

TRADE AND ECONOMIC OVERVIEW

In 1989, Canada's exports to Australia exceeded one billion dollars for the first time. Since that time, recession in Australia and declining prices for many of the commodities that Canada ships to Australia, have had a devastating impact on sales to the market. After two consecutive years of major declines, Canadian exports rebounded slightly in 1992 and 1993. However, Australia remains one of Canada's top ten trading partners.

There is a natural affinity between Canada and Australia, the result of a shared Commonwealth heritage, common language, similar legal and regulatory systems, and a mutually satisfactory trading relationship pre-dating the arrival of John Larke, Canada's first Trade Commissioner, in Sydney in 1894. On February 27-28, 1995, the Canadian government will be co-sponsoring a trade and investment conference in Sydney to mark 100 years of trade with Australia. In addition, the preferential tariff rates accorded to approximately 17% of Canadian exports under the Canada-Australia Trade Agreement (CATA) offer advantages to some Canadian producers.

However, the high rate of unbound tariffs (57% by value of Australian imports) and the consequent ability of the Australian government to unilaterally raise or lower tariffs, makes competitive access more precarious. More recently, Australia has embarked on a unilateral tariff reduction program that will see most tariffs reduced to either free or 5% by fiscal year 1996. This program will improve access to the marketplace for Canadian exporters, although there may be less scope for preferential tariff treatment as general rates are reduced.

Australia is an attractive market that has generally been receptive to Canadian goods and services. The main exceptions are those products which are restricted or banned for quarantine reasons such as fresh, chilled and frozen salmon. The Canadian government attaches a high priority to obtaining greater market access in this sector. Pressure in Australia to redress the growing current account deficit, forced the Australian Government to adopt strong fiscal and monetary measures to dampen demand for imports. On the economic front, there is promise that the recession is ending "Down Under", and there will be a modest improvement within the next 12 months. In the medium and long term, prospects remain good as Australia has proven to be a valued trading partner and important target market for smaller exporting firms.

Traditional exports of Canadian products form the bulk of business with Australia, but opportunities in newly developing sectors are evident. The intended liberalization and deregulation of the Australian economy are serious moves by the Australians to migrate away from an isolated, protected economy, to a competitive export-oriented nation. The recent recession has slowed this impetus, but has underlined the need for economic reform. Each step of liberalization promises further opportunities for Canadian firms in Australia.