

Australia

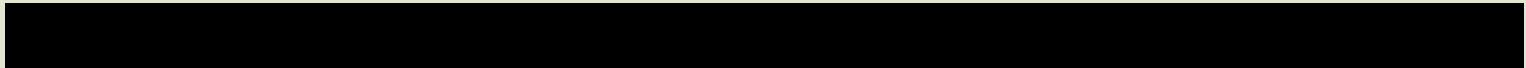


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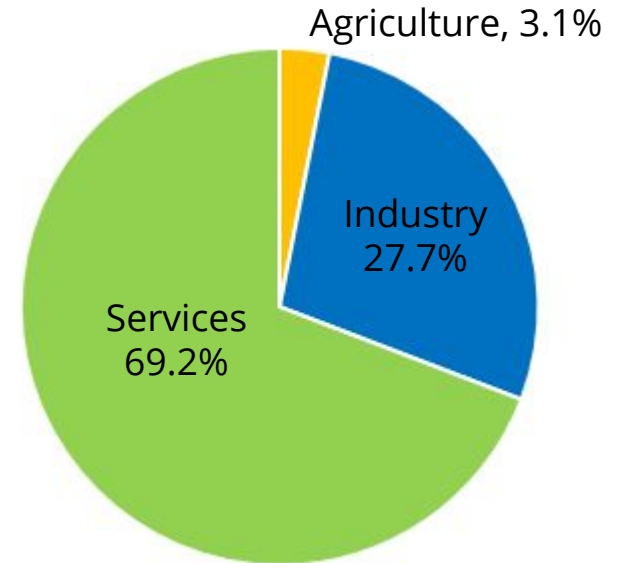
Background Information



- Since 1980's, deregulation of financial and labor market, and reduced trade barriers.
- Emerged from the 2008 Global Financial Crisis relatively unscathed
- Internationally competitive in services, technologies, and high value-added manufactured goods.
- Mining and agriculture are important sources of exports.
- Australia is an attractive and dynamic investment destination, where the government has withdrawn from most areas of the market

Economic Overview

- Australia has gone 25 years without a recession due to:
 - China's boom
 - Bountiful natural resources
 - Effective monetary policy
 - Disciplined fiscal spending
- 2015 GDP of \$1.3 trillion USD
 - 1/14th the size of US GDP
- Average annual GDP growth is around 3%
 - In large part driven by 1.4% annual population growth
 - Though small population - only 24.1 million
- Average annual inflation rate of 2 - 3%



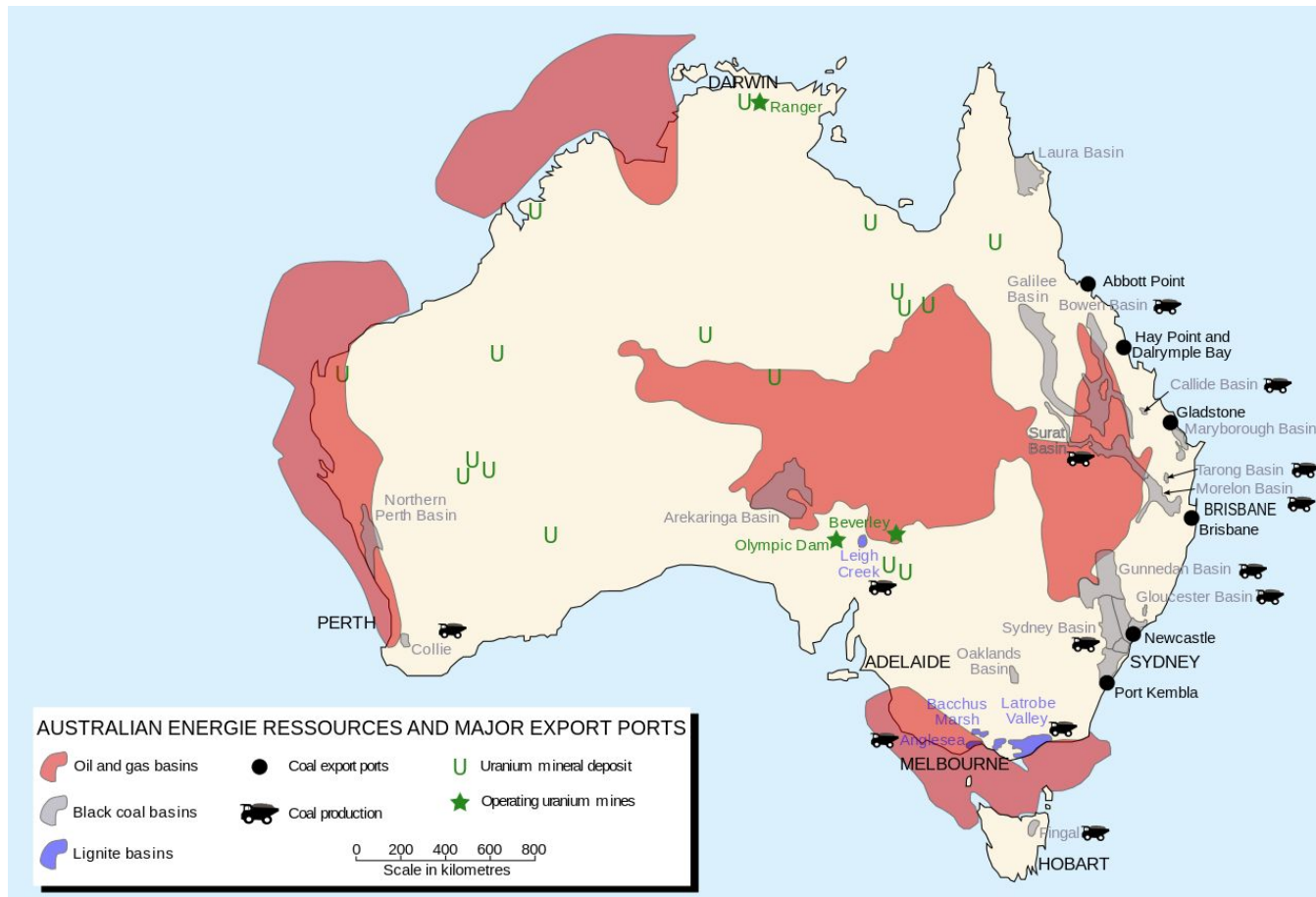
Services



- Strong exports of tourism and education services
 - Employs 4 out of 5 Australians
- Education
 - Education exports have increased significantly in 2015
 - \$20 billion dollar industry
 - International students enrolled in higher education
 - 3rd most popular place to study after US & UK
- Tourism
 - Natural-beauty, wildlife, & proximity to Asia → makes tourism strong
 - \$14 billion dollar industry
 - Sydney, Great Barrier Reef, Brisbane, Melbourne



Energy & Resource Production In Australia



Iron Ore

- World's largest exporter of iron ore
 - 90% of iron ore located in Western Australia in the Pilbara region
 - 25% of the world iron ore reserves or 58 billion tons
- Key ingredient of steel → used to make: cars, ships, trucks, trains & railways
 - Employs more than 60,000 people in Australia
- 2 major energy companies → Rio Tinto & BHP Billiton



