



EU-Australia economic relationship - 2006

Economic Partners

The European Union (EU) and Australia share a strong and longstanding economic relationship, with the EU having been Australia's largest single economic partner since records began in 1980.

The best way to look at the EU-Australia economic relationship is by considering the Balance of Payments, which takes into account trade in goods and services, foreign investment income and transfer payments.

The EU is Australia's largest partner in both two-way trade in goods (eg coal, alcohol, wool) and two-way trade in services (eg travel, transportation). It is the largest investor in Australia and the second largest destination for Australian investment overseas.

The Balance of Payments relationship has grown in 2006 with economic activity between the EU and Australia worth \$A100 billion, 19% of all Australian overseas transactions. This figure, when compared with Australia's other major economic partners, shows that the EU is Australia's largest single economic partner.

Partners in Trade (Goods)

The EU has been Australia's most important trade partner in terms of total merchandise trade since 1996. In 2006, the EU remained Australia's largest two-way merchandise trading partner, followed closely by ASEAN, Japan and China.

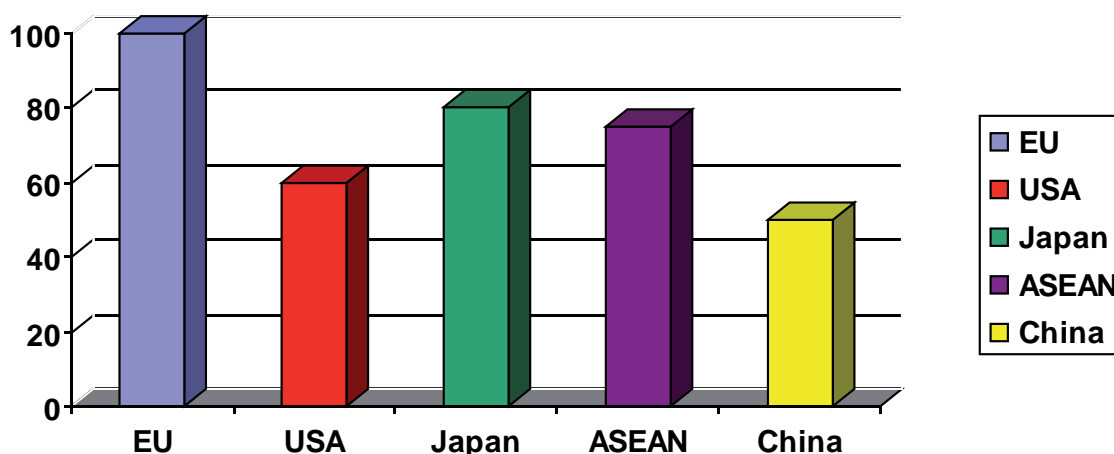
Two-way merchandise trade between the EU and Australia was worth \$A57 billion in 2006.

In 2006, the EU was the largest source of merchandise imports into Australia. EU imports accounted for 21% of Australia's total imports.

Did you know?

For merchandise imports to Australia, Germany is the largest source of imports from the EU. It accounts for \$A9 billion of merchandise imports into Australia, ahead of the UK.

Figure 1: Australia's economic transactions with major partners: 2006



Australia's main imports from the EU in 2006 were:

- medicaments, worth \$A4 billion;
- passenger motor vehicles, worth \$A2 billion; *and*
- telecommunications equipment, worth \$A1 billion.

In 2006, Australian merchandise exports to the EU continued to grow faster than imports to Australia from the EU. Exports to the EU accounted for 12% of total Australian exports, and the EU regained its position as the third most important market for Australian exports, after Japan (20%) and just behind China (13%).

Australia's principal exports to the EU were:

- coal, worth \$A4 billion;
- alcoholic beverages (mainly wine), worth \$A1 billion; and
- other ores, totalling \$A1 billion.

Other major exports included nickel ores, medicaments and wool.

Viewed from the EU's perspective, Australia is ranked as its 19th largest partner in two-way merchandise trade.

Did you know?

40% of Australian exports to the EU go to the UK.

between the EU and Australia has been increasing steadily over the last five years.

The EU is the largest market for Australian services exports (worth almost \$A9 billion in 2006, or 19% of total services exports). It is also the largest source of services imports into Australia, valued at \$A10 billion for 2006.

The main trade in services between the EU and Australia is in travel. In 2006, travel accounted for 61% of Australian services exports to the EU, and 44% of imports. Two-way trade in travel was worth \$A9 billion. Another major area of the EU-Australia trade in services relationship is transportation, accounting for 25% of the total. In 2006, two-way trade in personal and cultural services increased significantly.



