

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Tourism and Resources Portfolio
Additional Estimates 2005-2006, 16 February 2006

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES
TOPIC: AUSTRALIA-UNITED STATES FREE TRADE AGREEMENT AND EXPORTS
REFERENCE: WRITTEN QUESTION

QUESTION No.AI-24

Senator Campbell asked:

Is the Department aware of any significant shifts in trade balance between the USA and Australia since the implementation of the USFTA? In particular, is the Department aware of sectors that are particularly affected by either rising imports or falling export revenues?

ANSWER

According to the Australian Bureau of Statistics, in 2005 Australia's merchandise exports to the United States declined by three per cent to \$AU9.3 billion. However, if crude oil and passenger motor vehicles are excluded from the 2005 trade figures, Australia's total merchandise exports to the United States in fact rose by one per cent.

During the same time period, Australia's imports from the US increased by 4.3 per cent to reach \$AU21.4 billion. However, despite this rise in imports, the US share of Australian imports actually declined over 2005. US sourced imports represented 14.5 per cent of Australia's total imports in 2004, but only 13.7 per cent of Australia's imports in 2005. These figures reflect a shift in Australian trade toward Asia, and in particular toward China.

With regard to the specific sectors affected by falling export revenues, the mineral fuels and lubricants, and machinery and transport equipment sectors have both been affected by a decline in exports to the US. However these declines can not be attributed to the implementation of the USFTA.

The decline recorded in the mineral fuels and lubricants sector was caused by a 55 per cent drop in Australia's exports of crude oil to the US, because a greater proportion of our crude exports was sent to Asia for refining to meet growing Asian demand.

The decrease in machinery and transport equipment exports is attributed to a decline in Australia's automotive exports, due to factors unrelated to the USFTA. For example, automotive exports to the US were affected by the cessation of production of the Mitsubishi Diamante (i.e. the Australian Magna). The replacement model for this vehicle (the Mitsubishi 380) is not produced in left-hand drive configuration. Exports may have also been affected by higher fuel prices in the US market, reducing demand for vehicles with a large engine capacity of the type produced in Australia. The falling market share of GM and Ford Motor Company in the US may have also had an impact on Australian automotive component producers which supply to these companies.