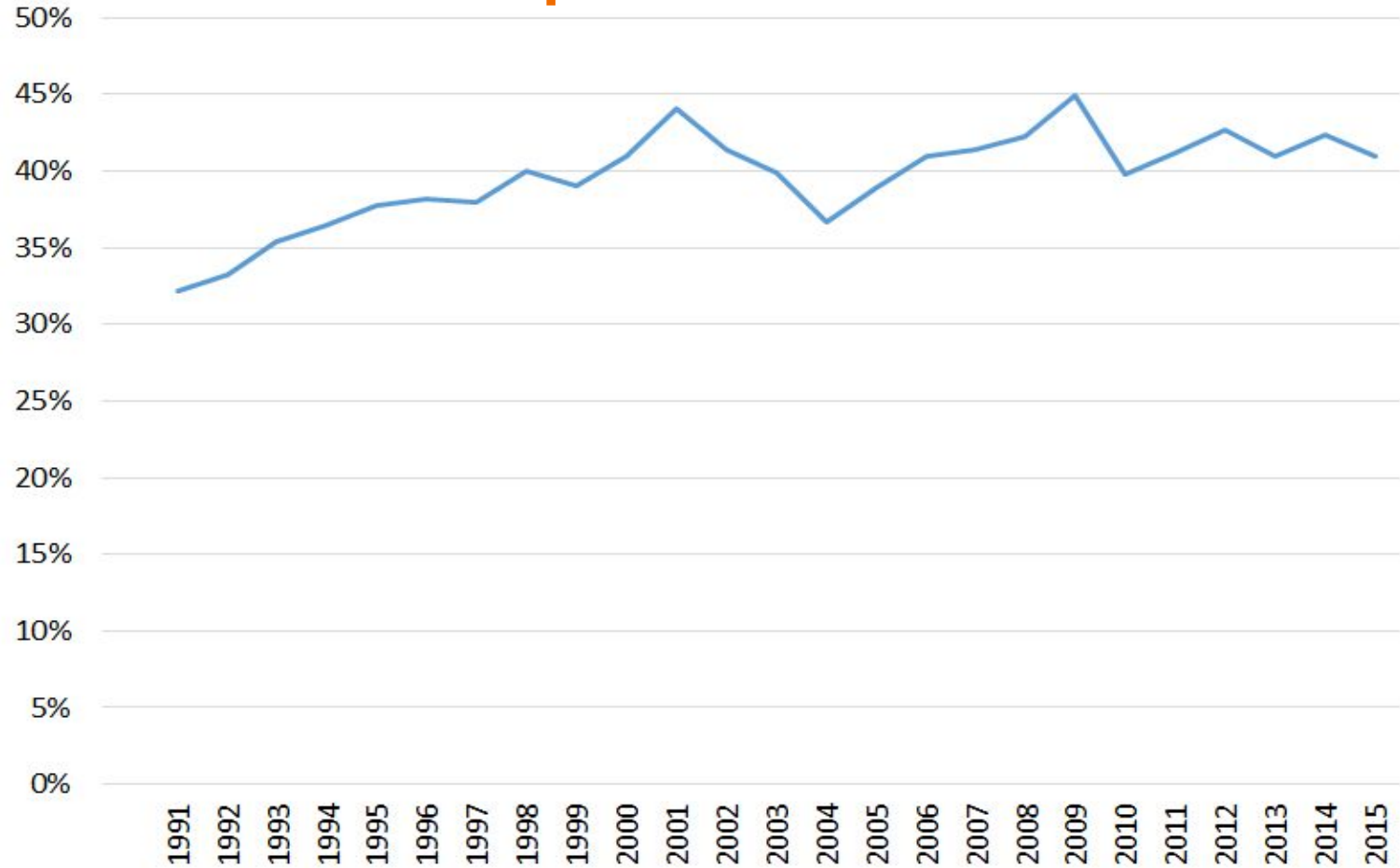
Coal & Natural Gas

- **Two of Australia's top 5 exports**
- Coal
 - Coal is used to power most of Australia's electricity needs → working to reduce emissions and efficiently use coal and other resources
 - 2005-2030 → Plans to reduce emissions 26%-28%
 - Ranks in the Top 5 in the world for reserves of brown coal & black coal
- Natural Gas
 - Used natural gas in Aus. for over 100 years → can be used as a coal substitute that emits less carbon
 - Exports liquid natural gas → inability to create pipelines due to Australia's location

