3.0 FOREIGN TRADE

3.1 Trade with World

Trade is very important for Australia's small, open economy. Exports in 2001 totaled US$80 billion, 22.4 percent of the nation's nominal gross domestic product. Australian imports were US$78.5 billion in 2001, generating a trade surplus of US$1.5 billion. Australia's trade balance improved over 2001 due to the combination of the lower value of the Australian dollar, stronger global commodity prices, and economic growth, driven largely by sectors with a small amount of imports.

3.1:1 Total export values:

In 2000, Australian exports grew by 25 percent to reach a total value of A$143 billion, representing the best export growth Australia had experienced for 21 years. This figure increased again in 2000-01, to A$ 154 billion.

After exceptional growth in 2000 and 2001, **exports of goods and services fell 2.3 per cent in 2002,** with all major export categories recording falls. This result largely reflected a 2.2 per cent fall in **export prices** in 2002, due to the impact of subdued global economic growth on commodity prices and the **appreciation of the Australian dollar** (the Australian dollar appreciated in both US dollar and trade weighted index terms by 4.4 per cent on average in 2002 compared to 2001).

Volumes of goods exports rose 1 per cent in 2002 (following strong growth of 9.9 per cent and 3 per cent in 2000 and 2001 respectively), with a 3.4 per cent increase in non-rural export volumes being partially offset by a 5.3 per cent fall in rural export volumes, due in part to the impact of the current drought.

The **value of goods and services exports in 2002** - at $151 billion - remains around record levels. Goods and services exports grew strongly in 2000 and 2001 due to the impact of the Sydney Olympics, the lower value of the Australian dollar, strong rural production, high commodity prices and a strong rebound in East Asian growth following the 1997-98 financial crisis.

Rural exports fell in value by 7.1 per cent or $2.1 billion in 2002, accounting for 61 per cent of the fall in total exports of goods and services. The impact of the severe drought was increasingly evident towards the end of 2002, particularly in crop exports, including **barley, rice and wheat**. The negative effect of the drought on rural exports is expected to continue in 2003.

Other factors have also reined in rural export growth. **Beef** exports fell despite increased slaughter rates, due to lower prices and Japanese consumer concerns over mad cow' disease (following a domestic outbreak in September 2001). But higher demand in Indonesia and Saudi Arabia resulted in a strong increase in **live animal** exports. **Cotton** exports fell significantly in 2002 due to the impact of water restrictions on production and increased stockpiling due to low world cotton prices.

Exports of **non-rural and other goods** declined in value by 1.3 per cent in 2002. The impact of slower global economic growth was most evident in the A$1.1 billion decline in **alumina and aluminium** exports in 2002 as a result of lower demand in the United States, the European Union and Japan. Exports of **natural gas and crude and refined petroleum** also fell $1.1 billion, reflecting currency movements and lower prices for liquefied natural gas (LNG) exports (prices for Australian mineral fuel exports fell 7.6 per cent in 2002). Despite weaker global growth, **coal** exports rose $353 million in 2002 as lower exports to Japan were offset by increased demand from China and Taiwan.

Exports of manufactured goods declined in value by 2.2 per cent in 2002. A strong pick-up in demand for motor vehicles from New Zealand and Kuwait was offset by falls in exports to Saudi Arabia and the United States. There was also a strong increase in **uncoated flat-rolled** steel exports (predominantly to the United States), while **wine** exports reached a record $2.3 billion in 2003 (see box). The completion of an undersea optical fibre communications cable to Japan resulted in a $605 million fall in **telecommunications and optical equipment** exports in 2002.

Australia's wine industry - another record year

Australia's wine industry had another record export year. **Exports grew 21 per cent** by value during 2002 - to a total of $2.3 billion. The United States market played a central role in driving sales growth, with the value of exports to that market reaching $767 million in 2002. While the United Kingdom and United States markets currently account for 70 per cent of Australia's wine exports (by value), exports are growing in every global region.

Service exports fell by 0.6 per cent in 2002. Tourism exports fell marginally, reflecting concerns over international travel following the terrorist attacks in the United

States and Bali - visitor arrivals from the United States were down 3 per cent in 2002. **Exports of personal and business services reported modest growth in 2002,** particularly in information technology, marketing, research and legal services. Services income from shipping and transportation was lower, reflecting slower global export activity and lower prices in the shipping industry.

