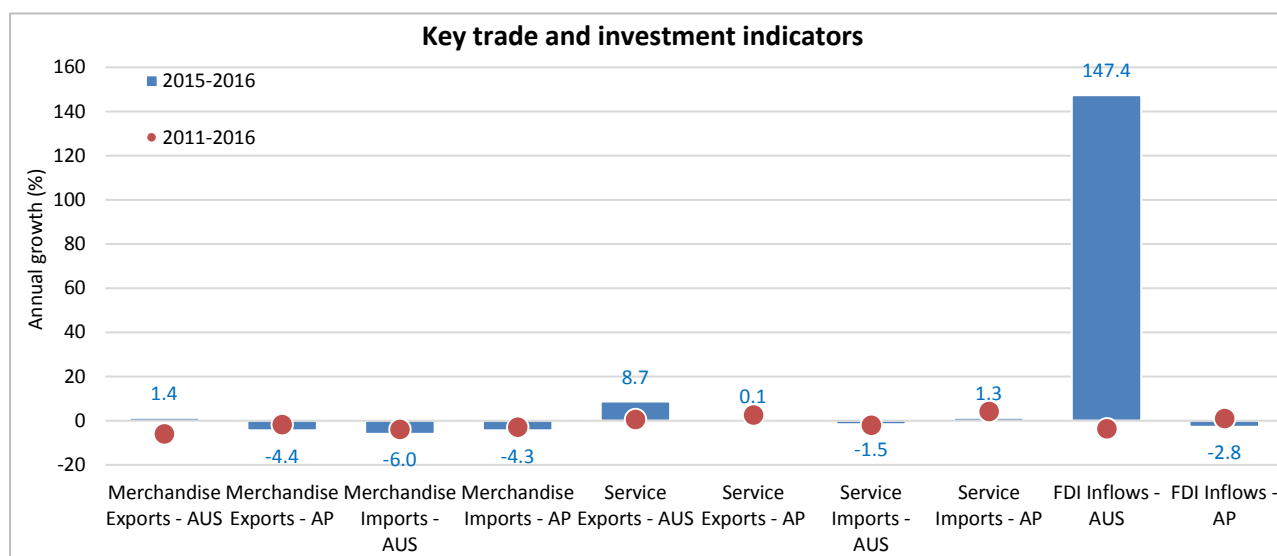




Asia-Pacific Trade and Investment Briefs Australia



AP: Asia and the Pacific average

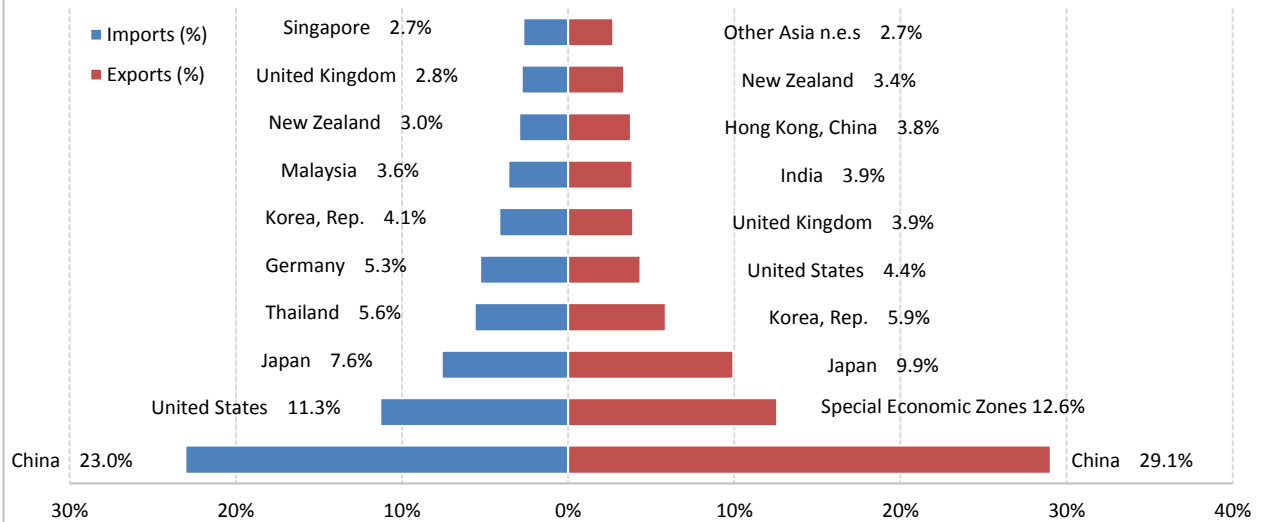
Merchandise trade: Merchandise trade accounted for 78.1% of the country's total trade in 2016. Merchandise exports increased slightly in 2016 by 1.4% while the Asia-Pacific region's exports declined by 4.4%. Australia's exports relied heavily on primary commodities, such as iron ores, coal, petroleum gas and gold. Although the exports growth was moderate, it showed that the country's exports have started to recover from an average yearly decline of 6.0% during 2011-2016. The exports improvement in 2016 was caused by increase of commodity prices and recovering demand in its largest market - China. In contrast, merchandise imports in 2016 still contracted by 6.0%, a larger fall than imports of the Asia-Pacific region, which declined by 4.3%. Imports were dominated by motor vehicles, petroleum oils and telephone sets. A major factor for the contraction of import demand was decreasing investment, especially in mining sector, which pulled down economic growth.

