

# Why Australia?

## Summary

**Area:** 7.692 million km<sup>2</sup>

**Population:** 25.52 million

**Urban population:** 86.1%

**Population growth rate:** 0.791% change

**Capital city:** Canberra

**Official language:** No official language, but primarily English

**Currency:** Australian Dollar

**Nominal GDP:** US \$1,387.1 billion

**Real annual GDP growth:** 1.8%

**GDP per capita:** US \$54,348.2

**Annual inflation rate:** 1.6%

**General government gross debt:** 46.3% of GDP

**Fiscal balance:** -3.9 of GDP

**Current account balance:** 0.6% of GDP/US \$8.3 billion

**Exports of goods to UK:** £3,926 million

**Exports of services to UK:** £2,961 million

**Imports of goods from UK:** £4,664 million

**Imports of services from UK:** £7,045 million

*[Source – FCDO Economics Unit (October 2020), FCDO Overseas Business Risk: Australia]*

Australia has the 13th largest economy in the world. This is due to its low-risk business environment, high productivity levels, strong institutions and services sector, as well as

its three AAA ratings from the global rating agencies (Moody's, Fitch, and Standard & Poor's). The country is currently in its 26th consecutive year of economic growth; therefore, the market remains prosperous and its disposable income per head continues to be high.

The UK and Australia are very similar. Therefore, if your product or service is successful in the UK, there is a high chance that it will be successful in Australia. Despite their similarities, there are several differences; time should be taken to understand the market before you begin to export your product or service.

*[Source – DIT: Exporting to Australia, Australian Trade and Investment Commission (Austrade)]*

## Geography

Australia is both a continent and a country in the Oceania region. As a continent, Australia is one of the smallest; however, as a country, it is the sixth-largest in the world, covering 7.692 million km<sup>2</sup> of land.

The country is surrounded by water and is not connected to any other land. To the northwest of the country, Indonesia is separated by the Timor Sea and the Arafura Sea. It is separated from Papua New Guinea by the Coral Sea in the northeast, from Antarctica in the south by the Indian Ocean, and New Zealand in the southeast by the Tasman Sea.

Australia is one of the flattest and driest continents in the world, with roughly 18% of the country's landmass covered in desert. These deserts include: Great Victoria Desert, Great Sandy Desert and the Tanami Desert, among others. There is very little rainfall in Australia, for two-thirds of the country roughly 500 mm of rain falls per year, for the remaining third, 250 mm falls. This causes roughly 35% of the overall landmass to be effectively considered desert land, too.

Australia is made up of six states and several territories. The states include: Western Australia, Queensland in the northeast, New South Wales, Victoria in the southeast, South Australia, and Tasmania in the south (which is not connected to the main landmass). The main territory is the Northern Territory, known to contain mostly Outback desert.

*[Source – DIT: Exporting to Australia, Australian Government]*



## Government

Australia is a parliamentary democracy and has a constitutional monarchy. The country's government system follows the UK model, which reflects on the two countries' shared cultural heritage. A federation was established in 1901 due to the Australian Constitution, which defined the responsibilities of the Commonwealth, the federal government. The country's six states retain power over matters that the Commonwealth have not been assigned. The two mainland territories, which are the Australian Capital Territory and the Northern Territory, have had the right to govern themselves granted. The Commonwealth's legislative power is given to the Parliament; this consists of the Queen, who is represented by the Governor-General, as well as two Houses, which are the Senate and the House of Representatives.

The Australian federal election, in May 2019, led to the return of the centre-right Liberal-Nationals coalition. The country's Prime Minister is Scott Morrison of the Liberal Party, and the Deputy Prime Minister is Michael McCormack of the National Party. The coalition's main opposition comes from the Australian Labor Party, which is led by Anthony Albanese. Morrison's Government was re-elected with only a narrow majority. The Party holds only 77 seats out of the 151-seat House of Representatives.

Members of the House of Representatives will hold a term for three years, whereas Senators will hold a fixed term for six years. Every three years a full House of Representatives election and a half-Senate election will take place simultaneously. The next elections are planned to take place between August 2021 and May 2022.

If you are a company looking to do business over several states and territories, you should be aware that each jurisdiction will hold different laws and regulatory practices. Therefore, make sure you check the relevant regulations.

You can find more information regarding how the Australian Government system operates, on the government's website: <https://info.australia.gov.au/about-government>.