Australia's terms of trade have improved over the last several years, as the price of many imports (particularly manufactured imports) continues to fall. Australia's terms of trade rose by 2.5 per cent in 2002 compared to 2001 as import prices fell more than export prices.

The composition of Australia's exports

The composition of Australia's exports has been changing gradually over the past two decades, to reflect the increasingly **value-added direction** of Australian industry.

Although trade in commodity remains strong, new services and sophisticated manufacturing export markets have emerged.
Merchandise exports were valued at A$ 121 billion in 2001-02. During the same year, Australian exports of services totalled A$31 billion. Exports have recorded 8 percent average annual growth since 1991-92. They now account for 21 percent of GDP, compared with around 17 percent in 1991-92.

Manufactured exports have grown at an average rate of around eight- percent per year over the last seven years. A diverse range of **elaborately transformed manufactures** (ETMs) have grown to account for 23 percent of total exports. EMTs include such items as high-speed ferries, telecommunications equipment, and motor vehicles. Primary products, however, remain the dominant export sector in value terms. In 2001, exports of mineral and agricultural products comprised around 55 percent of total merchandise exports.

3.1:2 Total import values:

Australia’s imports have always been dominated by manufactures. In 2001-02, 84 percent of Australia’s merchandise imports were manufactures.

Australia’s merchandise imports over the last eight years were as follows:

Year	A$ Mn. (FOB)
1993-94	64,470
1994-95	74,619
1995-96	77,792
1996-97	78,979
1997-98	90,673
1998-99	97,616
1999-00	110,234
2000-01	118,257

Source: DFAT Composition of Trade, Australia 2000/01.

3.1:3 Balance of trade (US$)

Following a trade surplus of $2.9 billion in 2001, the **balance on trade** was a **deficit of A$11.0 billion in 2002. Goods and services imports grew by 7 per cent in 2002**, underpinned by the strength of Australian domestic demand. Imports of capital goods (used mainly as investment in future growth) rose 19 per cent, including A$3.7 billion worth of civil aircraft (seven times the level of aircraft imports in 2001).

Year	**Exports to the World**			**Imports from the World**			**Balance**
	Goods	Services	Total	Goods	Services	Total	
2000	64,212	18,455	82,667	69,117	18,139	87,256	-4,589
2001	63,972	16,158	80,130	61,742	16,720	78,462	1668
2002(p)	73,168	18,481	91,648	74,691	19,307	93,998	-2350

(p) projection Value – US$

Source: Australian Bureau of Statistics.

3.1:4 Major import products: machinery and transport equipment, computers and office machines, telecommunication equipment and parts; crude oil and petroleum products.

3.1:5 Volumes and values:

Major Import Items	**A$ Mn.(FOB)**
Machinery & Transport Equipment	53,491
Other Manufactured Goods & Articles	30,854
Chemicals & Related Products	14,200
Mineral Fuels & Lubricants	10,473
Food, Agricultural Products & Crude Materials	7,350

Source: DFAT Composition of Trade, Australia 2000/01.

The value of imports of interest to Developing Countries over the last two years was as follows: (A$ Mn.)

	1999/00	2000/01
Computer parts	2,254	2,577
Motor vehicle parts	2,276	2,421
Paper and paperboard	1,779	1,884
Printed matter	1,002	1,013
Sporting goods, toys etc	1,136	1,373
Timber, simply worked	615	490
Textile yarn	570	524
Rubber tyres & inner tubes	818	911
Plastic plates, sheets, film	776	806
Footwear	848	932
Clothing & textile fabrics	837	986
Edible products & preparations	739	881
Furniture	998	1,130
Perfumery, cosmetics, toiletries	583	688
Paper, articles & cut paper	550	560
Men’s clothing, not knitted	593	649
Sound or video recorders	416	533
Travel goods, handbags	410	473
Other made-up textile articles	470	587
Women’s clothing, not knitted	540	653

Source: DFAT Composition of Trade, Australia 2000/01.

Import Trends and Future Developments

Since 1994/95, imports have increased at a rate of 8% per annum. Imports of crude and refined petroleum telecommunications equipment and aircraft and parts were particularly strong. Imports were valued at A$ 118.2 billion in 2000/01, up 7.4 percent from A$ 110.07 billion in 1999/2000.

Australia’s imports are dominated by elaborately transformed manufactured goods (ETM). In 2000/01, imports comprised 12 percent “Primary products”, 8 percent “simply transformed manufactures”, 58 percent ETMs, and 22 percent services. This structure has changed relatively little in the last five years and it is not expected to change significantly in the future.

