

Europe information

Commission of the European Communities
Spokesman's Group
and Directorate-General for Information

B-1049 BRUSSELS
Rue de la Loi, 200
Tel. 735 0040 (Ext. 5120 and 3843)
Telex 21877 COMEU B

External Relations

8/78

AUSTRALIA AND THE EUROPEAN COMMUNITY

CONTENTS

Some basic data	3
Agricultural production	3
Mineral production	3
Trade and payments	4
Australian external trade	4
Australian trade with the Community	5
Community—Australian relations	6
Trade relations	6
Shared interests	7

Reproduction authorized, with or without indication or origin. Voucher copies would be appreciated.

June 1978

NOTICE

Subscribers to 'EUROPE-INFORMATION' are requested to note that from Issue No 1/78 this publication will be distributed by the services of the Office for Official Publications in Luxembourg.

Any change of address should be notified to:

Mr MARASCHIN
OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES
Boîte postale 1003 — 5, rue du Commerce
L — LUXEMBOURG

However, any requests for new subscriptions or additional information concerning this publication should be addressed to:

COMMISSION OF THE EUROPEAN COMMUNITIES
Spokesman's Group and Directorate-General for Information
Publications Distribution Service
Berlaymont 2 - 27 A
Rue de la Loi, 200
B — 1049 BRUXELLES
Tel. 735 00 40 / ext. 5120 or 2346

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 (1976) was 13.6 million (the EEC 258.8 million in 1976) 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 1976 was USD 84.4 thousand million (USD 6 252 *per capita*) compared with the Community's USD 6 039 *per capita* in 1977.

Although Australia is an advanced industrialized country, *agriculture* has a major place: employing only 6% of the workforce and contributing only 7% to the GDP, it nevertheless accounts for 46% of Australian exports. Australia produces nearly one-third of the world's wool, this wool being the largest agricultural source of export earnings. Beef production, cereals (wheat, barley, oats), dairy products and sugar are other major items of agricultural production.

Agricultural production

	1975/76	1976/77
Wheat 1 000 tons	119	117
Wool 1 000 tons	754	703
Beef/Veal 1 000 tons	1 840	1 934
Mutton/Lamb 1 000 tons	588	551
Sugar 1 000 tons	2 854	3 296
Cattle 1 000 head	10 615	11 630
Sheep 1 000 head	16 781	16 451
Pigs 1 000 head	3 295	3 464

Australia is one of the world's largest 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: in 1976 it furnished some 70% of domestic needs. Crude oil reserves are currently put at 336 million tons. Lastly, Australia has an estimated 20% of the world's resources of uranium. In August 1977 the Government decided to allow production and export of uranium and Australia is likely to become a leading supplier in the 1980s.

Mineral production

	1975/1976	1976/1977
Coal million tons	69.5	75.7
Crude Petroleum 1 000 m ³	23.9	24.5
Iron Ore million tons	92.7	95.6
Bauxite million tons	21.1	25.5
Natural Gas million m ³	5 388	6 365

Manufacturing industry employs 22% of Australia's work force (1976) and accounts for over one quarter of the GDP. Iron and steel (7.8 million tons of crude steel produced in 1976), 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 overall balance of payments deficits of Australian Dollar 1 020 million in 1975-76 and Australian Dollar 492 million in 1976-77. Trade has been healthily in balance over recent years, and in 1976/77 both imports and exports were at record levels. Exports increased both in volume and in value: in value terms the biggest increases were for wool, metal ores, coal, metal manufactures, meat, chemicals and sugar. The main imports increases were in machinery, transport equipment, petroleum, chemicals and plastics, paper, textiles and foodstuffs.

Australian external trade

(Million Dollars f.o.b.)

	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77
Imports	4 008	4 121	6 085	8 080	8 240	10 414
Exports	4 893	6 214	6 914	8 726	9 640	11 647
Balance	+ 885	+ 2 093	+ 829	+ 646	+ 1 400	+ 1 233

Source: Central Statistical Section, Australian Dept. of Overseas Trade.

Agriculture and minerals account for about 77% of Australian exports, but the proportion of manufactures is steadily rising, and now stands at somewhat over 20%. Exports of minerals rose from Australian Dollar 100 million in 1965/66 to Australian Dollar 650 million in 1975/76.

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

Exports

(Percentages of total)

	1948/49	1958/59	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77
To: the EC Nine	61.5	48.9	18.8	20.1	16.3	15.3	14.8	16.0
of which the UK	42.4	31.4	9.2	9.6	6.6	5.4	4.2	4.5
the USA	6.0	17.2	12.6	12.2	10.8	9.6	10.1	8.6
Japan	1.4	7.6	27.8	31.1	31.2	27.6	32.6	33.9

Imports

(Percentages of total)

	1948/49	1958/59	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77
From: the EC Nine	54.6	49.1	34.4	32.4	27.9	29.6	27.0	24.8
of which the UK	50.1	38.6	20.9	18.6	13.9	15.0	13.5	10.9
the USA	10.0	13.6	21.8	20.9	22.2	20.6	20.1	20.7
Japan	0.4	3.8	15.7	17.9	17.8	17.6	19.5	20.6