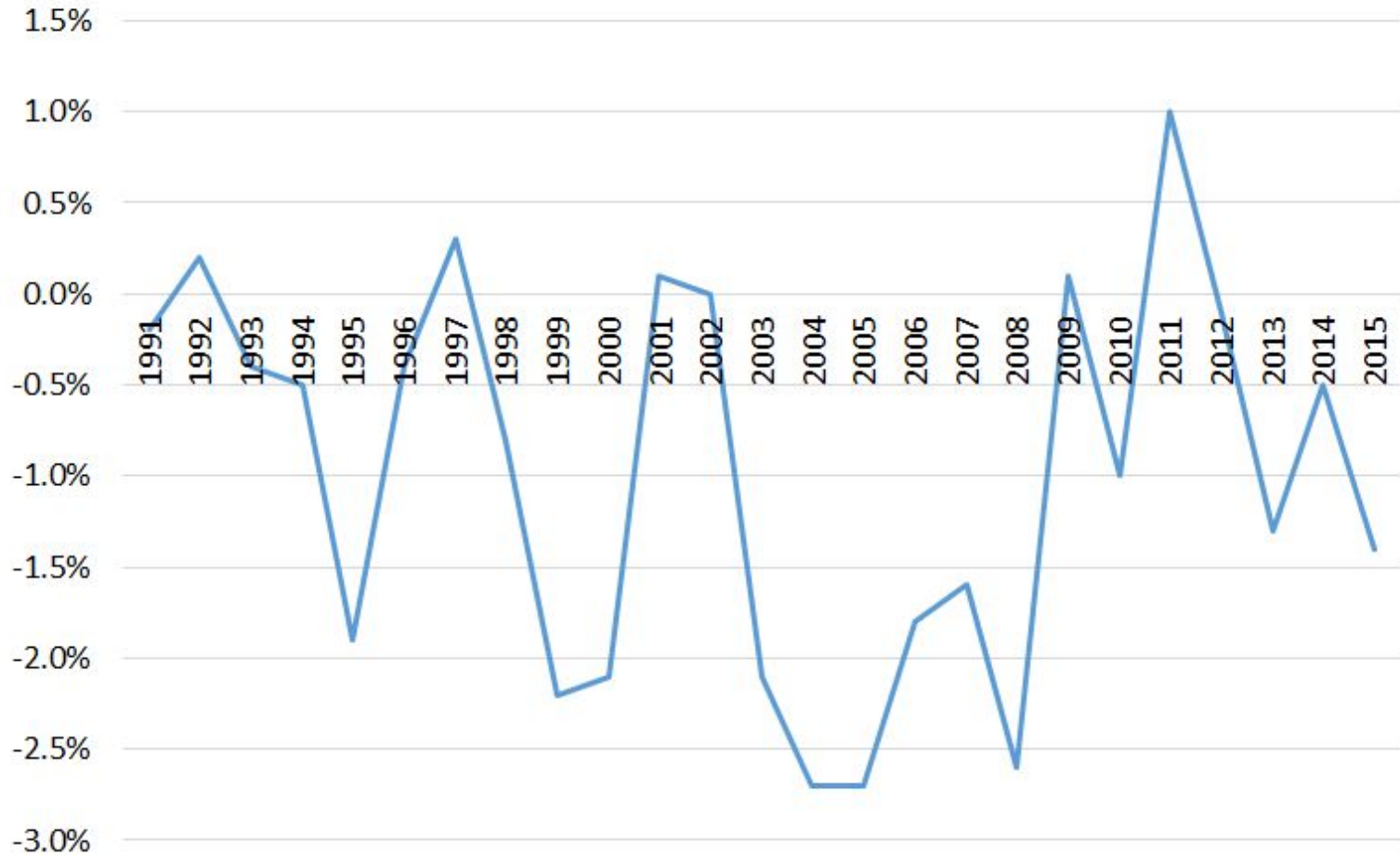


In-Depth Trade Analysis

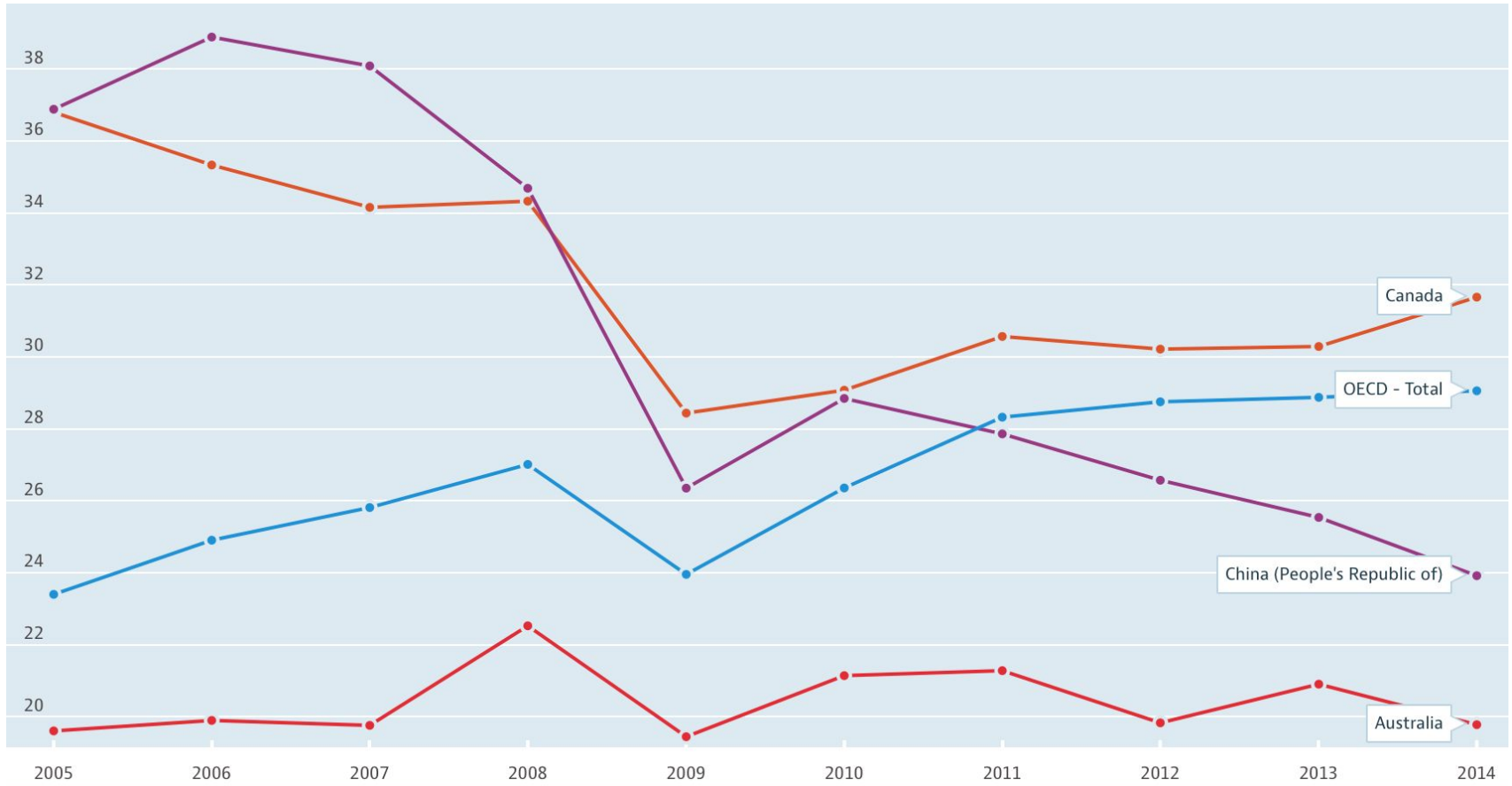
Openness Index



Trade Balance



Exports as % of GDP



Imports as % of GDP

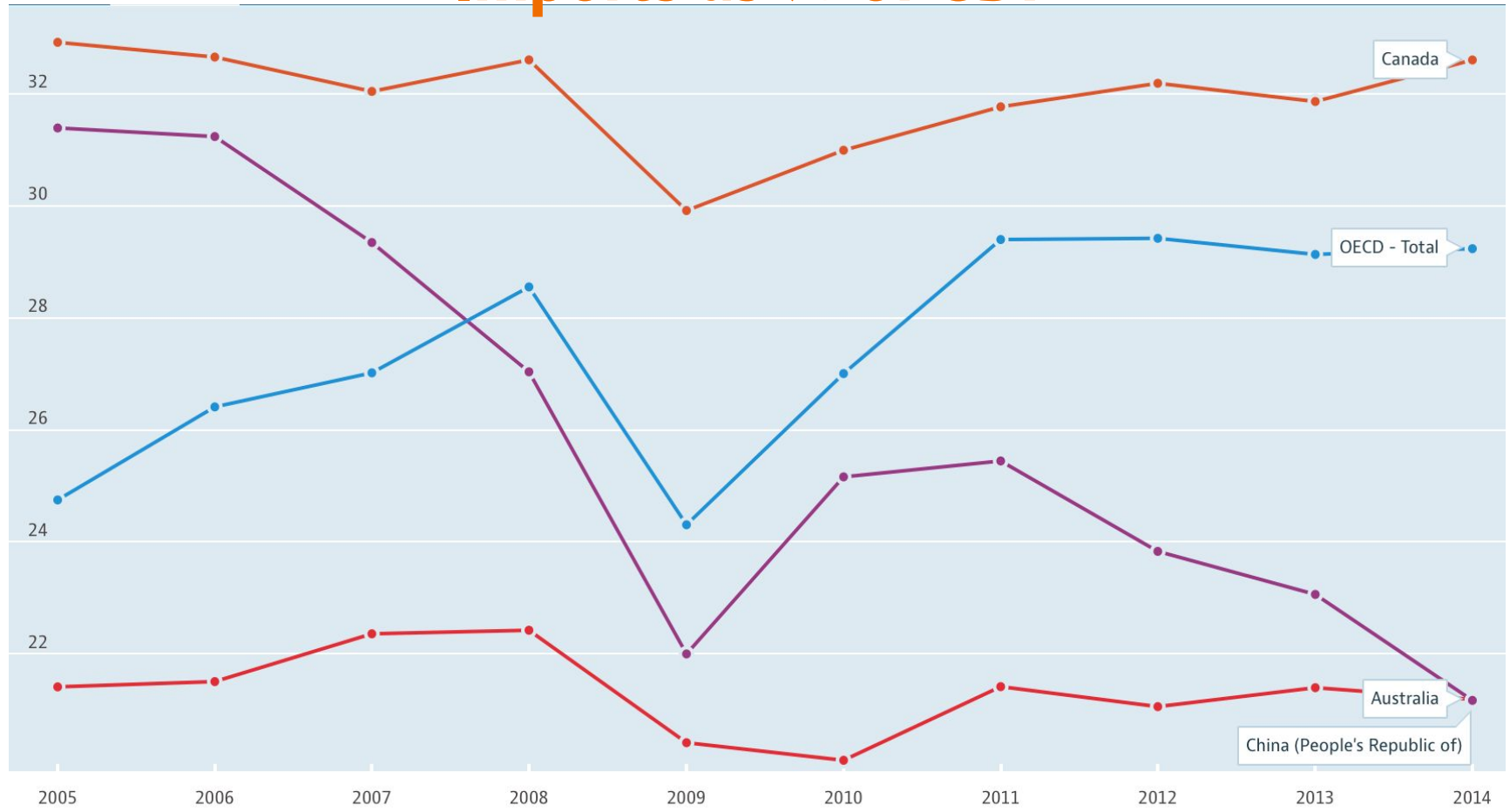


Table 2: How Australia Compares

Average 1996–2010 values

	Australia	Entire sample (120 countries)		OECD (30 countries)	
		Median	Australia's ranking	Median	Australia's ranking
Openness ratio (per cent)	41.8	69.9	102	70.4	28
Population (million)	18.7	9.5	41	10.4	13
Remoteness (km)	13 669	8 150	119	5 874	29
Trade policy liberalisation index ^(a)	8.6	6.7	27	8.8	19
GDP per capita (US\$'000)	21.3	2.7	20	23.1	17
Geographic size ('000 km ²)	7 687	226	6	256	3

(a) This index is scored between 1 and 10, with higher scores indicating greater liberalisation.

Sources: authors' calculations based on Central Intelligence Agency *World Factbook*, Institute for Economic Freedom, IMF *World Economic Outlook* and Penn World Tables

