

Helping  
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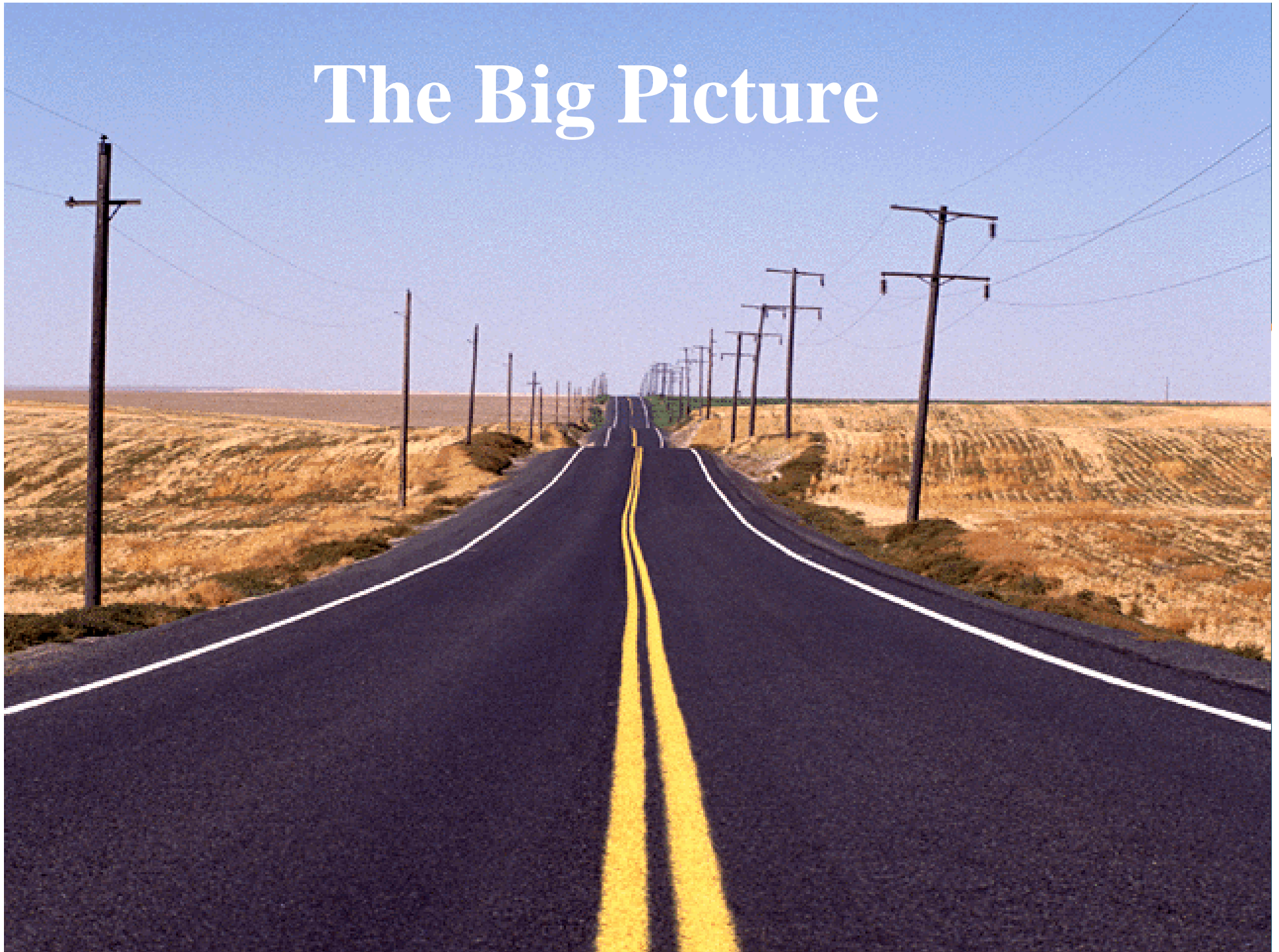
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## An Indian Summer for Australian exporters?

Tim Harcourt  
Chief Economist  
Australian Trade Commission  
Sydney



# The Big Picture



# Australia's attitude towards Asia: 'Once were worriers' because of the 'The Tyranny of Distance'



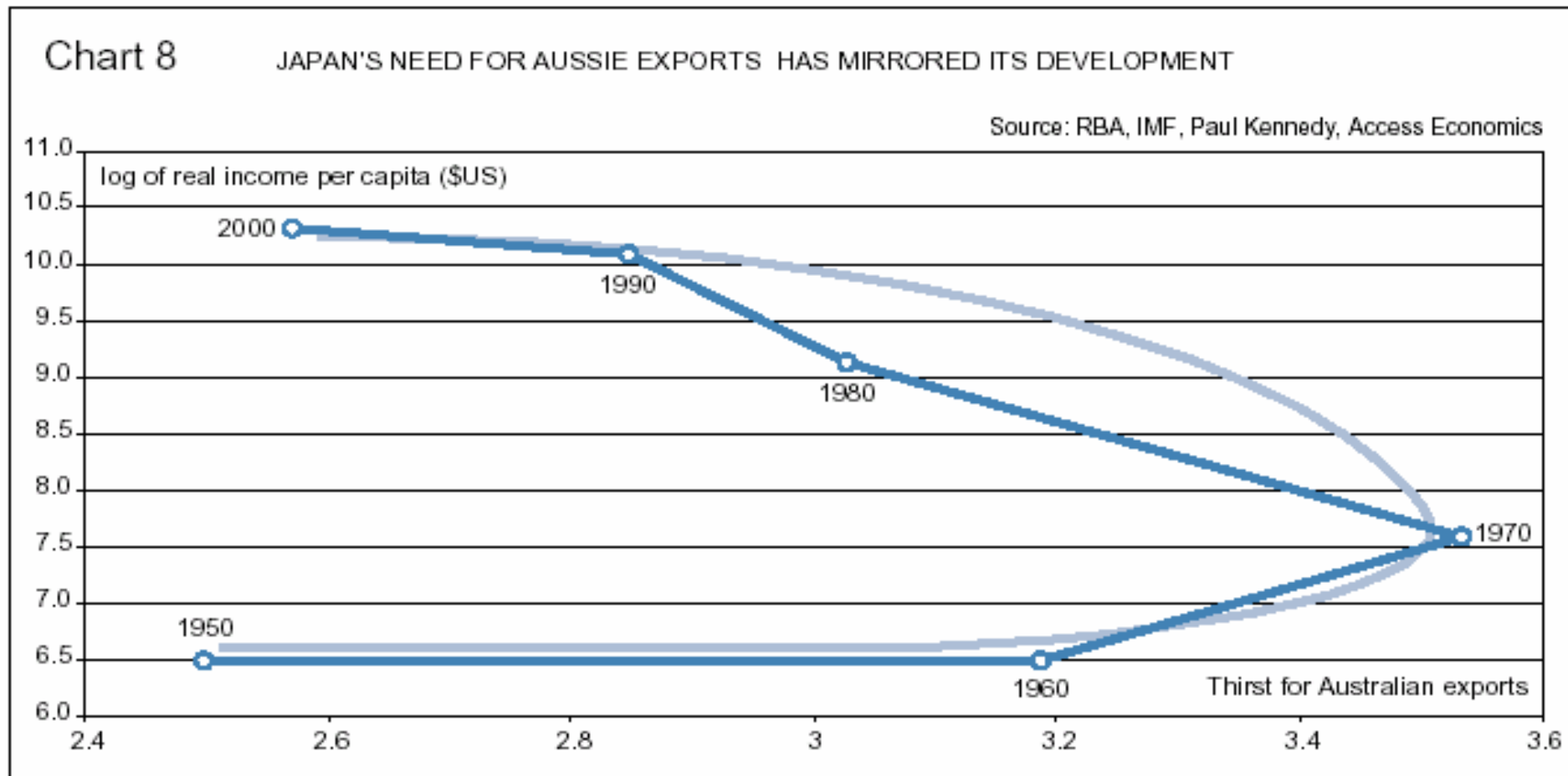
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**We are now in the right place at the right time: ‘The Tyranny of distance’ has been replaced by ‘The Power of Proximity’**



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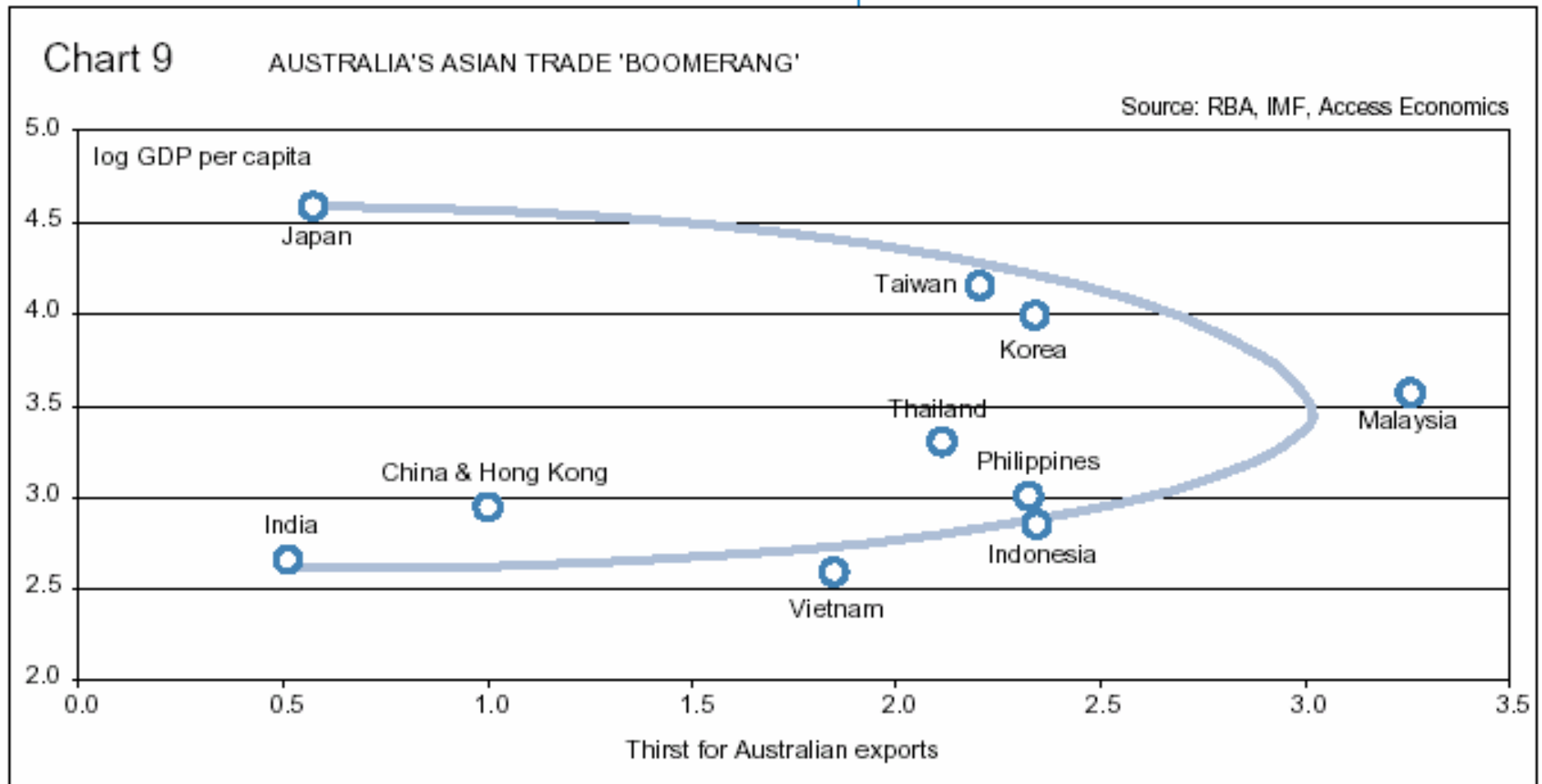
# Japan's economic development has partially driven Australia's export growth in the past



