

Barton Deakin Brief: Australia-Germany Economic Relationship

17 November 2015

The Australia-Germany Advisory Group released its final Report last Friday 13 November. The Report includes recommendations to the Prime Minister of Australia the Hon Malcolm Turnbull MP and the Chancellor of Germany Her Excellency Dr Angela Merkel on strengthening relations between Australia and Germany.

This Barton Deakin Brief outlines the Report's findings and the Australia Germany economic relationship.

Australia-Germany Advisory Group Report

The Australia-Germany Advisory Group was established in November 2014 and is co-chaired by Australian Minister for Finance Senator the Hon Mathias Cormann and the German Minister of State Dr Maria Böhmer. The Group includes leaders from the Australian and German scientific, cultural and business communities. Since its creation, the Advisory Group has met twice in July and October 2015.

The Group's Report, [*Collaboration, Innovation and Opportunity*](#), outlines the opportunities for enhancing engagement between the two countries. The Report puts forth 59 recommendations aimed at developing Australian-German relations in the areas of trade and investment, strategic dialogue and collaboration, science and education, diversity, migration, integration and refugees and cultural and sporting links.

Significant recommendations and commitments in the Report include:

Trade and Investment

- Germany will provide ongoing support in the European Union (**EU**) for the commencement of an Australian-EU Free Trade Agreement (**FTA**);
- Germany and Australia will work together to create a new Memorandum of Understanding (**MOU**) on qualification recognition, replacing the current MOU that was instituted in 1998;
- The Australian Government will create a position of Trade Commissioner (Investment) to be based in Frankfurt; and
- Australia and Germany will establish a bilateral working group on energy and resources to explore options involving non-government in innovation research fields.

Strategic Dialogue and Collaboration

- Australia and Germany will initiate an annual '2+2' strategic dialogue involving the Foreign Ministers and Defence Ministers from both countries; and
- There will be a meeting of the German and Australian Ministers responsible for counter-terrorism policy to be held in early 2016.



Science and education

- Agencies from both countries will work to establish a commercialisation best practice exchange to involve research institutions as well as Australia's Industry Growth Centres and German Leader-Edge Cluster programmes.

Cultural and sporting

- The Department of Foreign Affairs and Trade (**DFAT**) will designate Germany as the 2017 focus of *Australia Now*, its cultural outreach programme; and
- There will be a MOU on Australian-German sporting cooperation.

Taxation Treaty

The Final Report from the Australia-Germany Advisory Group also recommended the signing of a new Double Taxation Treaty between the two nations. This was signed on Friday 13 November 2015 by Minister Cormann and German Finance Minister Dr Wolfgang Schäuble.

The new taxation Treaty gives effect to the recent recommendations from the Organisation for Economic Cooperation (**OECD**) and the G20 on international taxation base erosion and profit shifting (**BEPS**). It also reduces withholding tax rates to encourage bilateral investment and updated rules on arbitration.

The new Treaty replaces the previous agreement that was instituted in 1972. It enters into force when both countries complete their domestic ratification processes. Australian has pledged to ratify the agreement as soon as practicable.

To access the text of Australia's bilateral income taxation treaties, including the new Australia German Taxation Treaty, click [here](#).

Australia-Germany Economic Overview

Germany is the world's fourth largest economy (after the United States, China and Japan), as well as the world's third largest exporter. Exports made up almost half of Germany's \$3.9 trillion Gross Domestic Product (**GDP**) in 2014. The major centre of business in Germany is Frankfurt.

The Australia-Germany trade relationship is highly developed. Germany is Australia's fifth largest import partner, amounting to almost A\$14 billion in 2014 while Australia's exports to Germany equated to just below A\$2.9 billion. However, this does not take into account global supply chains especially in the area of resources where raw materials are exported to Australia's Asian neighbours and then are exported to Germany as manufactured goods. Australia's largest areas of export to Germany include legal tender, precious metals and oil-seeds. Major exports from Germany to Australia include automotive vehicles, medications, and mechanical equipment.

Australian investment in Germany is worth around A\$65 billion, while German investment in Australia is approximately A\$40 billion. As well as transport services, a major source of imports from Germany is the charges for use of intellectual property.



Australia-EU FTA

Germany is the largest economy in the EU. The Australian Government has continued to signal it's interested in negotiating an Australia-EU FTA. On Friday 15 November 2015 Prime Minister Turnbull, President of the European Council Mr Donald Tusk and the President of the European Commission Mr Jean-Claude Juncker agreed in a joint statement to begin working towards this goal.

To access DFAT's website on the Australia-EU Free Trade Agreement, click [here](#).

Further information

To access the media release from the Prime Minister, the Minister of Foreign Affairs, the Hon Julie Bishop MP and the Minister for Finance Senator the Hon Mathias Cormann on the Australia-Germany Advisory Group Report, click [here](#).

To access the media release from Minister Cormann on the New Tax Treaty with Germany, click [here](#).

To access the Australian Trade Commission's (Austrade) Germany webpage, click [here](#).

To access DFAT's country brief on Germany, click [here](#).

For further information, please contact [Grahame Morris](#) on +61 411 222 680, [David Alexander](#) on +61 457 400 524, or [Christopher Reside](#) on + 61 400 829 933.

To stay up to date with the affairs of Coalition Governments and Oppositions around Australia, you can follow Barton Deakin on [Twitter](#) and [LinkedIn](#).