*[Source – FCDO Overseas Business Risk: Australia, Australian Government]*

## Human rights and business

The promotion and protection of human rights standards has been acknowledged as important by the Australian Government. The government has ratified a number of international instruments that include the International Covenant on Civil and Political Rights, and the International Covenant on Economic, and Social and Cultural Rights. Conventions concerning anti-discrimination and international labour standards have also been ratified. Businesses are encouraged by the Australian Government to apply to the United Nations' Guiding Principles on Business and Human Rights. These rights include making it a corporate responsibility to respect human rights.

It is a requirement for Australian employers to establish a discrimination and harassment-free workplace. For further information for employers, visit the Australian Human Rights Commission webpage: <https://www.humanrights.gov.au/education/employers>.

Established by the Fair Work Act 2009, the Fair Work Commission is the Australian Government's national workplace relations tribunal: <https://www.fwc.gov.au/>. The Commission is an independent body that provides regulations for minimum conditions, these include working ages and the value of the minimum wage. The Commission also has mechanisms in place to resolve a range of collective and individual workplace disputes. The rights of workers has been extended to freedom of association as they have the right to form and be part of trade unions. Industrial action must be protected industrial action in order for it to be lawful. This action can take on several forms, such as employee strikes.

The land rights of the indigenous population in Australia were recognised in the 1993 Native Title Act: <https://www.humanrights.gov.au/our-work/aboriginal-and-torres-strait-islander-social-justice/projects/native-title>. If you are a British business or developer, you must respect the rights of traditional land owners and custodians when negotiating deals for development proposals when making transactions involving land where the Native Title applies. For more information regarding the Native Title Act, see the National Native Title Tribunal website at: <http://www.nntt.gov.au/aboutus/Pages/default.aspx>, which is an independent agency established by the Act.

Australia is a member of a number of multi-stakeholder initiatives, such as the Voluntary Principles on Security and Human Rights (VPs). The initiative involves governments, companies and non-governmental organisations (NGOs), and it promotes the implementation of a set of principles that give oil, gas and mining

companies guidance on how to provide security for their operations alongside respecting human rights. For more information visit the Voluntary Principles on Security and Human Rights' (VPs) website at: <https://www.voluntaryprinciples.org/>.

Another initiative of which Australia is a member is the International Code of Conduct for Private Security Service Providers (ICoC) Association. This Association works with private security companies in order to set out international principles and standards for the responsible provision of private security services. This is particularly useful in environments that are described as complex. For more information, visit the International Code of Conduct for Private Security Service Providers (ICoC) Association's website at: <https://icoca.ch/the-code/>.

Under the Modern Slavery Act 2018, large companies and other entities must report annually on the modern slavery risks within their own supply chains. The Australian Department for Home Affairs can provide further information and guidance for reporting entities on their website: <https://www.homeaffairs.gov.au/>.

*[Source – FCDO Overseas Business Risk: Australia]*

## Economic overview

Australia has avoided recession for 28 years, making it, in recent decades, one of the most resilient and best performing advanced economies worldwide. This success is due to numerous factors, including its sound fiscal management; strong population growth; its close ties to fast growing Asian economies and its abundance of natural resources, including iron ore, coal, gold and gas.

The country's economic growth, however, has been largely below trend due to the wake of the resources boom. Australia is currently moving away from mining investment-led growth and the transition is almost complete. This transition is facilitated by an accommodative monetary policy and a flexible exchange rate and labour market.

In 2020, Australia ranked 14th out of 190 countries in the World Bank's Ease of Doing Business Index (the UK ranks 8th): <https://www.doingbusiness.org/en/data/exploreconomies/australia>.

Contact a DIT Export Adviser at: <https://www.great.gov.uk/contact/triage/location/> for a free consultation if you are interested in exporting to Australia.

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies. You can also check the current UKEF cover position for Australia. See: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#australia>.

*[Source – FCDO Overseas Business Risk: Australia, DIT, UKEF]*

## Trade and investment overview

75% of Australia's exports are into Asia, as the country's trade and investment flows become increasingly regionally focused. China is currently Australia's largest two-way trade partner, followed by Japan, the US, the Republic of Korea, Singapore, India, New Zealand and the UK. Its main exports include iron ore, coal, natural gas, education services and travel services. The country's main imports include travel services, refined petroleum and passenger motor vehicles.

At multilateral, regional and bilateral levels, Australia is a strong proponent for trade liberalisation. Australia has entered into 11 agreements, either with single countries or with a group of countries, these include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, China, Japan, Republic of Korea, Malaysia, ASEAN, Chile, Thailand, the United States, Singapore and New Zealand. The country is currently under negotiations for further trade agreements, and several agreements' negotiations have been concluded, although have not, as yet, come into force.