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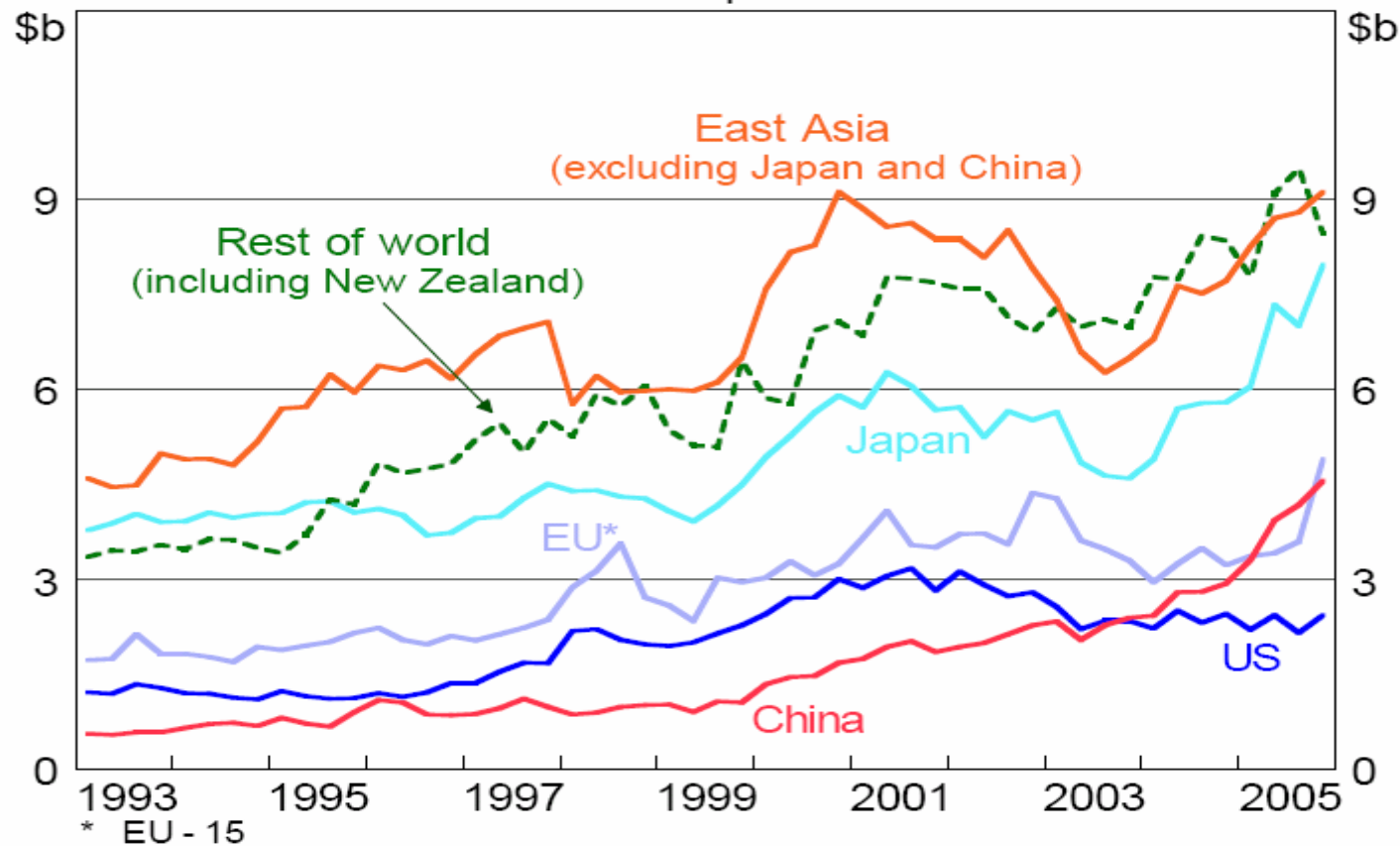
# Now it will be China and India who will drive much of our export growth



# China's recent rise up the ranks is certainly noticeable

## Merchandise Exports by Destination

Current prices



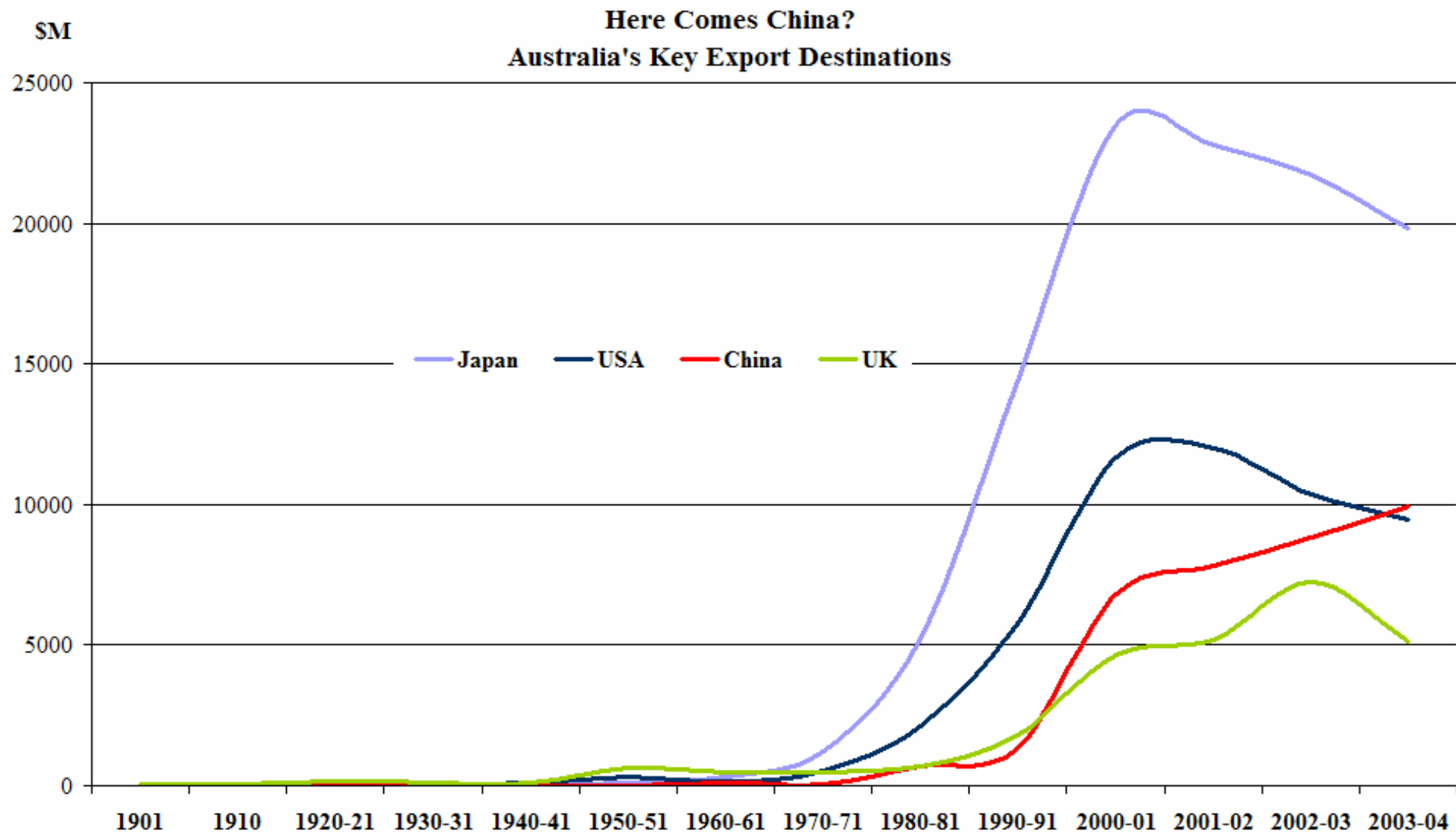
Source: ABS, seasonal adjustment by the RBA



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Especially when you take an historical view

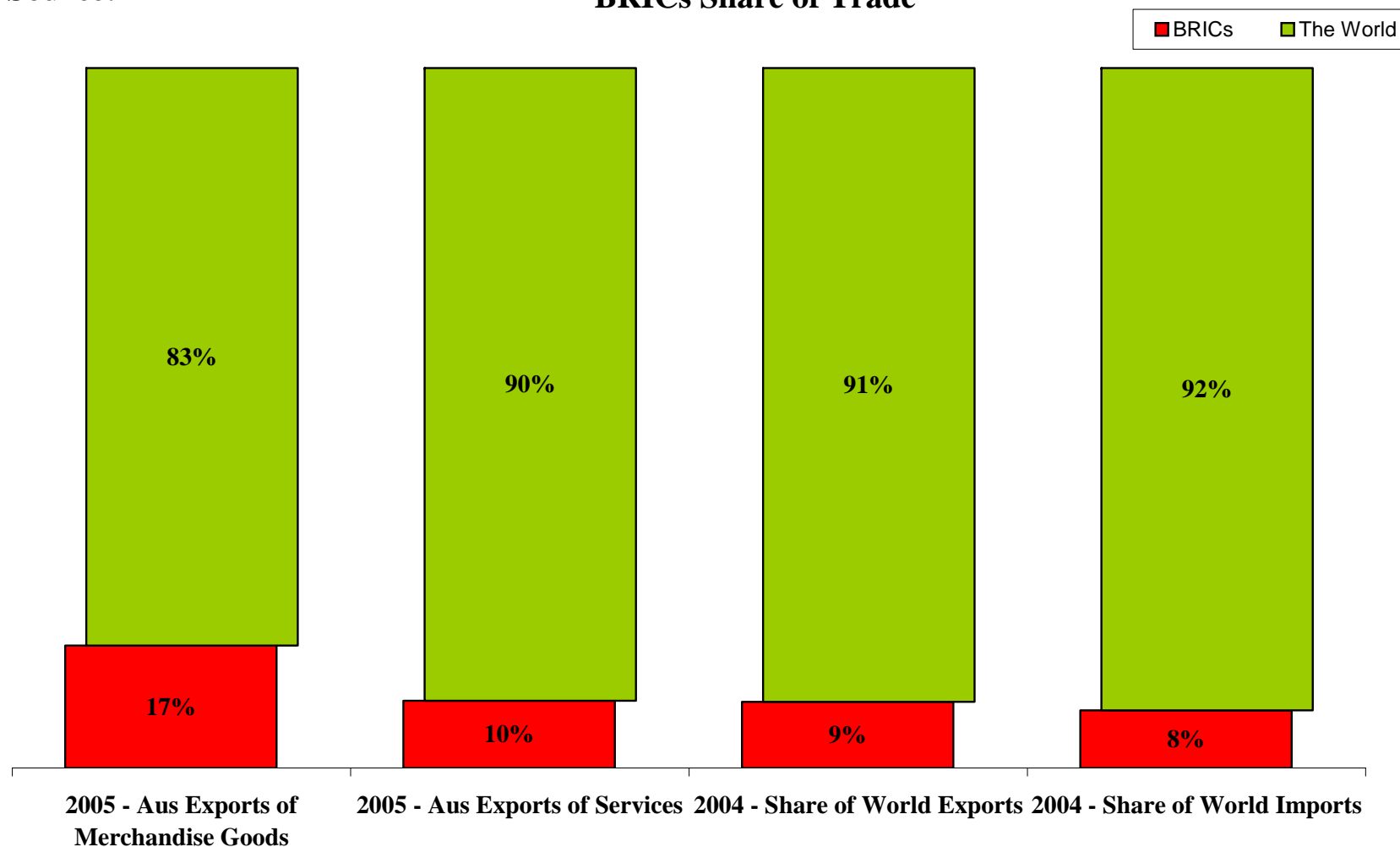




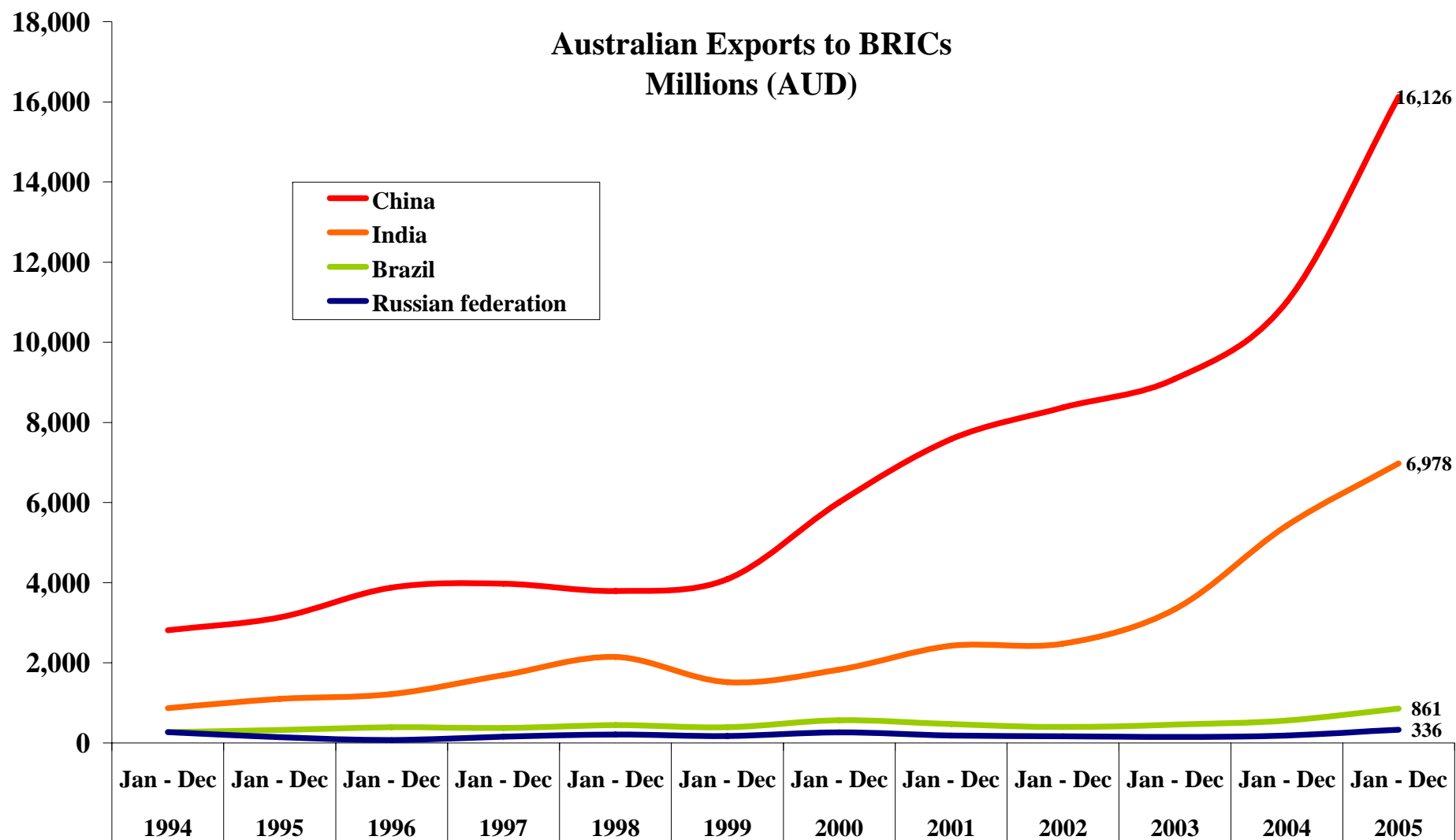
# The BRICS – Brazil, Russia, India and China - are important emerging players in the global economy