Services trade: Australia's commercial services exports outperformed its merchandise exports with the average annual growth of 0.6% during 2011-2016. In 2016, in particular, commercial services exports grew robustly by 8.7%. The impressive growth was driven by educational services and travel services, accounting together more than 60% of the country's services exports, which grew by 18% and 13%, respectively, in 2016. The slowdown of domestic economy caused Australia's commercial services imports to further decline by 1.5% in 2016, continuing the downward trend as the decrease was 14.2% in 2015.

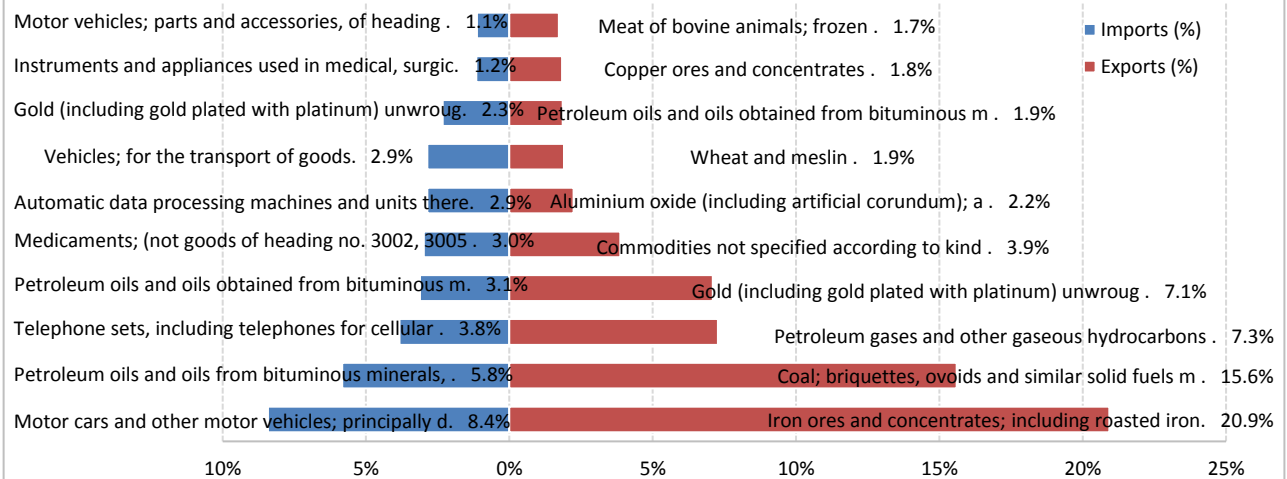
Intraregional trade: In 2016, 71.8% of Australia's goods exports went to the Asia-Pacific economies. Australia was highly dependent on mining exports to China, whose imported 29.1% of Australia's total exports. Intraregional imports accounted for 59.4% of Australia's imports in goods. China was again the most important import partner of Australia (23.0% of total imports). Other important intraregional partners included Japan, Republic of Korea and major ASEAN economies. Trade within the Pacific subregion has been less important for Australia, but for the group of small Pacific Islands, Australia has been their most important trade partner.

