



INTERNATIONAL
TRADE
ADMINISTRATION

Australia

Commercial Overview





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ADMINISTRATION

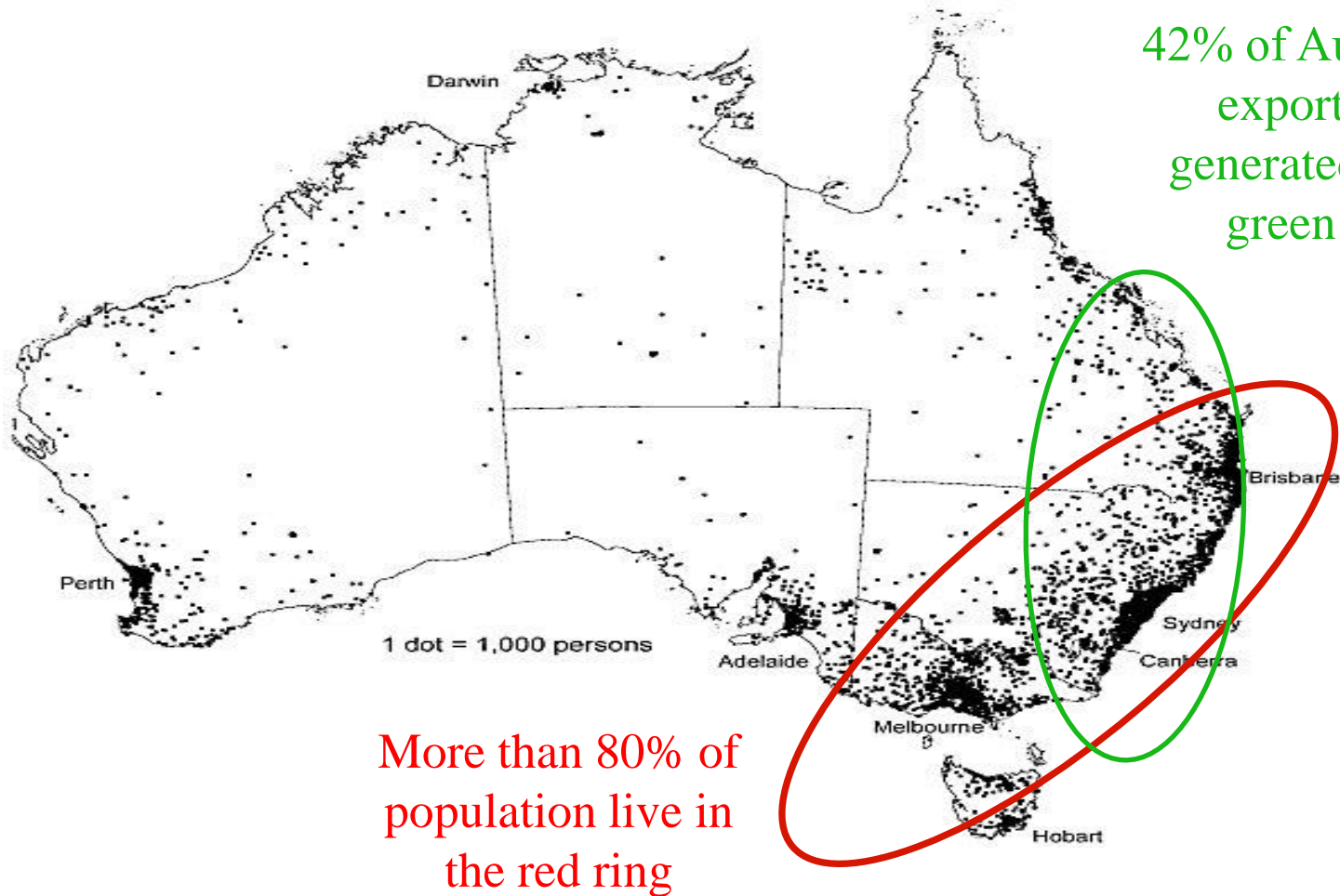
Introduction – USCS Australia & NZ



Geographical Size



Population





Australian Market

Common Objections

It's a small market.

