, a question of principle. This is a question of solidarity. If Greece were to leave the eurozone, I would regard that as a moral failure of Europe.'

France's Ambassador to Australia,
His Excellency Mr Stéphane Romatet



Right: In speaking about the financial debt crisis, EU Ambassador H.E. Mr David Daly pointed out that the story of Europe has always been a story of countries coming together to face up to enormous crises, such as the constitutional crisis of the 1960s (the so-called 'empty chair crisis'), and the energy crisis in 1973.

Credit © European Union, 2013

Ambassadors Romatet and Mueller, however, were adamant that the answer to the financial crisis was a question of solidarity – not economics. Ambassador Romatet said, 'the question of Greece and other states in critical financial situations is not an economic issue; it is a political one, a question of principle. This is a question of solidarity. If Greece were to leave the eurozone, I would regard that as a moral failure of Europe'.

German Ambassador Mueller concurred. Evoking the Schuman Declaration of May 1950 (*Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a solidarity by deeds*), Ambassador Mueller added 'but in any case, this is very much a hypothetical question because it would be mind-boggling to think of the impact on the banking system [if Greece were to opt out]...It would involve years of such hardship I cannot imagine'.

Swedish Ambassador Mr Sven-Olof Petersson was more specific. 'The consequences [of Greece leaving the euro] would be very serious for Greece. Economists estimate Greece would have to devalue its national currency by 60% for a start, and then there is default, and galloping inflation. But this would be just the start of their problems,' he said.

President of the Contemporary European Studies Association of Australia, Swinburne University's Dr Bruno Mascitelli, could but agree saying, 'even if Greece were to leave the euro, this would not end the problems, as it would be prone to speculation and many investment movements that would be very detrimental to Greece'.

Portugal's Ambassador to Australia, Mr Rui Quartin-Santos, was also optimistic about the future of the euro. He urged doubters to think about the implications of Europe without the euro. 'I cannot conceive what Europe would be like, how the world economy would be affected and global finances without Europe...the consequences would be devastating for all of us,' he said.



Slovenia's Ambassador to Australia, Dr Milan Balažic thought the financial crisis was more symptomatic of a deeper issue, a broader problem, something he coined 'liberalism capitalism with a human face'. He called for stronger, bolder action. 'For me, today's utopia is that everything will remain the same without serious reforms of structural malfunctions of the system, but we need new innovations...At the moment, there is a crisis of European identity, a lack of vision of what is Europe. We should make bold decisions about what kind of Europe we want and decide our future,' Ambassador Balažic said.

Romania's Ambassador to Australia, Dr Mihai-Stephan Stupuru was optimistic saying, 'each evolution has its difficult moments, and I think, in spite of all the difficulties that the eurozone is going through, there are some very good and positive developments to discipline and strengthen the euro. I personally think the euro will emerge very strong from this,' he said.

By November 2012, the situation in Greece had become a lot clearer with the media speculation of doom and gloom looking far from coming to fruition. In June, the Greek people voted with their feet and opted to adhere to a financial bail out package and the austerity measures that this implied. Greece's Ambassador to Australia, Mr Haris Dafaranos, acknowledged that, 'the past three years of fiscal consolidation had been very difficult for Greece and for many other countries in the EU. But Greece responded with resilience and maturity with the support of the institutional partners, which endowed the country with a financial firewall, a recapitalisation of its banks as well as a provision for a European Growth Compact to help boost employment.'

EU Ambassador Daly reinforced the framework of solidarity in the EU, not only towards Greece but to Ireland, Portugal and other member states in need. Solidarity was one thing but the other side of the coin was greater responsibility for better economic governance to bring back competitiveness and growth. The reason why the EU shows this high degree of solidarity is that 'we are all in this together, in the single market of 500 million people, where goods, capital, services and people flow freely'. And in this era of globalisation, Europe's competitiveness remains the key if it is to meet the challenges of the dynamism of Asia and other parts of the world. >





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The EU's ideals and standards, and its aid programs – providing close to 60% of the world's development aid – serves to encourage countries throughout the world to aspire to peace and democracy as well as economic prosperity.