Australia’s total two-way trade has, in recent years, increasingly focussed on the developing Asian economies. Imports of a wide range of industrial and consumer goods from these countries have increased strongly following the East Asian economic crisis and these suppliers will provide strong competition to entrants in to the market.

3.1:6 Major suppliers:

US 20%, Japan 13%, China 7.7%, UK 6%, Germany 5%, South Korea 4%, NZ 4%, Malaysia 3.6% (2001 est.)

The U.S. remains Australia's single largest source of merchandise imports (US$11 billion in 2001). Australia's major imports from the United States are aircraft and parts, telecommunications equipment, measuring and controlling instruments, computers and internal combustion engines. Of Australia's top five trading partners, the U.S. is the only country to run a consistent bilateral trade surplus with Australia, although this was reduced by the high U.S. dollar in 2002.

3.1:7 Developed and developing country suppliers and their shares:

Australian Principal Merchandise Import Sources

Country	2000(A $ Mn)	% of total Imports
United States	23,128	18.8
Japan	15,316	12.9
China	9,074	8.3
United Kindom	6,901	5.3
Germany	5,882	5.2
Republic of Korea	4,803	4.0
New Zealand	4,483	3.8
Malaysia	4,269	3.5
Singapore	3,719	3.3
Taiwan	3,524	2.8
Italy	3,138	2.4
Thailand	2,816	2.23
Indonesia	2,702	2.1
France	2,334	1.85

Australian trade with the U.S. (US$)

Year	Exports to the U.S.			Imports From the U.S			balance
	Goods	Services*	Total	Goods	Services*	Total	
2000	6,401	3,346	9,747	13,477	3,766	17,243	-7,496
2001	6,170	1,810	7,980	11,098	2,413	13,512	-5,532
2002	6,417	1,882	8,299	12,208	2,655	14,863	-6,564

(p) projection

Footnotes:

* Exchange rate fluctuations must be considered when analyzing data. Figures may not add due to rounding.

Source: Australian Bureau of Statistics.

China will probably continue to offer the strongest competition for a wide range of consumer goods including textiles, clothing and footwear.

Taiwan and Korea have already moved into more sophisticated exports to Australia (including motor vehicle from Korea) and for many basic consumer products these countries are no longer competitive in the Australian market.

New Zealand has enjoyed duty free access to the Australian market for several years as a result of the free trade agreement between the two countries. With the reductions in the global tariff protection levels, New Zealand's competitive edge is being reduced but suppliers from this country will continue to compete strongly in a wide range of product areas (furniture, paper products, textiles, household electrical appliances, foodstuffs and timber).

The USA, Japan and the European Union countries will remain important sources of Australia's machinery and transport equipment, but their exports of less sophisticated equipment to this market will be increasingly challenged by the developing Asian economies.

The key message for new overseas suppliers is that Australia will remain an important market for a wide range of industry inputs, machinery etc and in the consumer products area there are opportunities to fill gaps left by the new relatively "expensive" suppliers such as Taiwan and Korea.

There will, on the other hand, be strong competition from countries such as China and new suppliers will have to adopt an effective marketing strategy to capture a share of the Australian market.

Australia's imports from Developing Countries

The major imports from Developing Countries in 2000/01 were crude petroleum and oils (A$7.83 billion) computers (A$3.28 billion), refined petroleum and oils (A$1.39 billion), passenger motor cars (A$ 0.963 billion), parts for computers etc.

The overseas suppliers that offer the strongest competition to new suppliers from Developing Countries are as follows.

Country	2000/01 exports to Australia (A$ Billion)	Trend % growth in exports to Australia
China	9.881	20.0
New Zealand	4.564	5.2
Singapore	3.898	10.9
Korea	4.709	16.0
Malaysia	4.176	21.9
Taiwan	3.326	6.1
Indonesia	3.278	15.6
Thailand	2.779	23.7
Vitnam	2.431	51.4
Saudi Arabia	1.612	10.0
Papua New Guinea	1.456	4.5
Hong Kong	1.362	8.7
UAE	1.114	3.8
South Africa	0.876	15.9
India	0.714	6.6

Source: DFAT Composition of Trade, Australia 2000/01

3.1:8 Major export products :

Australia maintains its position as a leading exporter of major commodities.

Key commodity exports in 2001-02 included

coal ($3.4 billion),

crude petroleum ($6 billion),

iron ore ($5.2 billion),

gold ($5.1 billion),

wheat (4.5 billion),

aluminium ($4.4 billion),

beef ($4.3billion),

aluminium ores ($4 billion) and

wool ($3.4 billion).

