

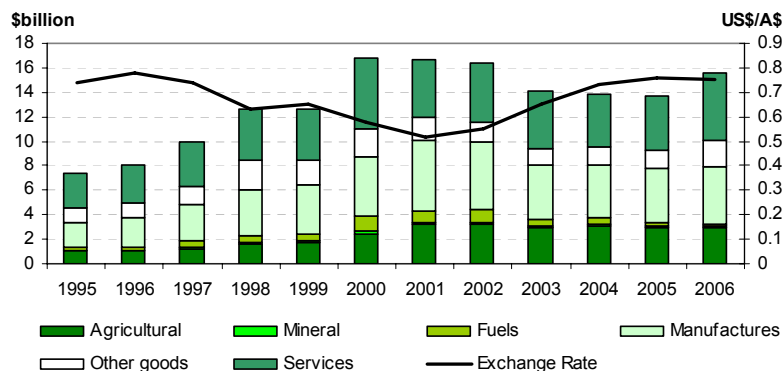


## Trade Topics Winter 2007

### Australia-United States trade: recent trends

- Australia's **two-way trade** with the United States (US) grew 12 per cent to \$47.5 billion in 2006, with the Australia-United States Free Trade Agreement (AUSFTA) supporting growth in the trade relationship.
- **Exports** rose 9 per cent to \$15.6 billion in 2006, reversing the downward trend evident from 2001 to 2005.

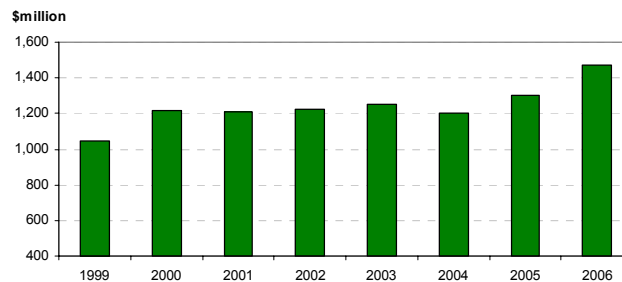
### Australia's exports to the US



Source: ABS trade data on DFAT STARS database and ABS catalogue 5368.0.

- **Manufactures exports** (30 per cent of our exports to the US) grew by 10 per cent to \$4.8 billion.
  - Exports of **nickel** rose 200 per cent to \$200 million, **uncoated steel** 66 per cent to \$260 million and **aluminium** 30 per cent to \$221 million.
  - Exports of **medical instruments** increased by 40 per cent to \$399 million.
  - **Passenger motor vehicles** exports fell 33 per cent to \$248 million.
- **Agricultural exports** (19 per cent of exports) fell 2 per cent to \$3.0 billion.
  - **Beef and lamb** exports rose slightly.
  - **Wine** exports fell 7 per cent to \$849 million but were over 50 per cent above 2001 levels.
  - **Dairy** exports fell 13 per cent to \$88 million, reflecting the effects of the drought.
- **Services exports** (35 per cent of exports) increased by 11 per cent to \$5.5 billion.
  - **Other business services** (includes legal, accounting, architectural, engineering, agricultural mining, marketing and advertising services) grew by 13 per cent to \$1.5 billion.

## Other business service exports



Source: ABS catalogue no 5368.0.

- Increased demand for capital and intermediate goods and computer and information services boosted **imports**.
  - **Merchandise imports** grew 14 per cent to \$24.5 billion in 2006, reflecting strong growth in aircraft and aircraft parts (up 28 per cent to \$2 billion).
  - **Services imports** grew 10 per cent to \$7.5 billion, reflecting strong growth in computer and information services (up 24 per cent to \$448 million).
- The full impact of the AUSFTA will take some years to be realised, but positive trends are already evident and Australian businesses are already benefiting.
  - Duty on more than 80 per cent of tariff lines for Australian goods went to zero from day one of the AUSFTA – virtually all trade in non-agricultural goods will enter the US market duty free by 2015.
  - More than 66 per cent of US agricultural tariffs dropped to zero from day one of the AUSFTA – 75 per cent will be eliminated by 2008 and virtually all remaining tariffs will be removed within 18 years.
    - Lamb and mutton exports have already benefited from tariff elimination.
    - Exports of nickel bars and rods, silicon, parts for precision and surgical instruments, axles and wheels for locomotives and space navigation instruments items have all grown following elimination of tariffs.
- Australian companies are benefiting from the opening up under the AUSFTA of the \$200 billion US government procurement market.
  - Companies such as Future Fibre Technologies (based in Mulgrave, VIC), are now able to access the US Government procurement market.
- Small and medium enterprises such as Gammasonics Institute for Medical Research (based in Five Dock, NSW) and Intellirad Solutions (based in East Hawthorn, VIC), are benefiting from closer integration with the US market.
  - The *Sensis Business Index* showed that the proportion of SME exporters choosing the US as an export market has increased from 19 per cent in August 2004 (before the AUSFTA came into effect) to 29 per cent in May 2007.
  - According to an Austrade-DHL survey, 33 per cent of businesses surveyed believed that the AUSFTA has had a positive or very positive impact on their exports.
- Continuing work to reduce regulatory barriers is boosting services trade involving Australian professionals.