Source: DFAT

BRICs Share of Trade



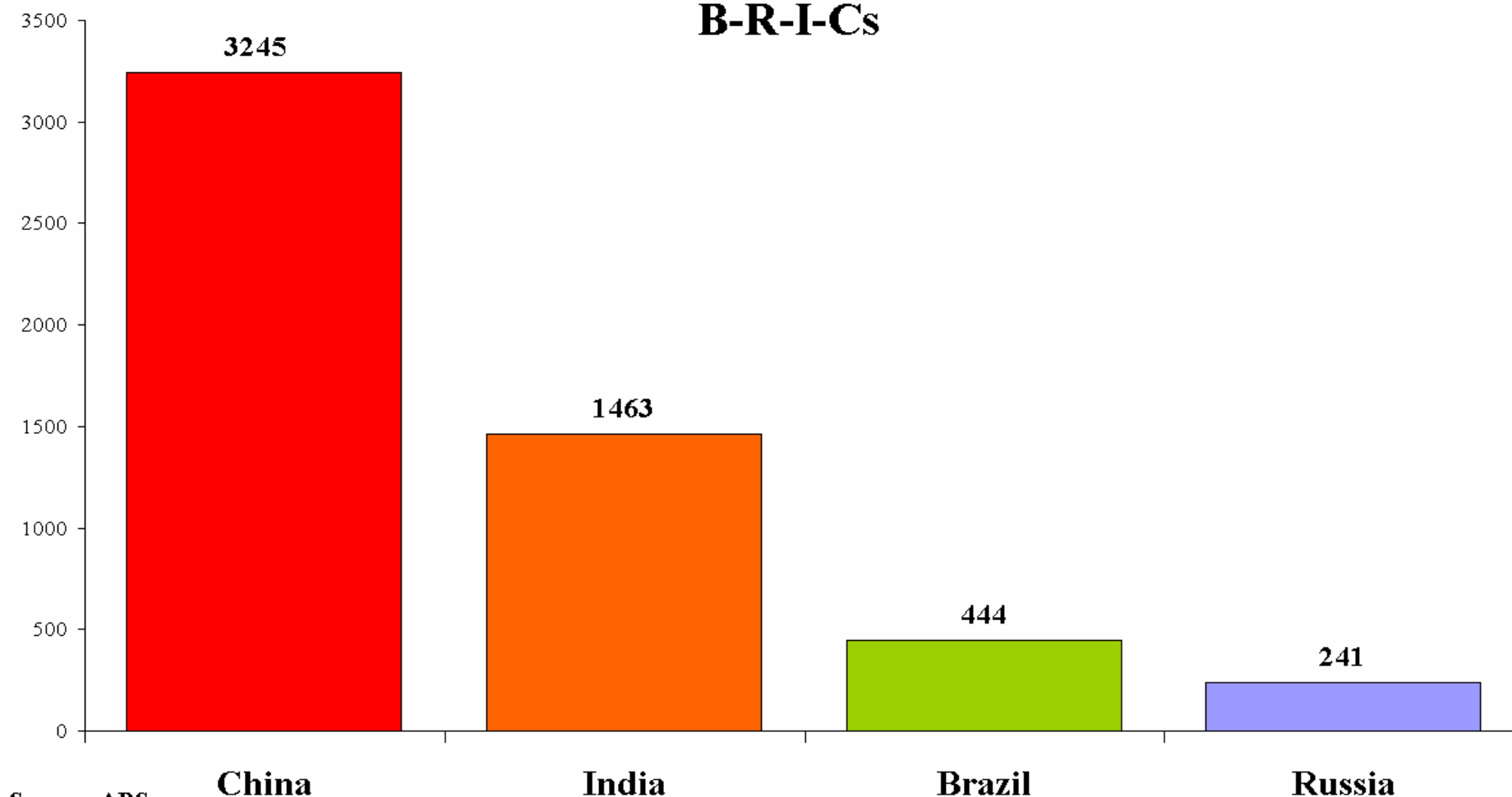
# Australia is well placed to service the growing appetite of the BRICs for raw materials



Source: ABS

# The number of 'BRIC bound' Australian exporters is substantial

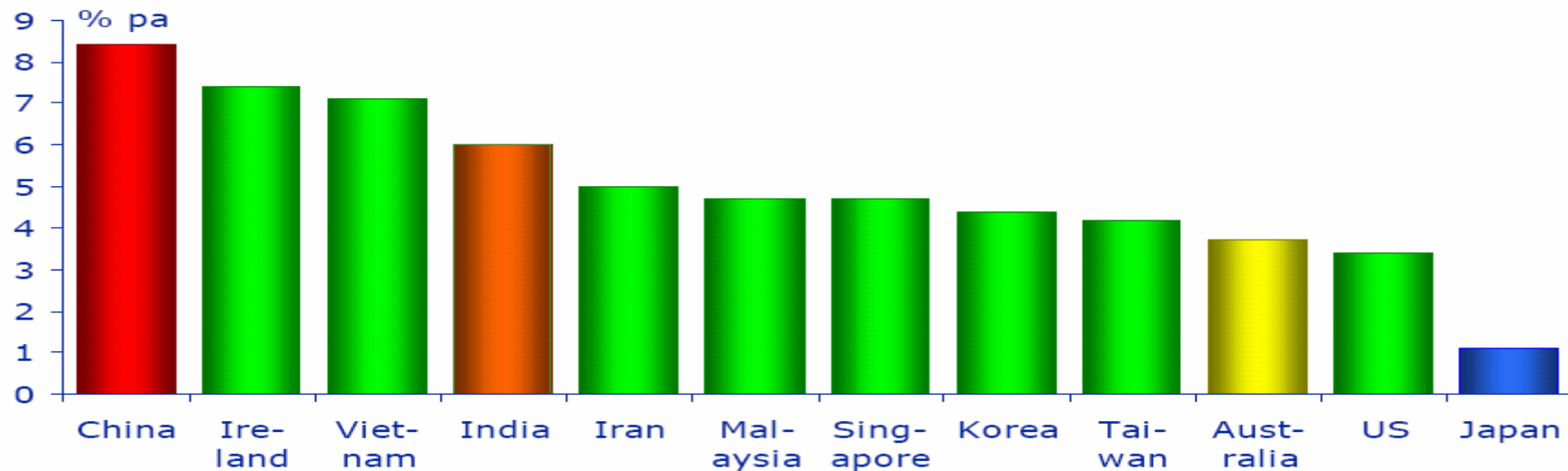
**2003/04 - Number of Exporters  
B-R-I-Cs**



But there's no doubt - China and India are *the* big stories

**China's and India's economies have grown extremely rapidly over the past decade**

**Real GDP growth, 1995-2005**



Source: IMF, World Economic Outlook database, April 2005.

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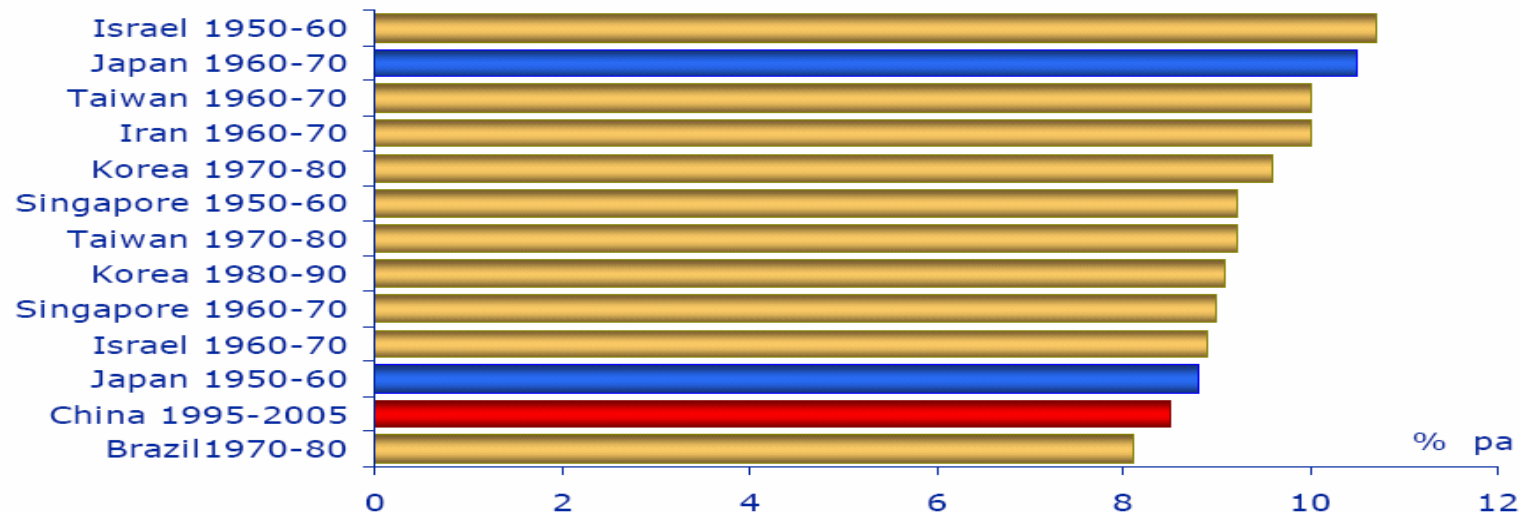


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# But we shouldn't get too carried away

**However China's and India's rapid growth is by no means unprecedented**

## Real GDP growth, selected countries and decades



Source: Groningen Growth and Development Centre (University of Groningen, The Netherlands) *Total Economy Database* ([www.ggdc.net/dseries/totecon.html](http://www.ggdc.net/dseries/totecon.html)) and Economics@ANZ calculations.

