

II. OVERVIEW OF THE AUSTRALIAN MARKET

OBJECTIVE

This document on Australia

- outlines the market opportunities in Australia for Canadian exporters and constraints to Canadian exports; and
- serves as the basis for co-operation and consultation aimed at enhancing the export marketing activities of the federal government, the provinces and the private sector.

A. CANADA - AUSTRALIA ENVIRONMENT

Although Australia is Canada's 14th largest trading partner, there is a particularly close relationship born of the Commonwealth heritage. We share a common language and similar political institutions. Attitudes toward doing business with Canada are positive.

B. CHARACTERISTICS OF THE AUSTRALIAN MARKET

Population and Environment Characteristics

Australia has a land area of 7,682,300 km², and an average elevation of less than 300 metres. Forty per cent of its area is tropical, with the remainder in the temperate zone.

Its population is just over 15 million people, and 70 per cent live in capital cities with the remainder scattered, as in Canada, through the outback and along the coast.

The major cities are Sydney (population 3,310,500), Melbourne (2,836,800) and Brisbane (1,124,200). Immigration has been a major factor in Australia's growth since World War II, but its population growth now averages only 1.2 per cent annually.

Australia's transportation system is well developed. It has approximately 70 ports and has regular shipping services, including container services, to all continents. It has two major domestic airlines as well as several regional carriers, and one that provides international services. More than 20 international airlines fly into its major cities.

Australia has three time zones. The time difference between Ottawa and Canberra is 14 hours from April to October.

Economic

The Australian gross domestic product (GDP) was estimated at A\$185.5 billion in 1983, of which foreign trade (exports and imports) accounted for approximately 27 per cent.

The rapid economic recovery experienced in the second half of 1983 continued through 1984, but the prospects for real GDP growth (3.1 per cent according to Wharton) in 1985 are less promising. This rate of growth may not be sufficient to spur substantial

investment or to cause a significant reduction in unemployment.

The current growth is based on the recovery of agriculture, on increased government spending, on the restocking of depleted inventories, and on house construction. A number of factors inhibit a more broadly based and sustained recovery. The manufacturing sector, which suffers from obsolete technology, a small domestic market, and inefficiencies fostered behind a high protective tariff, is engaged in structural adjustment and labour shedding. The resources sector faces weak world demand. Australia's international competitiveness is being weakened by the appreciation of the Australian dollar, which has been allowed to float freely since December 9, 1983, and by an inflation rate of 8.6 per cent, which is well above the OECD average of 5.3 per cent.

Australian Trade Policy

Highest priority is being given to relations with Australia's neighbours in the Asian and Pacific region and to the major industrialized countries with which Australia shares significant relationships, especially the United States and Japan. This priority ordering is reflected in the list of countries visited by Mr. Hawke in his official trips abroad since becoming Prime Minister: Papua New Guinea, Indonesia, the United Kingdom, France, United States and Canada; Thailand and India (to attend the Commonwealth Heads of Government Meeting); and Hong Kong, Japan, Korea, China, Singapore and Malaysia.

During his tour of Asian capitals, Prime Minister Hawke promoted his initiative for a possible regional approach to the multilateral trade negotiations (MTNs), which are projected to commence in 1987. Mr. Hawke is concerned that the "dominance" of GATT by the established industrial countries has led to the denial of the interests of food-exporting countries (like Australia) and newly industrializing countries like all of the ASEAN members in respect of labour-intensive exports. There is also concern that the "majors" (i.e., the United States, the E.E.C. and Japan) may settle trade disputes on a bilateral basis, which may ignore the interests of smaller trading nations. Ostensibly, the objective of Mr. Hawke's regional initiative is to bring the countries of the Asian and Western Pacific region to apply their united weight to achieving a reduction of non-tariff barriers to trade in industry and agriculture.

Australia's most important trading partner is Japan, which accounts for 27.5 per cent of total Australian exports, equal to Australia's total exports to the United States, New Zealand, the United Kingdom and China.

On January 1, 1983, the "Closer Economic Relations" (CER) agreement with New Zealand came into effect. The CER provides automatic procedures for the gradual elimination of tariffs, performance-based export incentives, and quantitative restrictions on trade between the two countries, culminating in the establishment in 1995 of a free trade area.