



*European Communities
Commission
Background Report*

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AUSTRALIA AND THE COMMUNITY

Problems over Trade

Australia is a large, sparsely populated country with a standard of living higher than that of the Community. With an area of 7.7 million square kilometres it is about five times larger than the EC (1.5 million sq. km.), but has a population of under 14 million compared with the Community's 285m. In 1975 Australia's Gross Domestic Product (GDP) was US \$ 84,400 m, - per capita \$ 6,252, compared with the Community's \$ 1,343,000 m. GDP - per capita \$ 5,198m. Australia, therefore, is a prosperous country.

The Australians claim, however, that they have suffered more than any other country from British membership of the Community and, since Prime Minister Fraser's visit to Brussels last June, talks have been going on with the Commission about the easing of restrictions on certain Australian exports into the common market. The latest round of talks, with Mr. Victor Garland, Minister for Commerce and Resources, ended at the beginning of March and will be resumed at the end of April. At his press conference Mr. Garland complained of 'lack of opportunity for access' for Australian farm products. The Commission, however, insists that major issues of access and the question of EC subsidies on agricultural exports - which also angers the Australians - should be dealt with in the GATT multilateral trade talks now taking place in Geneva.

Changing trade patterns

Trade between Australia and the Community is largely complementary, in that the latter exports machinery and transport equipment in return for wool, primary products and minerals. But 30 per cent of Australia's total exports go to the EEC, while Australia accounts for only 2 per cent of EC total exports. Australia is now confronted with a growing balance of payments deficit with the Community. She would like to see this reduced by exporting more agricultural products to the Community, some of which are restricted under the rules of the Common Agricultural Policy (CAP).

For though she is an advanced industrial country agriculture is a major source (46 per cent) of Australian exports. She produces one-third of the world's wool, and other products include beef (31 million cattle), cereals, dairy products and sugar.

She is also the world's largest exporter of iron ore, lead and mineral sands, and expects to be a major oil producer in the 1980's. The country also possesses other valuable minerals such as bauxite, copper, nickel and, of course, uranium.

In addition her manufacturing potential is growing fast, accounting for over one quarter of the GDP. In 1975-6 she had a trade surplus of over \$1 billion.

This healthy position has resulted from a significant shift in Australia's pattern of trade. As the Table (Annex II) shows, in the 30 years since 1948-9 Australian dependence on trade with the Nine and on Britain in particular has drastically shrunk. In 1948-9 the UK accounted for 50 per cent of Australian exports; when Britain joined the Community in 1973 the share had dropped to 18.6 per cent and in 1975-6 to 13.5 per cent. Similarly for imports; whereas in 1948-9, 42 per cent of Australia's imports came from the UK, by 1972-3 this proportion had dropped to 9.6 per cent and to 4.2 per cent in 1975-6.

In contrast, since 1966-7, Japan has become Australia's first export market and now accounts for about one-third of her exports, mainly in the form of wool, iron ore and coal. Other Asian countries are increasingly taking her manufactured goods, while New Zealand is also a major outlet. Despite this, however, the European Community is still Australia's largest source of imports. This accounts for the adverse balance of trade with the Community which is worrying the Australian government.

Australian Trade with the Community (\$ A million)

	1971/72	1972/73	1973/74	1974/75	1975/76
<u>Australian imports</u>					
- from EC	1,399	1,334	1,698	2,389	2,228
- from UK	836	768	849	1,214	1,109
<u>Australian exports</u>					
- 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

Source : EC "Information", 156/77

Beef and Dairy Products

In 1972-3 agricultural products accounted for 65 per cent of Australia's exports to the Community - the majority of these to Britain - but since then there has been a steady decline; The CAP has had a major impact on exports of dairy produce and beef. Beef and sheepmeat (the latter not covered by the CAP) fell from 10 per cent as a proportion of total exports to the Community in 1972-3, to 1 per cent in 1975-6.

In respect of beef this has meant a drop from 100,000 tonnes in 1973 to below 10,000 tonnes in 1977, (partly as a result of temporary EC restrictions in 1974-6). Australia's difficulties have been further exacerbated by tough beef import restrictions imposed by Japan and the USA. In addition Australians are perturbed at the increase of the Community subsidised exports of beef which have risen from about 40,000 tonnes in 1972 to 170,000 tonnes in 1976.

Australia has also been affected by other EC arrangements (outside the CAP), such as those with developing countries through the Lomé Convention, giving precedence to sugar imports from the ACP states.

Community-Australian relations

Australia accredited a diplomatic mission to the Community in 1959 and has good relations with it, despite concern about the impact on her trade when Britain joined the Community in 1973. In 1974 Sir Christopher Soames, then Commission Vice-President, visited Canberra and proposed that there should be regular informal consultations between the Commission and the Australian authorities. A first round, at high official level, took place in Brussels in July 1976 and a second round at Canberra in March 1977. In addition leading Australian Ministers, including both Mr. Whitlam and Mr. Fraser as Prime Ministers, visited Brussels on different occasions.