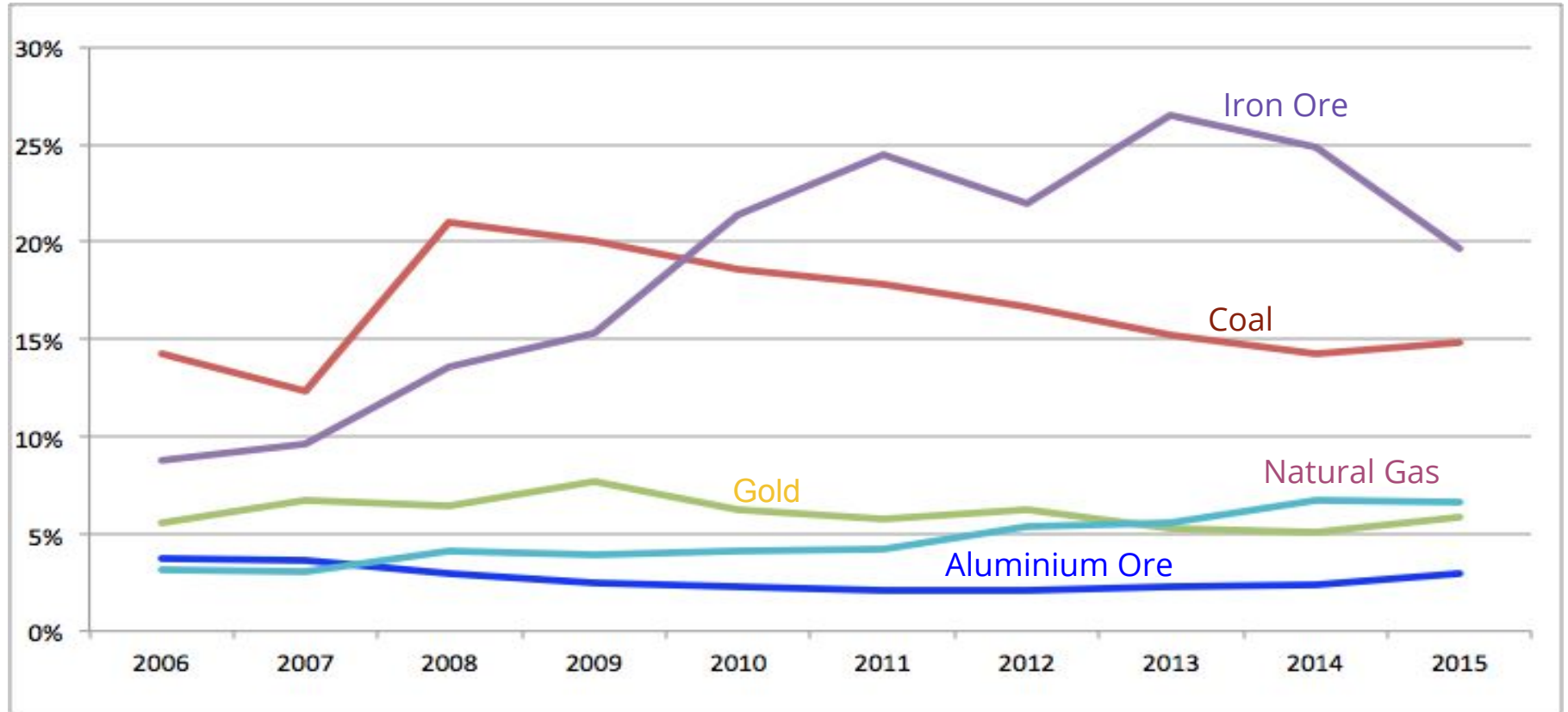
Australia's Top 5 Exports (2013-2015)

						% growth	
Rank	Commodity	2013	2014	2015	% share 2015	2014 to 2015	5 year trend
	Total (b)	318,388	326,700	315,748	100.0	-3.4	2.1
1	Iron ores & concentrates	69,492	66,008	49,100	15.6	-25.6	0.9
2	Coal	39,805	37,999	37,034	11.7	-2.5	-3.9
3	Education-related travel services (c)	15,010	17,046	18,659	5.9	9.5	3.2
4	Natural gas	14,602	17,743	16,446	5.2	-7.3	13.0
5	Personal travel (excl education) services	12,458	13,611	15,304	4.8	12.4	5.2

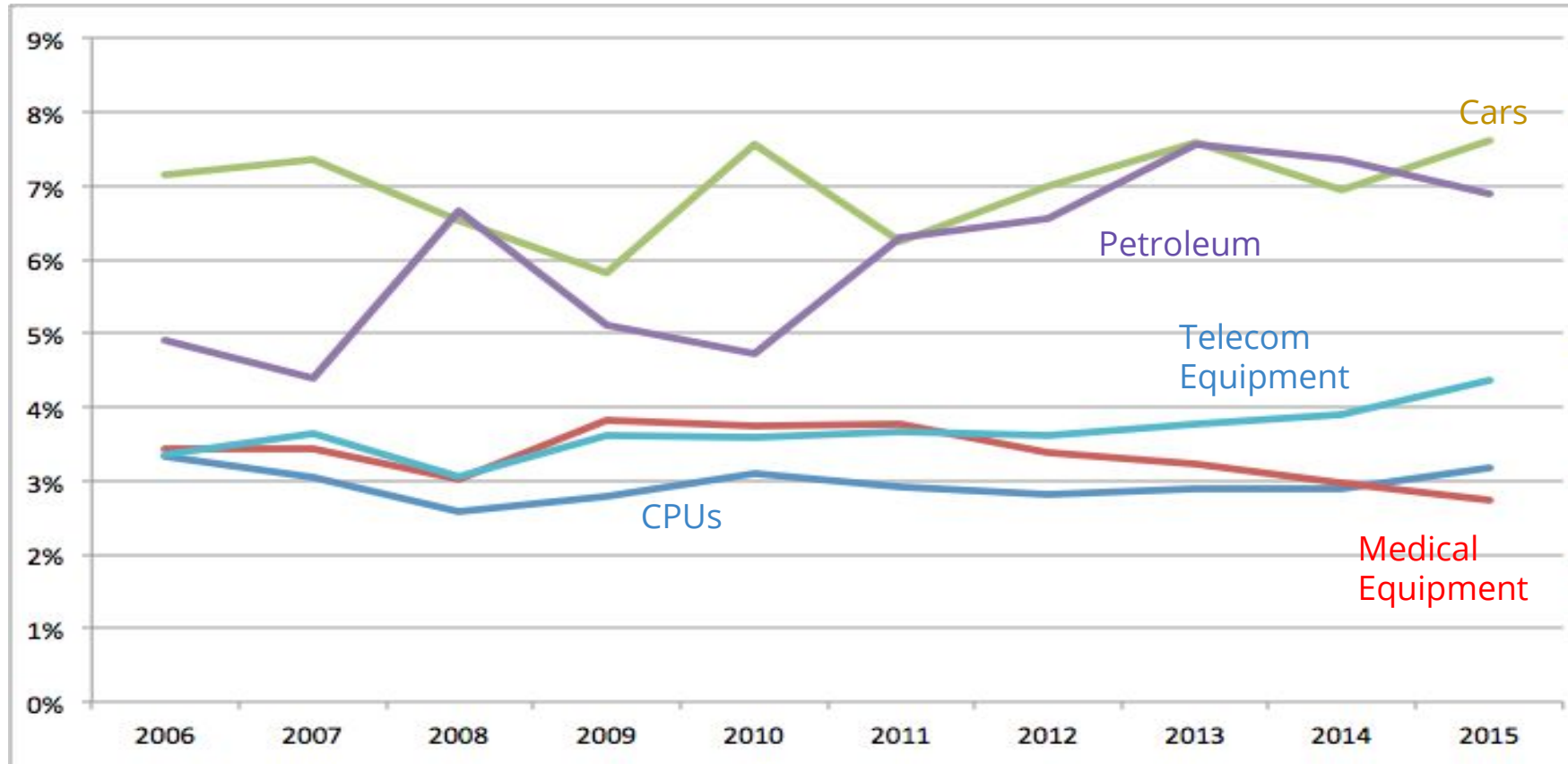
Australia's Top 5 Imports (2013-2015)

						% growth	
Rank	Commodity	2013	2014	2015	% share 2015	2014 to 2015	5 year trend
	Total (c)	326,211	335,553	352,711	100.0	5.1	4.5
1	Personal travel (excl education) services	24,962	25,231	27,046	7.7	7.2	5.3
2	Passenger motor vehicles	18,290	17,566	20,365	5.8	15.9	5.8
3	Refined petroleum	18,229	18,579	18,437	5.2	-0.8	12.1
4	Telecom equipment & parts	9,075	9,845	11,675	3.3	18.6	8.1
5	Freight services	9,349	9,702	10,248	2.9	5.6	4.0

