



Celebrating
50 years: EU-Australia

The EU-Australia *Economic* relationship

Over the past 50 years, the EU and Australia have seen consistent growth in bilateral trade and investment. The EU is Australia's second-largest trading partner in goods and services and its largest investment partner.

As Australia's second-largest trading partner in goods and services, and its largest investment partner, the EU's economic engagement with Australia remains significant and continues to expand.

Right: Oilseeds are one of Australia's top five merchandise exports to the EU, valued at \$1 billion.

A strong economic and trade relationship has always been a key feature of engagement between the European Union and Australia. As the EU expanded from six to nine, to 10, 12, 15, 25, 27, and now, 28 Member States, so have its trade and investment linkages with Australia. This was particularly apparent with the accession of the United Kingdom in 1973, although in more recent years, other Member States have assumed an increasingly important presence in the relationship. Despite Europe's current economic challenges, the EU remains an essential economic partner for Australia. This is reflected in the consistent growth of bilateral trade and investment over the past five decades, and is expected to continue in future decades.

The EU and Australia engage on economic and trade issues in an increasingly wide range of forums, with cooperation at the bilateral, plurilateral and multilateral levels. A like-minded approach has seen both sides overcome more entrenched differences and enabled the pursuit of common objectives, whether through the WTO, the G20 or in sector-specific bilateral discussions.

The EU-Australia economic relationship is highly integrated, with diverse trade flows, and substantial investment stocks reflecting its longstanding nature. As Australia's second-largest trading partner in goods and services, after China, and its largest investment partner, the EU's economic engagement with Australia remains significant and continues to expand. This point is sometimes lost amid the refocusing on Australia's growing trading relationships with its regional Asian partners.

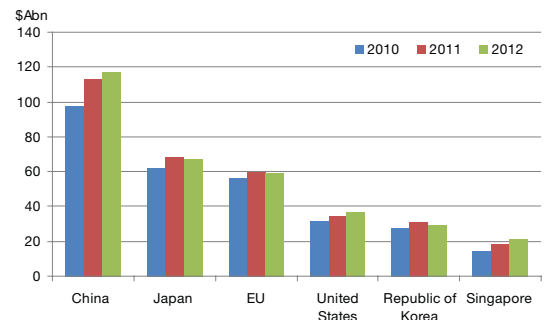


EU companies directly created close to 500,000 jobs in Australia, and they were indirectly responsible for an additional 940,000 jobs.

Significant partners in merchandise trade

The EU is Australia's third-largest merchandise trade partner, with two-way trade valued at \$59.7 billion in 2012 (12.2% of Australia's total). Between 1996 and 2007, the EU was Australia's most important merchandise trade partner. However, the impressive growth of Australia's trade with its regional Asian partners, combined with sharply rising commodity prices has since seen it overtaken by China and Japan.

In 2012, the EU was Australia's fourth-largest merchandise export market, accounting for \$17.1 billion (7% of Australia's total exports), behind China (\$73 billion; 30%), Japan (\$48 billion; 19%) and the Republic of Korea (\$20 billion; 8%). Within the past decade there has been a significant surge in commodities trade with Asia, rapidly boosting Australia's exports to its Asian neighbours. In contrast, Australia's exports to the EU are yet to rebound from the lows experienced during the global financial crisis, somewhat resembling Australia's export performance to other developed economies, such as the United States and New Zealand. >



Australia's two-way merchandise trade with its major partners, 2010-2012





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The EU has been Australia's largest two-way investment partner since 2006 when it surpassed the United States.

AUSTRALIA'S TOP MERCHANDISE EXPORTS TO THE EU IN 2011

- Coal (\$4.6 billion: representing 23% of Australian exports to the EU and 10% of Australia's total coal exports)
- Gold (\$4.4 billion: 22%; 29%)
- Oilseeds (\$1.0 billion: 5%; 80%)
- Alcoholic beverages (\$0.7 billion: 3%; 33%)

AUSTRALIA'S TOP MERCHANDISE IMPORTS FROM THE EU IN 2011

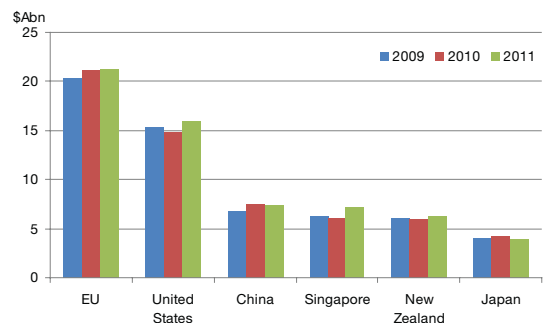
- Medicaments (\$5.7 billion, representing 14% of Australian imports from the EU and 66% of Australia's total imports of medicaments)
- Passenger motor vehicles (\$4.2 billion: 11%; 30%)
- Civil engineering equipment and parts (\$1.2 billion: 3%; 29%)
- Pharmaceutical products (\$1.1 billion: 3%; 53%)

The EU is Australia's second-largest source of merchandise imports, which were valued at \$42.6 billion (18%) in 2012, behind only China, which accounted for \$44.5 billion (18%) of Australian imports. Australian merchandise imports from the EU increased by 5% in 2012, although they still remained 10% below the peak achieved in 2008, before the full onset of the GFC.

