

# Trade and investment between Australia and the United States

## Introduction

The Australian and United States trade and investment relationship extends back over a hundred years. The United States has remained comfortably in Australia's top-10 ranked trading partners over this period. While Australia's trade relationships with countries in the Asia-Pacific region have grown in importance over the years, the United States remains a significant economic and commercial partner.

The economic and commercial relationship with the United States has not only increased, it has become more diverse and complex. The rise of trade in services, investment by the United States in Australia, and Australia's investment in the United States (along with the income flows earned on these investments) have intensified the economic links between the two countries.

Going forward, the United States and Australia will remain key economic partners, underpinned by mechanisms such as the Australia-United States Free Trade Agreement (AUSFTA), forums such as APEC, and the various political, cultural and people-to-people links between the two countries.

## Trade in goods and services

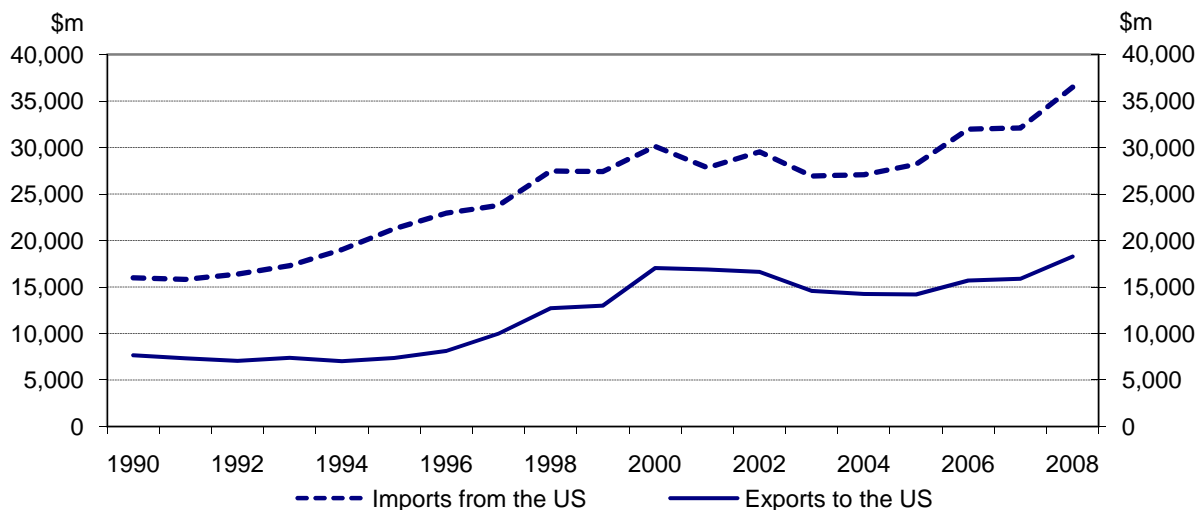
At the time of Federation (1901) the United States was Australia's third-largest export market (accounting for 7 per cent of total merchandise exports). It was also Australia's second-largest import source (accounting for 14 per cent of total merchandise imports). Australia's main exports to the United States at that time were gold, copper, wool and coal. The main import was kerosene.

More recently (1990 to 2008) the value of goods and services exported from Australia to the United States rose from \$7.7 billion to \$18.3 billion (see **Chart 1**).

This represented a rise of \$10.6 billion over the period – an average growth of 6.0 per cent per year. The value of goods and services Australia imported over the same period rose from \$16.0 billion to \$36.5 billion, a rise of \$20.5 billion (4.4 per cent per year).

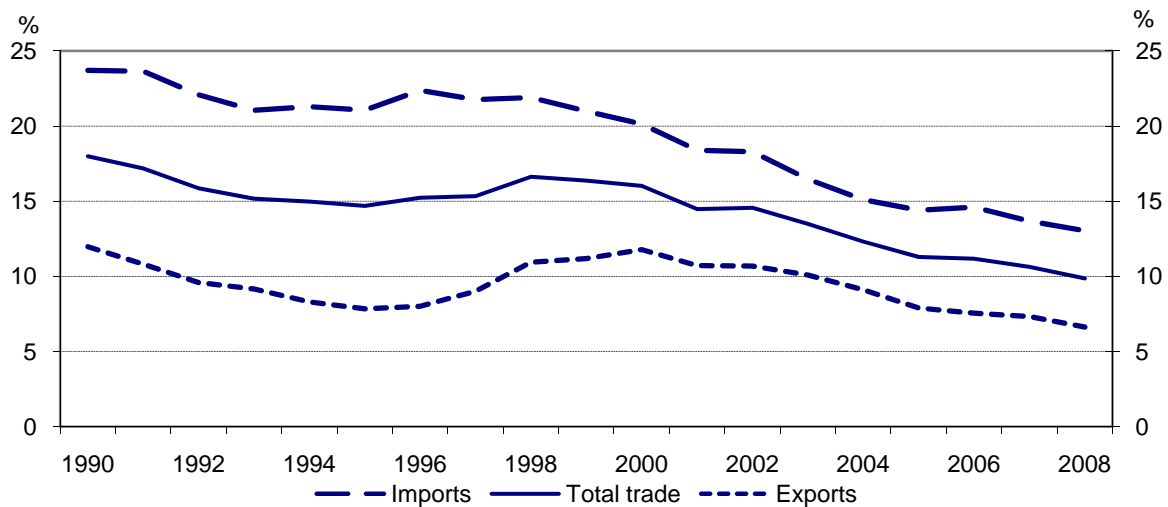
In 1990, the United States accounted for 18.0 per cent of Australia's total trade in goods and services. By 2008 it accounted for just under 10 per cent of Australia's total trade in goods and services (see **Chart 2**).