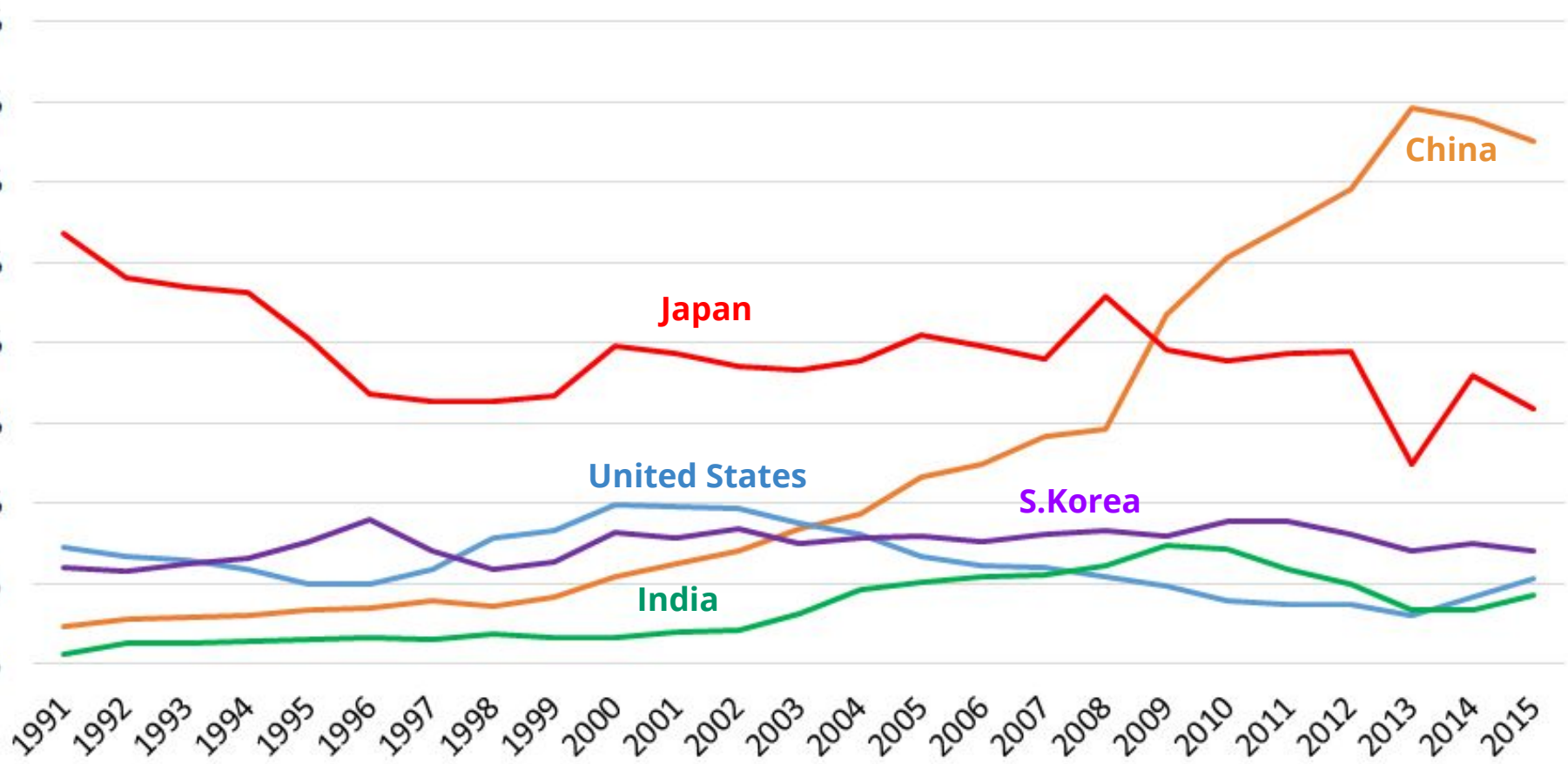
Australian Commodities Exports (2006-2015)



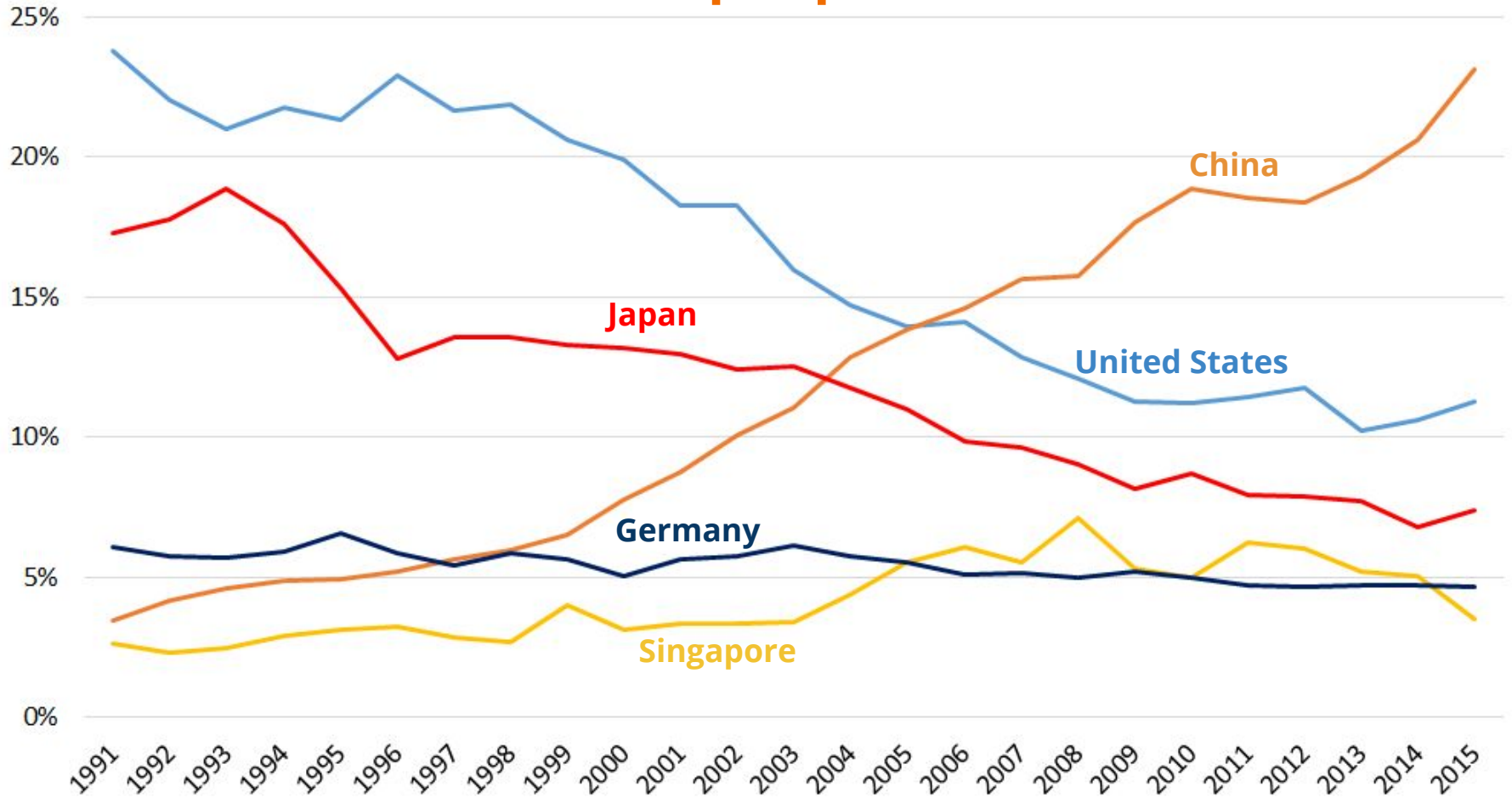
Australian Commodities Imports (2006-2015)



Australia's Top Export Partners



Australia's Top Import Partners



Trade Barriers

- Geographical Distance
 - Island country
 - Distance between Australia and USA/ Europe
- Tariffs
 - Many FTA's with frequently traded nations.
 - Cars and Alcohol
- Non- Tariff Barriers
 - Technical barriers
 - Others

Technical Barriers to International Trade		
<u>Country A</u>		<u>Country B</u>
Technical Regulations	C U S T O M S	Technical Regulations
Standards		Standards
Testing, Calibration Inspection		Testing, Calibration Inspection
Certification		Certification
Packaging		Packaging
Labelling		Labelling
Other requirements		Other requirements

Import Tariffs

- Car Import Tariff
 - **Motor Vehicles Standards Act**
 - Protect domestic car firm “Holden Ltd”
 - 33% import tariff on new luxury cars
 - In 2013 Holden announced it will cease production of cars and engines by the end of 2017
 - By 2018, changes in the Motor Vehicles Standards Act will allow Australians to import **new** cars and bypass the 33% tariff
 - Removal of the \$12,000 tariff on used cars
 - Luxury Car tax will remain on locally produced cars
 - Porsche