Although Australia generated an overall trade surplus in goods in 2012 of \$6.2 billion, it continues to operate a merchandise trade deficit with the EU. This deficit was valued at a record \$25.6 billion in 2012, up 23% on 2011, as Australia's exports to the EU decreased by \$2.5 billion, while its imports from the EU rose by \$2.2 billion.

Services – a key feature of the trade relationship

The EU and Australia continue to enjoy a strong relationship with regard to trade in services. The EU is Australia's largest partner in two-way services trade, accounting for 19.6% (\$21.3 billion) of Australia's total two-way services trade in 2011. Australia's two-way trade in services continues to grow steadily, outperforming many of Australia's other major services trading partners.



Australia's two-way services trade with its major partners, 2009–2011



The EU is Australia's largest market for services exports. It also constitutes Australia's largest source of services imports, representing 16% (\$8.3 billion) and 22% (\$13.1 billion) respectively of Australia's total services exports and imports in 2011. From the EU's point of view, Australia is the EU's 10th largest trading partner in services. The bulk of two-way trade in services consists of travel services, largely personal travel, but also business travel and education related travel, in total accounting for more than half of two-way services trade. The EU is Australia's third largest partner in education-related services, after China and India.

Services account for more than one quarter of total trade between the EU and Australia, reflecting the sizeable presence of the services sector in both economies and existing opportunities for trade. In comparison, services represent just 6% of Australia's total trade with its two largest merchandise trading partners, China and Japan.

Enduring investment linkages

The EU's status as a significant global investor and recipient of foreign investment is reflected in its strong investment links with Australia. The EU has been Australia's largest two-way investment partner since 2006 when it surpassed the United States. It is Australia's largest source of investment, accounting for about 33% (\$637 billion) of total investment stocks in 2011. While the EU's total foreign investment in Australia has fallen slightly in the past couple of years, it still exceeds that of the United States and remains well above Australia's other major investment partners. Significantly, the EU is also the largest supplier of foreign direct investment to Australia, at \$143 billion in 2011 (+4.5% on 2010). This represents 28% of Australia's inward foreign direct investment stocks, ahead of the United States' 24% share and Japan's 10%. >

Above: Karel De Gucht, Member of the EC in charge of Trade with Craig Emerson, Australian Minister for Trade at the World Trade Organisation (WTO) in Geneva in December 2011.

Middle: Australia imports 53% of all its pharmaceutical products from the EU.

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The data cited in this article is based on the following sources: Australian Bureau of Statistics 2013. International Trade in Goods and Services. December 2012. cat. no. 5368.0; Australian Bureau of Statistics 2012. International Trade in Services by Country, by State and by Detailed Services Category. Calendar Year. 2011. cat. no. 5368.055.004; Australian Bureau of Statistics 2012. International Investment Position. Australia: Supplementary Statistics. Calendar Year 2011. cat. no. 5352.0; Australian Department of Foreign Affairs and Trade 2012. Composition of Trade Australia 2011. DFAT, Canberra.





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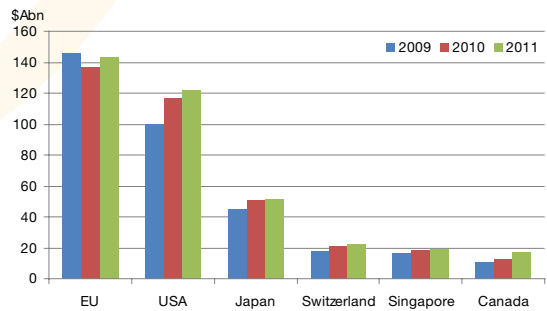


Left: Gold represents 22% of Australia's exports to the EU.

Above: The bulk of two-way trade in services consists of travel services.

The EU is also an important destination for Australian investment overseas accounting for 30% (\$356 billion) of total Australian overseas investment in 2011. This makes it Australia's second largest destination for overseas investment after the United States. The EU is also the second-largest recipient of Australian foreign direct investment after the United States, representing 22% of Australia's outward foreign direct investment stocks.

Nearly 2400 EU companies had a presence in Australia in 2009. These companies had a total estimated turnover of almost \$270 billion (just over 14% of total sales in Australia), according to a survey conducted by the then-European Commission Delegation in Australia, in cooperation with EU diplomatic missions. The survey also found that EU companies directly created close to 500,000 jobs in Australia, and were possibly responsible for an additional 940,000 jobs with the flow-on (multiplier) effects of EU company activities. This makes total direct and indirect employment generated by EU investment equivalent to more than 1.4 million jobs, or just over 12% of the Australian workforce.



Level of foreign direct investment in Australia by selected major partners, 2009-2011

The previous survey in 2006 showed that the major areas of turnover by EU companies were in the manufacturing and finance and insurance sectors. Other important areas included mining, wholesale trade activities and construction.

The EU and Australia can look forward to a continued, strong relationship in trade and economics with opportunities for growth. •