Others include machinery and transport equipment.

The degree of processing which Australian exports undergo has been steadily increasing reflecting the increasing sophistication of Australia’s export mix and higher levels of value-adding of raw materials in 63 percent to 59 percent of merchandise exports between 1991-92 and 2001-02.

Export Diversification

Reforms within the Australian economy have helped make it more flexible and responsive to change.

Over the recent years, Australia's exports have diversified into a number of new markets.

- ❖ Since 1991-02, merchandise exports to Saudi Arabia grew by an average of 27 percent per annum, and to India by 13 percent per annum.
- ❖ Education, Communications, insurance, financial, computer and other professional service exports totaled $ 10.5 billion in 2001-02.
- ❖ Tourism now accounts for 10 percent of Australia's total export earnings and is Australia's leading services export item.

Australia is generating new strengths as a supplier of advanced goods and services. Since 1991-92, exports of elaborately transformed manufactures (ETMs), with high levels of value –adding, have grown at an average annual rate of 10 percent, well above the growth rate for these products in Japan and Germany. In 2000-01 sales of ETMs jumped 15 percent to $21 billion. Products such as components for mechanical and electronic equipment, as well as assembled motorcars, have recorded strong growth in the last decade.

Australia is also developing a new competitive edge in high-technology exports, such as scientific and medical equipment, telecommunications, software and aerospace products.

3.1:09 Export volumes and values :

Australia's exports by sector ($mn)

	1997/98	**1998/99**	**1999/00**	**2000/01**	**2001/02**
Agriculture	22,130	21,862	23,617	29,061	29,571
Mining	25,730	24,786	29,178	39,513	39,162
Manufacturing	27,980	27,169	32,079	37,514	37,190
Other merchandise	12,698	11,966	12,791	14,219	15,276
Services	25,206	26,242	28,369	33,204	30,958
Total exports	113,744	112,025	126,034	153,511	152,157

Aquaculture

Australia has an international reputation as a **reliable and consistent supplier** of high quality and healthy seafood and aquaculture products.

The aquaculture industry is a **major and growing sector of Australia's fisheries sector** with production estimates for 2001-2002 being close to $800 million (IBIS World, January 2003).

International demand prospects for aquaculture products are generally favourable. A **growing preference for high protein, low fat foods,** sees the demand for fish and seafood on the rise. Due to increased pressure on natural resources, growing demand is most likely to be met from an expansion in farmed fish and seafood products.

Pearls and Southern Bluefin tuna represent about 60 per cent of the value of Australian aquaculture production, and the majority of aquaculture exports by weight. Other key products include **Atlantic salmon, edible oysters, farmed prawns and trout**.

Aquaculture is one of Australia's largest growing rural industries**. In response to growing world demand, a concerted and coordinated effort by government and industry to develop and promote aquaculture products has been established.**

Dairy

In 2001-2002, Australian dairy exports were valued at over $3250 million, an increase of six per cent on the previous year. This represented a volume of 950,000 tones of product, compared with 919,000 tones in the previous year.

Record production of 11.3 billion litres was achieved by the industry in 2001-2002 (an increase of 6.9 per cent) over the previous year. The 2001-2002 year was also the first year in which the industry broke the 11 billion-litre barrier.

The dairy industry is an important rural industry in Australia and a major rural employer. There are over 11,000 dairy farms in Australia that employ approximately 30,000 people at farm-level. Milk production is concentrated in the south-east corner of Australia, with the state of Victoria accounting for around 66 per cent of total national output.

Eighteen per cent of annual milk production goes to the domestic fresh milk market. The rest is manufactured and processed for both the domestic and export markets.

Consolidation and alliances are being undertaken by Australian dairy processors and manufacturers with Australian and New Zealand companies, which will extend their capability to supply and their marketing presence.

The global consumer is demanding greater differentiation of milk products such as, lactose-free, extra frothing milk for cappuccinos, calcium-enriched skim milks, and long-life products. Processors and manufacturers are increasingly presenting products with consumer appeal to people of all ages through additional flavours, pack sizes, added functionality (such as beneficial bacteria) and artificial sweeteners.

Fibre

Wool

Australia is the **world's largest wool exporting nation**, followed by New Zealand, Uruguay, Argentina and South Africa. With its temperate climate and vast areas of natural grassland ideally suited to sheep farming, wool remains a major Australian export commodity.