Partners in Trade (Services)

In 2006, two-way trade in services between the EU and Australia was worth \$A18 billion. This makes the EU Australia's most important trading partner for two-way trade in services. Two-way trade in services

Recent estimates suggest that the services sector accounts for approximately 70% of the GDP of both the EU and Australia. As global trade in this sector continues to expand, Australia and the EU will no doubt become even more important partners in two-way services trade.

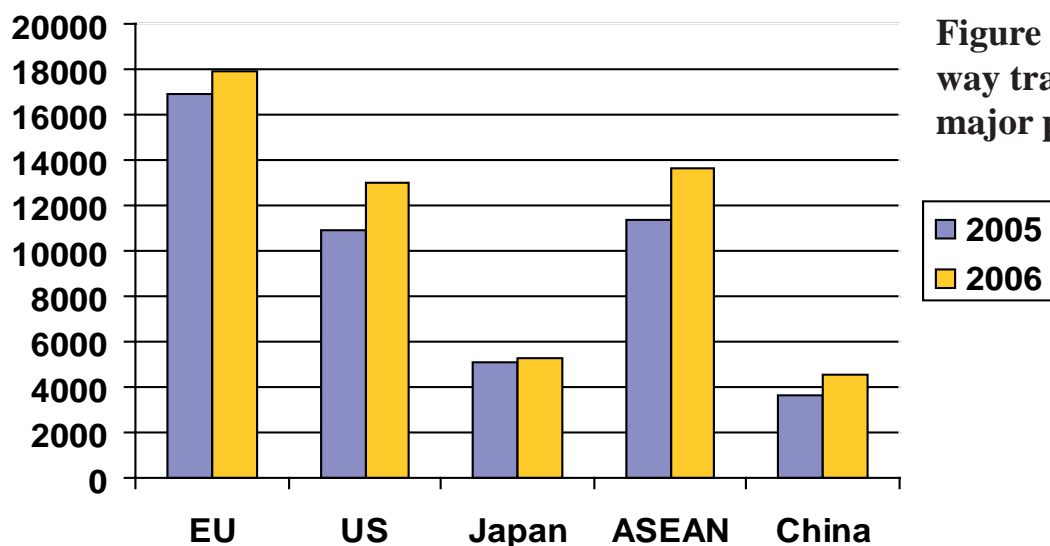


Figure 2: Australia's two-way trade in services with major partners, 2005 to 2006

EU-Australia investment

A survey conducted in 2006 by the European Commission Delegation in Australia, in cooperation with EU diplomatic missions, found that there were approximately 2,300 EU companies with a presence in Australia, with a total estimated turnover of \$A180 billion (just over 12% of total sales in Australia). Furthermore, the survey found that EU companies directly created an estimated 400,000 jobs in Australia, and were possibly responsible for an additional 775,000 jobs when account is taken of the flow-on (multiplier) effects. This makes total direct and indirect employment generated by EU investment more than 1.2 million or around 12% of the Australian workforce.



The major areas of turnover by EU companies are in manufacturing, and the finance and insurance sectors. Other areas include mining, wholesale trade activities and construction.

Overall, the EU remained Australia's largest two-way investment partner in 2006, with investment worth \$A735 billion, or 38% of Australia's total foreign investment stocks. The United States is Australia's second largest two-way investment partner, worth \$A683 billion, or 35% of total stocks.

In 2006, the EU's stock of investment in Australia was worth \$A480 billion, up 16% on the previous year and accounting for 33% of all investment in Australia. This was ahead of the United States which accounted for 25% of total foreign investment in Australia (worth \$A363 billion). See Figure 3 below.

In 2006, the EU was the second largest destination for Australian investment overseas (after the US), with stocks reaching \$A254 billion and accounting for 31% of total Australian investment abroad.

The EU economy in the world

With a combined GDP of \$A19.3 trillion in 2006, the EU was the world's largest economy, accounting for roughly 30% of global GDP.

In 2006, the EU was the world's largest two-way trader of merchandise goods (excluding intra-EU trade). It was the world's largest exporter of goods and the world's second largest importer. The table overleaf ranks the EU and Australia in world merchandise trade against other world leaders.

