

# INFORMATION

EXTERNAL RELATIONS

AUSTRALIA AND THE EUROPEAN COMMUNITY :  
TRADE AND ECONOMIC NOTES

156/77

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### Some Basic Data

Australia has an area of 7.7 million sq.km. It is thus nearly the size of the USA and half as large again as Europe excluding the USSR; the area of the EEC is 1.5 million sq.km. The population (1975) was 13.5 mn (the EEC 258.5 mn) most of whom are of European descent. The population has nearly doubled since World War II, nearly half this increase being due to immigration which has been running at nearly 1 % a year. The Gross Domestic Product in 1975 was \$ US 84.4 billion (\$ 6,252 per capita) compared with the Community's \$ 1,343.4 bn (\$ 5,198 per capita).

Although Australia is an advanced industrialized country, agriculture has a major place : employing only 8 % of the workforce and contributing only 7 % to the GDP, it nevertheless accounts for 46 % of Australian exports. With 147.7 mn sheep (1974) Australia produces nearly one-third of the world's wool, this wool being the largest agricultural source of export earnings. Beef production (31 mn cattle); cereals (wheat, barley, oats), dairy products and sugar are other major items of agricultural production.

Australia is one of the world's largest producers of and exporters of minerals. In terms of production and exports iron ore takes first place; Australia is also a major producer of coal, bauxite (world's largest producer), lead, zinc, copper, nickel (fourth world producer) and heavy mineral sand concentrates. For three of these items, iron ore, lead and mineral sands, Australia is already the largest world exporter and in the 1980s may become a major oil producer (20 mn tons in 1975) furnishing some 70 % of domestic needs. Crude oil reserves are currently put at 336 mn tons). Lastly, although production has yet to start, Australia has large deposits of uranium.

Manufacturing industry employs one quarter of Australia's work force and accounts for over one quarter of the GDP. Iron and steel (8 mn tons of crude steel produced in 1975), aluminium, shipbuilding, chemicals, automobiles, aircraft, electrical and electronic products, textiles and clothing are among the wide range of Australian industries.

### Trade and Payments

Australia had a trade surplus of over \$ 1 billion in the first half of 1976 and this is likely to have been exceeded in the second half. This should ensure a much lower balance of payments deficit than in the previous two years. (Australia runs a consistent deficit in invisibles).

Australian External Trade

£ A mn FOB (1)

	1971/72	1972/73	1973/74	1974/75	1975/76
Imports	4,008	4,121	6,085	8,083	8,240
Exports	4,893	6,214	6,914	8,673	9,556
Surplus	885	2,093	829	590	1,216

Source : ECSO

Agricultural and minerals account for about 77 % of Australian exports, but the proportion of manufactures is steadily rising, and now stand at somewhat over 20 %.

Far more dramatic, however, are changes in the direction of Australian trade, as the following table shows :

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(1) £ A = £ US 1.017

Exports

	(Percentages of total)						
	1948/49	1958/59	1971/72	1972/73	1973/74	1974/75	1975/76
To: the EC Nine	61.5	48.9	18.8	20.1	16.3	15.4	14.7
of which the UK	42.4	31.4	9.2	9.6	6.6	5.4	4.2
the USA	6.0	17.2	12.6	12.2	10.8	9.6	10.1
Japan	1.4	7.6	27.8	31.1	31.2	27.6	32.6

Imports

	(Percentages of total)						
	1948/49	1958/59	1971/72	1972/73	1973/74	1974/75	1975/76
To: the EC Nine	54.6	49.1	34.4	32.4	27.9	29.6	27.0
of which the UK	50.1	38.6	20.9	18.6	13.9	15.0	13.5
the USA	10.0	13.6	21.8	20.9	22.2	20.6	20.1
Japan	0.4	3.8	15.7	17.9	17.8	17.6	19.5

Source : OECD, Commonwealth Statistician - Overseas Trade

The most signal trend illustrated above has been the fall in Australia's trade dependence on the United Kingdom from 50 % for exports in 1948/49 to 18.6 % in the year of Britain's access to the Community and to 13.5 % in 1975/76; and from 42 % for imports in 1948/49 to 9.6 % in 1972/73 and 4.2 % in 1975/76. Since 1966/67 Japan has become Australia's first export market and by last year accounted for almost one-third of exports; imports from Japan have risen less dramatically, and last year were still under one fifth of the total. Japan is now the biggest market for Australian wool, iron ore and coal and figure large as regards other raw materials.