**Chart 1: Exports and imports of goods and services  
Australia and the United States**



Sources: ABS trade data on DFAT STARS database and US Department of Commerce, Bureau of Census.

**Chart 2: Contribution to Australia's trade  
United States' proportion**



Sources: ABS trade data on DFAT STARS database and US Department of Commerce, Bureau of Census.

The reason for the fall was the emergence of particularly strong growth in trade with China and continued strong growth in trade with Japan. The exceptionally strong growth in exports of coal (mainly to Japan) and iron ore (to Japan and China) helped cement their positions as Australia's top two-way goods and services trading partners, notwithstanding the enhanced trading opportunities created with entry into force of a free trade agreement with the United States<sup>1</sup>. This is because coal and iron ore are not a significant component of trade with the United States. Nevertheless by 2008 the United States still ranked third in terms of total trade in goods and services.

### Trade by broad sector

From 1990 to 2008 the composition of Australia's exports to the United States changed significantly. There was particularly strong growth in manufacturing and services exports (see **Table 1**).

This growth saw manufactured exports, as a share of total exports to the United States, increase from 22.6 per cent in 1990 to 36.4 per cent by 2008. Similarly, services' share rose from 24.2 per cent to 33.6 per cent. Metals and high-end manufactures

propelled manufactured exports, while for services the strongest growth came from *Other services*, mainly *Professional services*.

There was more consistency in the growth rates of categories within imports. Goods accounted for approximately three-quarters of imports and services one-quarter. *Other services* was the fastest growing import during the period, increasing from 14 per cent of United States imports in 1990 to 18 per cent in 2008.

### Composition of merchandise exports to the United States

Because of legal requirements, the ABS makes confidential a range of commodity data, making it difficult to correctly track the value of trade in commodities over time. DFAT has used various sources to estimate a more complete picture of the value of commodities that are exported from Australia to the United States. **Table 2** details the top 10 merchandise exports from Australia to the United States for three selected years – 1990, 2000 and 2008 – using both ABS reported data and DFAT estimates.

The value of the top 10 commodities consistently contributed at least 45 per cent of the value of total merchandise exports. Still, the contribution of the top 10 declined over time, falling from 68 per cent in 1990, to 52 per cent in 2008.

<sup>1</sup> The Australia-United States Free Trade Agreement (AUSFTA) entered into force on 1 January 2005. AUSFTA is a comprehensive agreement that covers goods, services, investment, financial services, government procurement, standards and technical regulations, telecommunications, competition-related matters, electronic commerce, intellectual property rights, labour and the environment. A link to the full text of the agreement can be found on the departmental website [AUSFTA](#).