Wool production in 2001-2002 was estimated at 607,000 tonnes, down on the previous year due to lower sheep numbers and reduced fleece weight resulting from less favourable seasonal conditions.

This decline in supply coincides with a **worldwide decline in wool production** and a decreasing share of the fibre market, requiring producers and processors to develop innovative, high performance value-added wool products.

Increasingly, **wool is competing with unit returns on wheat and beef**, and as many sheep farmers also produce wheat and cattle constantly review relative returns. Evaluations show that gross returns from wheat are growing and expected to remain higher than for wool, for the next three years.

Over 80 per cent of Australian production is merino wool, which is recognized for its high quality. Australian Wool Innovation Limited (AWI) **and the industry have identified key markets to develop for Australian wool exports including China, India, Poland, the Ukraine and Vietnam.**

In the past year there has been an overall decrease of around 10 per cent of world wool imports to major consuming countries including the USA, Japan, Germany, France and other European Union (EU) member countries.

One of the few countries to show any significant increase in 2002 imports was South Korea (44 per cent), which is now ranked as the world's seventh largest importer.

In the past year, China and Hong Kong have strengthened their dominant supplier position in the Asian region.

Cotton

In 2001-2002, cotton growers in Australia produced in excess of 693 kilotonnes of cotton lint from over 403,000 hectares. The majority of cotton is produced in New South Wales (approximately two-thirds) and the remainder in Queensland.

The **top five cotton producing countries** - China, USA, India, Pakistan and

Uzbekistan - account for more than two-thirds of total world production. Although in world terms Australia is a relatively small producer, Australia’s cotton crop has a **high average yield**, producing one and a half times the amount per hectare than China and more than double the cotton per hectare of the USA.

Australia is the world’s third largest cotton exporter after USA and Uzbekistan. In 2001-2002, the **principal export markets for Australian cotton** were China, Indonesia, Japan, South Korea, Thailand and India.

Australian cotton growers supply about 13 export marketing bodies. Australian raw cotton is either marketed to major international and domestic cotton merchants, operating in the Australian market, or sold direct to cotton ginners (processors). Cotton seed is sold as a by-product for food manufacturing purposes and for animal feed.

Food and Beverage

The total food and beverage exports for 2001-02 was valued at $24.1 billion, up six per cent on the previous year.

The Australian **processed food and beverage industries** comprise the largest manufacturing sector in Australian with exports for 2001-02 valued at over $16.8 billion or approximately two-thirds of total food exports.

Of the $16.8 billion of processed food exports, two main categories account for over 55 per cent:

- Processed meat products, which includes meat and poultry products, bacon, ham and small goods
- Processed dairy products, which include milk and cream products, ice cream and cheese

The next biggest category is beverages, including wine at 12.5 per cent.

Other major categories are: seafood, confectionery and sugar, milled flour products, cereal and baked goods, processed fruit and vegetables (including snack foods, nuts and fruit juices), alcoholic beverages (excluding wine), non-alcoholic beverages and edible oils and fats. Smaller categories include salt, herbs and spices, flavorings, ingredients, and animal feed products.

Across a number of categories are **gourmet products**, as well as products with native ingredients ('bush tucker'), functional foods and organic foods.

Formal trade barriers continue to be reduced, with World Trade Organisation processes and pressure from various governments and international bodies contributing to **trade liberalization**. This has seen an increase in the processed food trade, although some tariffs and other trade barriers still persist.

Industry consolidation of supply in USA and the European Union (EU) means fewer, but larger, agrifood players in both processing and retailing. As well, USA and EU expansion into Asian markets has produced greater efficiencies in supply chain systems, and strengthened trade partnerships and relationships.

Simpler distribution systems are also evolving because of regional and global sourcing of raw materials, growing demand for semi-processed and processed products, and more regional and global purchasing. Some links in the supply chain are being cut out and wholesale purchasers, retailers and consumers are going direct to food producers.

Confectionery

In 2001-02 Australia's confectionery exports rose to the value of $286 million. Japan was the principal market destination, followed by New Zealand. The fastest growing export markets in Asia include Japan, Hong Kong, Taiwan, Singapore, Korea and Malaysia.

Countries in SouthEast and North East Asia have growing young affluent populations, which are keen markets for Australian confectionery products. The largest growth by segment was in sugar confectionery exports to Japan.