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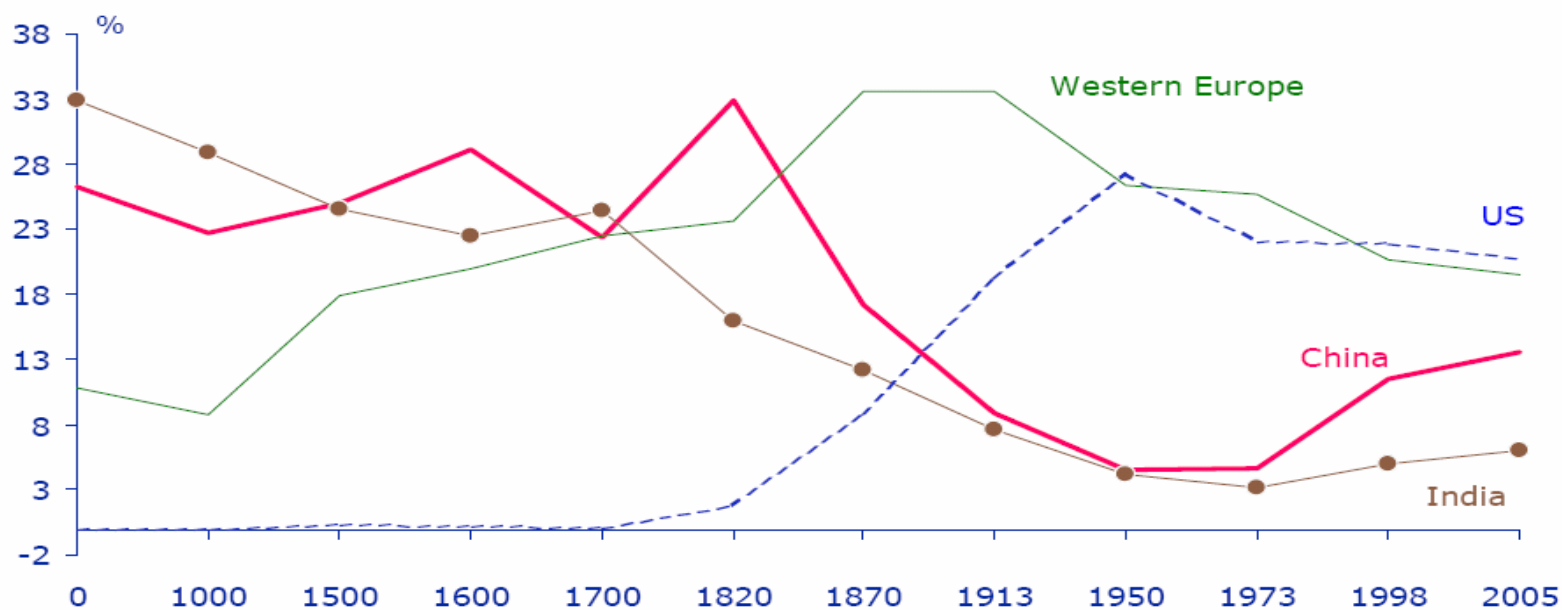


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# China and India are reclaiming their strong historical position in the global economy

Shares of world GDP, 0 – 2005 AD



Source: Angus Maddison, *The World Economy: A Millennial Perspective*, OECD Development Centre, 2001; IMF, *World Economic Outlook Database*, April 2005; Economics@ANZ.

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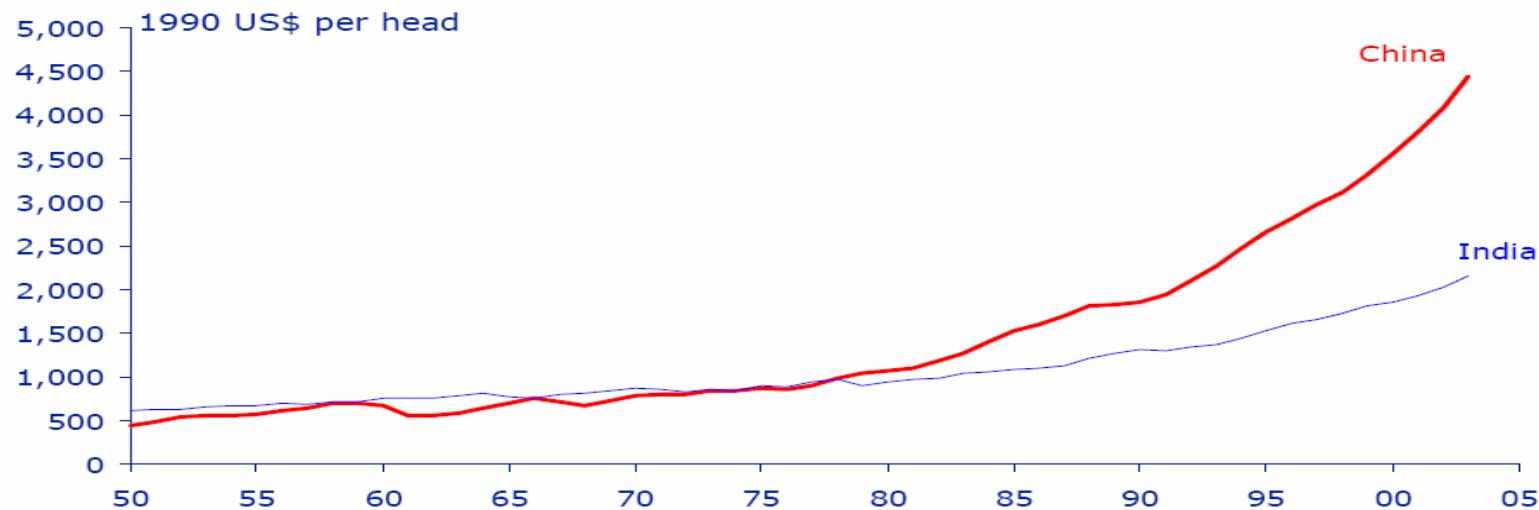


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# China seems to be getting the jump on India in recent times

**Fifty years ago, India's per capita GDP was higher than China's: now, China's is double India's**

## Per capita GDP



Source: University of Groningen Growth and Development Centre, *Total Economy Database 2005*.

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# Indeed, China is on a long march up the ranks of the global economy with India playing catch up

## The world economy in ten years' time

	GDP in 2005		GDP growth, 2006-2015 (f)	GDP in 2015	
	US\$bn	Rank		US\$bn	Rank
United States	12,332	1	3.2	16,950	2
China	8,092	2	8.0	17,550	1
Japan	4,009	3	1.5	4,650	4
India	3,603	4	6.0	7,015	3
Germany	2,499	5	1.5	2,897	5
United Kingdom	1,826	6	2.1	2,250	=7
France	1,812	7	2.1	2,239	9
Italy	1,695	8	1.6	1,978	10
Russia	1,586	9	5.0	2,585	6
Brazil	1,553	10	3.8	2,252	=7
Canada	1,112	11	2.7	1,448	14
Korea	1,099	12	4.5	1,702	11
Indonesia	864	15	6.0	1,543	=12
Australia	639	16	3.4	900	21

Note: GDP figures are converted to US\$ at purchasing power parities (PPPs), not market exchange rates. Forecasts are 'consensus forecasts'; the fact that they are presented here does not imply that they are endorsed by Economics@ANZ. Sources: IMF, *World Economic Outlook* April 2005; Consensus Economics, *Consensus Forecasts* April 2005; Economics@ANZ.

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# Do you want fries with your popadum?



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Or your dim sim?

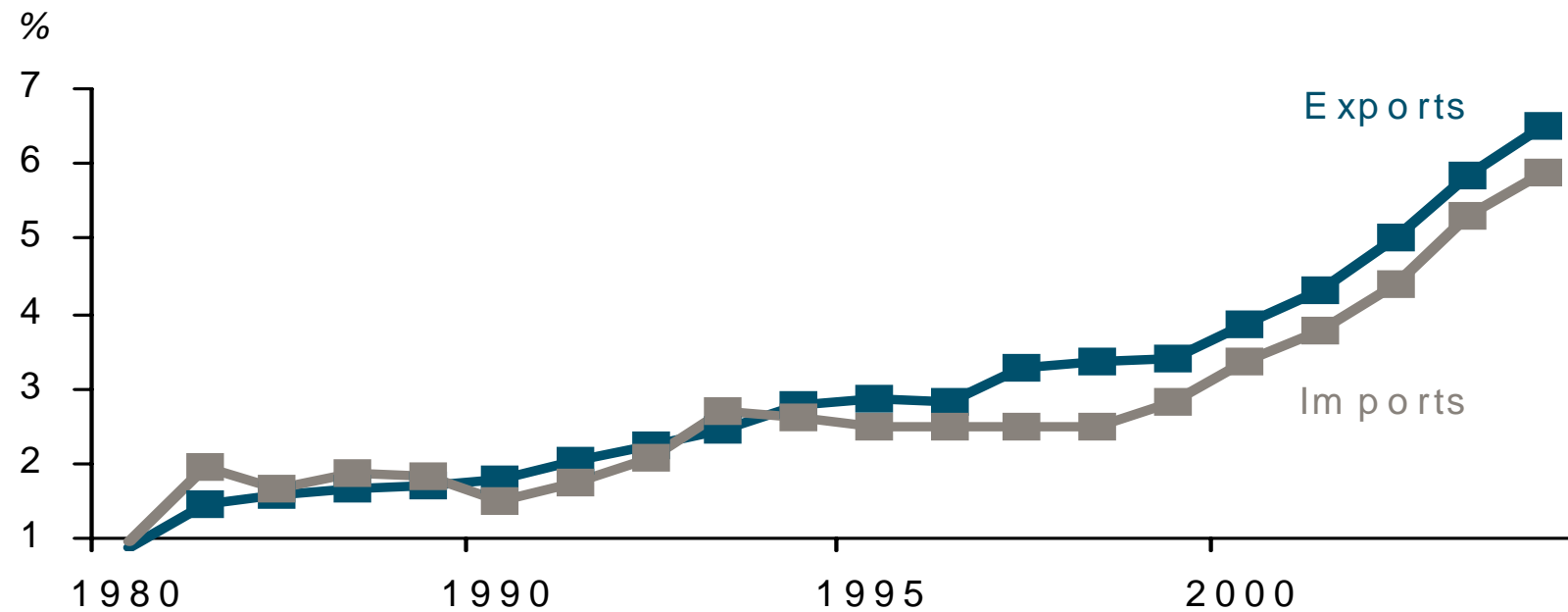


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# China's share of global trade is increasing

China's share of world merchandise trade



Source: The Lowy Institute

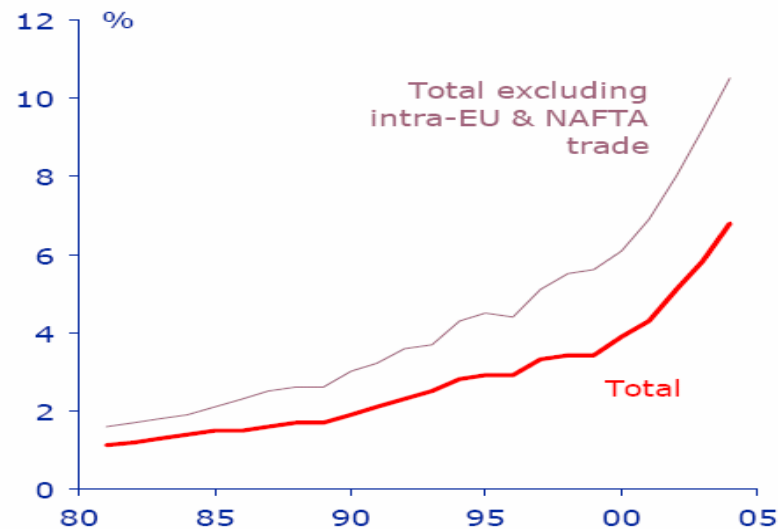


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# China is now the world's third largest exporter – after Germany and the USA

**China is the world's third largest exporter, and could be #1 by 2009**

**China's share of global merchandise exports**



Source: IMF, *Direction of Trade Statistics* database; Economics@ANZ.

**Top 10 exporters 2004**



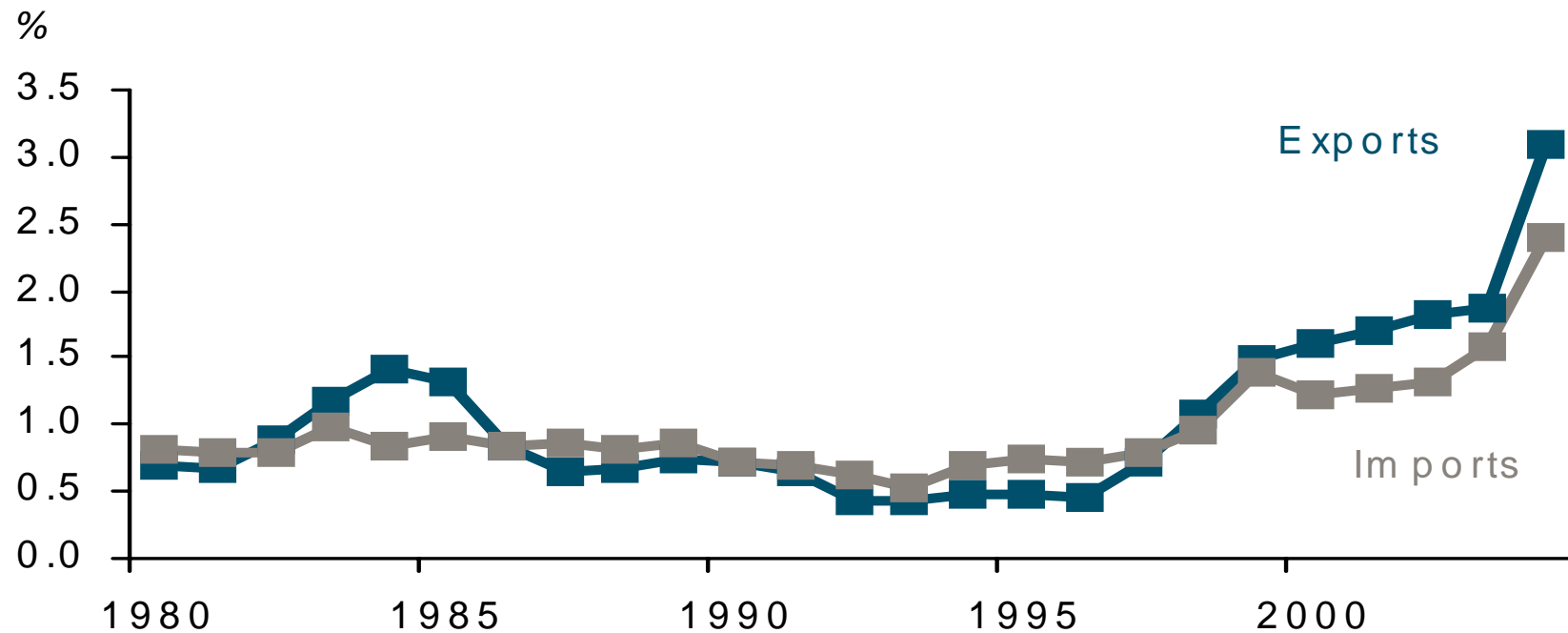
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# Whilst India is mainly a services story....