Other Asian countries are assuming greater importance as importers of Australian manufactures, while New Zealand is the single largest market. The place of the USA in Australia's trade pattern has been rather stable in the 1970s, taking around 10 % of Australian exports and supplying around 20 % of imports.

Notwithstanding Britain's relative decline in percentage terms as a supplier, the European Community is still Australia's largest source of imports; but it is less than half as important as Japan as an export market.

Australian Trade with the Community

(\$ A million)

	1971/72	1972/73	1973/74	1974/75	1975/76
Australian imports					
- from EC	1,399	1,334	1,698	2,389	2,228
- from UK	836	768	849	1,214	1,109
Australian exports					
- to EC	921	1,263	1,129	1,336	1,410
- to UK	447	602	457	475	402
Australian balance with EC	- 478	- 71	- 569	-1,053	- 818

While in 1975/76 the Community took about 30 % of Australian exports (and furnished 15 % of imports) only 2 % of total Community exports went to Australia. Trade is to a large degree complementary in that the EC supplies heavy machinery and a wide range of manufactured goods, while Australia supplies raw materials, agricultural goods and a few specialized manufactures.

Recent years however have shown a major shift in the composition of Australian exports to the Community : in 1972/73 65 % consisted of agricultural products, but in 1974/75 the percentage had fallen to 36 % and in 1975/76 the proportion is probably still lower.

By contrast the percentage for industrial products (including minerals) rose from 35 % in 1972/73 to 63 % in 1974/75; the share of iron ore rose

from 3 % to 9 % (1975/76) and of coal from 2 % to 9 %. There has not on the other hand, been any marked shift in the composition of EC exports to Australia, industrial products taking 96 % of the total, of which transport equipment accounted for half.

The United Kingdom, with which Australia has traditionally done much the greater part of her trade, has steadily declined in importance as a trading partner throughout the post-war period. This trend has been accentuated by the progressive phasing out of Commonwealth Preference and the inclusion of the U.K. in the mechanisms of the Common Agricultural Policy.

Dairy Produce and beef are products on which the C.A.P. has had a major impact, the proportion of total exports to the Community occupied by beef and sheepmeat (the latter not subject to the CAP) falling from 10 % in 1972/73 to 1 % in 1975/76. The restrictions on imports of beef into the Community, however, were of a temporary nature during the years 1974/76. Other (i.e. non CAP) factors leading to a reduction in Australian farm exports to the EC can be cited, e.g. the arrangements of the Lomé Convention for imports into the Community of sugar from the ACP countries.

#### Community - Australian Relations

Australia accredited a diplomatic mission to the Community in 1959. Close relations between Australia and the Community were maintained throughout the 1960s and the early 1970s, Australia being particularly concerned with the repercussions for her trade with the EC arising from British membership of the Community. Following on British accession in 1973 the desirability of closer contacts came to be appreciated by both sides - and in 1974 Commission Vice-President Sir Christopher Soames, visiting Canberra, proposed regular informal consultations between the Commission and the Australian authorities. A first round of such consultations, at high official level, took place at Brussels in July 1976 and a second round at Canberra in March 1977. In addition there have been a number of visits to the Commission of Australian political leaders, notably Mr. G. Whitlam, Prime Minister in December 1974, Mr. Peacock, Foreign Minister in October 1976 and Mr. Fraser, Prime Minister in June 1977.

The consultations cover a wide range of economic and commercial issues. They include : problems arising for Australian agriculture from British accession, the temporary restriction on EC imports of beef from Australia and other countries; the uncertainties for EC exporters arising from the fact that only one-fifth of Australian's (relatively high) industrial tariff are bound in GATT; the positions of the two parties in the GATT. Multilateral Trade Negotiations; their respective Development Aid policies, particularly in the Pacific and S.E. Asia areas and the Community as a market for mineral resources. The range of these consultations will be further extended over the coming months. Lastly, the two sides have decided to improve reciprocal flows of information. To this end, for instance, the Commission and the Australian Government are to exchange officials for short periods and trainees from Australia are to be taken on by the Commission.

EXTERNAL RELATIONS INFORMATION NOTES

Copies of the following Information Notes are still available and can be obtained on request to :

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Commission of the European Communities,  
Rue de la Loi 200  
B - 1049 Brussels, Belgium

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- 112/75 Note on the multilateral trade negotiations in GATT
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