The UK is Australia's tenth-largest source of goods imports and second-largest in terms of services, showing that trade and investment between the two countries remains strong. In 2020, the UK's exports of goods to Australia was valued at £4,664 million and its exports of services was recorded to be £7,045 million. Top exports include passenger vehicles, machinery and pharmaceutical products.

Goods exported from Australia into the UK were valued at £3,926 million in 2020, and its services reached £2,961 million. Australia's top exports to the UK included precious stones and metals, lead and alcoholic beverages. Services play a large part in the trade between Australia and the UK, such as travel services, transportation services, business services and financial services.

In Australia, the UK is the second-largest source of foreign investment and the second-largest destination for Australian foreign investment. Both Australia and New Zealand in 2018-2019 were the source of 61 new foreign direct investment projects within the UK, creating around 1,746 new British jobs.

A bilateral trade working group was established between the UK and Australia in 2016. The fourth meeting was held in July 2018 and it was convened at senior officials' level.

*[Source – FCDO Overseas Business Risk: Australia]*

## Benefits for UK businesses exporting to Australia

Benefits for British businesses exporting to Australia include:

- proximity to Asia-Pacific economies
- familiar products and service provider

- common language and similar culture
- similar business and legal practices
- similar technical standards

These benefits make Australia a good place to test your product in a new market, success of new products is also due to the 1.2 million Britons who are currently permanently residing in Australia. According to the Australian Bureau of Statistics, Australia welcomed 719,000 UK short-term visitors between 2018 and 2019.

*[Source – DIT: Exporting to Australia, Australian Bureau of Statistics]*

### **Strengths of the Australian market**

Strengths of the Australian market include:

- an extended period of strong economic growth
- strong business and consumer base
- strong technology sector
- similar language, culture and business practices
- high personal wealth
- strong Intellectual Property (IP) protection

*[Source – DIT: Exporting to Australia]*

### **Asia**

British companies that are looking to expand into the Asian region can look towards Australia for help due to the country's exposure to and engagement with the fast-growing region. Within Australia's top ten trading partners, Asian countries take up seven of the places. Approximately 10% of the Australian population, roughly 2 million people, speak an Asian language in their own homes.

*[Source – DIT: Exporting to Australia]*

### **Free trade agreements**

Australia has free trade agreements with several countries worldwide including Japan, China, South Korea, New Zealand, Singapore, Thailand, USA, Chile, the Association of

Southeast Asian Nations (ASEAN) (with New Zealand) and Malaysia. Roughly two thirds of Australia's total trade is covered by its free trade agreements.

Due to these free trade agreements, the countries involved enter a legally binding agreement with commitments to relax access to the other market and vice versa. This relaxation of access affects goods, services and investment.

*[Source – DIT: Exporting to Australia]*

## World rankings

In addition:

- In Transparency International's latest 2019 Corruption Perceptions Index (announced January 2020) Australia is ranked 12th out of 180 countries (the UK also ranks 12th): <https://www.transparency.org/en/countries/australia>
- Australia ranks 14th out of 190 countries in the World Bank's 2020 Ease of Doing Business Index (the UK ranks 8th): <https://www.doingbusiness.org/en/data/exploreeconomies/australia>
- The World Economic Forum's Global Competitiveness Report 2018-19 ranks Australia 14th out of 140 (the UK ranks 8th): <http://reports.weforum.org/global-competitiveness-report-2018/country-economy-profiles/#economy=AUS>
- Australia ranks 4th out of 180 countries in the Heritage Foundation's 2020 Index of Economic Freedom (the UK ranks 7th): <https://www.heritage.org/index/country/australia>

## Trade between the UK and Australia

In 2019, the UK was Australia's 4th top trading partner, with 3.8% of its total exports going to the UK.

In 2020, Australian exports of goods to the UK were recorded at £3,926 million and the value of the exports of services to the UK was £2,961 million.

Imports of goods from the UK to Australia were valued at £4,664 million and the imports of services from the UK were £7,045 million.

In 2019, the top ten exports from Australia to the UK included:

- mineral fuels including oil



- ores, slag, ash
- gems, precious metals
- meat
- inorganic chemicals
- machinery including computers
- pharmaceuticals
- electrical machinery, equipment
- cereals
- optical, technical, medical apparatus

You can read more about what Australia exports at World's Top Exports: <http://www.worldstopexports.com/australias-top-10-exports/>. The International Trade Centre (ITC) ranks the value of Australia's top services exports: <http://www.intracen.org/>.

*[Source – DIT: Exporting to Australia, Trading Economics, World's Top Exports]*

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