India's share in world 'other commercial services' trade

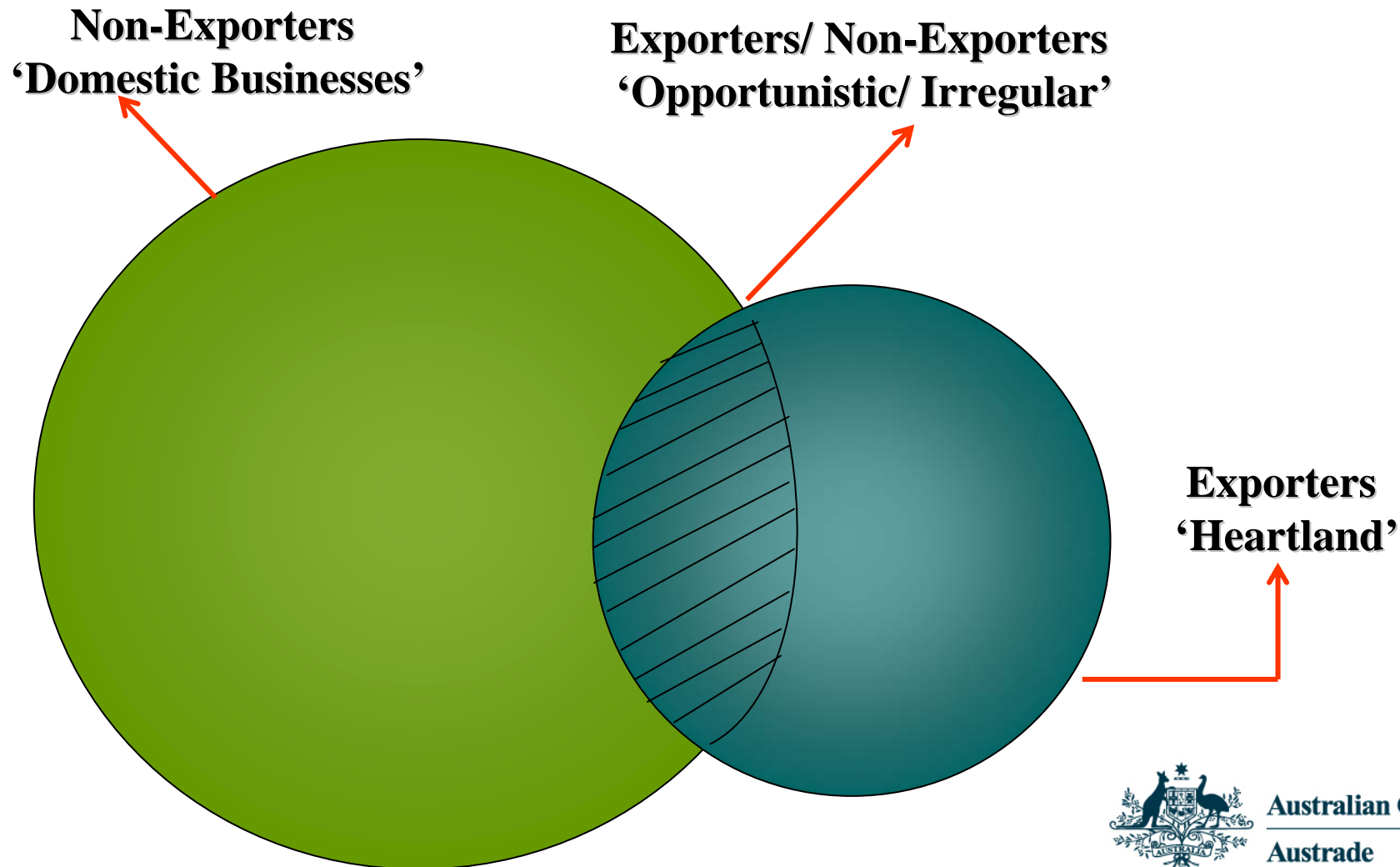


Source: The Lowy Institute



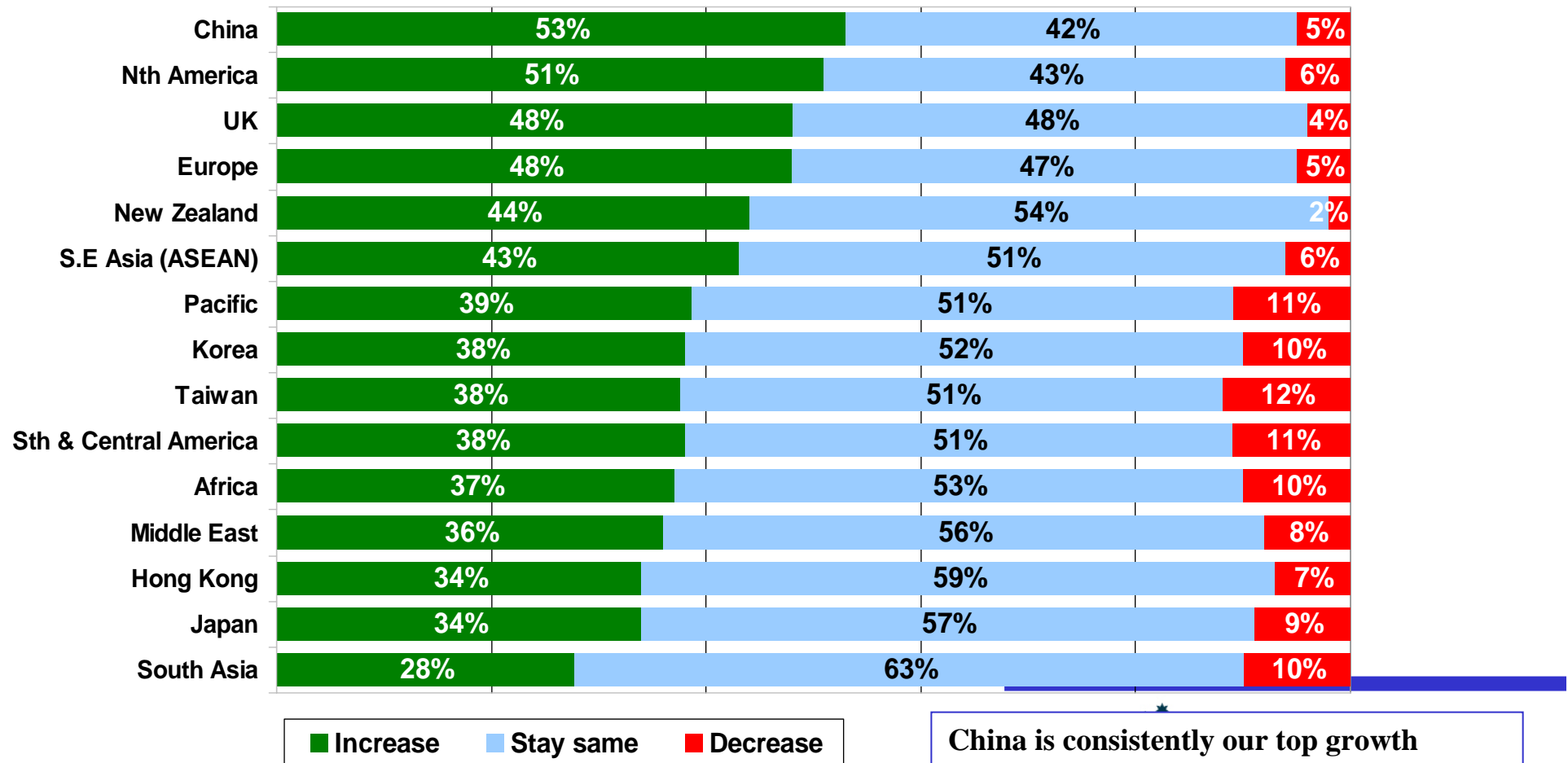
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# What do the Aussie exporters themselves think?



# The 'heartland' of exporter-land consistently rates China at opposite ends of the spectrum

Changes to export orders over the next 12 months by region



Base = Companies that export to the geographic area



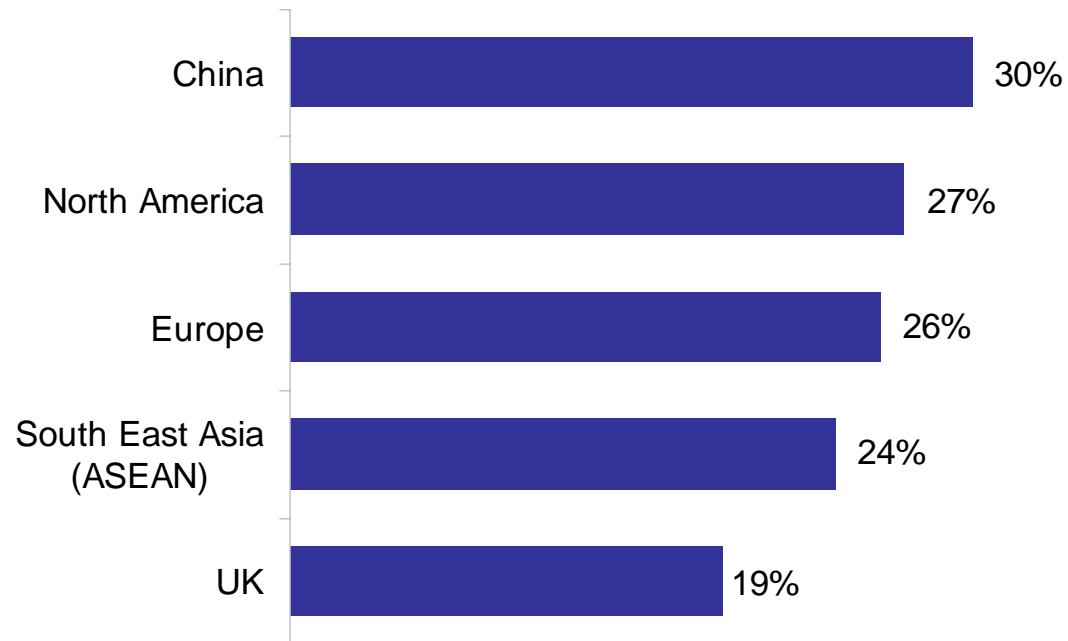
**Our surveys show a fair bit of ‘panda-hugging’  
amongst both exporters and importers**



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# And this is likely to continue into the future