Foreign direct investment (FDI): Australia is the main recipient of FDI inflows to the Pacific. After three years of consecutive decline, FDI inflows to Australia recovered strongly in 2016 with a growth rate of 147.4%. Greenfield FDI inflows saw significant investment in alternative/renewable energy, real estate and software and IT services sectors. Australia is also an important investor in Asia-Pacific region. FDI outflow from Australia has recovered from the three-year slowdown although it has not reached the five-year record reached in 2012.

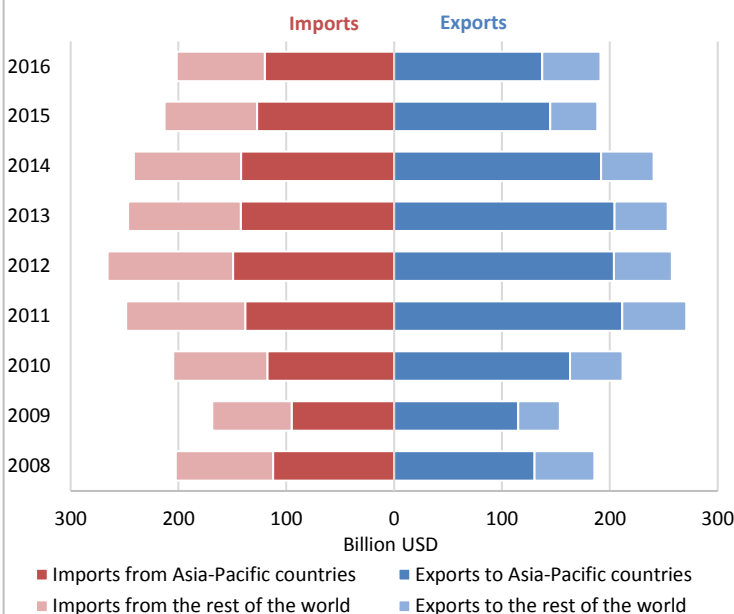
Top merchandise markets (2016)



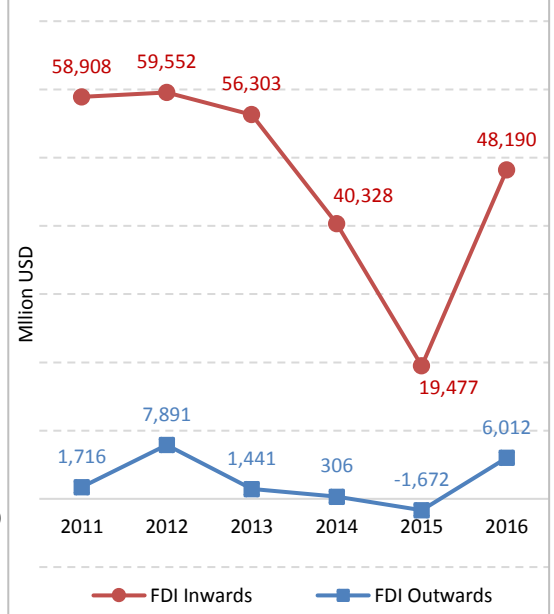
Top merchandise products (2016)



