

South Pacific

Australia

Introduction

Australia is our fourteenth-largest market, and is among Canada's most important markets for manufactured goods. In fact, more than three-quarters of our exports are manufactured goods and end products, often exported by small- and medium-sized companies. After two consecutive years of major declines, exports rebounded slightly in 1992 and continued to increase in 1993, exceeding \$800 million, according to Statistics Canada. The actual level of exports, due to trans-shipments, is more likely to be in excess of \$1 billion, according to Australian import figures.

Business Environment

There is a natural affinity between Canada and Australia, the result of a shared Commonwealth heritage, a 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 1895. In addition, the preferential tariff rates accorded to approximately 17 percent of Canadian exports under the Canada-Australia Trade Agreement (CATA) offer advantages to some Canadian producers. More recently, Australia has embarked on a unilateral tariff reduction program that will see most tariffs eliminated or reduced to 5 percent by 1996. Textiles, clothing and footwear tariffs are also scheduled for reduction, but on a more modest basis, with the effective rates targeted for 15 percent.

Australian investment in Canada to the end of 1993 was approximately A\$1.7 billion or a meagre 1 percent of total Australian investment abroad. This investment is largely attributable to several high-profile acquisitions such as Elders IXL's purchase of 50 percent of Molsons, Teck Corporation's purchase of 31 percent of Cominco from CP Ltd., and Giant Resources acquisition of

control of Giant Yellowknife Mines, the Bell Creek mine, the ERG Resources tailings treatment operation in Timmins and the Curragh Resources lead and zinc mine in Faro, Yukon.

Many Canadian companies have established a direct presence in Australia through investment, joint ventures, sales offices or licensing agreements. The similar size and technology levels of the two economies contribute to the formation of technology transfers and joint ventures. Canadian investment in Australia is approximately \$3.7 billion (2 percent of total foreign investment) and is characterized by numerous, small-scale operations. A notable exception is the recent acquisition of the Fairfax Group by a consortium led by Conrad Black. Other Canadian firms with Australian operations include Alcan, Northern Telecom, Moore Corporation, Placer Development, Norcen and McCains.

Market Opportunities

- **Agri-food:** Canadian agri-food exports in 1993 were valued at approximately \$70 million. There is good potential for highly processed products such as frozen confections, seafood, specialty/confectionery goods and processed vegetable products, as well as pork for processing into ham and bacon.
- **Forestry Equipment:** Australia offers excellent export and investment opportunities for forest harvesting and sawmilling equipment. Our objective is to increase the presence of Canadian advanced technology and equipment for sawmills through agency agreements and licensing agreements with Australian companies. The National Association of Forest Industries estimates that \$7 billion in new investments is possible in the next few years.
- **Rail Equipment and Services:** Australia is in the process of upgrading and restructuring its railway industry. Over the next five years, \$3 billion will be spent on capital works and machinery to create a more efficient and cost-effective rail system.