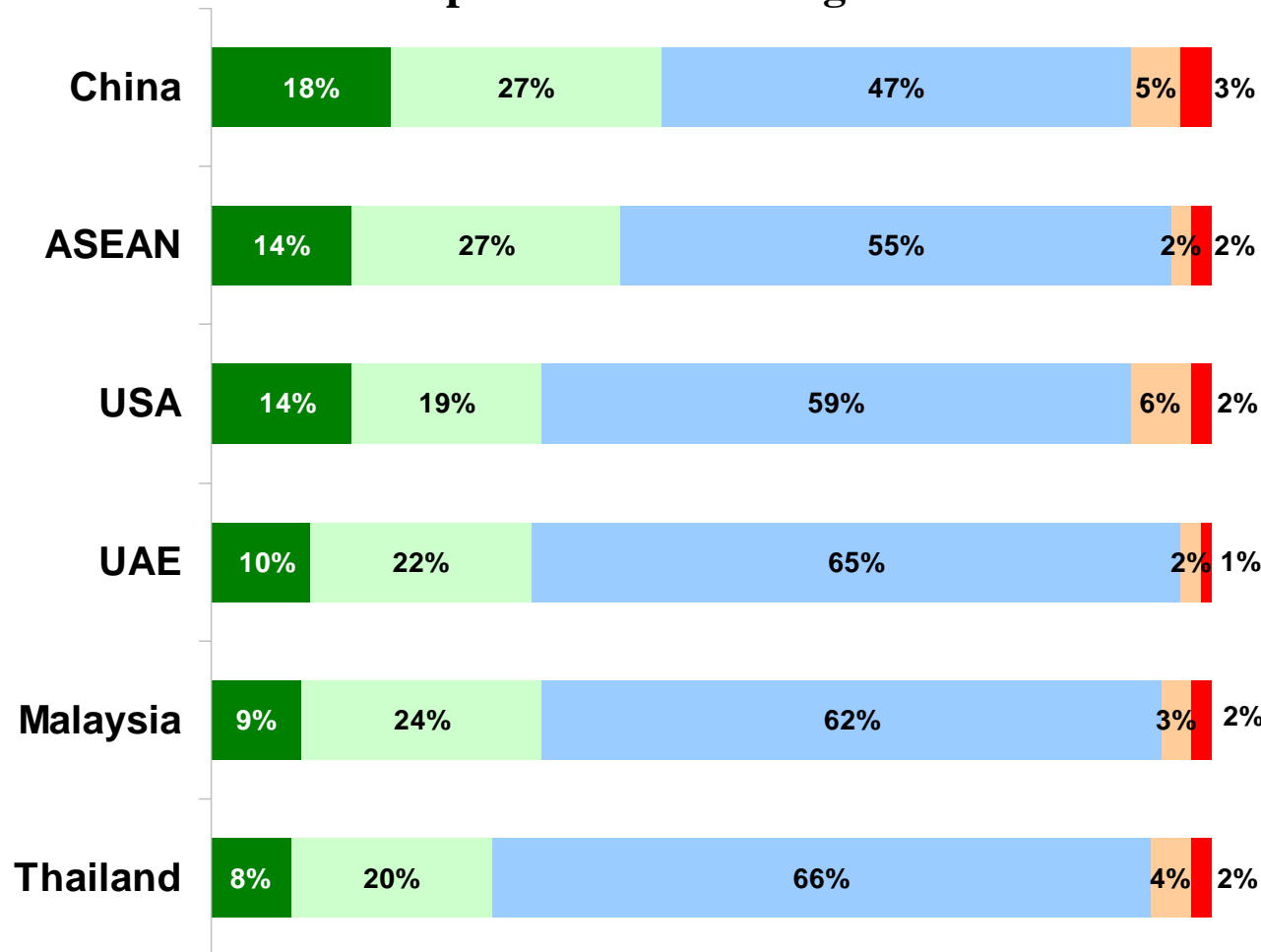
## Top 5 exporting destinations in the future



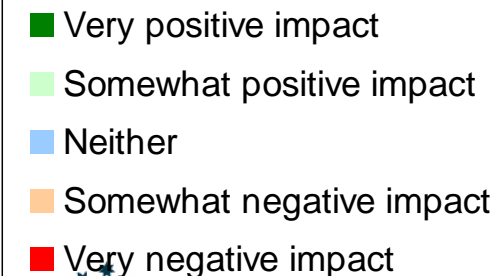
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# The China and ASEAN FTAs always rate as positively in the polls

## Impact on your business of FTAs or Closer Economic Partnership with the following countries



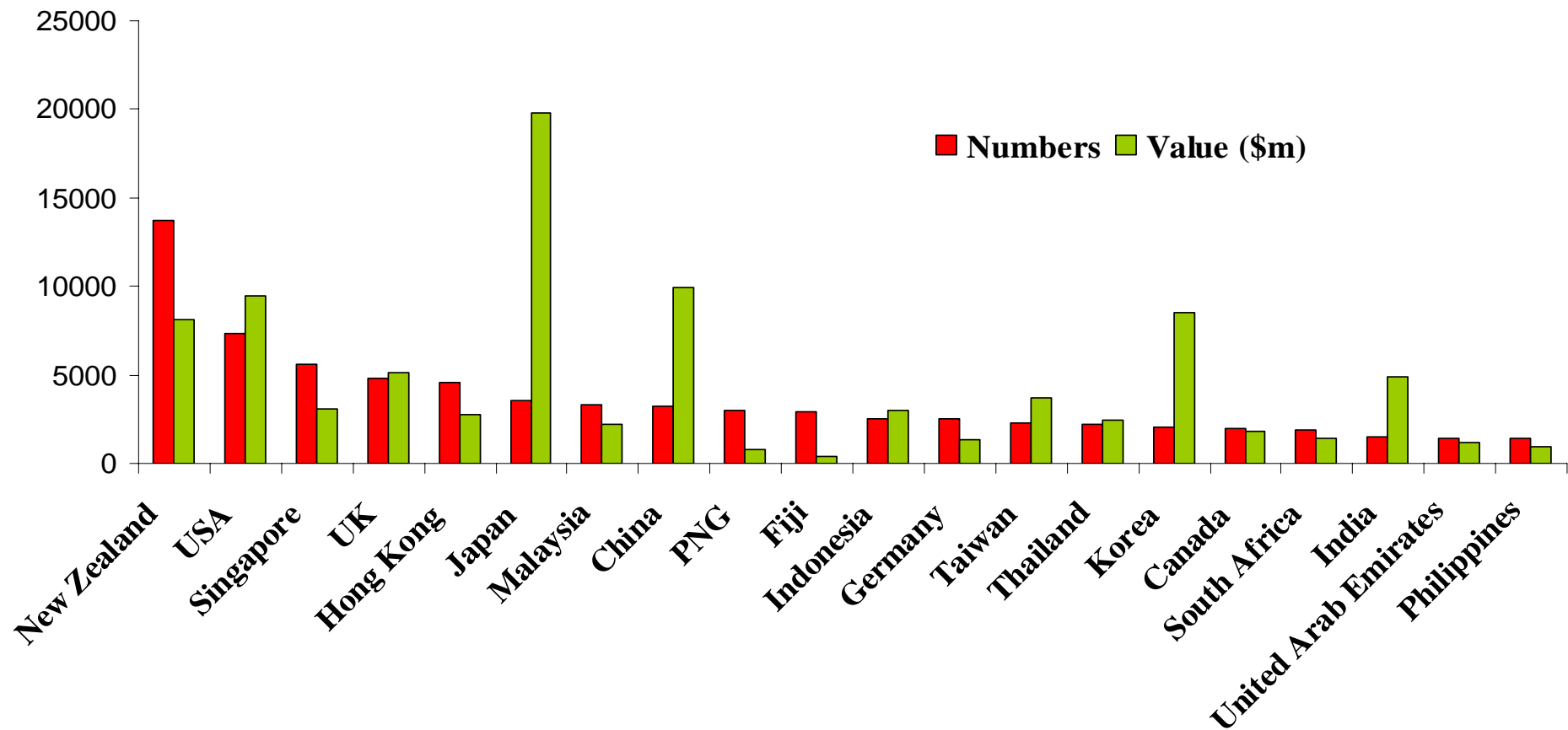
• FTAs with China and ASEAN will have the most positive impact for Australian exporters.



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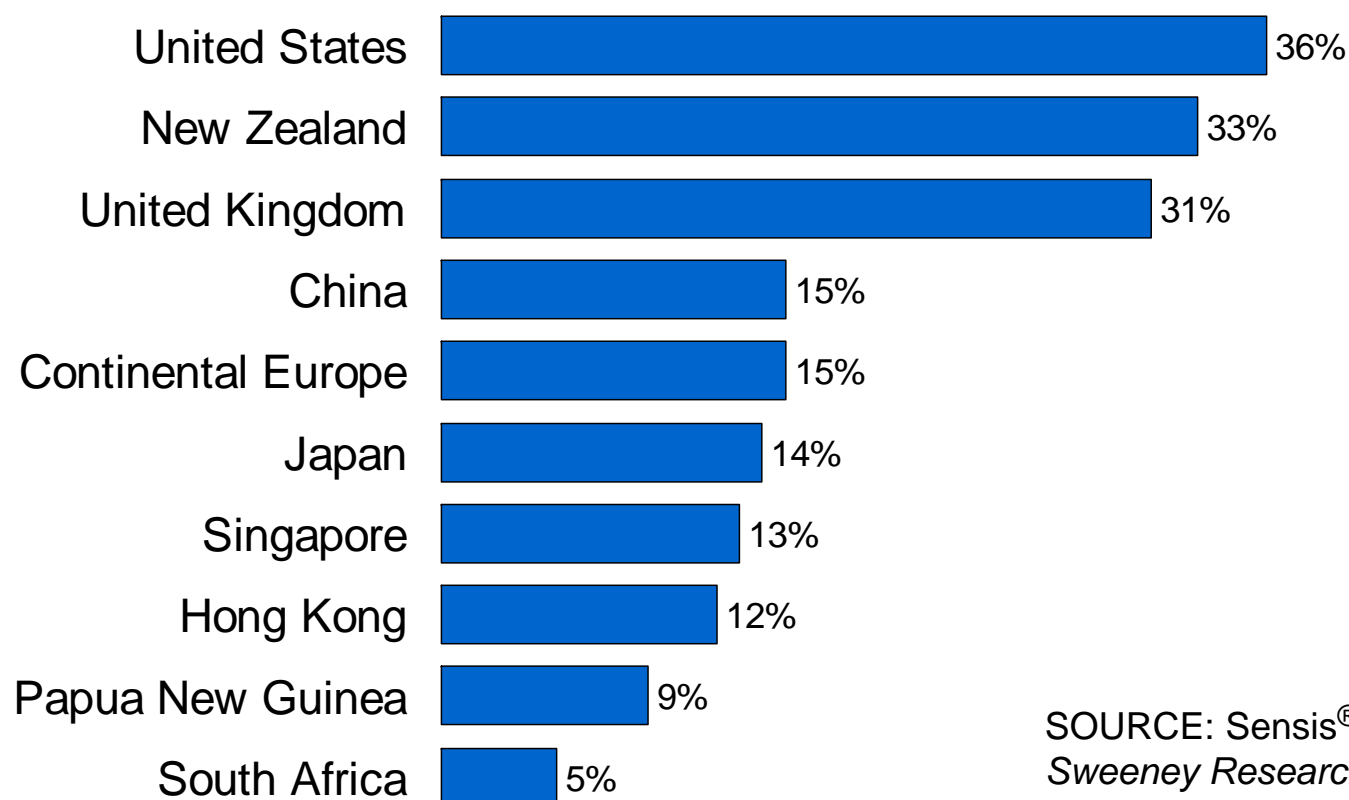
# India is in the top 20 exporter destinations but only just

Exporters by country\*: 2003-04  
(\*includes multiple destinations)



Source: ABS

# India still to make some headway with small and medium sized exporters too



SOURCE: Sensis® *Business Index*  
Sweeney Research – August 2004

Base : Exported goods or services overseas in last three months  
All other answers less than 3%

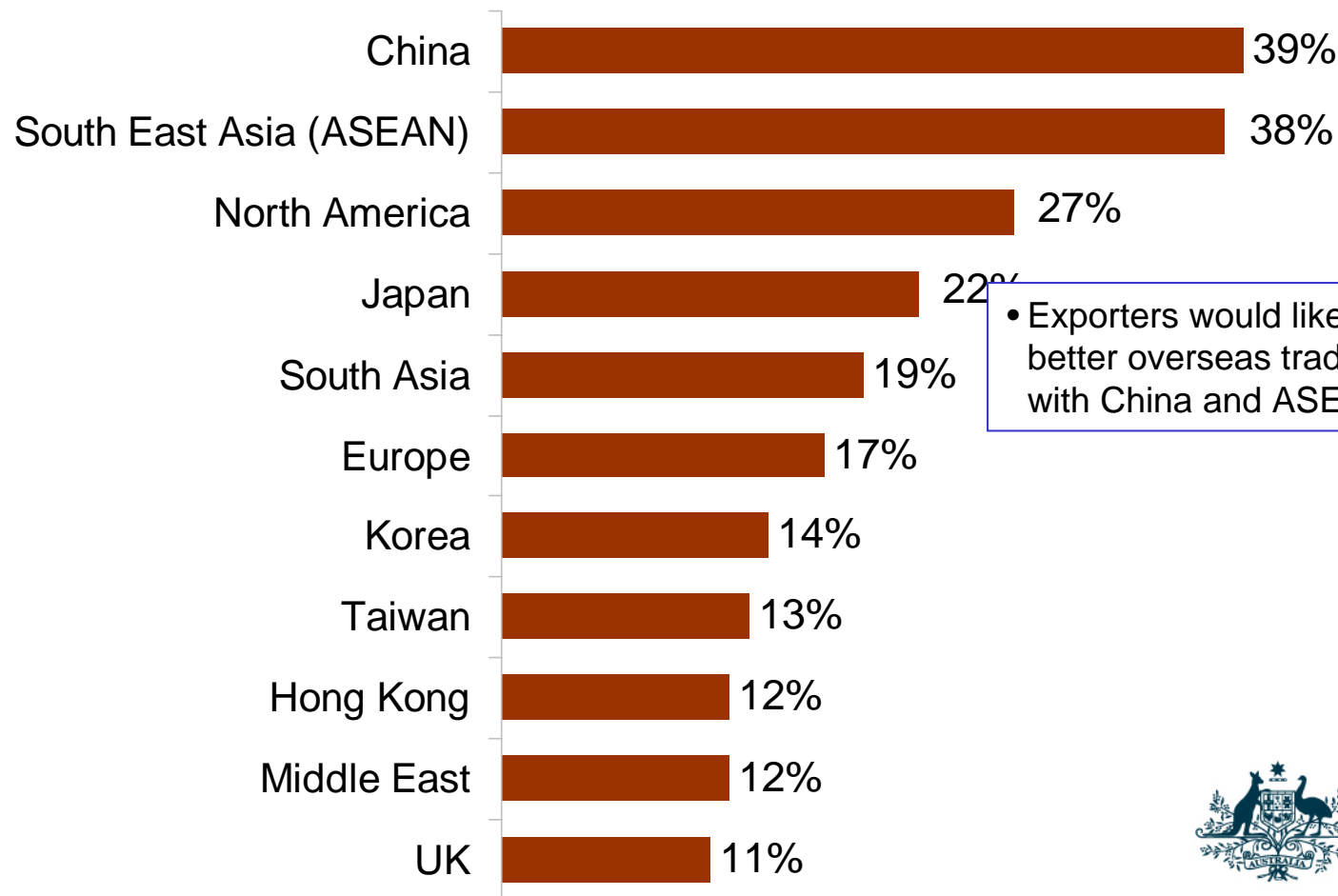


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# Australian exporters do want more representation in India but they also want it in China, ASEAN markets, North America and Japan

