

Australia's trading
links have changed
adapted with society
economics essay



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Australia is one of the world's greatest trading nations; it has developed strong trade links with the major traders of the world, including USA, Japan and China.

Trade links are used to develop and maintain a country's economy and to provide supplies for the population that might not be available domestically. International trade and globalisation has enabled Australia to establish relationships overseas through the exports and imports of goods and services. Over time, these links have changed and adapted to suit modern Australian society.

Over the past few decades, Australia's major items of trade have altered. Australia's trade involves the exporting and importing of goods as well as services. Traditionally, Australia's exports were mainly comprised of primary products, such as agricultural goods and minerals. Although these commodities still play a large role in Australian exports, export patterns have altered.

Today, services and manufactured goods also account for a significant proportion of Australia's exports. Exports of manufactured goods have developed slower in Australia, but now account for around a quarter of exports. Recently, Australia's exports have included a large "services" component, which includes tourism and education.

During the past twenty to thirty years, Australia's trade links have also changed dramatically. Historically, Australia's main trade links were tied with the United Kingdom and had a heavy reliance on European Markets.

This shifted during post World War II, when the UK decided to increase its trading links with other European countries, forcing Australia to seek new trade relationships. Australian exporters then turned to Northeast and Southeast Asia as potential trading partners. Since then, Asia has become Australia's major trading partner.

Australia is a large advocate of Trade Agreements; Australia tries to maintain and develop strong bilateral relationships with other countries to boost its trade and economy. Multilateral organisations and institutions, such as World Trade Organisation (WTO) and Asia-Pacific Economic Cooperation group (APEC), also play an important role.

Since the turn of the 21st century, Australia has mainly focused on trade links between the members of the Asia-Pacific Economic Cooperation group (APEC). Around 70% of Australia's exports and imports are from or to other APEC members, which includes Japan, USA, China, Taiwan and South Korea.

Globalisation has opened the path for trade relationships. It has provided opportunities for the development of internationally competitive economies. However, combined with trade liberalisation, it has, in turn, increased competition and reduced the protection between international and domestic affairs.

Australia is one of the leading free trade economies in the world and has the lowest levels of industry protection, such as tariffs, quotas and embargoes. These trade barriers are used to protect domestic producers from international competition and redirect trade flows, but restrict the levels of productivity.

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Free trade allows nations to specialise in the production of particular commodities that it has a comparative advantage in; Australia specialises in minerals, services and elaborately transformed manufactures (ETMs). This enables countries to take advantage of the efficiencies that generate from economies and increase their levels of output, resulting in lower average costs and increased productivity.

Over the past few years, Australia's ratio of exports and imports to GDP have risen around 5%, as a result of trade liberalisation. This expansion of exports has strengthened Australia's industrial base.

With free trade, a greater variety of goods are available for consumers. Increased competition ensures that products and goods and services are supplied at the lowest prices. If the 1998 tariff levels still applied in Australia, imported motor vehicles would cost 25% more, while footwear and clothing would cost an extra 14%. Reducing tariffs has resulted in savings of up to \$1000 per year for an average Australian family.

Trade liberalisation will increase employment in the exporting industries, while workers in import industries will be displaced, as the industries collapse in the competitive environment. Due to free trade, numerous jobs, especially in manufacturing and service industries, have been created in Australia. Economic growth is also affected by free trade.

Countries that are involved with free trade, are experiencing rising living standards, increased incomes and higher economic growth. Over 400 000 jobs were created between 1983-84 and 1993-94. According to studies, the

removal of all tariffs would create an extra 40 000 jobs within the next few years.

However, with the removal of trade barriers, there is an economic instability from trade cycles as countries tend to rely on global markets. The Asian economic crisis in 1998, which was the currency devaluation from one country eventually spread to others, is an example of this issue.

Trade liberalisation can also create too much competition between industries, which may find it difficult to compete for long periods or to develop new industries. Free trade also leads to pollution and environmental issues as manufacturers are unable to include these costs into the total price of goods.

Recently, a number of nations have been negotiating for free trade agreements. Singapore was pursuing bilateral agreements with Australia, Japan, Mexico and USA and was able to establish an agreement with New Zealand. The United States concluded an agreement with Jordan in 2000 and was negotiating agreements with a number of other countries.

In the future, if all trade barriers were to be demolished, trading internationally would be more simple and productive. Developing countries would gain a more stable economic status, while developed countries would increase production levels and build and develop a stronger economy.