**Table 1: Australia's trade with the United States by broad sector (a)  
(A\$ million)**

	1990	1995	2000	2005	2008	% growth	
						2007 to 2008	1990 to 2008 trend
<b>Exports</b>							
<b>Goods</b>	<b>5,801</b>	<b>4,626</b>	<b>10,980</b>	<b>9,264</b>	<b>12,134</b>	<b>20.3</b>	<b>5.5</b>
<b>Primary</b>	<b>3,814</b>	<b>2,289</b>	<b>5,077</b>	<b>4,016</b>	<b>3,940</b>	<b>23.5</b>	<b>2.2</b>
Agriculture	1,611	1,037	2,450	3,020	2,506	-15.1	5.6
Fuels	631	228	1,249	309	1,311	662.2	3.9
Minerals (b)	1,571	1,024	1,378	687	919	14.6	-2.9
<b>Manufacturing</b>	<b>1,733</b>	<b>2,208</b>	<b>5,065</b>	<b>4,574</b>	<b>6,642</b>	<b>27.1</b>	<b>7.7</b>
STM (b)	374	544	1,184	963	1,682	16.1	8.6
ETM	1,360	1,664	3,881	3,611	4,960	31.3	7.4
<b>Other goods (b)</b>	<b>254</b>	<b>129</b>	<b>838</b>	<b>675</b>	<b>756</b>	<b>-18.9</b>	<b>11.0</b>
<b>Services</b>	<b>1,852</b>	<b>2,741</b>	<b>6,047</b>	<b>4,933</b>	<b>6,137</b>	<b>9.7</b>	<b>7.2</b>
Transportation	470	582	814	771	857	-1.4	3.3
Travel	543	811	1,448	1,257	1,444	-0.9	6.4
Other	839	1,348	3,785	2,905	3,836	17.3	9.1
<b>Total exports</b>	<b>7,653</b>	<b>7,367</b>	<b>17,027</b>	<b>14,197</b>	<b>18,271</b>	<b>16.5</b>	<b>6.0</b>
<b>Imports</b>							
<b>Goods</b>	<b>11,872</b>	<b>16,735</b>	<b>23,122</b>	<b>21,398</b>	<b>26,696</b>	<b>8.7</b>	<b>4.3</b>
<b>Primary</b>	<b>814</b>	<b>932</b>	<b>1,082</b>	<b>1,097</b>	<b>1,657</b>	<b>26.2</b>	<b>3.4</b>
Agriculture	510	734	811	819	1,192	33.8	3.7
Fuels	272	144	215	218	417	44.3	2.4
Minerals	33	54	56	61	48	-63.9	3.7
<b>Manufacturing</b>	<b>10,456</b>	<b>15,345</b>	<b>21,311</b>	<b>19,896</b>	<b>24,210</b>	<b>8.5</b>	<b>4.4</b>
STM	1,060	1,625	2,262	2,122	2,450	8.7	3.9
ETM	9,396	13,719	19,048	17,774	21,760	8.5	4.5
<b>Other goods</b>	<b>603</b>	<b>459</b>	<b>729</b>	<b>404</b>	<b>829</b>	<b>-12.3</b>	<b>2.0</b>
<b>Services</b>	<b>4,111</b>	<b>4,517</b>	<b>6,988</b>	<b>6,788</b>	<b>9,781</b>	<b>32.3</b>	<b>4.7</b>
Transportation	689	892	1,247	585	498	-19.7	-1.5
Travel	1,094	1,187	1,942	2,033	2,554	21.5	4.7
Other	2,328	2,438	3,799	4,170	6,729	44.0	5.9
<b>Total imports</b>	<b>15,983</b>	<b>21,252</b>	<b>30,110</b>	<b>28,186</b>	<b>36,477</b>	<b>14.1</b>	<b>4.4</b>

(a) Goods on recorded trade basis, services trade on balance of payments basis. (b) Reported ABS merchandise trade statistics have been adjusted to include DFAT estimates for confidential exports of *Alumina*, *Titanium*, *Nickel (unwrought)* and *Uranium* to the United States.

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

**Table 2**

**Top 10 exports to the United States – 1990**  
**ABS reported data against DFAT estimates**

ABS reported data		Rank		DFAT estimates	
A\$m				A\$m	
1,086	Beef (frozen)	1	Aluminium oxide	1,218	
575	Petroleum oils	2	Beef (frozen)	1,086	
257	Cars	3	Fuels	575	
153	Wool	4	Cars	257	
146	Aircraft parts	5	Uranium or thorium ores <sup>(c)</sup>	163	
117	Office machine parts etc <sup>(a)</sup>	6	Wool	153	
106	Flat-rolled products of iron or steel <sup>(b)</sup>	7	Aircraft parts	146	
91	Titanium ores & concentrates	8	Titanium ores & concentrates	134	
84	Crustaceans	9	Office machine parts etc <sup>(a)</sup>	117	
70	Motor vehicle parts	10	Nickel, unwrought	111	
<b>5,801</b>	<b>Total merchandise exports</b>			<b>5,801</b>	

(a) Includes accessories. (b) Consists of Flat-rolled products of iron or non-alloy steel, of a width 600mm or more, clad plated or coated. (c) Includes uranium or thorium ores & concentrates.

Sources: ABS trade data on DFAT STARS database and US Department of Commerce, Bureau of Census.

**Top 10 exports to the United States – 2000**  
**ABS reported data against DFAT estimates**

ABS reported data		Rank		DFAT estimates	
A\$m				A\$m	
1,166	Petroleum oils	1	Petroleum oils	1,166	
1,097	Beef (frozen)	2	Beef (frozen)	1,097	
421	Wine	3	Aluminium oxide	852	
371	Cars	4	Wine	421	
322	Motor vehicle parts	5	Cars	371	
254	Unwrought zinc	6	Motor vehicle parts	322	
244	Aircraft parts	7	Unwrought zinc	254	
211	Office machine parts etc <sup>(a)</sup>	8	Aircraft parts	244	
210	Sheep & goat meat	9	Office machine parts etc <sup>(a)</sup>	211	
162	Medicaments <sup>(b)</sup>	10	Sheep & goat meat	210	
<b>10,980</b>	<b>Total merchandise exports</b>			<b>10,980</b>	

(a) Includes accessories. (b) Excluding blood products.

Sources: ABS trade data on DFAT STARS database and US Department of Commerce, Bureau of Census.