## Top 11 export markets where exporters want Australia to have better trade representation



- Exporters would like Australia to have better overseas trade representations with China and ASEAN.



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# So where does that leave the Australia-India economic relationship?

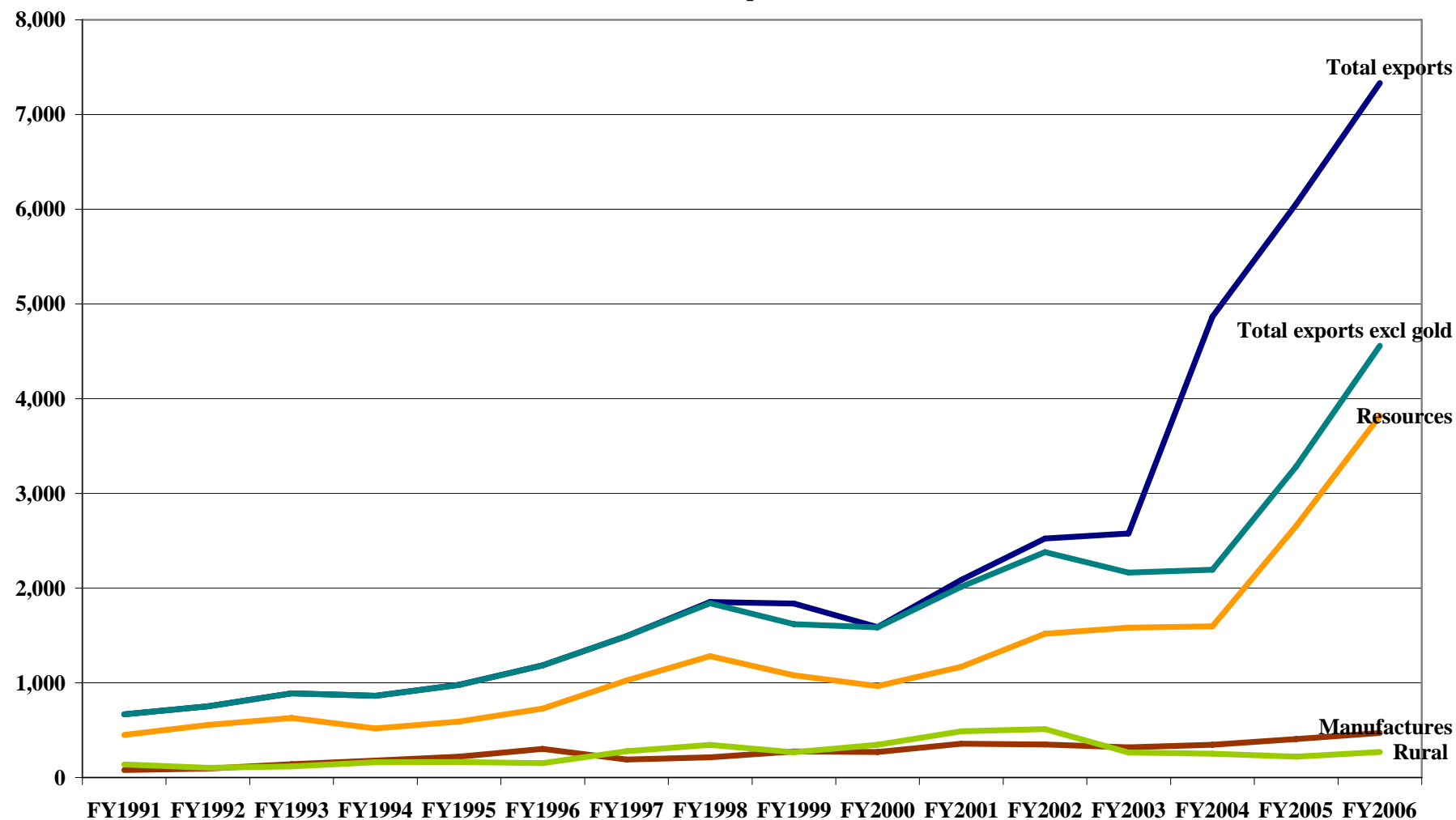
*Is it more than just 'the 3 c's' - curry, cricket and commonwealth*



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# India is a growth area for Australian merchandise exports

Australia's merchandise exports with India (A\$m)

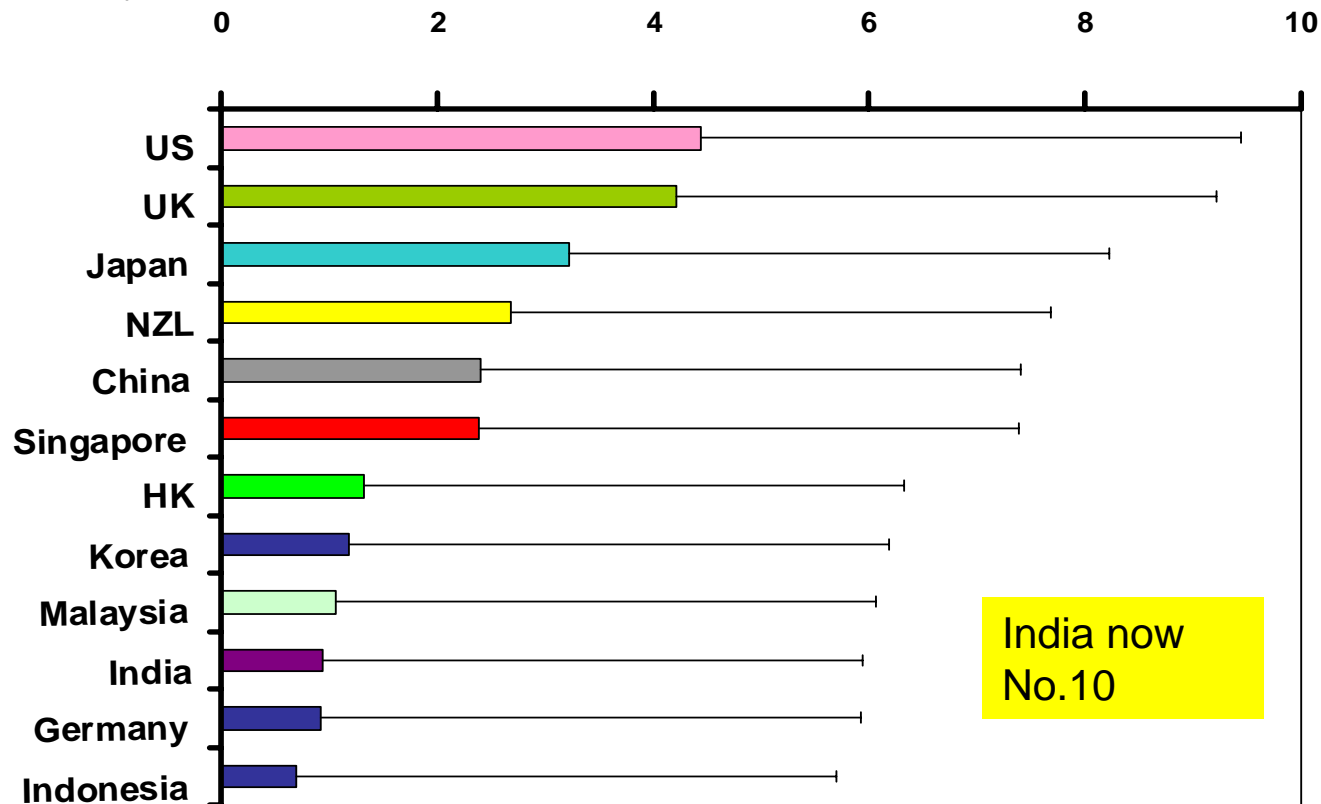


Source: DFAT STARS database

# With plenty of potential in services as well

Australian exports of services by destination (2005)

A\$ billion



Source: DFAT



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# Is it Bollywoodisation or Globalisation?

**From "Bride and Prejudice"  
starring Aishwarya Rai**

**(courtesy of Professor Diane Coyle)**

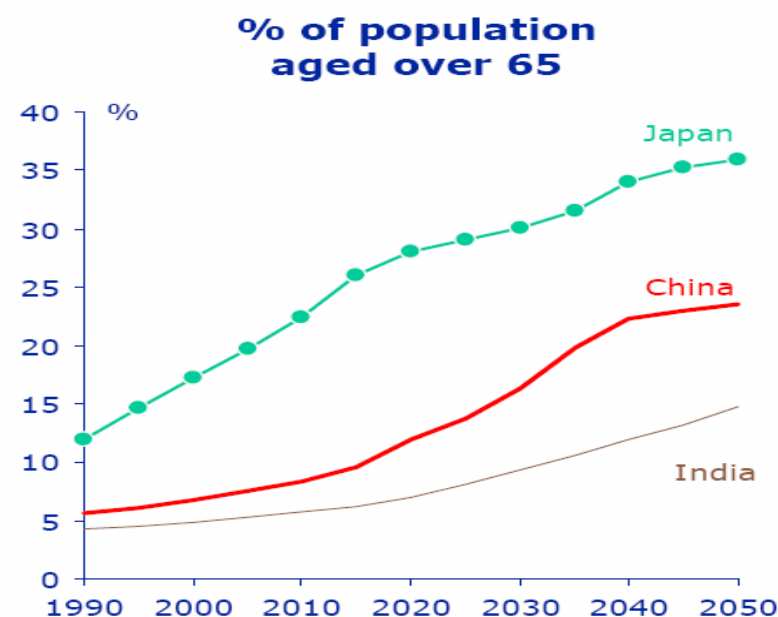
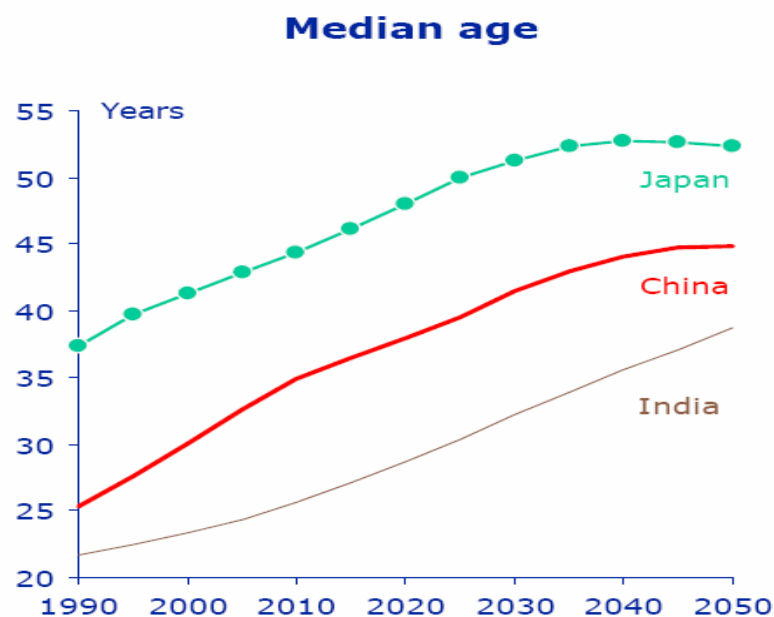