Trade within Asia-Pacific and the rest of the world



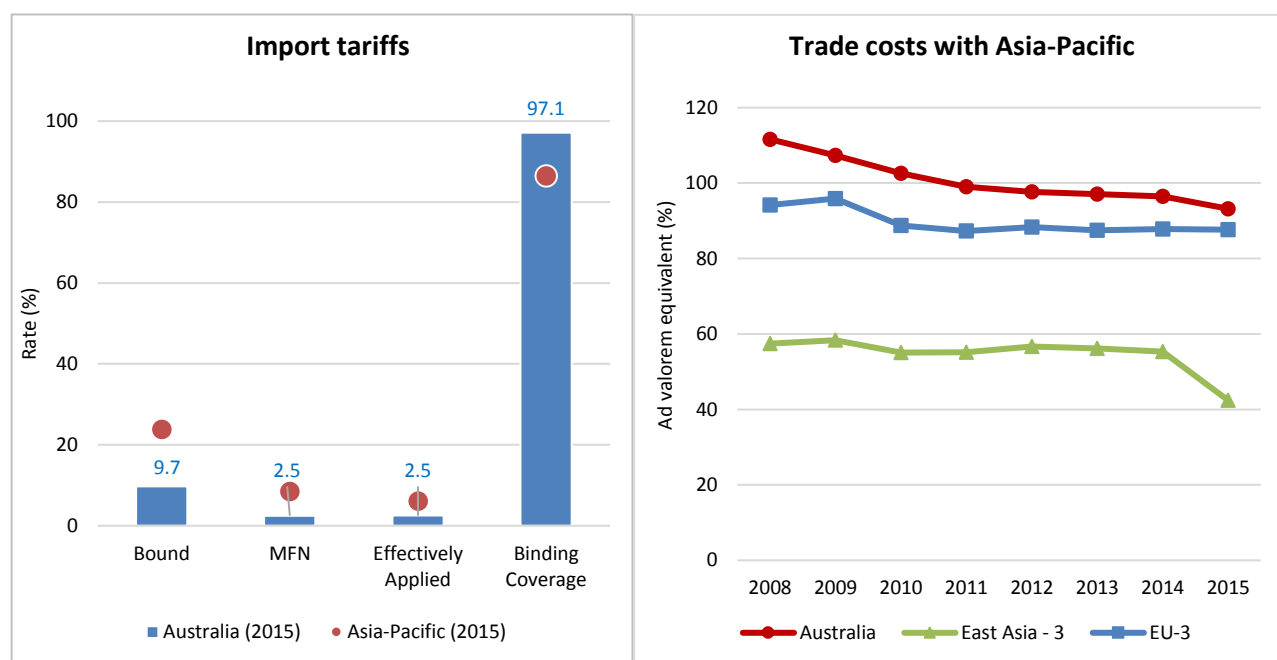
Foreign direct investment (FDI)



Tariffs: Australia's tariff rates were substantially less than the average of Asia-Pacific region. In 2015, both average MFN applied and effectively applied tariffs stood at 2.5% while those of the region on average were 8.5% and 6.1%, respectively. Average MFN bound duty, at 9.7%, was also less than half of the Asia-Pacific average of 23.8%. Australia has bound 97.1% of its tariff lines, comparing with the Asia-Pacific binding coverage of 86.5%.

Trade costs: Due to the far distance between Australia and the four developing Asian markets (China, India, Indonesia and Russian Federation), trade costs occurred to Australia in reaching these markets remained higher than those of the three East Asian countries (China, Japan and Republic of Korea). Despite a constant decline during 2008-2015, trade costs for Australia were, on average, still more than twice of those for East Asia-3 and about 6.3 percentage points higher than those incurred for the European Union-3 (Germany, France and United Kingdom).

Preferential trade agreement (PTAs): As of September 2017, Australia has 12 trade agreements in force, which were more than the Asia-Pacific average of 7.7 agreements per country. Based on data of 2013-2015, of the country's total exports, 77.9% were directed to its PTA partners, compared with 37.5% of the Asia-Pacific region, while 70.2% of total imports came from PTA partners, compared with 50.3%, an average for the Asia-Pacific region.



Sources: Trade and tariff data were accessed through WITS and IMF direction of trade database. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database.

Notes: Data are based on countries or regions for which data available only (e.g. trade cost data of Japan are missing for 2015). Merchandise trade data follow the HS2012 classification. Mirror data are used. Products are defined at the 4-digit level. Tariffs are simple average. Trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries or regions with the Asian developing economies (China, India, Indonesia and Russian Federation). East Asia-3 comprises China, Japan and the Republic of Korea; European Union-3 comprises Germany, France and the United Kingdom. Average growth rate over a period means simple average growth rate.

Definitions: 1) Other commercial services include: Construction, Insurance and pension services, Financial services, Charges for the use of intellectual, Telecommunications & computer, Other business services, Personal & cultural & recreation. Other business services include: Research and development services, Professional & management consulting services, Technical & trade-related & other business services. 2) MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the ratio of collected import tariff revenue and value of imports. Binding coverage refers to the share of bound tariff lines in the total number of tariff lines.

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