**Table 2 (cont'd)**

**Top 10 exports to the United States – 2008**  
**ABS reported data against DFAT estimates**

ABS reported data		Rank	DFAT estimates	
A\$m				A\$m
1,293	Petroleum oils	1	Petroleum oils	1,293
1,043	Cars	2	Cars	1,043
808	Beef (frozen)	3	Beef (frozen)	808
686	Wine	4	Wine	686
490	Flat-rolled products of iron or steel <sup>(a)</sup>	5	Nickel, unwrought	500
425	Aircraft parts	6	Flat-rolled products of iron or steel <sup>(a)</sup>	497
373	Sheep & goat meat	7	Aircraft parts	425
320	Therapeutic appliances (mechanical) <sup>(b)</sup>	8	Sheep & goat meat	373
252	Medicaments <sup>(c)</sup>	9	Aluminium oxide	367
239	Beef (fresh or chilled)	10	Therapeutic appliances (mechanical) <sup>(b)</sup>	320
<b>12,134</b>	<b>Total merchandise exports</b>			<b>12,134</b>

(a) Consists of Flat-rolled products of iron or non-alloy steel, of a width 600mm or more, clad plated or coated.

(b) Formally described in the classification as Machano-therapy appliances for example massage apparatus & therapeutic respiration apparatus. (c) Excluding blood products.

Sources: ABS trade data on DFAT STARS database and US Department of Commerce, Bureau of Census.

A number of commodities grew in relative importance over the period, in particular:

- *Unwrought nickel* rose to the 5<sup>th</sup> most valuable export by 2008 from the 10<sup>th</sup> in 1990;
- *Wine* was not a top 10 export in 1990, however by 2000, it was ranked 4<sup>th</sup> and maintained that position in 2008; and
- *Therapeutic appliances* rose from well outside the top 10 in 1990, to being well entrenched by 2008.

Some commodities fell in relative importance:

- *Wool* was the 6<sup>th</sup> most valuable export to the United States in 1990 however by 2000 it had fallen outside the top 10; and
- *Uranium or Thorium ores* were the 5<sup>th</sup> most valuable export in 1990, although they later fell outside the top 10 list and in 2008 were 11<sup>th</sup>.

Other commodities were quite volatile in terms of their relative importance over the period:

- *Passenger motor vehicles*. Overall an important export, however there is volatility in

the numbers because of factors such as the impact of model changeover.

- *Unwrought nickel* managed to stay in the bottom half of the top 10 for many years, fell outside the group in 2000, then increased to become the 5<sup>th</sup> most valuable export in 2008.

### Composition of services trade

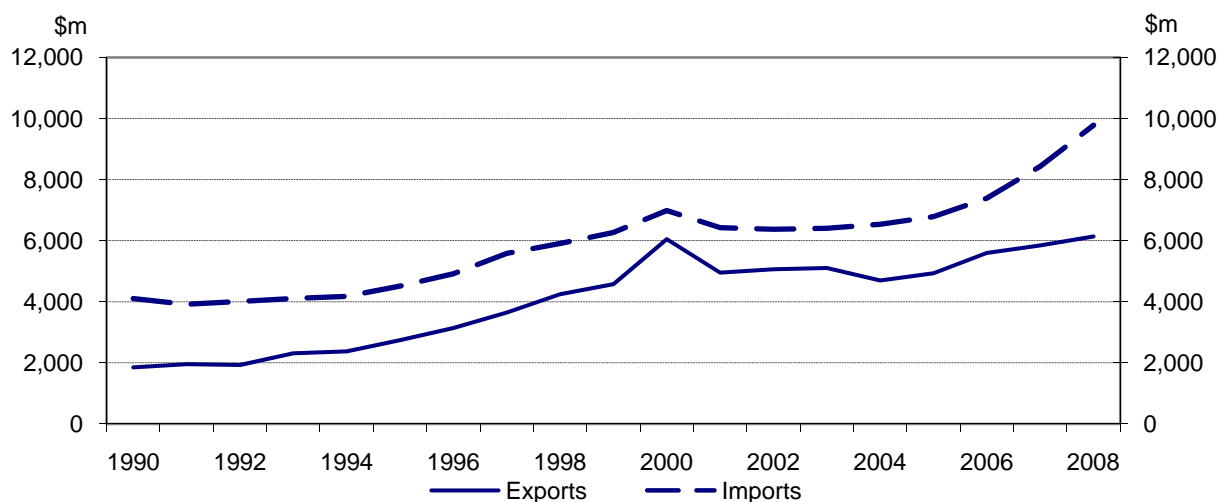
Over the period 1990 to 2008, the United States was Australia's largest two-way services trading partner. Australia-United States trade in services increased by nearly 168 per cent in this period.

Exports rose by 231 per cent, from \$1.9 billion to \$6.1 billion, an average annual increase of 7.2 per cent over the period – see **Chart 3**. The United States was the largest export destination for Australia's services exports from 1998 onwards.

Imports rose by 138 per cent from \$4.7 billion to \$9.8 billion, an average annual increase of 4.8 per cent over the period.

The dominance of the United States in Australia's services trade stems in particular, from the significance of the *Other services* categories. For exports, in 2008 the United States accounted for:

**Chart 3: Services trade  
Australia and the United States**



Sources: ABS catalogue. 5368.0, 2008 and ABS unpublished data.