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# Births, deaths and marriages: the role of demography

## China is much more challenged by demography than India



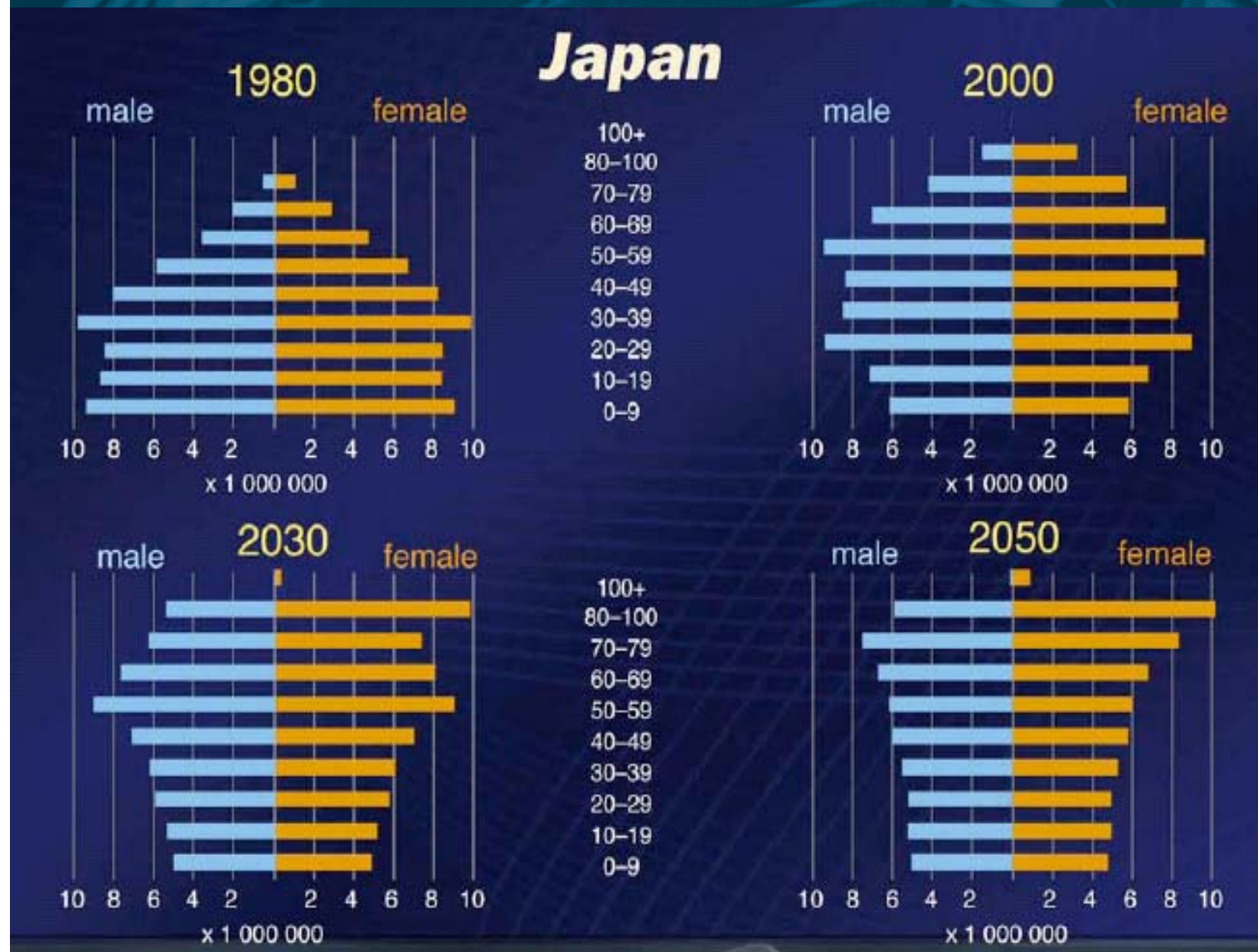
Source: United Nations, *World Population Prospects: 2004 Revisions*.

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# Japan: Land of the greying sun?



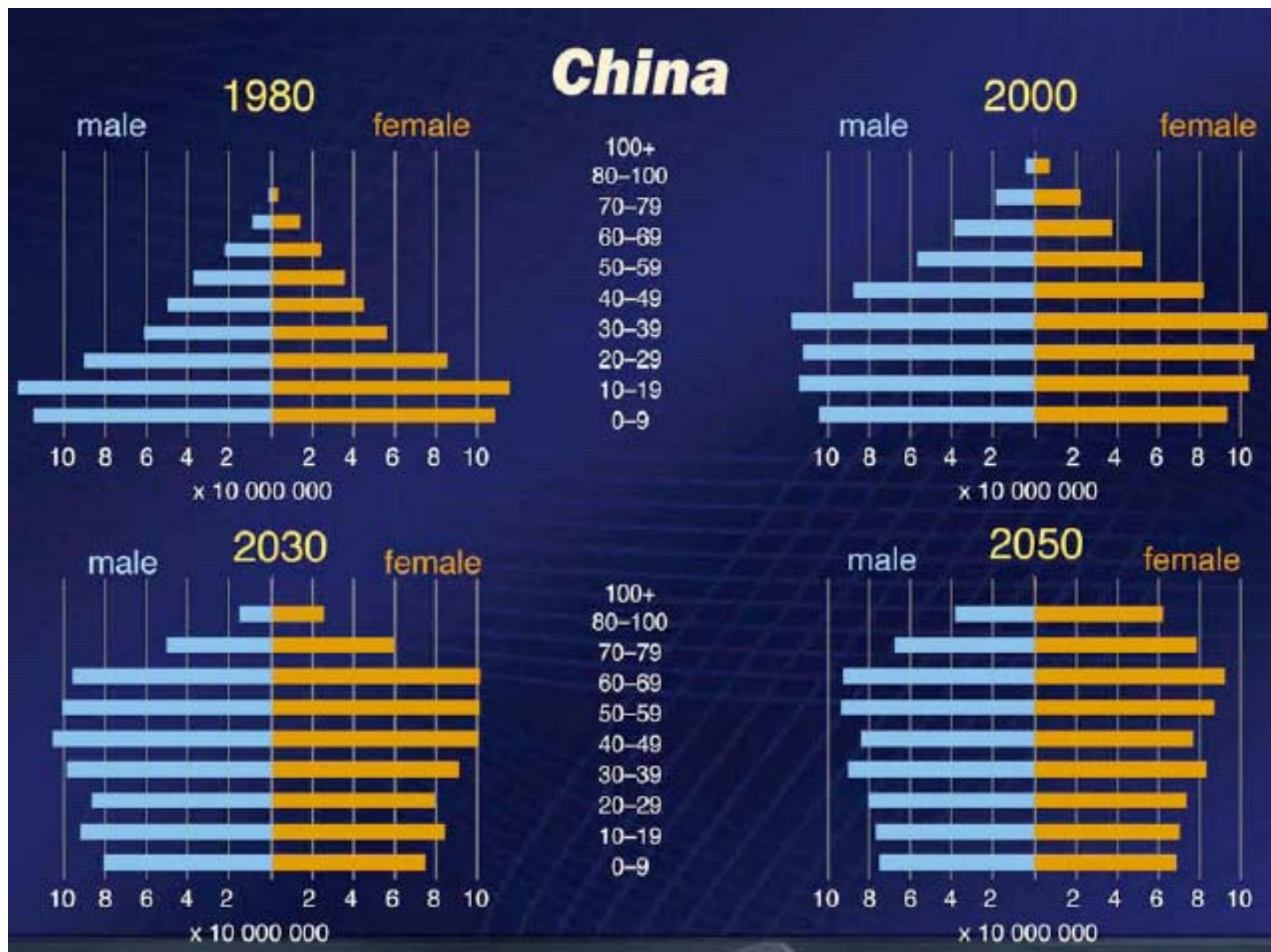
Source: ABARE

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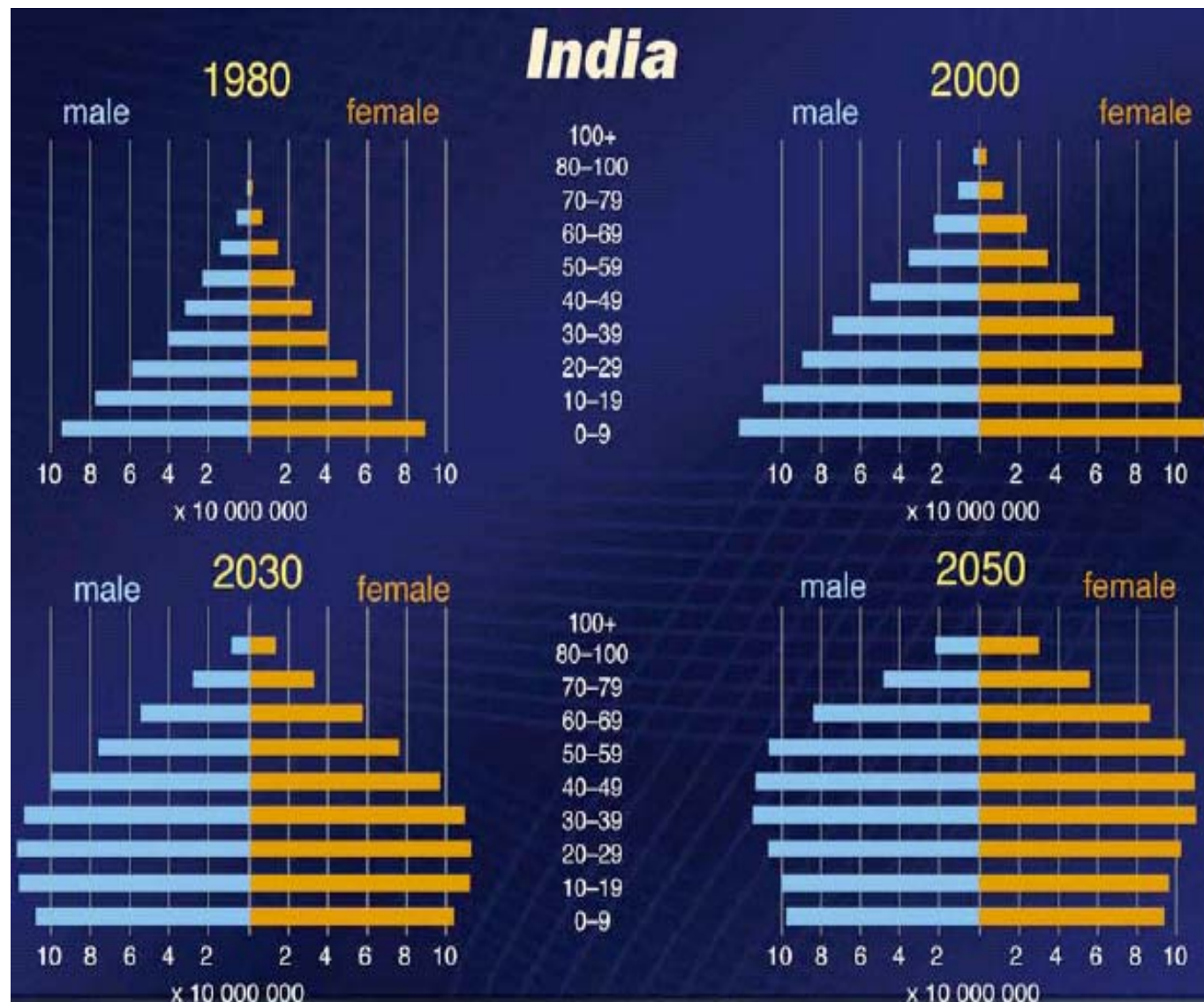
# China: getting old before they get rich?



Source: ABARE

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# India: Popadum preach?



Source: ABARE



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# BEYOND OUR SHORES

Essays on Australia and the Global Economy

By Tim Harcourt, Chief Economist, Australian Trade Commission



## *Useful links/further reading:*

[www.austrade.gov.au/economistcorner](http://www.austrade.gov.au/economistcorner)

[www.austrade.gov.au/beyondourshores](http://www.austrade.gov.au/beyondourshores)

[www.abareconomics.com](http://www.abareconomics.com)

[www.treasury.gov.au](http://www.treasury.gov.au)

[www.anz.com](http://www.anz.com)

[www.timharford.com](http://www.timharford.com)

[www.lowyinstitute.org](http://www.lowyinstitute.org)

[www.accesseconomics.com.au](http://www.accesseconomics.com.au)

[www.sensis.com.au](http://www.sensis.com.au)

[www.eiu.com](http://www.eiu.com)



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**Dani Rodrik**

**Richard Freeman**

**For their comments and assistance with this presentation and permission to refer to their charts,  
data and images**



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