Chocolate products make up the largest category of confectionery (70 per cent), followed by sugar confectionery (17 per cent) and chewing gum (13 per cent). Although the confectionery segment is dominated by international players, **there are more than 100 niche manufacturers of chocolate and sugar confectionery products**, producing high quality, uniquely Australian products. Australian specialty handmade chocolates are successfully exported to the food service sector in key markets via hotels and airlines.

Milled flour, cereal products and baked goods

Exports of milled flour and cereal products in 2001-02 were valued at $633 million and exports of bakery products worth another $94 million. **Key export markets** for milled flour and cereal products are New Zealand, Japan and the USA, followed by Indonesia, the Philippines, Taiwan, Thailand and China. New Zealand is the **largest export market for bakery products** accounting for more than half of exports. Japan, Singapore, the UK, Indonesia and the USA are all small, but growing markets for Australian bakery products.

Export activity in this industry is mainly concentrated in the **bakery ingredients sector**. There is also growth in the supply of flour pre-mixes, innovative cereal and baked goods with functional ingredients and value added gourmet biscuits.

Beverages - alcoholic (excluding wine)

Beer and malts

Australia has long been regarded as one of the world's leading beer and brewing nations. Australia exports malt, beer and expertise in brewing technology and brewing construction.

In 2001-02 exports were worth $317 million. Japan is the largest market for beer exports, followed by Thailand, Korea, the Philippines and New Zealand.

Spirits

Australia is a small producer of spirits, with the sector being dominated by international brands. However, there are many local, small distilleries, which produce whisky and other types of liquors. A number of wineries also produce fortified wines, brandy and other and spirits within this category.

In 2001-02 exports were valued at $80 million. The main exports destinations being Japan, New Zealand and Thailand.

Beverages - non-alcoholic

The **range of non-alcoholic beverages** includes carbonated diet and regular soft drinks, sports and isotonic drinks, bottled and packaged waters, fruit juices and drinks and cordials. Sweetened carbonated waters and mineral waters make up 55 per cent of this segment, followed by fruit juice drink (25 per cent), cordials and syrups (10 per cent).

Vigorous competition, innovative marketing techniques, flavors, packaging and delivery systems have ensured the industry is one of the most dynamic and progressive sectors of the Australian food and beverage market.

The Australian soft drink, cordial and syrup-manufacturing segment is a growing area with innovative products keeping pace with consumer trends for healthy, nutritional and refreshing beverages.

Exports in 2001-02 were valued at $30 million with New Zealand being the largest market. Other export destinations for products in this category include Japan, Hong Kong, Indonesia and Canada.

The majority of non-alcoholic beverages are packaged in PET bottles with aluminum can and glass packaging declining in importance.

Horticulture

There is **global demand** for a wide range of Australian horticultural products – fresh, frozen and further processed fruits, vegetables and nuts; flowers and nursery products. Australian expertise in the provision of services to horticulture, floriculture, landscaping and garden design is also in demand across a number of key markets.

While the majority of fruits and vegetables are still sold fresh, **changing eating habits** are radically influencing retailing and consumption patterns. In recent times, **convenience** foods including pre-packaged salads and fruit mixes are claiming an increased share of consumer dollars. These products require much more downstream **value-adding** and processing.

In 2000-01, the value of **horticultural exports was more than $769 million** with major export markets being:

Hong Kong, Malaysia, Singapore, Japan, USA, New Zealand, Indonesia, Taiwan, UK, United Arab Emirates.

(Source: Horticulture Australia Limited)

All exports of plants or parts of plants are subject to **phytosanitary regulations and a phytosanitary certificate** is required to accompany all shipments. The Australian Quarantine and Inspection Service (AQIS) of the Department of

Agriculture, Fisheries and Forestry Australia manages the inspection and phytosanitary certification program for Australian suppliers. All shipments need to be accompanied by an inspection certificate. Exporters should check first with AQIS Phyto and then their agent/importer, prior to shipping.

Meat and Livestock

Australia is the world's largest **meat and livestock** exporter, with **exports valued at nearly A$5 billion**. Australian producers are well recognized for raising stock in natural environments and for their advanced farm management, breeding and processing techniques.

Australia is recognized as having a **clean and relatively disease free environment** for rearing livestock. With sophisticated flock and herd management practices as well as quality assurance standards and controls, Australia is in an unique position to produce and consistently supply high quality, disease free meat.

Recent factors in the global meat industry put Australia in a favorable position to supply meat and livestock to a growing number of markets. **Food safety concerns** in Europe and Asia in recent times have created opportunities for Australian exporters to access new markets.