It's very far away.

U.S. products are not price competitive.

The Flip Side

- Our 17th largest export market.
 - Australia can make an excellent regional base.
 - 12th largest economy in the world
-
- Australians in general do not hesitate to travel to the States
 - 121 direct flights a week
-
- U.S. – Australia FTA.
 - U.S. products are highly regarded due to quality and innovation.
 - Good market innovative products & SME's



Australia: Basic Facts

- Population: 24.1 million
- GDP: US\$ 1.25 trillion
- GDP Growth rate 2016: 2.9% forecast
- Unemployment: 5.7%
- Inflation rate: 1.3%
- Exchange rate: US\$1.00 = A\$1.33





- Australia ranks just behind Canada as an economy – **12th largest GDP in the world**
- When combined with New Zealand and nearby Pacific Islands, it is a **2nd Canada** – with a larger GDP and a larger population.

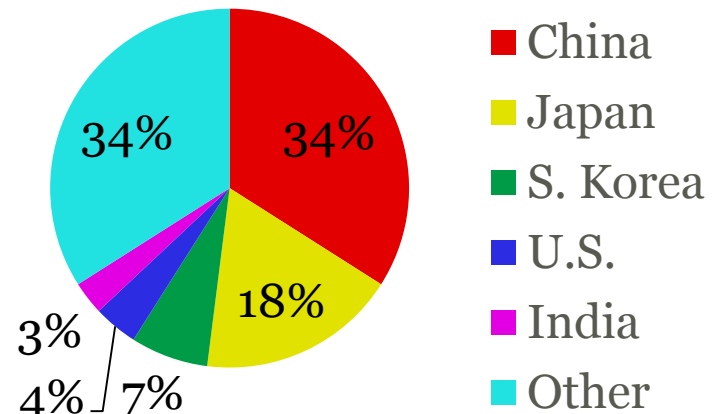


Australia: Export Trade 2016

Top Exports

- Iron ore & concentrates
- Coal
- Education-related travel services
- Natural Gas
- Gold
- Personal travel services
- Crude petroleum
- Wheat
- Aluminum ores & concentrates
- Beef

Top Export Markets

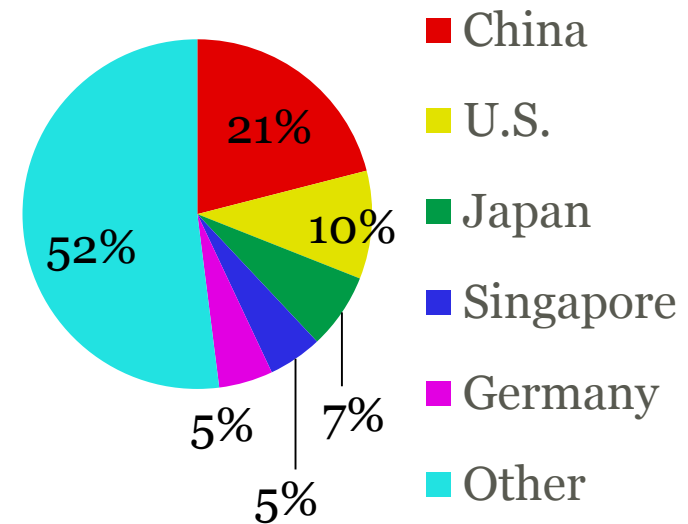


Australia: Import Trade 2016

Top Imports

- Personal Travel (excluding Education) Services
- Crude Petroleum
- Passenger Motor Vehicles
- Refined Petroleum
- Freight Transport Services
- Telecom Equip & Parts
- Medicaments (incl. Veterinary)
- Computers
- Passenger Transport Services
- Goods vehicles

Top Import Markets





Trade between Australia and the U.S. 2016

- Australia's exports to the U.S.: US\$14.1 billion
- U.S. exports to Australia: US\$26.6 billion
- Australia is the 17th largest market for U.S. exports.
- US\$12.5 billion represents one of the United State's largest trade surpluses with any trading partner.
- Major Australian exports to the U.S. include beef, aircraft and parts, other types of meat and alcoholic beverages.
- Major U.S. exports to Australia include motor vehicles, measuring and analyzing instruments, telecommunication equipment and pharmaceuticals.