The effectiveness of the EU's foreign policies, particularly in the Middle East, was discussed in the November Conversations series.

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Ambassador Daly also highlighted the positive effects arising from the Compact for Growth and Jobs which was agreed last June where €120 billion of investment is being channelled towards the creation of jobs. This was also being accompanied by the freeing up of the labour market, making it more flexible, to help it function more effectively. This was just part of the whole range of structural economic reforms that are needed in many countries to help regain competitiveness. Ambassador Daly argued the results borne out in Ireland show that this is not an impossible task. 'Investment in Ireland is up and so were Irish exports. The Irish case is demonstrating to everybody that these difficult challenges can be overcome,' the Ambassador said.

Questioning the effectiveness of the EU's foreign policy

When the Conversations turned to matters of foreign policy, former Australian Foreign Minister and now Chancellor of the Australian National University, Professor the Hon Gareth Evans was quite forthright in his views on Europe's policy

on the Middle East, and the Palestinian issue specifically. He took the European Ambassadors to task opening, 'Europe's Middle East policy, has been an area frankly of disappointment for most of the rest of the world for a long time now... This is one of the classic areas in which Europe has been seen as punching below its possible weight, not least because of the enormous financial resources you [the EU] had available to exercise leverage with, in terms of aid development policy, but none of that has really translated into very visible political influence'.

Ambassador Daly responded by saying it was far too early to judge Europe's influence in this long-standing conflict. Europe's position was well known and, while it is a strong supporter of Israel, it also supported having a two-state solution, and had been a significant supporter to Palestinians in terms of technical assistance and finances. Ambassador Daly noted that Europe was in the forefront of bringing Iran to the negotiating table on the nuclear issue, not with the use of force but through measures such as the oil embargo, even though this was difficult for energy hungry European states.



Although not entirely convinced Professor Evans conceded that the EU did have some ‘peace credentials’ saying, ‘I do actually think the EU deserved the Nobel Peace Prize, not for what it is actually doing now, which leaves a lot to be desired still, but for what it is. There is no question that the EU is by far the most successful conflict prevention enterprise the world has seen in the last half century just by its very existence. And we must never forget that. I also think that Europe, the EU, is trying fantastically hard to get its institutional structure right. It has been a really significant evolution: the common foreign service, the creation of a single spokesperson...I know from experience that this is very hard work given the intricacies of 27 different countries each with their set of aspirations...but I do want to congratulate the Europeans for what they have done so far’

The Nobel Peace Prize, to which Professor Evans referred, is a timely reminder that the EU’s enlargement process from six to 28 – with yet more countries lining up to join – is a mark of the outstanding success of the EU’s foreign policy in finally bringing peace to a continent ravaged by war for much of its history.

Its ideals and standards, and its aid programs – providing close to 60% of the world’s development aid – serves to encourage countries throughout the world to aspire to peace and democracy as well as economic prosperity.

EU relations with Australia

European explorers from Portugal, Spain, the Netherlands, France and other countries have left some imprint on Australian soil. But the first European settlement came from Britain and Ireland. Following World War II, the wave of European migration to Australia was still largely British and Irish but it included Italians, Greeks, and a host of northern and eastern Europeans. The UK’s negotiations for accession to the EU led to the start of Australia’s formal diplomatic relations with the EU in 1962. This quickly accelerated in 1973 with the UK’s and Ireland’s accession to the EU and brought Australia into contact with a broader number of European countries. Of course, both Europe and Australia have changed since those times but the strong ties of kinship remain. >





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Mr Noel Campbell, Official Secretary and Chief of Staff at the Office of the Governor of NSW in 2012 and a former Australian Ambassador to Spain, recalled how relations between the two partners were fixated on agricultural policy, almost to the exclusion of all else. While some irritants still exist, 'it is no longer an issue that holds hostage over the other elements of the relationship. The relationship has evolved from what it was 50 years ago in a very positive way,' he said.