Australia is one of the world's leading producers of cattle and is the **world's largest exporter of beef & mutton** and the **second largest exporter of lamb**. **Live cattle exports** now account for 10 per cent of Australia's adult cattle production. Industry indicators show that Indonesia and Egypt are likely to remain Australia's largest live cattle export markets.

Poultry meat production in Australia has more than doubled since the early 1980's.

3.1:10 Major markets:

The weaker economic performance of major trading partners since early 2001 is now being more strongly reflected in export growth, particularly through **lower commodity prices**. Initial hopes of a rebound in the global economy through 2002 from the downturn in 2001 were not fulfilled. The traditional drivers of global growth - the United States, the European Union and Japan - all recorded lower than historical average economic growth rates in 2002.

In 2001, about 60 percent of Australia's merchandise exports went to **Asia.** Merchandise exports to **East Asia** grew by 35 percent in the same year. Growth was small in 2001-02 to East Asia almost zero, and to the **Middle East** up just one percent.

Merchandise exports to the rest of the world fell by 1.0 per cent in 2002. Within this, exports to the United States decreased by 3.3 per cent, while exports to Europe rose by 1.0 per cent.

Japan is Australia's largest single export market, taking nearly 20 percent of exports (US$12 billion) in 2002. Australia's major exports to Japan are coal, iron ore, meat, and aluminum. The **United States** is Australia' second largest export market, accounting for nearly 10 percent (US$6 billion) in 2001. Major exports to United States are beef, crude petroleum and passenger motor vehicles. **South Korea 7%, China 6%, New Zealand 5.8%, Singapore 4% (2002 est.) Taiwan, the United Kingdom, Hong Kong and Indonesia** represent the remainder of Australia's most important export markets.

Merchandise exports to East Asia - which has taken more than half of Australia's merchandise exports in recent years - were affected by slower regional growth and lower commodity prices, and **fell 3.7 per cent in 2002**. Country-by-country, Australia's exports within East Asia reflected differences in the performance of individual regional economies. For example, Australian export growth to China and the Republic of Korea was very positive, reflecting those countries' very strong economic growth. Whereas exports to other East Asian economies, including Japan (Australia's largest merchandise export market), were weaker, in line with subdued economic growth. The **6.6 per cent fall in Australian merchandise exports to Japan in 2002** accounted for two-thirds of the fall in total merchandise exports to East Asia.

Australia's Principal Merchandise Export Destinations

Country	2002-(A$Mn)	Country	2002-(A$Mn)
Japan	21,847	Taiwan	5,549
United States	10,965	United Kingdom	3,753
Republic of Korea	8,975	Hong Kong	2,890
New Zealand	6,554	Indonesia	2,362
China	6,016	Malaysia	1,962
Singapore	5,906		

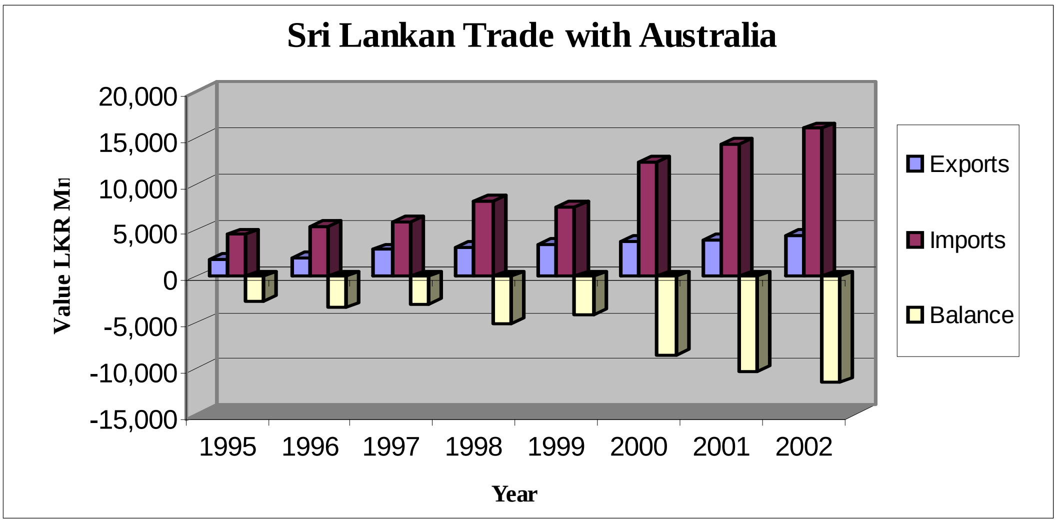
3.2:Trade with Sri Lanka

Trade, business investment and tourism links between Sri Lanka and Australia have developed steadily over the past three decades. There has been a significant increase in the total trade turnover between the two countries over the past few years while the balance of trade continues to be in favor of Australia, amounted to SL RS 11,551.12 million during the year 2002. The value of Sri Lanka's total imports / exports and balance of trade with Australia during the past years is indicated below:

