Australia’s Export Performance in East Asia

Despite the strong growth in Australia’s exports to East Asia in the past decade, Australia has lost import share in that market. Not only has Australia lost share to developing East Asian competitors, it has lost share relative to other industrialised country suppliers. The main reasons for Australia’s relatively poor record in exporting to East Asia are the adverse effects of commodity composition and loss of competitiveness in agriculture and (to a lesser extent) in manufacturing in trade growth. Competitiveness improved sharply in the minerals and fuels sector. Nonetheless, in the 1980s, the restructuring of Australia’s trade with East Asia was assisted by economic reform and trade liberalisation. Preliminary evidence suggests that reductions in industry assistance have facilitated Australia’s manufacturing exports, growth of which roughly matched the expansion of East Asian manufacturing market. Australia’s competitiveness in East Asian markets will depend importantly on future progress with economic reform and its impact on the productivity of established and newly emerging export industries.

The issues

East Asia is now the most dynamic element in the world economy. East Asian developing economies have led world economic growth over the last decade and a half, with no near competitors. Trade expansion and structural change has underpinned East Asia’s outstanding growth performance and constituted a new engine of world trade growth.

The emergence of East Asia as the leading source of world trade and economic growth is of special importance to Australia. The proximity of the East Asian economies to Australia and the strong complementarity in their resource endowments with those of the Australian economy provide significant opportunity for Australian trade growth based upon the growth of East Asian markets, as has often been remarked.

The first wave of Australia’s export expansion into East Asian markets came in the first few decades of the twentieth century, as Japan became a substantial industrial power and growing importer of raw materials and foodstuffs (Crawford 1938; Drysdale 1967). The second wave came with the resumption of Japan’s growth after the Second World War and its acceleration in the 1960s and 1970s (Drysdale 1967; Drysdale and Kitaoji 1981). The third wave came as the other East Asian economies (most recently and remarkably China)