This was also the view of Mr Peter Doyle, from the Australian Department of Foreign Affairs and Trade. He argued that from the stresses caused by the UK's accession to the EU and the associated loss of the Commonwealth preference, Australia is much more positively disposed towards the EU, focussing on what the two can do together, given that they were so likeminded on global issues. 'Our relations went to new levels in the past few years with the visit to Australia of Commission President Jose Manuel Barroso, High Representative Catherine Ashton, as well as a number of other Commissioners,' Mr Doyle said.

British High Commissioner Mr Paul Madden acknowledged the very long historical relationship with Australia. 'I think that the relationship continues today to be a vital one and relevant one into the 21st century,' he said. 'We work incredibly closely together; Australia is one of our closest allies. We are militarily engaged together, exemplified by operations in Afghanistan. On the economic side, we are the second largest investor in Australia, and Australia is now a major investor in the UK, and there is an important trading relationship as well. And then at the people-to-people level, not least because of history, 1.5 million Australians have British passports, a million Australians visit Britain every year, and because of those people-to-people flows there is a huge cultural connection'.



'In the 1990s, we also had the tragedy of the Balkan wars. One of the political reactions of the European Union was to get our act together much more seriously in the foreign policy area. Now that has gone ahead in leaps and bounds to make the Union today a very different Union from in the past.'

EU Ambassador, His Excellency Mr David Daly

Mr Richard Marles, Parliamentary Secretary for Foreign Affairs in 2012, reaffirmed the strength of the relationship. 'While we focus a lot on the US and Asia today, when you actually look at the EU, it is Australia's second largest trading partner, our largest investor, and the UK is the largest component of that,' he said. 'This remains a very important part of our future. We have very similar international reflexes; we are very strong allies; we are in the same places and engage on the same issues in the world and, by and large, we take the same positions and work very closely'.

'We are currently negotiating a treaty level Framework Agreement. This was an initiative put forward by Prime Minister Julia Gillard during her visit to Brussels to take our relations beyond those trade frictions of the past,' Mr Marles added.

But today, EU–Australia relations go well beyond the British and Irish connections. Italy's Ambassador to Australia, Gian Ludovico de Martino di Montegiordano, said Australia and Italy have an excellent relationship. 'Italy is actually the 12th largest exporter to Australia, and the third among European countries. Our trade has been growing steadily over the past few years. Italian companies have been awarded contracts in infrastructure, energy and resources projects worth over \$11 billion. Our business community in Italy is very much aware of the opportunities in Australia, also as a platform for joint ventures with Australian companies looking also at the wider Asia-Pacific region. We share the same values, we face the same challenges, and we work closely together in international fora. The community we have of Italian background is also an asset in our relationship because, according to the last census, we have about one million people of Italian origin and these are well represented in politics, industry and business, and in the arts, in academia, in all ways of life,' said the Italian Ambassador.

This linkage with Australia is also evident with other European partners, such as Greece, who have large ethnic communities in Australia. 'Seven hundred thousand Australians of Hellenic origin are active in all walks of life. For instance, Greek merchant marine is a major carrier of Australian exports to the world,' said Ambassador Dafaranos of Greece.

The development of bilateral relations

Ambassador Daly pointed to a series of developments that helped take EU–Australia relations beyond those tensions over agricultural trade. 'In the 1990s there were a number of very important processes that really started to kick in,' he said. 'One was the start of a very serious rolling reform of the agricultural policy of the EU. Second was the negotiation of the Uruguay trade round which brought agriculture into the GATT. In the 1990s, we also had the tragedy of the Balkan wars. One of the political reactions of the European Union was to get our act together much more seriously in the foreign policy area. Now that has gone ahead in leaps and bounds to make the Union today a very different Union from in the past. As we progressively began to use some of these instruments, replacing NATO soldiers in Bosnia or in the Former Yugoslav Republic of Macedonia with European Union soldiers. This was something unprecedented but we were able to demonstrate that we are much more of a player than we used to be. But all of this is a process which includes breakthroughs in the scientific area or in research and development, in education, and so on – issues well beyond trade in agriculture.' >





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British High Commissioner, His Excellency Mr Paul Madden



Right: In September 2011, Mr José Manuel Barroso, President of the EC, visited the Centre for European Studies at the Australian National University. He is pictured with the Director of the Centre, Professor Jacqueline Lo, ANU Vice-Chancellor, Professor Ian Young and EU Ambassador, H.E. Mr David Daly.