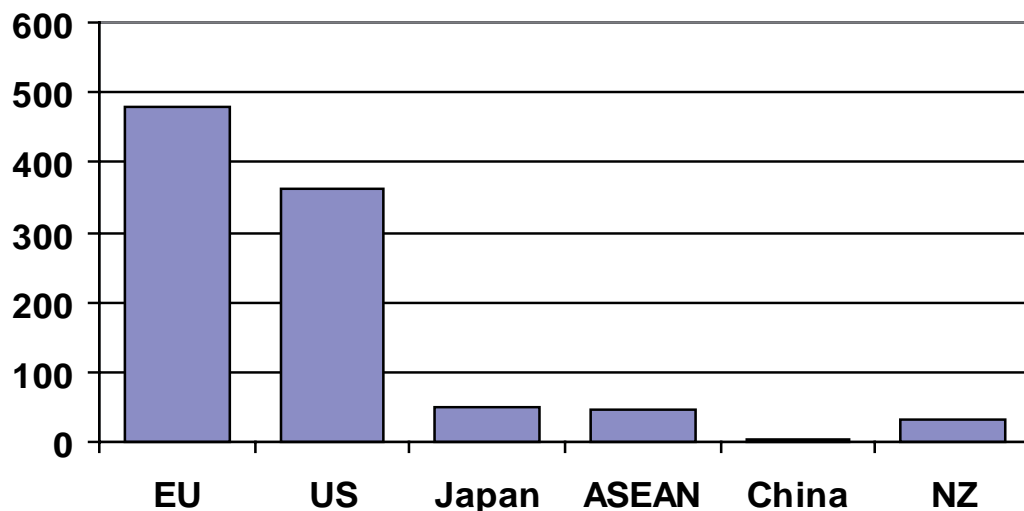


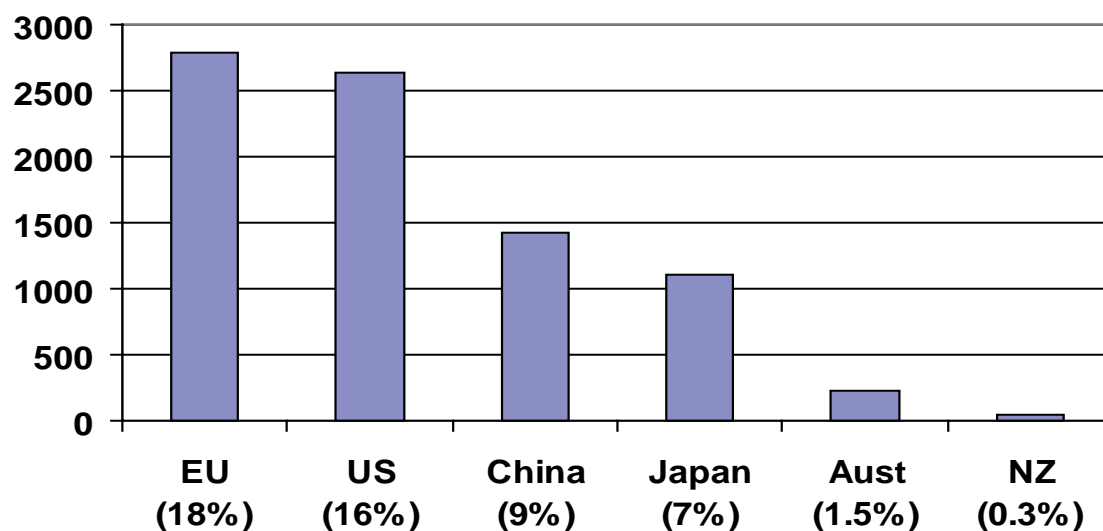
Figure 3:
Stock of investment
in Australia at
December 2006

■ \$Abn

Leading exporters and importers in world merchandise trade, 2006

Rank	Exporters	Value (\$US bn)	Share	Rank	Importers	Value (\$US bn)	Share
1	EU	1329	17%	2	EU	1463	18%
2	US	904	12%	1	US	1733	21%
3	China	762	10%	3	China	660	8%
4	Japan	595	8%	4	Japan	515	6%
18	Australia	106	1.4%	14	Australia	126	1.5%

Figure 4: World's largest traders in merchandise, 2006



In regard to trade in services, the EU25 was responsible for 22% of global services exports and 24% of services imports in 2005 (latest data available). This makes the EU the world's largest market in services, accounting for 26% of global services trade.



Growth in the EU economy

In 2006, growth in the EU economy rebounded to a healthy 3.0%, following a period of disappointing growth from 2003 onwards. Future projections are for sound growth to continue into 2007 and 2008 at a rate of 2.4% per annum. Significantly, these estimations put the EU growing at a faster rate than both the United States and Japan for this year and the next. This means that the EU economy is forecast to be the fastest growing major developed economy in the near future.

This document is an overview of the EU-Australia economic relationship. For further detail visit www.delaus.ec.europa.eu and download the full text of the EU-Australia Economic Relationship note under Trade and Investment.

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