

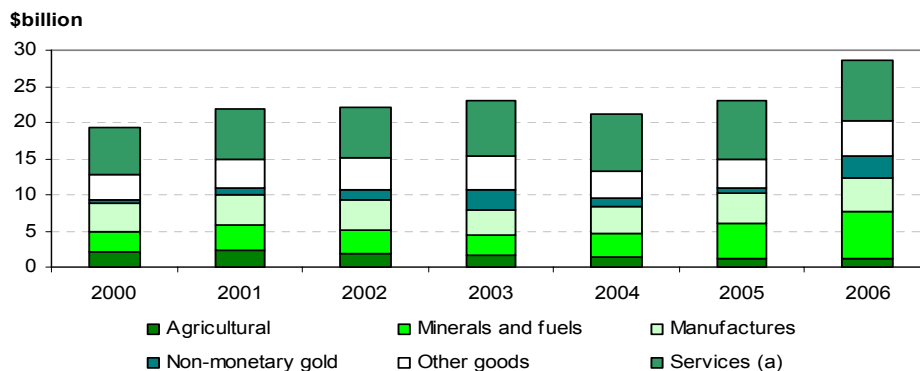


Trade Topics Winter 2007

Recent trends in trade between Australia and the European Union

- With its most recent expansion to encompass 27 countries, the European Union (EU) is now home to around half a billion people and accounts for over a third of the world's total trade.
- Australian businesses are poised to benefit, as the EU's new members, which include some of the fastest growing economies of Europe, adopt the EU's enhanced trade and investment regulatory framework.
- Australia's trade with the EU is expanding and set to expand further under the stable and predictable business environment offered by the EU.
- Australia's **two-way trade** with the EU was valued at \$75 billion in 2006.
 - The EU, as a whole, was our largest two-way trading partner, our second-largest market for exports and our largest source of imports.
- Australia's **exports** to the EU increased by 25 per cent to \$28.6 billion in 2006.

Australia's exports to the EU

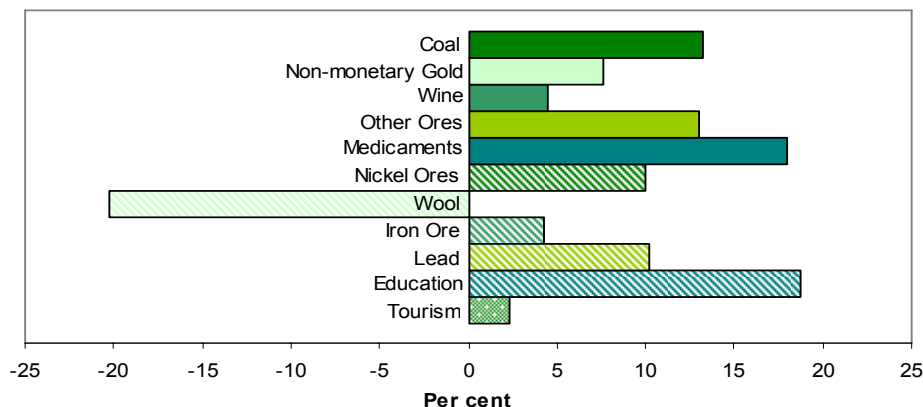


Source: ABS data on DFAT STARS database and ABS catalogue 5368.0.

- **Merchandise exports** grew 36 per cent to \$20.3 billion in 2006. Exports of non-monetary gold to the UK increased by 370 per cent. Excluding non-monetary gold, merchandise exports grew 21 per cent to \$17.4 billion.
 - **Minerals and fuel exports (excluding gold)** rose 35 per cent to \$6.4 billion.
 - **Coal** exports rose 8 per cent to \$3.7 billion, **other ores** rose 157 per cent to \$1.0 billion and **nickel ores** rose 214 per cent to \$895 million.
 - **Manufactures exports** increased by 8.7 per cent to \$4.7 billion.
 - **Elaborately transformed manufactures** were up 3 per cent to \$3.6 billion.
 - **Simply transformed manufactures** rose 37 per cent to \$1.0 billion, reflecting strong growth in **leather goods** and **inorganic chemicals**.
- **Services exports** grew by 4 per cent to \$8.3 billion in 2006.
 - Exports of **business-related travel services** and **computer and information services** recorded solid increases.
 - **Education exports** have risen to \$694 million in 2006 from \$635 million in 2005.
 - Almost 26,700 students from the EU were enrolled in Australia in 2006 – around 7 per cent of total foreign student enrolments.

- Our major exports to the EU have grown strongly over the last five years, with the exception of **wool**.
 - Structural changes in the European wool industry over the last five years have resulted in lower demand for Australian wool.
 - But the prospects for Australian wool exports are improving with the increasing competitiveness of Europe's wool industry following consolidation.
 - Italy's leading textile companies will remain key players for high quality merino wool.

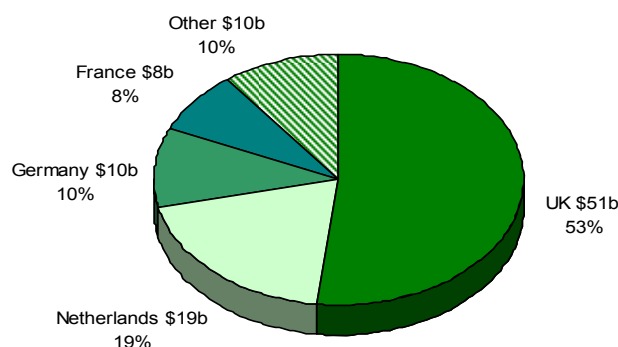
Five-year average growth of Australia's major exports to the EU



Note: Education and Tourism data are for EU15 only until 2004.
 Source: ABS trade data on DFAT STARS database and ABS regional services data.

- While the UK remains the most prominent EU destination for our exports, the newer EU member countries are emerging rapidly, though from a low base. In 2006,
 - the UK accounted for 44 per cent of our total exports to the EU.
 - Exports to EU10 (comprising of the newer EU member countries) rose by around 40 per cent to \$270 million.
- The EU, as a single entity is Australia's biggest **foreign investor** and direct investor. The EU is also the second largest destination for Australia's direct investment abroad.
 - At the end of 2005, the EU's direct investment in Australia was almost \$100 billion, with UK companies dominating.

EU direct investment in Australia (Per cent of total EU direct investment in Australia)



Source: ABS catalogue 5352.0.

- Australia had invested about \$59 billion in the EU region with the UK, the Netherlands and Germany, the largest destinations.
- The EU market represents a sizeable opportunity for Australian exporters and investors. Australia's robust economic conditions also provide a business environment for expanded trade and investment with the EU.