



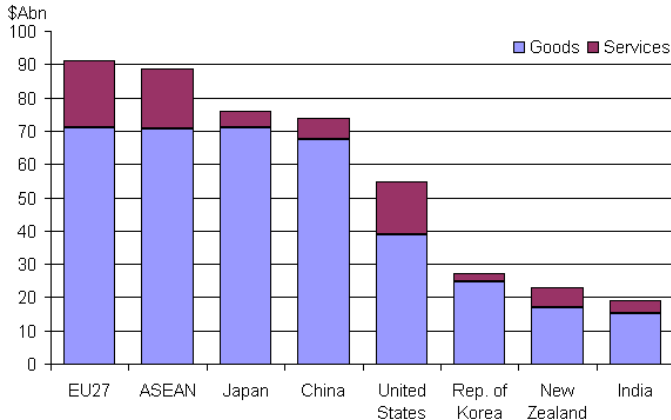
EU-Australia economic relationship

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 for more than 25 years.

The EU is Australia's largest partner in both two-way trade in goods (eg coal, medicaments, motor vehicles and alcohol) and two-way trade in services (eg travel and transportation) (see Figure 1). It is the largest investor in Australia and second largest destination for Australian investment overseas.

Figure 1: Australia's two-way trade in goods and services, by major partners, 2008



Source: Australian Bureau of Statistics (2009), 5368.0.55.004 and personal communication

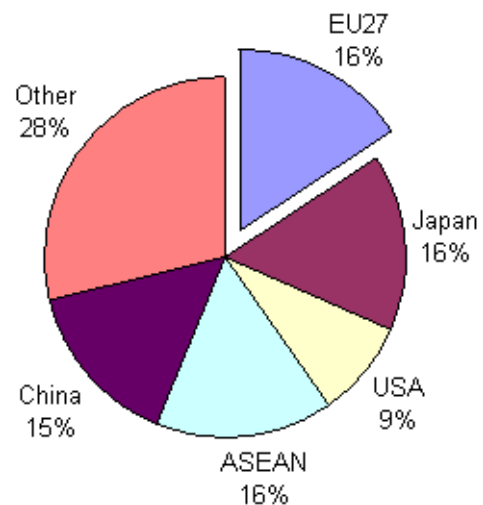
On a Balance of Payments basis, which takes into account trade in goods and services, foreign investment income and transfer payments, economic activity between the EU and Australia is estimated to have exceeded \$A126 billion in 2008, or 18% of all Australian overseas transactions. This figure, when compared with Australia's other major economic partners, (the ASEAN economies 14%, United States 13%, Japan 12% and China 11%) shows that the EU remains Australia's largest economic partner by a significant margin.

Merchandise trade data is on a recorded trade basis, as at June 2009. Services trade data is on a balance of payments basis.

Trade in Goods

The EU has been Australia's most important trade partner in terms of total merchandise trade since 1996. Although there was a significant rise in the value of mineral and energy exports to Australia's Asian partners in 2008, the EU remained Australia's largest two-way merchandise trading partner, marginally ahead of Japan, with transactions for each worth \$A71.0 billion, followed closely by the ASEAN economies and China. (see Figure 2).

Figure 2: Australia's total trade in goods, 2008 (\$A448 billion)



Source: Australia Bureau of Statistics (2009), personal communication

Having been the largest source of merchandise imports into Australia since 1995, the EU was overtaken by the ASEAN economies in 2008, with imports valued at \$A47.5 billion compared with ASEAN's \$A47.7 billion (each 21% of Australia's total imports), followed by China (16%) and the United States (12%).

Did you know?

Among EU Member States, Germany is the largest source of Australian merchandise imports – accounting for over \$A11 billion (24%) in 2008, ahead of the UK (21%) and Italy and France (both 11%).

Australia's main imports from the EU in 2008 were:

- medicaments, worth \$A4.8 billion;
- passenger motor vehicles, worth \$A3.8 billion; *and*
- goods vehicles, worth \$A1.3 billion.

Other significant imports included aircraft and parts, civil engineering equipment and chemicals.

