



about Australia

a successful global trader

- Australia's success as a global trading nation can be seen in the diversity of its export base in 2007.

In 2007, Australia's two largest exports were commodities—coal and iron ore—which were in strong demand internationally. Education and recreational travel were Australia's two leading services exports. Both types of exports underline Australia's sophisticated infrastructure and high-quality service delivery.

Manufactured goods including aluminium, medicines, passenger motor vehicles and refined petroleum are strong Australian exports, while farm products such as beef, wine, wool and wheat round out a picture of a diversified and successful global trader.

Australia's exports in 2007 were \$218 billion—about 20 per cent of the country's GDP and about 1 per cent of total world exports.

Over the last decade, Australia's exports of goods and services have grown in value terms by an average of 6.6 per cent per annum. In 2007, Australia's total two-way trade in goods and services amounted to \$454 billion and Australia had a trade deficit of \$19 billion.

Australia has a longstanding commitment to global trade liberalisation. It supports the World Trade Organization (WTO) and its top priority is a successful conclusion to the Doha Round of trade negotiations, which it believes offers the best way of removing the significant distortions that remain in the global trading system. Australia chairs the Cairns Group of agricultural exporting nations and is an active member of the Asia-Pacific Economic Cooperation (APEC) forum.

key facts

Australia's trade in 2007

- Australia's two-way trade totalled \$454 billion.
- Exports were up 3.8 per cent to \$218 billion.
- Japan, China and the Republic of Korea were Australia's three biggest merchandise export markets.
- The biggest export sector was minerals and fuels, followed by services, manufactures and agricultural products.

Australia also pursues comprehensive bilateral free trade agreements that are consistent with WTO rules.

Australia has progressively liberalised its economy by introducing reforms which have increased productivity and competitiveness. These reforms include improving domestic competition laws, deregulating financial and exchange rate markets and decentralising the labour market. Since 1988, Australia's average tariff rate has fallen from 15 per cent to 3 per cent. Today there are much lower barriers to trade and investment and there is substantial competition across the economy, including in key areas such as the financial, aviation and telecommunications sectors.

Who is buying our exports?

Japan and China are Australia's two largest merchandise export markets.

In 2007, Australia exported goods to Japan valued at \$32 billion, followed by China (\$24 billion), the Republic of Korea (\$13 billion), the United States (\$10 billion) and New Zealand (\$9 billion).

In terms of regional groupings, the member economies of the Asia-Pacific Economic Cooperation (APEC) forum account for some 70 per cent of Australia's total trade in goods and services.

Minerals and fuels

The value of mineral and fuels exports rose by 2.1 per cent in 2007 to reach \$74 billion due to higher prices and a rapid growth in demand, particularly from North Asia. Coal was Australia's largest export at \$21 billion, followed by iron ore, up 11.5 per cent to \$16 billion.

Total resource export volumes rose 7.3 per cent.

Services

Australia's services exports experienced strong growth in 2007. Education exports rose 20 per cent and professional, technical and other business services increased by 27 per cent.

The value of services exports rose 9.8 per cent to \$48.2 billion—22.2 per cent of total exports.

Education was Australia's largest services export, valued at \$12.9 billion. Some 455 185 international students were enrolled in Australia in 2007.

Personal travel (excluding education) and passenger services exports combined totalled \$16 billion—7.1 per cent of Australia's total export earnings.

The number of international visitors to Australia reached a new high of 5.6 million. By 2015, Australia expects to attract almost 8.4 million international visitors, according to Tourism Australia.

Advanced manufactures

Total manufactures exports increased by 7.9 per cent to \$45 billion in 2007, with export volumes up 5 per cent.

The increase partly reflected rising demand for simply transformed manufactures (mainly processed metals) from Asian countries, which were up 7.3 per cent to \$16 billion. However, elaborately transformed manufactures (ETMs) still accounted for around 65 per cent of Australia's total manufactured exports, rising 8.1 per cent to \$30 billion.

Australia's success reflects in part the ability of its exporters to integrate with global supply chains in a number of industries.

Since 1996, exports of ETMs, with high levels of value added, have grown at an average annual rate of 3.8 per cent. Export successes in the advanced manufacturing sector include motor vehicles to the Middle East, the United States, the Republic of Korea, New Zealand, China and South Africa. Australia has also been developing a competitive edge in high-technology exports, such as ICT and medical and scientific equipment.

Passenger motor vehicle exports have grown more than threefold since 1996. The Middle East, where cars built for Australia's rugged conditions are very competitive, has become the most prominent market. Over the past

decade, exports of passenger motor vehicles have increased by an average of 10.3 per cent a year and in 2007 were worth \$2.9 billion.

In 2007, exports of information and communications technology goods totalled \$3 billion.

Exports of medical equipment have grown more than fourfold since 1996, at an average annual rate of 13.5 per cent, to reach \$1.5 billion in 2007.

Rural Australia

Australian wool exports rose 16 per cent in 2007 to \$2.7 billion, as a result of continuing strong prices. Beef exports were valued at \$4.5 billion and wheat exports stood at \$2 billion.

Australia was a major supplier of high-quality beef to global markets in 2007, including Japan (\$1.9 billion), the United States (\$1.1 billion) and the Republic of Korea (\$804 million).

Overall rural exports were down in 2007, as drought affected production. Australia's rural export values fell 9.8 per cent to \$24 billion in 2007 with volumes down 14.2 per cent.

However, the Australian Bureau of Agricultural and Resource Economics has forecast an 18 per cent rise in farm production in 2008–09, assuming average seasonal conditions.

Promoting Australian exports

Austrade—the Australian Trade Commission—is the Australian Government's international trade facilitation agency. Austrade assists international buyers of goods and services to develop trade connections

with Australia. It also helps Australian businesses to increase their exports, reducing the time, cost and risk involved in doing business internationally. Austrade is represented in Australia and in more than 140 locations in over 60 countries.

The Export Finance and Insurance Corporation (EFIC) is a specialised financial services organisation that supports Australian businesses exporting and investing overseas. It provides finance, finance guarantees and insurance and bonding facilities. As an export credit agency, EFIC operates beyond the limits of the commercial market. It provides support when financial, political or industry risks exceed the capacity available in financial markets.

Foreign investment

Australia welcomes foreign investment. It recognises the important role foreign investment plays in boosting economic growth, developing competitive industries, creating jobs and increasing exports. The stock of foreign investment in Australia (portfolio, direct, financial derivatives and other investment) in December 2007 totalled \$1.6 trillion.

Portfolio investment makes up about 61 per cent of total foreign investment. In December 2007, foreign direct investment totalled \$357 billion—a 22 per cent share of total investment.

In 2006, Australia was the 13th largest net recipient of foreign direct investment in the OECD.

Stocks of Australian investment abroad have also grown strongly, reflecting Australian companies' growing presence in global markets. Over the past five years, levels of

offshore investment have increased by an average of 12 per cent. In 2007, stocks of outward investment were \$884 billion. Direct offshore investment grew 11 per cent last year to \$318 billion.

Austrade promotes both inward and outward investment.

Note: Unless otherwise stated, all dollar amounts are in Australian dollars. The term 'billion' means 'a thousand millions' (one billion therefore equals 1 000 000 000); the term 'trillion' means 'a million millions' (one trillion therefore equals 1 000 000 000 000).

Further information

Austrade (Australian Trade Commission)
www.austrade.gov.au

Department of Foreign Affairs and Trade
www.dfat.gov.au

Export Finance and Insurance Corporation (EFIC)
www.efic.gov.au

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