The consultations have covered a wide range of economic and commercial issues. Apart from the problems arising over Australian agricultural exports, the talks have included the uncertainties for EC exporters in that only one-fifth of Australia's (relatively high) industrial tariff are bound (*) in GATT; the position 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.

These matters will be further explored in the coming months. Meanwhile, the two sides have agreed to improve reciprocal flows of information by exchanging officials for short periods, and the Commission will also take on Australian trainees to enable them to learn about the ways of the Community.

Uranium

Australia has some of the largest uranium deposits known in the Western world. They are found mostly in the Northern territories and amount to about 289,000 tonnes with supplementary reserves estimated at about 211,000 tonnes.

The Community wants to negotiate an agreement with the Australian government that will guarantee its supplies of uranium as part of its plans for the development of nuclear energy. Britain, France and Italy have approached Australia for safeguard agreements until an agreement under Euratom is worked out.

Negotiations on this score, however, are separate from the other discussions that have been taking place on Australia's general trade patterns with the Community.

(*) See BR ISEC/B23/78 - Efforts to Liberalise Trade

Trade of the Community with Australia

ANNEX I

(unit = million US \$)

Brackets show per cent change over previous period

	1973	1974	1975	1976	Janv.-Juin 1976	Janv.-Juin 1977
(TOB)						
<u>Exports to Australia</u>						
F.R. Germany	440,8	762,8 (+73)	607,7 (-20)	708,8 (+17)	276,9	501,4 (+81)
U.K.	1 192,8	1 403,4 (+18)	1 395,2 (- 1)	1 238,7 (-11)	556,9	625,6 (+12)
France	90,4	157,9 (+75)	154,1 (- 2)	154,9 (+0,5)	66,9	89,6 (+34)
Italy	174,3	257,7 (+48)	207,6 (-19)	260,1 (+25)	97,8	129,5 (+32)
Belgium-Lux	62,8	97,9 (+56)	78,8 (-20)	94,7 (+20)	39,4	46,9 (+19)
Netherlands	83,7	142,5 (+70)	137,9 (- 3)	164,6 (+19)	67,1	94,4 (+40)
Denmark	27,1	44,6 (+65)	37,0 (-17)	38,9 (+ 5)	17,2	19,1 (+11)
Ireland	17,6	27,1 (+54)	21,8 (-20)	32,2 (+48)	14,8	16,9 (+14)
EC Total	2 089,5	2 893,9 (+38)	2 640,1 (- 9)	2 692,9 (+ 2)	1 137,0	1 523,4 (+34)
(CIF)						
<u>Imports from Australia</u>						
F.R. Germany	281,3	409,6 (+46)	524,7 (+28)	611,8 (+17)	246,9	292,1 (+18)
U.K.	833,9	730,2 (-27)	606,5 (-17)	712,2 (+17)	301,4	325,1 (+ 8)
France	541,6	372,9 (+ 9)	322,7 (-13)	459,8 (+42)	202,4	255,4 (+26)
Italy	260,2	242,5 (- 7)	263,8 (+ 9)	392,7 (+49)	159,1	229,9 (+44)
Belgium-Lux	102,8	141,7 (+38)	150,6 (+ 6)	209,5 (+39)	95,7	129,8 (+36)
Netherlands	43,8	64,6 (+47)	103,2 (+60)	120,9 (+17)	52,2	61,7 (+13)
Denmark	12,7	10,9 (-14)	13,2 (+21)	10,7 (-19)	5,1	7,5 (+47)
Ireland	12,9	8,4 (-35)	5,4 (-36)	6,5 (+20)	2,8	2,3 (-18)
EC Total	1 889,2	1 980,8 (- 4)	1 990,1 (+0,5)	2 524,1 (+27)	1 065,8	1 303,8 (+22)
<u>Balance</u>						
F.R. Germany	+ 159,5	+ 353,2	+ 83,0	+ 97,0	+ 30,0	+ 209,3(+597)
U.K.	+ 358,9	+ 673,2	+ 788,7	+ 526,5	+ 255,5	+ 300,5(+18)
France	- 251,2	- 215,0	- 168,6	- 304,9	- 135,5	- 165,8(+22)
Italy	- 85,9	+ 15,2	- 56,2	- 132,6	- 61,3	- 100,4(+64)
Belgium-Lux	- 40,0	- 43,8	- 71,8	- 114,8	- 56,3	- 82,9(+47)
Netherlands	+ 39,9	+ 77,9	+ 34,7	+ 43,7	+ 14,9	+ 32,7(+119)
Denmark	+ 14,4	+ 33,7	+ 23,8	+ 28,2	+ 12,1	+ 11,6(- 4)
Ireland	+ 4,7	+ 18,7	+ 16,4	+ 25,7	+ 12,0	+ 14,6(+22)
EC Total	+ 200,3	+ 913,1	+ 650,0(-29)	+ 168,8(-74)	+ 71,4	+ 219,6(+207)

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
From: 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