As with the composition of Australia's overall merchandise imports, its imports from the EU largely consisted of manufactures (85%), which rose by 12% in 2008 to \$A40.3 billion.

In 2008, Australian merchandise exports to the EU were valued at \$A23.5 billion (or 11% of total Australian exports), with the EU being the third most important market for Australian exports, after Japan (23%) and China (15%).

Australia's principal exports to the EU were:

- coal, worth \$A6.2 billion;
- alcoholic beverages (mainly wine), worth \$A1.2 billion; *and*
- nickel ores, worth \$A0.7 billion.

Other major exports included medicaments, other ores and iron ore.

Australian exports of primary products to the EU increased by 38% in 2008 to \$A10.8 billion, reflecting increases in commodity prices, while the value of manufactures fell 6% to \$A5.1 billion.

Viewed from an EU perspective, Australia was ranked as its nineteenth largest partner in two-way merchandise trade in 2008, being its twenty-eighth largest source of imports and thirteenth largest export market. Australia was the EU's leading external supplier of wine, nickel ores, lead and wool; and the second largest source of coal, nickel, zinc ores rapeseed and sheep meat.

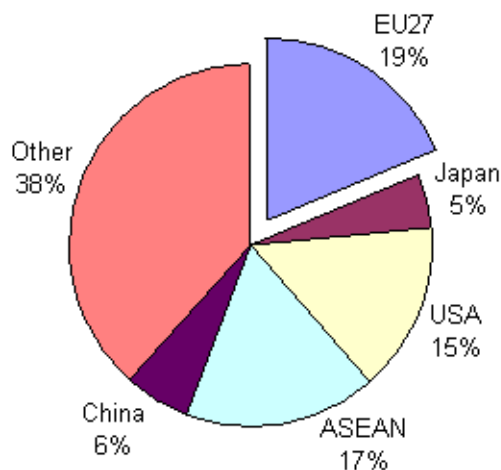
Trade in Services

In 2008, two-way trade in services between the EU and Australia was worth \$A20.3 billion, an increase of 7% on 2007, consolidating the EU's position as Australia's most important trading partner in services, followed by the ASEAN economies and the United States (see Figure 3).

Did you know?

Services accounted for 28% of Australia's exports (by value) to the EU in 2008, and personal travel (excluding education) services were ranked Australia's third-largest export to the EU, after coal and gold.

Figure 3: Australia's total trade in services, 2008 (\$A107 billion)



Source: Australian Bureau of Statistics (2009), 5368.055.004

The EU is the largest source of Australian services imports, worth \$A11.3 billion in 2008 (or 21% of total services exports). It is also the largest market for services exports into Australia, valued at \$A9.0 billion (17%).

The main trade in services between the EU and Australia is in travel, which in 2008 was worth \$A9.9 billion (or 49% of total services trade). Of this, \$A7.8 billion were personal travel services, the remainder being for business and education-related purposes.

Another significant component of the EU-Australia trade relationship in services is transportation, which valued at \$A4.6 billion equates for some 22% of two-way trade. Trade in other business services, largely comprising legal, accounting, engineering and mining-related services, is also becoming increasingly important, totalling \$A2.4 billion in 2008 (12% of total services trade).

Viewed from an EU perspective, Australia was the EU's 10th largest trading partner in services in 2007 (latest data available), being the 9th largest destination for EU services exports and the 12th largest source of services imports.

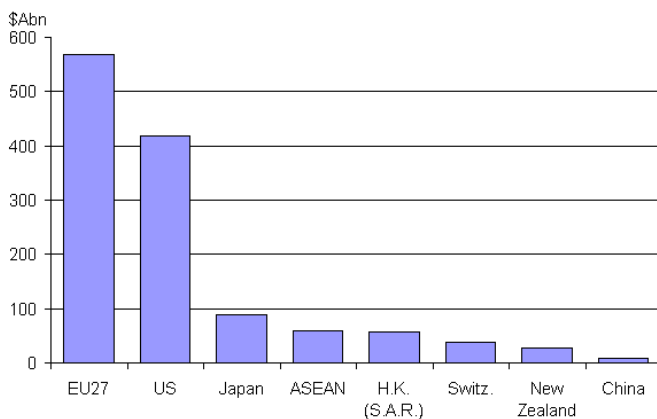
Recent estimates suggest that the services sector accounts for approximately 70% of the GDP of both the EU and Australia. As global trade in this sector continues to expand, Australia and the EU will no doubt become even more important partners in two-way services trade.