- Nearly 40 per cent of *Royalties & licence fees*
  - including 47 per cent of *Music royalties*.
- Over 40 per cent of *Insurance services*.
- Over a quarter (26 per cent) of *Other business services*
  - including 50 per cent of *Advertising, market research & public opinion polling services*.

For imports, in 2008 the United States accounted for:

- Nearly half (46 per cent) of *Royalties & licence fees*
  - including 72 per cent of *Industrial processes and Music royalties*.
- Over one third (37 per cent) of *Other business services*
  - including 52 per cent of *Legal* and 38 per cent of *Accounting & related services*.

**Tables 3 and 4** contain detailed services trade between Australia and the United States.

The largest component of services exports to the United States in 2008 was *Other business services*, which includes a range of mainly *Professional services*. The sector accounted for 33 per cent of total services exports, growing by over 17 per cent between 2006 and 2008. The major contributors in this sector were in the areas of *Engineering, Services between affiliated enterprises, Accounting & related services* and *Legal*. The next major sectors were *Other services* (26 per cent of the total), *Travel services* (24 per cent), then *Transportation services* (14 per cent)

The largest components of services imports from the United States in 2008 were *Other business services* (\$2.7 billion or 28 per cent of the total), followed by *Travel* (\$2.6 billion or 26 per cent), and *Royalties & licence fees* (\$1.7 billion or 17 per cent).

#### Direct investment – level of investment

The United States has, for the most part, been the largest destination country for Australian direct investment abroad from 1991-92 to 2008 and the largest direct investor in Australia over the period.

Between 1991-92 and 2008, the level of Australia's investment in the United States rose from \$12.3 billion to \$121.4 billion (a rise of \$109 billion) – see **Chart 4**. This represented an average annual increase of approximately 17 per cent.

This strong growth resulted in the United States being the recipient of an ever increasing proportion of total Australian direct investment abroad. In 1991-92, the \$12.3 billion of Australian direct investment in the United States represented 27.5 per cent of the Australian total. This tended to rise over the 1990s, and reached 52.0 per cent by 2000-01. Although by the end of 2008 the proportion had eased back to 43.2 per cent, still more than two out of every five Australian dollars invested abroad (via direct investment) were in the United States.

In 2008, the level of Australian investment in the United States was adversely affected by the global financial crisis. Price changes wiped \$68 billion off the value, although this impact was partially offset by exchange rate and other influences. In 2007, the level of Australian investment in the United States had reached as high as \$167 billion, representing an average annual increase of between 18 and 19 per cent since 1991-92.

**Table 3: Services exports**

	2006	2007	2008
	\$m	\$m	\$m
<b>Transportation services</b>	<b>869</b>	<b>892</b>	<b>857</b>
<b>Travel services</b>	<b>1,457</b>	<b>1,522</b>	<b>1,444</b>
Business	347	415	428
Personal:	1,110	1,107	1,015
- <i>Education-related</i>	232	227	218
- <i>Other</i>	878	881	797
<b>Other Services</b>			
<b>Communication services</b>	<b>141</b>	<b>132</b>	<b>185</b>
- Postal & courier services	108	93	139
- Telecommunication services	33	39	46
<b>Construction services</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Insurance services</b>	<b>297</b>	<b>301</b>	<b>310</b>
<b>Financial services</b>	<b>281</b>	<b>281</b>	<b>286</b>
<b>Computer &amp; information services</b>	<b>454</b>	<b>408</b>	<b>478</b>
<b>Royalties &amp; licence fees</b>	<b>319</b>	<b>331</b>	<b>314</b>
- Industrial processes	31	44	33
- Franchise & similar rights	24	13	2
- Other	266	275	278
-- <i>Music</i>	19	29	38
-- <i>Other</i>	247	246	240
--- <i>Computer software</i>	103	78	54
--- <i>Other</i>	144	168	186
<b>Other business services:</b>	<b>1,503</b>	<b>1,733</b>	<b>2,022</b>
- Merchating & other trade related	90	148	232
- Legal, accounting, mgt consulting & public relations services	237	286	363
-- <i>Legal</i>	80	87	134
-- <i>Accounting, auditing, bookkeeping &amp; tax consulting</i>	103	141	154
-- <i>Business &amp; mgt consultancy &amp; public relations</i>	54	58	74
- Advertising, market research & public opinion polling	78	106	171
- Research & development services	156	186	247
- Architectural, engineering & other technical (mainly engineering)	482	499	479
- Services between affiliated enterprises	368	384	355
- Confidential items for <i>Other business services</i>	92	124	175
<b>Personal, cultural &amp; recreational services</b>	<b>93</b>	<b>62</b>	<b>59</b>
<b>Government services not elsewhere included</b>	<b>183</b>	<b>180</b>	<b>180</b>
<b>Total services exports</b>	<b>5,596</b>	<b>5,842</b>	<b>6,137</b>

Sources: ABS catalogue 5368.0 and unpublished ABS data.