- Australia is the 12th largest source of FDI in the US.
- In 2015 Australia invested US\$44 billion in the US.
- In 2015 the US invested US\$170 billion in Australia.
- Top Industry Sectors of Australian FDI projects in the United States
 - 1. Software & IT Services
 - 2. Business Services
 - 3. Real Estate
 - 4. Financial Services
 - 5. Communications
 - 6. Coal, oil , and gas
- *FY2016 Statistics will be released in May



Largest Australian-Owned Companies operating in the U.S. include:

- Westpac Banking Corporation (banking)
- Telstra Corporation Limited (telecom)
- QBE Insurance Group (insurance)
- Qantas Airways (airlines)
- Macquarie Group Limited (investment banking)
- Lend Lease Corporation Limited (infrastructure)
- Commonwealth Bank of Australia (banking)
- BHP Billiton Limited (oil & gas)
- ANZ Banking Group (banking)
- Pratt Industries (packaging)



Australia: Business Environment

“If you want to go to a fast-growth economy where people speak English and are nice, go to Australia.” – Jeffrey R. Immelt, GE Chairman and CEO

- ✓ Stable political environment and FTA in place
- ✓ U.S. company/brand names are commonplace and highly regarded
- ✓ Global orientation and commitment to open trade and establishing an attractive investment environment.
- ✓ IPR regimes in place
- ✓ Highly educated and skilled workforce
- ✓ High standard of living and disposable income



Australia – U.S. Free Trade Agreement

- ☐ Entered into force in 2005.
- ☐ Tariff Reduction (99% eliminated).
- ☐ All trade in goods free of duty by 2015.
- ☐ Opens all Australian state & federal govt. procurement.
- ☐ Importer must claim preferential treatment.
- ☐ No Certificates required but Rules of Origin apply.
- ☐ Increased threshold of screening for U.S. FDI in Australia.
- ☐ Bilateral trade in goods and services has increased by 59% since 2005.
- ☐ Australian FDI in the U.S. rose by more than 20% and is the U.S.'s 12th largest investor.



Business Culture

- ☐ Importers are very cautious about changing suppliers.
- ☐ Avoid excessive bargaining. Offer your best price early.
- ☐ Direct, practical, and informal negotiating style.
- ☐ Avoid The Tall Poppy Syndrome. Stay humble.
- ☐ Generally it takes about 6-12 months for an American company to reach a deal, if there is interest from local partners.
- ☐ Forget MadMax and Crocodile Dundee



Market Insights

- ☐ Distributors struggle against online retailers so work out your wholesale discount/margins.
- ☐ Cost of doing business in Australia is relatively high.
- ☐ Scale expectations to market size.
- ☐ One rep or distributor may be able to cover the whole market.
- ☐ It's a relatively small market and people talk. Be discreet about looking for an alternative representative if your existing rep is not aware of your search.
- ☐ Never forget that, though very similar to the United States in many ways, Australia is a different country.
- ☐ U.S. firms need to understand that Australia is a competitive market for many products and they need to invest time and money in marketing their products if they are to succeed.



