

# The impact of industry sectors on australians economy essay

[Business](#), [Industries](#)



## **Australian Economic Development**

The Australian economy has progressed in the recent years due to the favorable developments in the mining, manufacturing and the agricultural sectors.

### **Impact of Trade Liberalization in the Manufacturing Sector**

In the past, the Australian economy had a high level of protection policies on the justification that it was a resource-intensive country. It had the highest tariffs on imports second only to New Zealand. However in the 1970's, there were changes towards trade liberalization (Leigh, 2002). It started with the 25% cut in tariffs in July 1973, the introduction of the quota assistance and further tariff reductions in 1978. Ever since that period, the country has been on a program of tariff reduction. By the mid 1990's the effective rate of assistance had fallen to seven percent from twenty percent and thirty five percent in the 1980's and 1970's respectively.

A research study was carried out to investigate the impact of the liberalization policies on growth and productivity of the manufacturing industries. Data on eight manufacturing industries from the Industrial Commission Database and the Australian Bureau of Statistics was analyzed to determine the impact of the liberalization policies on the company's growth. The research covered companies from food, beverage and tobacco, textile, printing and media, petroleum, petroleum, basic metal products, transport and other manufacturing industries.

## **Industries**

As shown in the charts above, the industries gained when it came to technological progress. The food and beverage industry saw a lot of technological progress. It depends on the efficiency of the agricultural industry where the country has a comparative industry. The metallic industry also saw positive changes in terms of technology. It has been the highest export earner for the country in the last ten years. The textile, clothing and footwear industry recorded the least technological progress. It has been facing severe competition from the low wage producers and labor abundant economies in Asia. It is an industry that remains heavily protected by the government. This could be the cause of its slow growth (Mahadevan, 2002) However, when it comes to technological efficiency, the industries have not gained substantially. The petroleum, coal and chemical companies have the lowest levels of technical efficiency. This could be due to the minimal competition the industry faces from imports due to protection policies. The results show the need of further trade liberalization policies. Secondly, the industries should ensure they match technology progress with efficiency so as to maximize fully from trade liberalization policies.

## **Impact of the Mining Industry on Australia's Economic Development**

The services sector has contributed favorably to the Australian economy however the mining industry has to a certain extent reversed the positive trends. The country has experienced three mining booms in the recent years. In the 1960's there was a high increase in the mining of coal and iron ore. There was also discovery of oil and bauxite minerals. The boom was further

enhanced by the economic development of Japan. Its proximity to Australia reduced the transport costs immensely. The industry became capital intensive. The quantity of exports increased with the exporters gaining substantially. The country's balance of accounts recorded a surplus, a feature that has not recurred again.

The employment in the country increased due to the high immigration into the country and increase in female participation in the industry (Battelino, 2010). There was an increase in the wages raising the standard of living. The money supply in the economy increased leading to inflationary pressures. The situation was further aggravated by the expansionary fiscal policies that the government adopted. The government introduced tariff cuts to control the situation however it was ineffective as import quotas were also introduced to protect the manufacturing sector. By the 1970's, the Australian economy and the world economy started facing severe difficulties due to inflation. The boom eventually ended.

The commodity prices started stagnating. In the late 1970's, there was a second mining boom that came mostly from the energy sector, in the areas of steaming coal, oil and gas. The country became an attractive place for energy-intensive activities due to the high cost of energy. There was great expectation among the people concerning these developments. This led to country back to high inflation with increased wage demands. The government introduced tighter monetary and fiscal policies however they were not effective. The government put measures for the appreciation of the exchange rate to insulate the economy however it was not effective. In 1981,

there was recession in the global economy due to the oil price shock. The demand for energy was less than had been anticipated.

## **Impact of the Agricultural Industry on Australia's Economic Development**

It has been assumed that the liberalization of the economy would lead to higher performance of the agricultural sector. There are farmers who have benefited, choosing to invest in modern crops that have high value however there are those who have been forced to exit the industry. There are those who continue to trade however they find the business very tough (Vanclay, 2003). Australian agriculture is one of the bulk exports and families are the ones who do the farming on large pieces of land.

Farming income is low while others get losses. The liberalization strategies that were adapted were reduction of import tariffs, deregulation of the banking sector, privatization of state owned enterprises, elimination of state monopolies and competition in the telecommunications industry. The government removed the wool floor price and the privatization of the marketing boards. The floor price used to give security to the sellers on the amount they would receive from the market. In 1990, the wool prices in the world market fell.

The wool board bought wool from the farmers till it reached high proportions of four million bales. The board could not buy anymore so the farmers started receiving low prices for their products. The rural farming recession caused great rural unemployment. Farmers used to sell their products to the monopoly marketing board but now they had a wide range of options. With

no experience, they suffered losses from the great risk and they had taken (Bryant, 1992, pp. 160). The orange juice that flooded the market and was sold at a cheaper price than the farmers could sell. The government should have trained the farmers and provided structural frameworks for the rural farming industries to withstand the competition.

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