Mr Richard Marles pointed to development assistance as another good example. 'We are close partners in relation to that and seeking to have arrangements where we have delegated cooperation. We provide the EU with money which they effectively spend in places like Africa where they have expertise, and the reverse happened in terms of EU money being provided to Australia, which we then work with in places like the Pacific. But this can only work because of the closeness of the relationship,' Mr Marles said.

According to most of the participants in the Conversations series, prospects for the future of bilateral relations remained strong, irrespective of the financial setback in Europe and Australia's push to engage more fully with Asia. Former Deputy Prime Minister and Minister for Trade, Mr Tim Fischer, argued that, 'Australia should do everything with Asia that it should be doing, as is Europe doing...but that doesn't mean that we shut down embassies and turn our back on Europe'. He pointed to business relationships growing between Australia and European countries – even smaller countries like Malta where an Australian firm was already building state-of-the-art ferries.

The EU: A global force and important to Australia

On the eve of the visit of European Commission President Jose Manuel Barroso to Australia in September 2011, the then Australian Ambassador to the EU, Brendan Nelson, wrote the following in *The Australian* newspaper. Much of this remains true today and reflects the views of the participants in the Conversations series.

'The EU countries produce a quarter of the world's economic output. They are Australia's largest source of direct foreign investment and second-largest trading partner. The EU sits alongside Australia at the G20, is a member of the Quartet Middle East peace process, a major player at the World Trade Organisation and now has speaking rights at the UN. The EU also provides more than half of the world's overseas development assistance.

'Australia has invested heavily in a peaceful Europe – 70,000 Australian lie buried in Europe from two bloody wars. The EU's origins are in avoidance of war, but its future and influence depend on how it adapts to a rapidly changing world.



'We [Australia] are engaging the EU more creatively, actively and broadly than we have done in the past.

'Australia is working towards a Treaty Framework with the EU...[this] would position our relationship with the EU alongside that of other G20 countries. It will place architecture around our engagement, committing each party at a political and official level to dialogue and cooperation in foreign policy and security, trade and economy, overseas development assistance, environment and climate change, education, science, research and innovation. But in the end, it must be flexible and pragmatic in its execution.'

Within the Conversation series, there were differing views and nuances, but all would broadly agree with the proceeding words. The participants all generally agreed that the EU was a force for peace and democracy, stability. 'Diverse but united, facing challenges; Europe remains a global force and important to Australia': these words attempt to sum up the thrust of the Conversation series. Despite some current serious financial challenges, the participants believe the EU remains an important global economic player, an increasingly important actor in foreign policy, and a key partner for Australia. •

Top: H.E. The Hon Quentin Bryce AC CVO, Governor General of the Commonwealth of Australia with EC President, José Manuel Barroso, during her visit to the EU in June 2013.

Middle: Australia has relations with the EU as a whole, as well as bilateral relations with each Member State. For example, in 2009, Australia and Italy signed a Joint Statement of Intent to work in close partnership on the international \$3 billion Square Kilometre Array (SKA).

Throughout the Conversations series in 2012, the EU Ambassadors and a good majority of the Australian representatives argued that both the euro and the EU would emerge stronger from the financial crisis.

The series of 11 public Conversations were held at the Europe Centres – the Australian National University, RMIT University and Monash University – throughout 2012 and broadcast on ABC radio. To hear the audio of the full series, go to the EU Delegation's website. <http://eeas.europa.eu/delegations/australia/>