Sri Lanka's Trade with Australia

Value in Sri Lankan Rupees million

Year	Trade with Australia			Growth rates		Aus. trade as a % of total SL trade	
	Exports	Imports	Balance	Exports	Imports	Exports	Imports
1995	1,796.72	4,545.00	(2,749.00)				
1996	2,050.62	5,466.06	(3,415.44)	12.38		1.04	2.13
1997	2,888.54	5875.88	(2987.34)	29.0	6.97	1.05	2.66
1998	3,092.77	8,231.07	(5,138.3)	6.6	28.61	1.01	2.23
1999	3,415.66	7,562.70	(4,147.04)	9.45	(8.84	1.07	2.00
2000	3,806.76	12,404.55	(8,595.78)	10.32	39.03	0.92	2.60
2001	4,021.61	14,396.29	(10,374.67)	5.29	13.83	0.95	2.97
2002	4,500.97	16,052.09	(11,551.12)	10.65	10.31	1.00	2.75



Source: Trade Information Service / EDB.

3.2:1 Total exports values:

As is evident from the above table, Sri Lanka's exports to Australia have grown during the period under review. In year 2002, Sri Lanka exports to Australia increased by 11% and it is SL RS4500.97 million compared SL RS4021.61 million exports in 2001. It was a 10.65 increment over the year 2001.

3.2:2 Total import values

Imports from Australia have followed an increasing trend during last ten years except in 1999. In 2002, imports from Australia were SL RS.16,052 million as opposed to SL RS 14,396 million in 2001, indicating a rise of 10% over the period of years stagnating and increasing levels.

3.2:3 Balance of trade:

As indicated in the above table, the trade balance between the two countries has always been in favor of Australia amounted to SL RS 11,551.12 million during the year 2002.

3.2:4 Major export products and their volumes and values from Sri Lanka

Tea, Rubber, Readymade Garments, Activated Carbon, Ceramic products, Coir products, brushes and brooms etc. are some of the important export items among Sri Lanka's exports to Australia.

A salutary development is that over the years Sri Lanka's exports to Australia has shifted away from primary commodities towards manufactured goods though not as significantly as in its total export pattern. Tea continues to account for 20 %-30% of total exports to Australia in most years.

See the annex for statistics.

3.2:5 Major import products' volumes and values to Sri Lanka:

Traditionally Australia has been a supplier of dairy products, tallow and dried leguminous vegetables. In some years Sri Lanka has imported wheat and meslin from Australia. In recent years several new items such as steel products, carbon, malt extract preparations machinery, etc., have appeared among imports on a regular basis.

The major categories of imports during 2002 were as follows:

MAJOR IMPORT ITEMS
Milk food items and dairy products
Dried leguminous vegetables
Durum wheat
Cotton and fabric
Tallow
Electrical parts and machinery
Sugar
Fresh fruit juices
Food products (fruit, cereal, pasta, sauces, jams and cordials)

Due to the impact of trade liberalization measures in Sri Lanka, there has been some increase in the share of Australia's total exports to Sri Lanka viz-a-viz its total exports to the world. The composition of Sri Lanka's imports from Australia show a rising trend in the share of manufactured goods from 11% to 41% over the past four decades. However, primary commodities still continue to dominate the Sri Lanka/Australia import trade to a significant extent.

3.2:6 Sri Lanka's market share: see annex:1.2.

3.2.7 Past market development activities by Sri Lanka in the target market

Consequent to the initiative taken by the Consulate General in Sydney, the Business Council of Sri Lanka-Australia Inc. (BCSLA) was incorporated in New South Wales in September 1999. The purpose of the BCSLA is to promote trade, investment and tourism between Australia and Sri Lanka. The Consulate General works in close co-operation with the BCSLA to achieve its objectives. Among the exports, tea continues to be the major item from Sri Lanka to Australia.