EU-Australia Investment

As at the end of 2008, the EU was Australia's largest two-way investment partner, with investments worth \$A872 billion, or 32% of Australia's total foreign investment stocks, ahead of the United States with \$A813 billion.

The EU was the leading investor in Australia with investment stocks rising 4% from a year earlier to \$A567 billion. This equated to 33% of total foreign investment in Australia, exceeding the United States and well above Australia's other major partners (see Figure 4).

Figure 4: Level of total foreign investment in Australia by selected major partners, 2008



Source: Australian Bureau of Statistics (2009), 5352.0

Similarly, the EU was Australia's largest source of foreign direct investment (FDI) in 2008, which totalled \$A133 billion, or 34% of total FDI stocks in Australia.

Did you know?

The EU was the largest source of new foreign direct investment in Australia in 2008, recording a net inflow of \$A25 billion, or 45% of total foreign direct investment transactions in Australia during the year.

In addition, the EU was the second largest destination for Australian investment overseas in 2008 (after the United States), with stocks reaching \$A304 billion, or 30% of total Australian investment abroad.

Viewed from an EU perspective, Australia was the seventh largest identified source of foreign direct investment in the EU in 2007, with stocks of FDI totalling €26.2 billion (\$A42.6 billion).

A 2009 update of an earlier survey conducted in 2006 by the European Commission Delegation in Australia, in cooperation with EU diplomatic missions, found that there were nearly 2,400 EU companies with a presence in Australia, with a total estimated turnover of almost \$A270 billion (just over 14% of total sales in Australia). Furthermore, the survey found that EU companies directly created close to an estimated 500,000 jobs in Australia, and were possibly responsible for an additional 940,000 jobs when account is taken of the flow-on (multiplier) effects of EU company activities. This makes total direct and indirect employment generated by EU investment equivalent to more than 1.4 million jobs, or just over 12% of the Australian workforce.

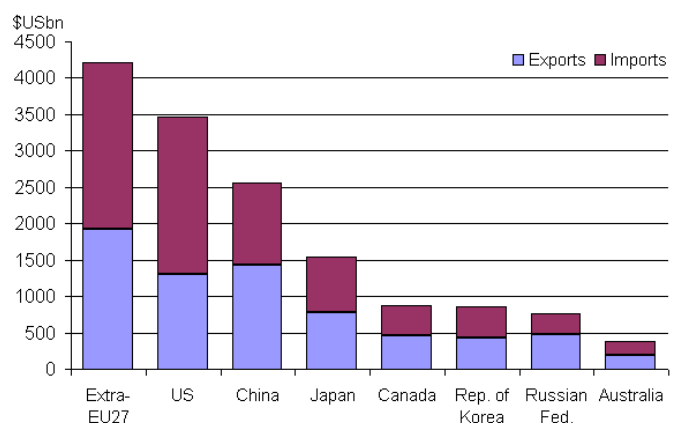
The 2006 survey indicated that the major areas of turnover by EU companies are in the manufacturing and finance and insurance sectors. Other important areas include mining, wholesale trade activities and construction.

The EU economy in the world

With a combined GDP of €12.5 trillion (\$A21.1 trillion) in 2008, the EU was the world's largest economy, representing approximately 30% of global GDP.

In 2008, the EU was the world's largest two-way trader of merchandise goods (excluding intra-EU trade), being both the world's largest exporter and largest importer, accounting for roughly 17% of global merchandise trade. Figure 5 (below) and Table 1 (overleaf) rank the EU and Australia in world merchandise trade against other major economic partners.

Figure 5: Leading exporters and importers in world merchandise trade, 2008



Source: WTO World Trade Report (2009)

In regard to services, the EU was responsible for 28% of global services exports and 24% of services imports in 2007 (latest data available, excluding intra-EU trade). This also makes the EU the world's largest market in services, accounting for 26% of global services trade.