Issues

- Highly regulated market, need to ensure that the company meets Australian standards and other regulatory requirements.
- Sometimes there are relatively few distributors making it more challenging to find a suitable partner with the right capabilities.
- Freight costs can add greatly to the cost of a exported products and make it difficult to compete on price.
- Different “wiring rules” for electrical products.
- Chemicals need to be certified under the National Industrial Chemical Notification Scheme (NICNAS)
- Therapeutic products need Therapeutic Goods Administration (TGA) approval
- Wood packaging and used equipment must be treated/fumigated
- Plant and animal products need to be approved by the Australian Quarantine & Inspection Service



Services

- ☐ Business Counseling
- ☐ International Partner Search (IPS)
- ☐ Gold Key Matching Service (GKS)
- ☐ Single Company Promotion (SCP)
- ☐ Business Facilitation Service (BFS)
- ☐ International Company Profile (ICP)
- ☐ Trade Missions
- ☐ Trade Show support
- ☐ SelectUSA



Leading Sectors for U.S. Exports

- Education
- Travel and Tourism
- ICT
- Medical Equipment
- Aircraft and Parts
- Automotive Parts
- Agricultural Equipment
- Mining Equipment
- Oil and Gas Equipment
- Renewable Energy

Education

- ☐ 4,752 Australian students in US. academic year.
- ☐ 20% in the last 5 years.
- ☐ 46% U-Grad; 24% Grad
- ☐ Many Asian students who attended Australian high schools have an interest in university study in the US.
- ☐ Sports scholarship opportunities are popular.
- ☐ Popular undergraduate courses: Liberal Arts and Sciences, Business, International Relations, Film, & Music.



Travel and Tourism

- ☐ Australians are traveling to and spending in the U.S. in record numbers.
- ☐ 1.5 million Australian visitors to the US in 2015.
- ☐ Spent \$8.5 billion.
- ☐ 8th-largest market for visitor spending.
- ☐ 10th-largest market for international visitors.
- ☐ Australians stay 22 days – longer than other international travelers.



Information & Communication Technology

- ❑ Mature, middle-class economy.
U.S. brands are market leaders.
Social is very large - More Facebook users per capita than anywhere else in the world.
- ❑ Federal Government is significant buyer of IT products and services.
- ❑ Key industries: finance, insurance, retail, transport, mining, telecommunications, and media.



Medical Equipment

- ☐ Australia is the eighth largest export market for U.S. manufacturers of medical products.
- ☐ 80% of medical devices are imported.
- ☐ U.S. is the major supplier followed by Europe and Japan.
- ☐ Government-funded healthcare scheme.
- ☐ Healthcare market is mature, competitive, and sophisticated.
- ☐ Good prospects exist for new and innovative medical technologies.



Aerospace

- ❑ U.S.-made aircraft comprise the majority of military, commercial, and general aviation fleets (over 60% of 15,300 aircraft).
- ❑ Opportunities exist in:
 - MRO - parts and components for aircraft maintenance, repair, and overhaul
 - Advanced avionics, display, communication, and control and navigational instruments
 - Defense sector
- ❑ One of the world's largest helicopter fleets in the world (2100+) and a fast-growing UAV market
- ❑ Largest business and general aviation fleets in the Asia Pacific
- ❑ Space industry- Adelaide to host International Astronautical Congress IAC 2017 in September-
www.iac2017.com





Defense

- Australian Defense Integrated Investment Program 2016- 2026 totaling AUD 195 billion (USD 150 billion)
 - ❑ Defense favors interoperability with the US- Australia is a top 5 customer of the US defense industry
 - ❑ Many US companies present in Australia- Boeing, Lockheed Martin, Raytheon, Northrop Grumman, Rockwell Collins
 - ❑ Major projects summarized online in Ingenerated Investment Program -
<http://www.defence.gov.au/WhitePaper/>
 - ❑ Opportunities for weapons systems, cyber, helicopters, ISR, space, EW, shipbuilding, and much more

Automotive Parts

- ❑ Australia has the third highest vehicle ownership rate in the world.
- ❑ From 2017, Ford, GM and Toyota will cease manufacturing in local market.
- ❑ The U.S. is the leading source of aftermarket parts supply followed by Japan.
- ❑ Opportunities exist for aftermarket equipment, accessories, parts, and tools, especially in the racing and SUV markets.