**Table 4: Services imports**

	2006	2007	2008
	\$m	\$m	\$m
<b>Transportation services</b>	<b>620</b>	<b>618</b>	<b>498</b>
<b>Travel services</b>	<b>2,102</b>	<b>2,326</b>	<b>2,554</b>
Business	447	512	581
Personal:	1,655	1,814	1,973
- <i>Education-related</i>	92	78	100
- <i>Other</i>	1,564	1,736	1,874
<b>Other Services</b>			
<b>Communication services</b>	<b>110</b>	<b>179</b>	<b>188</b>
- Postal & courier services	63	134	139
- Telecommunication services	41	42	49
<b>Construction services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Insurance services</b>	<b>311</b>	<b>317</b>	<b>329</b>
<b>Financial services</b>	<b>191</b>	<b>194</b>	<b>202</b>
<b>Computer &amp; information services</b>	<b>461</b>	<b>564</b>	<b>596</b>
<b>Royalties &amp; licence fees</b>	<b>381</b>	<b>469</b>	<b>488</b>
- Industrial processes	14	11	22
- Franchise & similar rights	<b>1,662</b>	<b>1,848</b>	<b>1,650</b>
- Other	572	578	517
-- <i>Music</i>	191	214	173
-- <i>Other</i>	899	1,055	960
--- <i>Computer software</i>	123	153	159
--- <i>Other</i>	776	902	801
<b>Other business services:</b>	<b>1,065</b>	<b>1,515</b>	<b>2,711</b>
- Merchanting & other trade related	42	70	np
- Legal, accounting, mgt consulting & public relations services	141	130	145
-- <i>Legal</i>	125	219	292
-- <i>Accounting, auditing, bookkeeping &amp; tax consulting</i>	33	39	94
-- <i>Business &amp; mgt consultancy &amp; public relations</i>	66	131	122
- Advertising, market research & public opinion polling	26	49	76
- Research & development services	np	np	60
- Architectural, engineering & other technical (mainly engineering)	56	39	47
- Services between affiliated enterprises	168	219	691
- Confidential items for <i>Other business services</i>	302	300	297
<b>Personal, cultural &amp; recreational services</b>	<b>606</b>	<b>598</b>	<b>779</b>
- Audiovisual and Related Services	575	561	704
-- <i>Audiovisual, Sporting and Entertainment</i>	0	0	0
-- <i>Royalties on Flim, TV Programs, Video &amp; Multimedia</i>	575	561	704
- Other Personal, Cultural and Recreational Services	32	37	75
<b>Government services not elsewhere included</b>	<b>266</b>	<b>274</b>	<b>274</b>
<b>Total services imports</b>	<b>7,394</b>	<b>8,434</b>	<b>9,781</b>

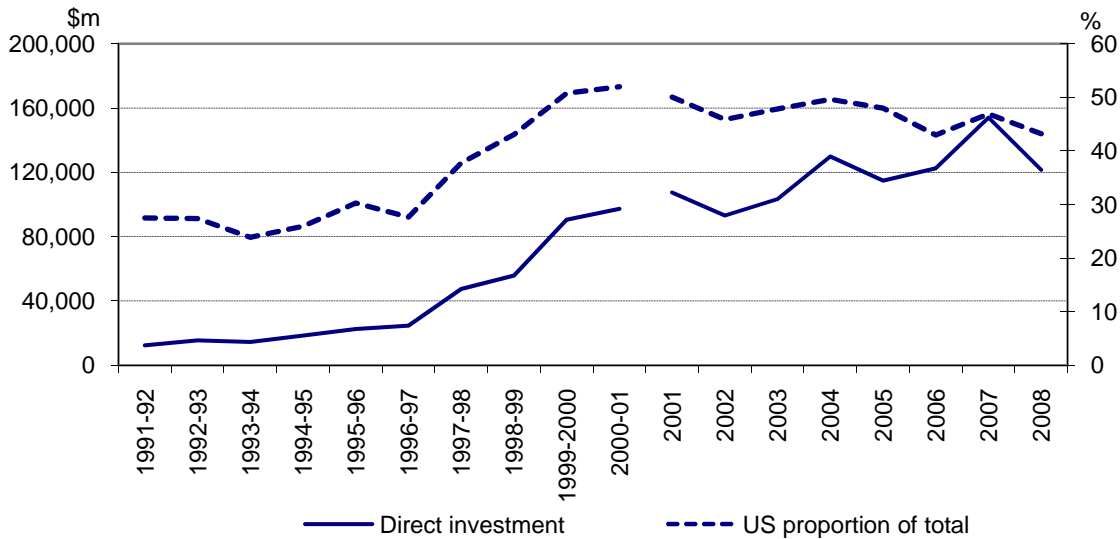
Sources: ABS catalogue 5368.0 and unpublished ABS data.

Between 1991-92 and 2008 the level of United States direct investment in Australia increased from \$29.6 billion to \$95.4 billion (a rise of \$65.8 billion). The growth in investment represented an average annual increase of approximately 7 per cent – see **Chart 5**. Proportionately, the United States accounted for 28.3 per cent of total direct foreign investment in Australia in 1991-92. By 2008 this had eased to

24.3 per cent, although it did exhibit some volatility over the period analysed<sup>2</sup>.