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 16.9% in 1976/77; and from 42% for imports in 1948/49 to 9.6% in 1972/73 and 4.5% in 1976/77. 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, but last year were one fifth of the total. Japan is now the biggest market of Australian wool, iron ore and coal, and is important 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

(USD million)

	1973	1974	1975	1976	1977
Australian imports					
— from EC	1 876.0	2 893.9	2 640.1	2 692.9	3 046.1
— from UK	991.7	1 403.4	1 395.2	1 238.7	1 325.0
Australian exports	1 872.1	1 980.8	1 990.1	2 524.1	2 393.6
— to EC	1 872.1	1 980.8	1 990.1	2 524.1	2 393.6
— to UK	840.1	730.2	606.5	712.2	605.9
EC balance with Australia	+ 3.9	+ 913.1	+ 650.0	+ 168.8	+ 652.5

Source: ECSD.

While the Community took around 15% of Australian exports (and furnished 24% of imports) less than 2% of EC exports went to Australia. Trade is to a large degree complementary. Some 96% of Community exports to Australia consist of industrial products, transport equipment accounting for no less than half. Australia supplies the Community with raw materials (it is for instance the leading source of zinc and aluminium), agricultural produce and a few specialized manufactures.

Recent years however have shown a major shift in the composition of Australian exports to the Community. Food products, beverages and tobacco accounted for 28% of the total in 1973; the percentage fell to 16% in 1977. While the shares of manufactures (20 ½%) and raw materials (47%) have remained stable, the share of energy products has risen from 2 ½% to 16% during the period. Imports into the Community of coal and iron ore rose considerably during the period 1972 to 1976. Among manufactured products EC imports of steel have shown a notable increase: 200 000 t. in 1975, 564 000 t. in 1976 and 512 000 t. in 1977.

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 UK in the mechanisms of the Common Agricultural Policy.

Dairy produce and beef are products on which the CAP 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. Indeed, exports to the Community of beef, sheepmeat, cereals, sugar and fresh fruit fell some 80% over the four years 1973-77 (but exports to the rest of the world of these products rose some 25%, beef exports in 1977 being at a record level). 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 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, Mr Fraser, Prime Minister in June 1977, and Mr V. Garland, Minister for Special Trade Representations, in February and June 1978.

The regular EC-Australian consultations cover a wide range of economic and commercial problems. They include: problems of access to the Community market for Australian agricultural products, the uncertainties for EC exporters arising from relatively high and mainly unbound Australian tariffs, the positions of the two parties in the GATT Multilateral Trade Negotiation, their respective Development Aid policies, particularly in the Pacific and South East Asia areas, and the Community's rising needs for many mineral resources which Australia can furnish. The range of the consultations will doubtless widen in due course. 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.

Trade relations

British accession to the Community in 1973 and adoption of the CAP has undoubtedly has a very adverse effect on Australia's access to the British market for a number of agricultural products, and more notably on beef, wheat, and dairy products for which Australia is seeking improved opportunities as regards access to the Community market.

The Community view however is that as these and other agricultural products are the subject of multilateral negotiation in the MTN, that this is a more appropriate setting for possible concessions than a bilateral deal. Australia has entered into negotiations with the Community over its steel exports to the Community.

For the Community on the other hand, the relatively high tariff protection of Australian industry constitutes a problem for EC exporters. The average Australian tariff on manufactured products is 30% compared with 9% for the EC; moreover only 20% of Australian customs duties are bound in GATT, compared with 90% for the Community. The average level of tariffs imposed on imports from the Community is 16%, while, owing to the fact that the great bulk of Australian exports to the Community enter duty-free, the average incidence is only about 1%. The Community is also concerned about measures reducing imports from the Community cf. footwear, textiles, motor vehicles, domestic electric appliances and brandy.

Shared interests

Notwithstanding the major problems mentioned above and many minor ones also, it is clear to both sides that these problems are dwarfed by their mutual and shared interests. The Community and Australia are partners in many international institutions, notably OECD, GATT, UNCTAD, the IMF. In GATT Australia is one of the Community's leading negotiating partners. In these and other fora there is wide agreement on basic aims and strategies. Economically, the EC and Australia are likely over the long run to develop an increasing degree of complementarity both in trade and in development: there is, for instance, a large potential for the use of EC investment capital in the coal and uranium sectors. The Community, moreover, is likely to become increasingly dependent on Australia for various 'strategic' non-ferrous metals, of which Australia is already a leading supplier.

'EXTERNAL RELATIONS' 'EUROPE INFORMATION'

The following copies of 'Europe Information' are still available, and may be obtained from:

Spokesman's Group and Directorate-General for Information
Publications distribution service, Room 2/27 A
Commission of the European Communities
Rue de la Loi, 200
B-1049 Brussels (Belgium)

- 1/78 The European Community and Canada
- 2/78 The European Community and ASEAN
- 3/78 Latin America and the European Community
- 5/78 Spain and the European Community
- 6/78 List of main EEC agreements with other countries
- 7/78 Portugal and the European Community
- 9/78 Turkey and the European Community