Agricultural Equipment

- ❑ 3rd largest export market for US-made equipment (2015).
- ❑ Export sales totaled US\$ 0.64 billion, behind Canada US\$ 2.64 billion and Mexico US\$ 0.92 billion.
- ❑ Agricultural “Field Days” provide great promotional opportunities.



Mining Equipment

- ❑ Largest exporter of black coal, diamonds, iron ore, lead, rutile, zinc and zirconium; 2nd largest exporter of gold; and 3rd largest exporter of aluminum and bauxite.
- ❑ U.S. is a leading supplier of major capital equipment but domestic manufacturers are esp. competitive in some areas e.g. mining software
- ❑ Mining sector has slowed since late 2012 and now a strong focus on reducing costs
- ❑ Opportunities exist for U.S. suppliers of:
 - Maintenance products/services, esp. that lower operational costs
 - Automation technology – trucks, drills, excavation equipment



Oil & Gas Equipment

- ❑ Significant expansion of Australian industry over the last decade, there are now 14 LNG trains in operation (will increase to 21 by 2020)
- ❑ Global operators in Australia: Chevron, ConocoPhillips, Shell, INPEX. Major local players: Woodside, BHP-Billiton, SANTOS.
- ❑ Local production: natural gas = 62% (offshore), oil= 27%, CSG = 8%
- ❑ Products and services that are important to the success of future projects include:
 - LNG processing equipment and services
 - Deepwater exploration and production technology
 - Coal seam methane production equipment
 - Technology that reduces labor or increases operational safety





Renewable Energy

- ❑ Bipartisan Renewable Energy Target was established in June 2015: 23.5% renewable energy by target 2020
- ❑ Australia hit a record high of 21.7% renewable generated energy in October 2016.
- ❑ Hydro leads the way, followed by Wind and Solar.
- ❑ Main American Companies: First Solar, SolarReserve, Tesla, General Electric, and APR Energy
- ❑ Utilization of system supporting technologies, such as storage infrastructure, are needed to provide a resilient and sustainable energy system.
- ❑ EnergyLab, Australia's first startup Acceleration Program dedicated to renewable and advanced energy companies launched in Sydney during February 2017.





CS Global Impact

- In FY 2016 the Commercial Service:
 - assisted 28,692 firms, mostly SME's (companies with less than 500 employees)
 - grew U.S. exports by \$45.5 billion and supported 250,000 American jobs
 - assisted 6,072 investment clients creating \$5 billion in foreign direct investment
- Between 2010-2016 the Commercial Service:
 - Achieved over \$300 billion in U.S. exports and \$23 billion in foreign direct investment, supporting 1.7 million American jobs
- FY14 Census Bureau study found that exporters assisted by CS outperformed non-users and increased their exports more



Upcoming Events

- National Association of Broadcasters (NAB), Las Vegas, NV- April 22-27. For more info email: Mani.Dhiraj@trade.gov
- Offshore Technology Conference (OTC), Houston, TX – May 1-4. For more info email: Donna.Carter@trade.gov
- Waste Expo, New Orleans, LA- May 9-11. For more info email: Georgina.Harrowell@trade.gov
- National Restaurant Show – May 20-23. For more info email: Janet.Coulthart@trade.gov
- International Pow Wow (IPW), Washington DC- June 3-7. For more info email: Monique.Roos@trade.gov or Karen.Ballard@trade.gov
- Select USA, Washington DC – June 18-20. For more info email: Georgina.Harrowell@trade.gov or Douglas.Wallace@trade.gov
- American Association For Clinical Chemistry (AACC), San Diego, CA- July 30-August 3. For more info Email; Monique.Roos@trade.gov



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Thank You

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