<sup>2</sup> There was one-off volatility in 2004 and 2005 associated with the News Ltd reincorporation to the United States and its subsequent restructure. This affected the level of Australian Investment Abroad as well as the level of Foreign Investment in Australia (Source: UNCTAD - World Investment Report 2006).

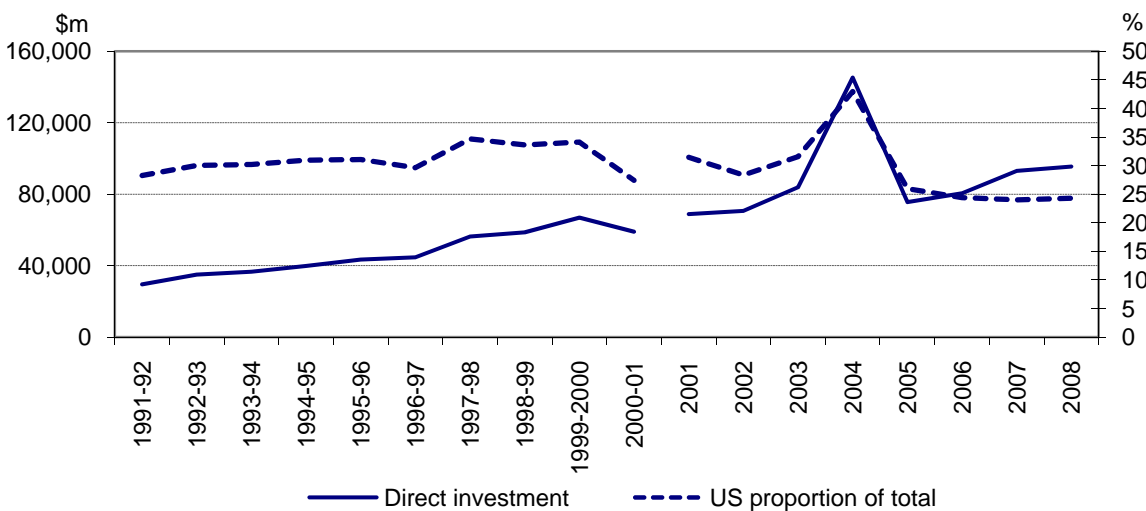
**Chart 4: Australian direct investment in the United States<sup>(a)</sup>**



(a) Prior to 2001 ABS annual data was reported on a financial year base. Since 2001 this changed to calendar year. Hence there is a series overlap between 2000-01 and 2001, which has been shown as a break in the lines on the graph.

Source: ABS unpublished International Investment data.

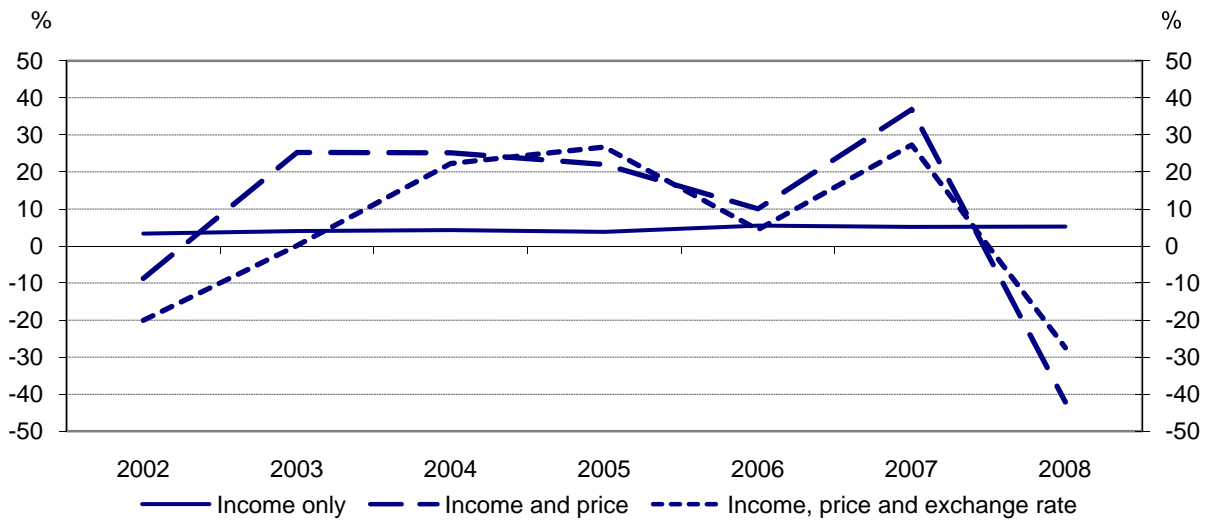
**Chart 5: United States direct investment in Australia<sup>(a)</sup>**



(a) Prior to 2001 ABS annual data was reported on a financial year base. Since 2001 this changed to calendar year. Hence there is a series overlap between 2000-01 and 2001, which has been shown as a break in the lines on the graph.

