Australia
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● Background Information & Economic overview
● In-depth trade analysis
● Suggestions for Australia
● Wildlife black market
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Australia is an attractive and dynamic investment destination, where the government has withdrawn from most areas of the market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
Imports as % of GDP
<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>Entire sample (120 countries)</th>
<th>OECD (30 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Median</td>
<td>Australia’s ranking</td>
<td>Median</td>
</tr>
<tr>
<td>Openness ratio (per cent)</td>
<td>41.8</td>
<td>69.9</td>
<td>70.4</td>
</tr>
<tr>
<td>Population (million)</td>
<td>18.7</td>
<td>9.5</td>
<td>10.4</td>
</tr>
<tr>
<td>Remoteness (km)</td>
<td>13 669</td>
<td>8 150</td>
<td>5 874</td>
</tr>
<tr>
<td>Trade policy liberalisation index(^{(a)})</td>
<td>8.6</td>
<td>6.7</td>
<td>8.8</td>
</tr>
<tr>
<td>GDP per capita (US$’000)</td>
<td>21.3</td>
<td>2.7</td>
<td>23.1</td>
</tr>
<tr>
<td>Geographic size ('000 km(^2))</td>
<td>7 687</td>
<td>226</td>
<td>256</td>
</tr>
</tbody>
</table>

(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)

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

<table>
<thead>
<tr>
<th>Rank</th>
<th>Commodity</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>% share 2015</th>
<th>2014 to 2015</th>
<th>5 year trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Personal travel (excl education) services</td>
<td>24,962</td>
<td>25,231</td>
<td>27,046</td>
<td>7.7</td>
<td>7.2</td>
<td>5.3</td>
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<tr>
<td>2</td>
<td>Passenger motor vehicles</td>
<td>18,290</td>
<td>17,566</td>
<td>20,365</td>
<td>5.8</td>
<td>15.9</td>
<td>5.8</td>
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<tr>
<td>3</td>
<td>Refined petroleum</td>
<td>18,229</td>
<td>18,579</td>
<td>18,437</td>
<td>5.2</td>
<td>-0.8</td>
<td>12.1</td>
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<tr>
<td>4</td>
<td>Telecom equipment &amp; parts</td>
<td>9,075</td>
<td>9,845</td>
<td>11,675</td>
<td>3.3</td>
<td>18.6</td>
<td>8.1</td>
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<td>5</td>
<td>Freight services</td>
<td>9,349</td>
<td>9,702</td>
<td>10,248</td>
<td>2.9</td>
<td>5.6</td>
<td>4.0</td>
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</tbody>
</table>
Australian Commodities Exports (2006-2015)
Australian Commodities Imports (2006-2015)
Australia’s Top Export Partners

- China
- Japan
- United States
- India
- S.Korea
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

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Technical Barriers to International Trade

<table>
<thead>
<tr>
<th>Country A</th>
<th>Country B</th>
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<tbody>
<tr>
<td>Technical Regulations</td>
<td>Technical Regulations</td>
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<tr>
<td>Standards</td>
<td>Standards</td>
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<tr>
<td>Testing, Calibration Inspection</td>
<td>Testing, Calibration Inspection</td>
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<tr>
<td>Certification</td>
<td>Certification</td>
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<tr>
<td>Packaging</td>
<td>Packaging</td>
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<tr>
<td>Labelling</td>
<td>Labelling</td>
</tr>
<tr>
<td>Other requirements</td>
<td>Other requirements</td>
</tr>
</tbody>
</table>
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
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

- **JAEPA (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 JAEPA 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

Australia's Foreign Direct Investment as a % 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.

<table>
<thead>
<tr>
<th>Country / Economy</th>
<th>Rank</th>
<th>Score (1–7)</th>
<th>Region*</th>
<th>Income†</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>1</td>
<td>5.9</td>
<td>ADV</td>
<td>HIC</td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>2</td>
<td>5.5</td>
<td>ADV</td>
<td>HIC</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3</td>
<td>5.3</td>
<td>ADV</td>
<td>HIC-OECD</td>
</tr>
<tr>
<td>New Zealand</td>
<td>4</td>
<td>5.2</td>
<td>ADV</td>
<td>HIC-OECD</td>
</tr>
<tr>
<td>Finland</td>
<td>5</td>
<td>5.2</td>
<td>ADV</td>
<td>HIC-OECD</td>
</tr>
<tr>
<td>United Kingdom</td>
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<td>5.2</td>
<td>ADV</td>
<td>HIC-OECD</td>
</tr>
<tr>
<td>Switzerland</td>
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<td>Chile</td>
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<td>SA</td>
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<td>Sweden</td>
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<td>Luxembourg</td>
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<td>Norway</td>
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<td>Japan</td>
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<td>United Arab Emirates</td>
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<td>Australia</td>
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<td>Taiwan, China</td>
<td>24</td>
<td>4.9</td>
<td>ADV</td>
<td>HIC</td>
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</tbody>
</table>
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).
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?