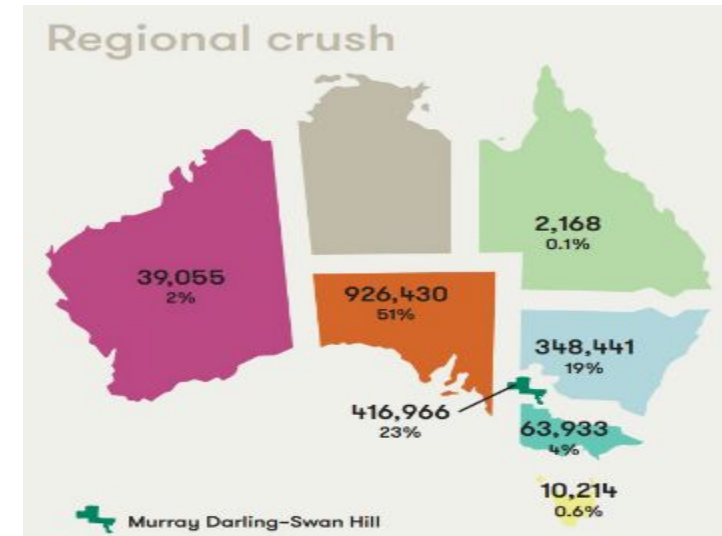
Holden Ute



Porsche 911 Carrera S

Import Tariffs

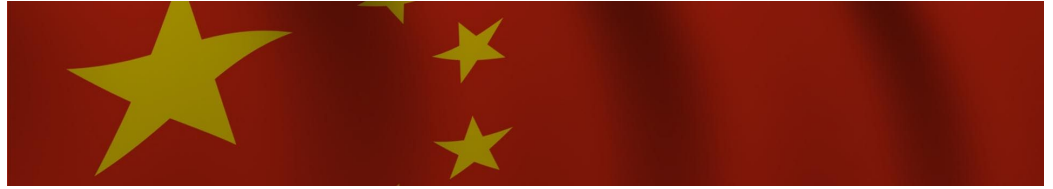
- Alcohol Import Tariff
 - **Wine Equalization Tax** - 29% tax levied on all imported and consumed wines
 - Protect Australian wine industry
 - 4th largest wine exporter
 - WET applies to the following beverages containing over 1.15% of ethyl alcohol:
 - Grape wine, including sparkling and some fortified wine
 - Grape wine products (such as marsala)
 - Fruit wines and vegetable wines
 - Cider, perry, mead and sake



Non-Tariff Barriers

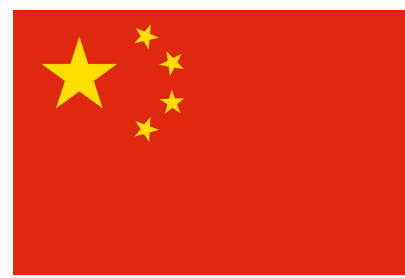
- **Singapore:** Significant import duties (7%) are levied on a small range of items: liquor, tobacco, petroleum products, and motor vehicles.
 - Strange laws: chewing gum ban
- **USA:** Many import goods must follow guidelines of FDA
- **Japan:** Import Quotas imposed on a variety of foods including some dairy products, seafood, cereals and grains.
 - In some countries, quota allocations for certain products are largely reserved for state-owned enterprises, and often applied to agricultural commodities such as dairy, wheat, barley and sugar. (SOE, Kieretsu, Chaebol)

Non-Tariff Barriers



- **China:** Stringent regulations are in place for food quality, safety and labelling, product testing and registration as well as requirements for adherence to Chinese standards
 - Often complicate or prevent Australian firms from entering Chinese markets
 - Chinese use of Metric system
- For example, Australian agricultural products such as meat, fish, fruit and vegetables require China and Australia to have a finalized import protocol prior to the opening of trade for that product
- Only agricultural products which strictly follow the terms of an agreed protocol are granted market access to China

Notable Free Trade Agreements



- **AANZFTA (2010)**

- Jointly negotiated FTA with New Zealand and ASEAN member countries

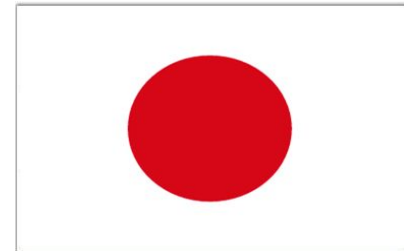
- **ChAFTA (2015)**

- China is Australia's largest export market for both goods and services
 - Accounts for one-third of total exports
- In 2015, total two-way trade between China and AUS valued at \$150 billion
 - 22.4% of total AUS two-way trade



- **JAPEPA (2015)**

- Third largest trade partner
- More than 99.5% of Australia's total exports to Japan will enter tariff free or receive preferential treatment when JAPEPA goes into full effect



Notable FTA's Continued

- **KAFTA (2014)**
 - Australia's fourth-largest trade partner
 - Tariff elimination on nearly all Australia's current exports
- **ANZCERTA (1983)**
 - FTA between Australia and New Zealand
 - Lead to average annual two-way trade growth between the two member nations of 6.6%
- **AUSFTA (2005)**
 - US is Australia's second largest two-way trading partner
 - Trade worth \$70.2 billion in 2015
 - 10.5% of total AUS two-way trade
 - All tariffs on imports from US eliminated, but US has eliminated most but not all tariffs on exports from Australia



Current Negotiations

- **European Union**

- In 2015, Australia and EU began process toward an FTA
- As a bloc, the EU is Australia's largest source of FDI, and second largest trading partner
- EU is Australia's largest services export market
- In 2015, total two-way trade between EU and AUS was valued at \$89 billion
 - 13.4% of total AUS two-way trade

- **India**

- Currently negotiating Comprehensive Economic Cooperation Agreement
- Australia is hoping that trade with India will become as lucrative as it is with China



Trade Policy Disputes

- **India**

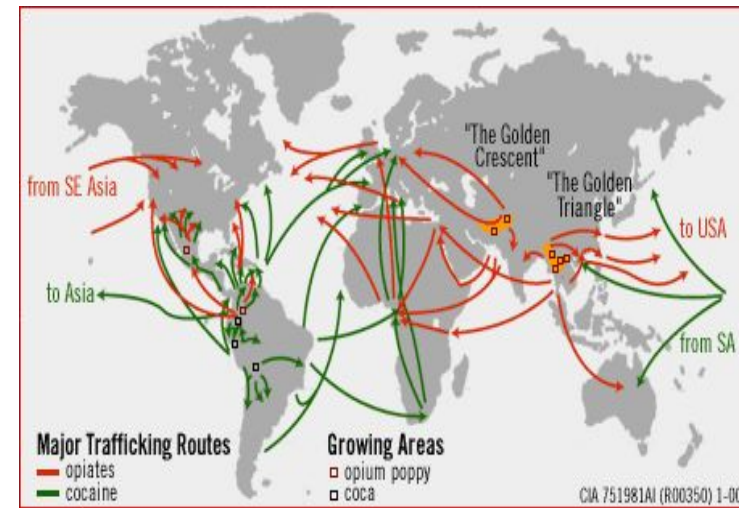
- Arguments over the wording of the FTA
- Australia is also having a hard time coming to terms with the fact that India is not quite ready to lower tariffs on agricultural and manufactured goods
 - As a labor intensive country, India is trying to protect their labor intensive industries