Source: ABS unpublished International Investment data.

**Chart 6: Australian direct investment in the United States - ROI**



Source: ABS unpublished International Investment data.

**Direct investment – return on investment**

Over the seven years from 2002 to 2008, the income earned on Australian direct investment in the United States (the return on investment or ROI) averaged 4.5 per cent – ranging from a low of 3.4 per cent in 2002 to a high of 5.5 per cent in 2006 – see **Chart 6**.

When price change (i.e. changes in the value of investments) is factored into returns however, the ROI – from the combined impacts of income and price change – nearly doubled to an average of 9.8 per cent. But the returns were volatile: they were

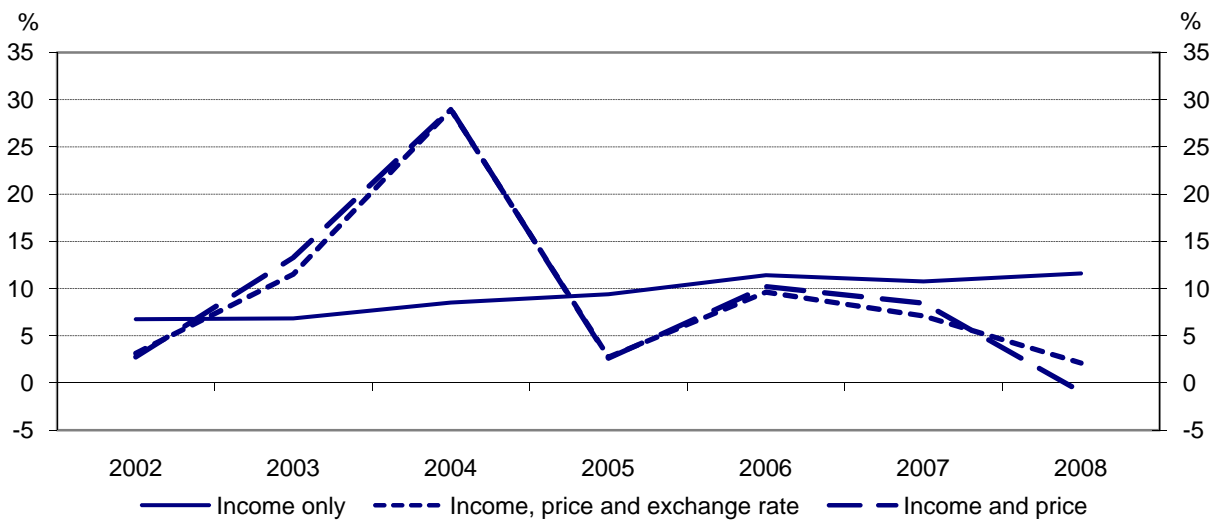
as high as 36.9 per cent in 2007 and as low as -42.1 per cent in 2008<sup>3</sup>.

When exchange rate impacts are factored in, the return on investment fell back to average 4.8 per cent between 2002 and 2008.

Despite the effects of the global financial crisis in 2008, the income earned on Australian direct investment in the United States was 5.2 per cent (0.7 percentage points higher than the average over the period), albeit against the backdrop of a declining level of stock.

<sup>3</sup> In terms of the combined returns of income and price, if 2008 is removed from the equation, return on investment averaged 18.4 per cent in the years 2002 to 2007.

**Chart 7: United States direct investment in Australia - ROI**



Source: ABS unpublished International Investment data.

Income earned on United States direct investment in Australia averaged 9.3 per cent. Returns ranged from a low of 6.8 per cent in 2002 and 2003 to a high of 11.6 per cent in 2008 – see **Chart 7**.

Factoring in price and exchange rate impacts had no influence on the average return over the seven year period – it remained unchanged at 9.3 per cent. Volatility of returns did increase however, from -0.9 per cent to 29.0 per cent.

To put these returns in perspective, we compared them to the performance of the Australian stock market and the Australian 10 year government bond rate. Over the period 2002 to 2008, the S&P/ASX 200 accumulation index achieved an average return each year of 8.4 per cent. Over the same period the average of the mid-year rates for 10 year government bonds was 5.8 per cent.

### **Conclusion**

The United States and Australia have long enjoyed a substantial trade and investment relationship. Throughout the 20<sup>th</sup> century the United States has

consistently been one of Australia's top trading partners. In regard to services trade the United States continues to dominate as the largest trading partner: for many services the United States accounts for over a third of the trade.

The United States also continues to dominate the direct investment relationship, a position held for many years. In 2008, more than two out of every five dollars invested by Australia abroad as direct investment funds, were in the United States.

Australia's trade and investment with the United States has not only grown, it has become increasingly more diversified, particularly with increased activity in services trade.

It is reasonable to expect that the trade and investment relationship will continue to be significant, given the enhanced opportunities stemming from the FTA and the attractiveness of Australia as an investment destination for United States investors.

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