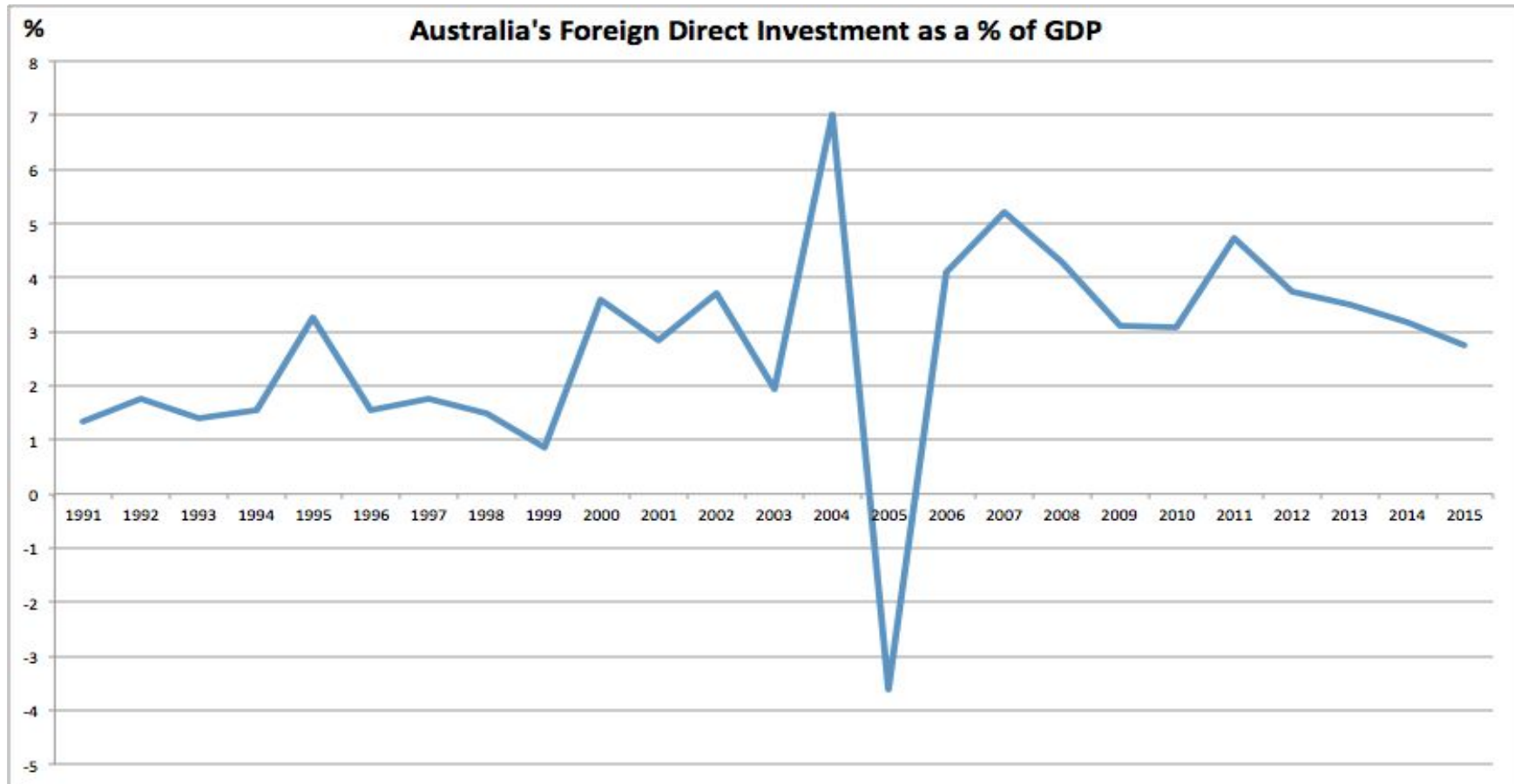
Trade Policy Disputes

● Indonesia

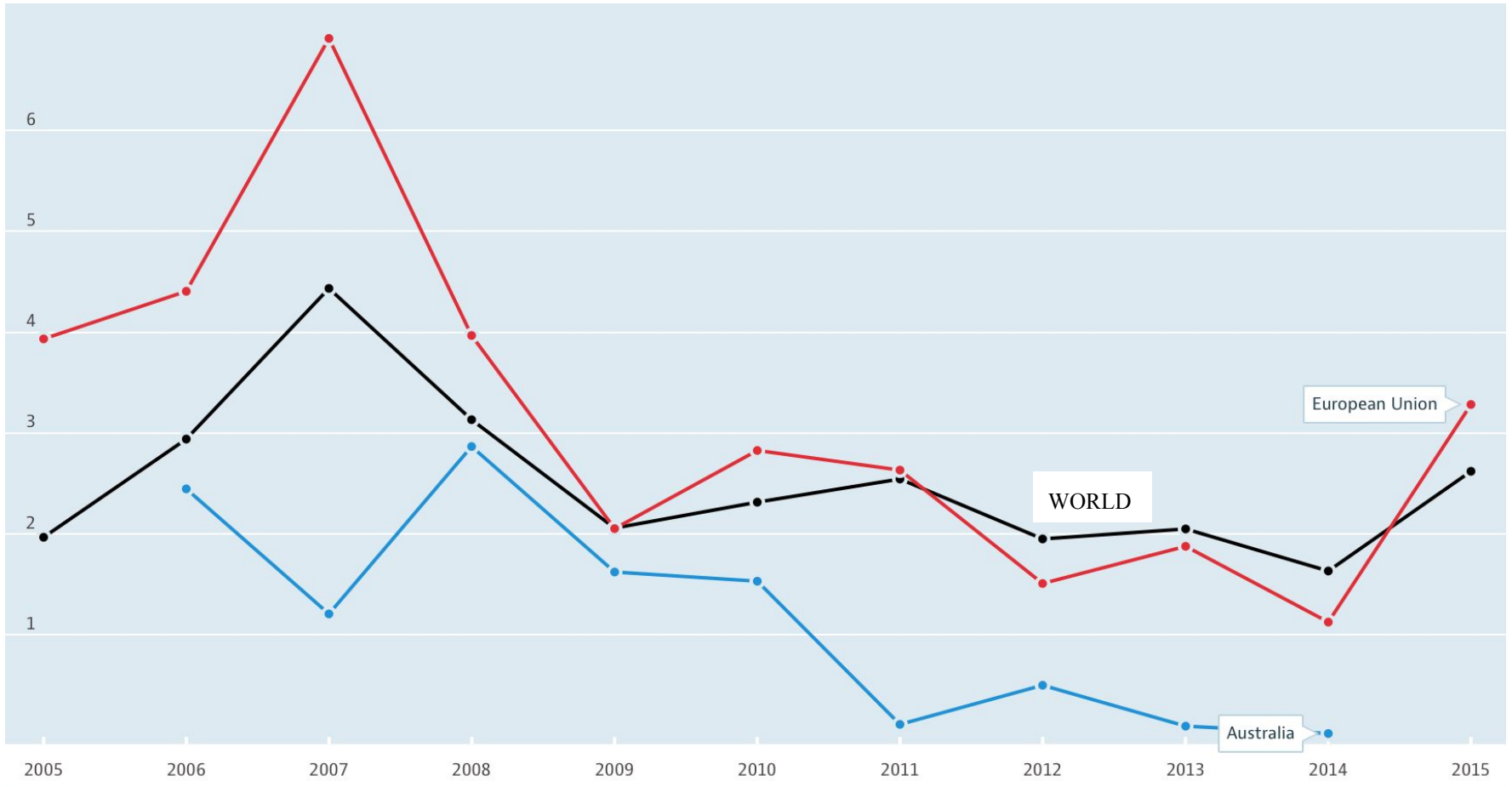
- Frictions over the “Bali 9” executions have raised tensions between the two nations, and stalled FTA negotiations
 - Nine international drug smugglers, two of whom were Australian, were caught smuggling Heroin out of Indonesia in 2005, and were executed by firing squad in 2015
 - Australian’s called for clemency
 - Indonesians respond with “coins for Abbott” campaign
- Those closer to trade matters say that Indonesia’s real problem is their “post-colonial protectionism”



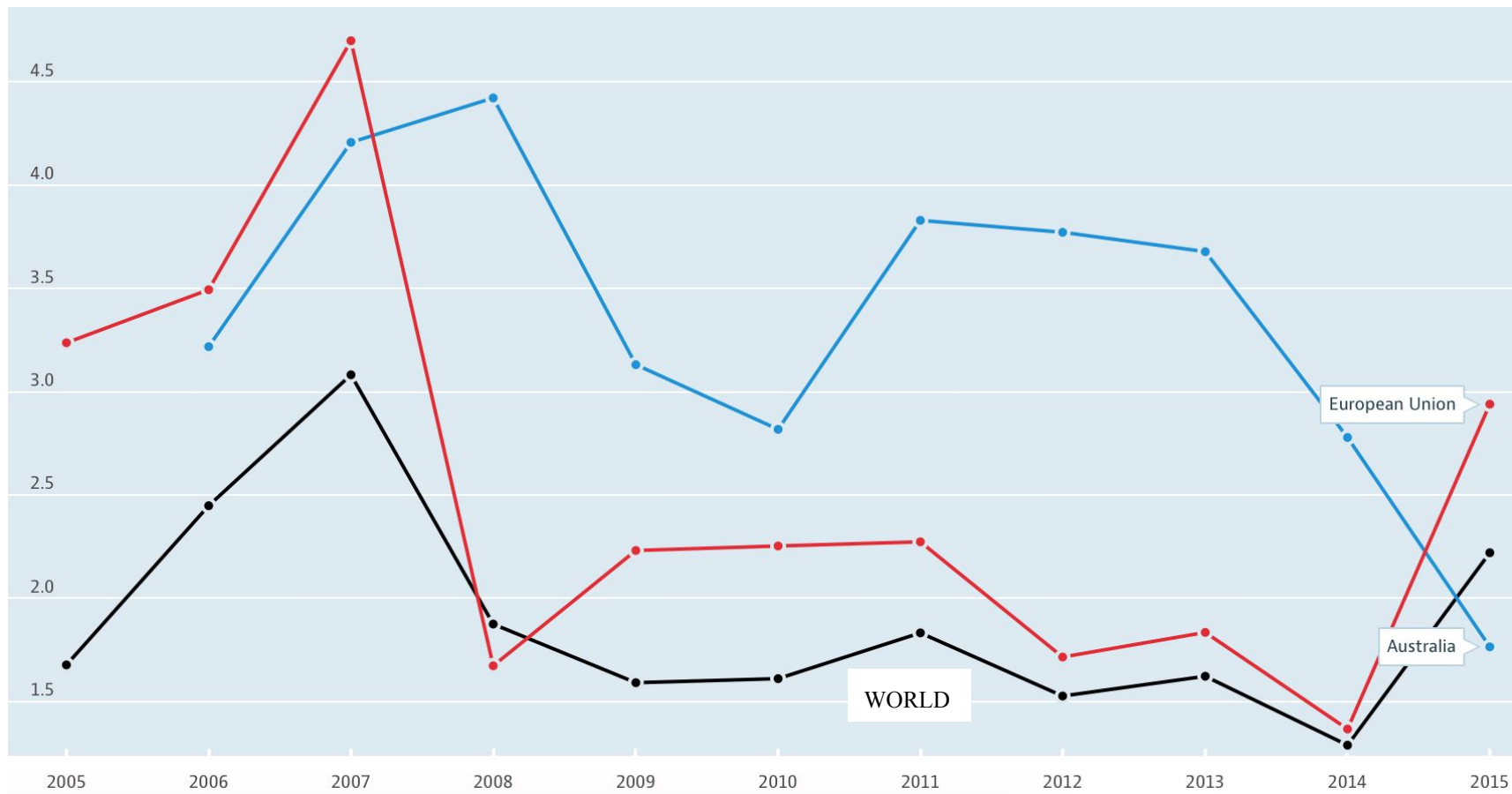
Australian FDI



Outward Flows of FDI as % of GDP



Inward Flows of FDI as % of GDP



Suggestions for Australia

- Australia has recently been ranked 23rd out of 138 countries in the World Economic Forum's global "enabling trade" index.
- This was a drop from 17th place in 2012 and 14th place in 2009. This has brought many to say that the Australian government needs to take action and work on improving trade performance.

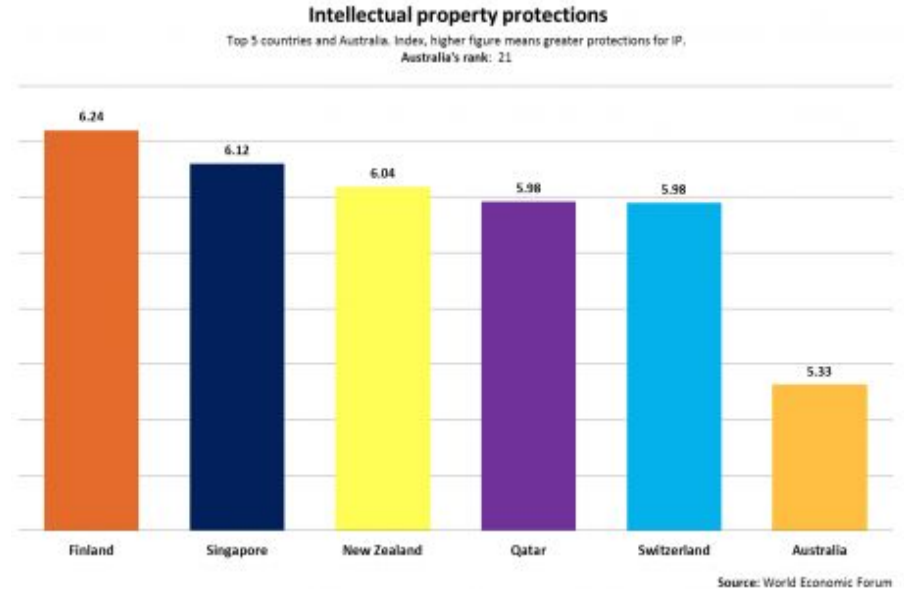
Country / Economy	Rank	Score (1-7)	Region*	Income†
Singapore	1	5.9	ADV	HIC
Hong Kong SAR	2	5.5	ADV	HIC
Netherlands	3	5.3	ADV	HIC-OECD
New Zealand	4	5.2	ADV	HIC-OECD
Finland	5	5.2	ADV	HIC-OECD
United Kingdom	6	5.2	ADV	HIC-OECD
Switzerland	7	5.2	ADV	HIC-OECD
Chile	8	5.1	SA	HIC-OECD
Sweden	9	5.1	ADV	HIC-OECD
Germany	10	5.1	ADV	HIC-OECD
Luxembourg	11	5.1	ADV	HIC-OECD
Norway	12	5.1	ADV	HIC-OECD
Japan	13	5.1	ADV	HIC-OECD
Canada	14	5.0	ADV	HIC-OECD
United States	15	5.0	ADV	HIC-OECD
United Arab Emirates	16	5.0	MENAP	HIC
Denmark	17	5.0	ADV	HIC-OECD
Austria	18	5.0	ADV	HIC-OECD
Qatar	19	4.9	MENAP	HIC
Belgium	20	4.9	ADV	HIC-OECD
France	21	4.9	ADV	HIC-OECD
Iceland	22	4.9	ADV	HIC-OECD
Australia	23	4.9	ADV	HIC-OECD
Taiwan, China	24	4.9	ADV	HIC

Suggestions

- Continue creating Free Trade Agreements
 - **Australian exporters face barriers** like a lack of access to foreign markets, transport costs and regulatory barriers. These barriers are mainly due to 'tyranny of distance' but also to regulatory and procedural arrangements for outbound and inbound trade.
 - **Australian trade policies, regulations and procedures** require attention in a similar manner to the many other areas of regulatory burden that are currently under scrutiny.
 - **This shows the importance of free trade and multilateral agreements**, including those with China and Japan, Australia's two largest trading partners, as well as the usefulness of the Trans-Pacific Partnership to Australia as these procedures could be reduced.

Suggestions

- Better intellectual property protections, but reinforce them as well. Australia ranks very low on this factor compared to many other countries, at 21st place.
 - Top 5: Finland, Singapore, New Zealand, Qatar, and Switzerland
 - Attract foreign investment
 - Help grow and protect growing service sectors



Australia's Wildlife Black Market



A Multi-Billion Dollar Industry

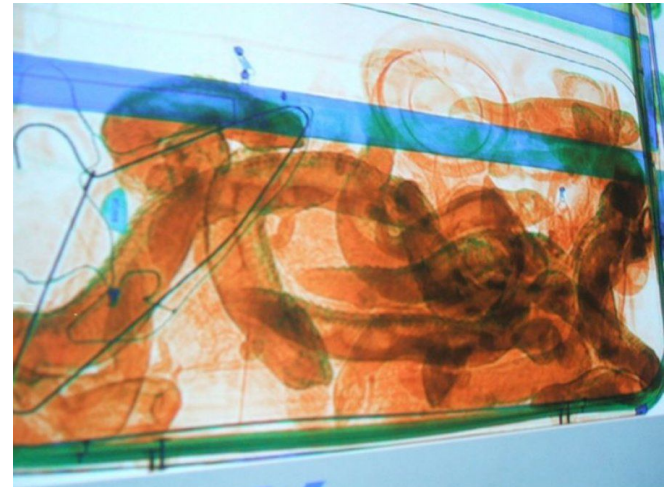
- From plants, birds, and especially reptiles, Australia's wildlife holds high value as popular trophies for individuals in the United States, Japan, and Europe
- According to a report released in February 2011 by the not-for-profit Global Financial Integrity organisation, the illegal wildlife trade is third only to that in drugs and human trafficking in both scope and value
 - While exact numbers vary, it is estimated that the Wildlife Black Market industry produces in excess of \$20 billion each year (1.5% of GDP)



Australian Black Cockatoo can fetch up to \$30k apiece

Exporting Them Around the World

- Highly organised criminal networks spanning several countries, including Australia, have been implicated in large-scale wildlife smuggling operations.
 - Sell their product mostly online via sites such as Ebay
- Such operations are often not only cruel, with many animals dying in the process, but also endanger wild populations because of overexploitation to supply the illicit trade.
 - Also threaten the fragile ecosystems they're extracted from



AUS border officials find 44 snakes and lizards in mans luggage



Questions?