CANADA AND AUSTRALIA

TRADE AND ECONOMIC RELATIONSHIPS

IN THE 1980's

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TABLE OF CONTENTS

AUSTRALIA: A COUNTRY PROFILE

OBJECTIVE

The purpose of this paper is to describe in broad terms Australia's current place in the world as a trading nation and as an economic power, the direction in which it appears to be moving, and the various ways in which this could affect Canada's interests.

The international trading environment of the 1980's is likely to be far more complex and competitive than that of the 1970's. In Canada's relations with Australia, as well as with many of its other trading partners, there will accordingly be a need to work out appropriate plans and policies to deal with these changes. The analysis carried out in this paper is designed to provide the sort of comprehensive background needed to develop such policies. The study is not limited to the problem of finding export markets in Australia nor is it concerned solely with the formal framework of our trade. It is intended to deal rather with the total effect on Canada of Australia's development over the next decade - whether direct or indirect, whether to Canada's advantage or otherwise - and to point up those areas where Canadian action of one sort or another is likely to be required.

SUMMARY

Like Canada, Australia has a relatively small domestic market, its export trade depends heavily on the sale of agricultural products and industrial raw materials, and the greater part of its imports consists of finished goods. Its manufacturing sector is broadly based but not always competitive. Its development depends to a large extent on overseas capital - particularly in the resource field - and there is growing concern about the degree of foreign control that may result. Its current rates of inflation and unemployment are much the same as those in Canada and the real rate of growth predicted for the next year or so is equally low.

Over the longer term, however, significant changes are expected. At the moment, Australia boasts greater reserves of low-cost energy - in the form of crude oil, natural gas, coal and

uranium - than most other Western industrial nations. This is already bringing about the relocation of a number of energy-intensive industries from less well-endowed countries and may eventually do a great deal to improve the competitive position of the Australian manufacturing sector in general. On the resource development side, thanks to growing demand in Japan and other overseas markets, Australia appears to be on the threshold of a new minerals boom, with capital projects amounting to billions of dollars already under construction or in the advanced planning stage. Bumper crops and high world prices are currently bringing about increased investment in agriculture while, in order to take advantage of the recently established 200-mile economic zone around its shores, efforts are being made to develop a more integrated approach toward the harvesting and processing of fisheries resources. Maturing softwood plantations and the construction of new mills are bringing Australia gradually closer to self-sufficiency in the forest products sector as well.

Important changes are also taking place in the manufacturing sector. Intellectually, Australia has been committed for several years to the development of a more rational industrial structure but its ability to do anything about it has been limited by current economic problems and protectionist pressures. This situation now appears to be changing. In order to improve its balance-of-payment position, to provide skilled employment for a growing labour force, and to do away with the increasingly heavy cost of protecting inefficient producers, policies are now being considered by the government which would, on the one hand, expose domestic producers more directly to the cold winds of international competition and, on the other, encourage them to carry out the structural changes needed to meet this competition and to develop export markets of their own. If implemented, these policies should add immeasurably to the underlying strength of the Australian economy.

Australia's expanding resource base and energy reserves are already giving it a new importance in international trade. The direction of its trade has been changing as well. Efforts are being made, for example, to develop new and more diverse overseas markets, most notably in Eastern Europe, the Middle East and Asia. Particular attention in this regard is being given to the fast-growing countries of South East Asia, to Japan, China, South Korea, Taiwan and Hong Kong. Australia is also becoming considerably more preoccupied with the future of the Pacific region as a whole. Special consultative arrangements have already been established with the ASEAN nations and the possibility of free trade with the smaller countries of the South Pacific is under consideration. It is currently re-examining its free trade agreement with New Zealand with a view to developing new and more effective means of economic cooperation between the two countries. Finally, there is considerable interest in the recent proposal for the establishment of a Pacific Community. In the light of these various and special relationships, Australia seems certain to be one of the key countries involved in any further moves toward economic cooperation or integration in this particular part of the world.

While Canadian and Australian trade and economic relations are of long standing, they have not been of overwhelming importance in our perceptions of one another. Now, however, with the significant changes envisaged for the Australian economy and the development of new marketing priorities by that country, a positive response is required from Canada, so as to improve our overall economic and trading relations with Australia. Such an initiative will also be an essential step in strengthening Canada's economic relations with the Pacific region as a whole.

CONCLUSIONS

A special effort should be made to broaden and intensify Canada's trade and economic relations with Australia during the 1980's. This conclusion is based, among other things, on the need to take greater advantage of our traditional markets in that country, particularly for manufactured goods. The proportion of Australia's total imports supplied by Canada has not changed for a great many years despite a steadily broadening demand. This situation can and should be improved. In addition, account must be taken of two other particularly important aspects of Australia's development.

1. Australia's mining industry is currently undergoing a considerable resurgence with capital projects involving billions of dollars already under construction or in the advanced planning stage. Similar activity is taking place in the development of energy reserves and in other resource sectors. All of this is expected to be accompanied by heavy investment in transportation facilities, telecommunications, the generation and distribution of power and a wide variety of other infrastructural needs. There will probably be few other countries that will be able to offer a comparable range of opportunities for producers of capital equipment, specialized machinery and technical services during the next decade. It is essential to make sure that

Canadians will be in the best possible position to take advantage of these opportunities, whether through trade or direct participation.

2. Australia's foreign policy initiatives are being directed to an increasing extent toward the countries of the western Pacific rim, a region which promises to be one of the world's major growth areas during the years immediately ahead, and one which Australia sees as a particularly dynamic factor in its own economic development. Australia's growing influence in the region and its increasingly close relations with most of the countries concerned will likely be an important element in the development of Canada's own Pacific policies. On the marketing side, it may provide a useful gateway to Asian and Pacific markets, either through the establishment of Australian production facilities or through joint Canadian-Australian ventures within these markets themselves. On the policy side, Australia may be expected to play a leading role in any future moves toward greater regional cooperation, freer regional trade or possibly even some limited form of regional integration. The closer Canada's relations with Australia, the more certain we can be that our own interests in this important part of the world will be taken into proper account.

Canada's current trade and economic relationship with Australia is friendly, well-intentioned and of long standing. It also tends to be taken very much for granted. If we continue to take this attitude, there is a risk that Australia may become more and more closely involved with other trading partners and that Canadian interests may be overlooked at the very time they should be given the greatest possible consideration. If this is to be avoided, a more direct and practical relationship must be established. In working toward this end, particular attention should be directed to three aspects of the relationship. These are: (1) the role of our current trade agreement; (2) the role of the private sector in the development of trade; and (3) the adequacy of the consultative mechanism.

Any attempt to develop a broader framework of trade and economic cooperation with Australia will have to take into account the existing Canada-Australia trade agreement. This is concerned largely with the exchange of preferences. While it is generally agreed that these have had a beneficial effect on the development of trade between the two countries, they have been gradually eroded over the years and there is some doubt as to how much longer they will continue to play a meaningful role. There would seem to be little merit in doing away with the agreement altogether at this point since the remaining preferences are still of value and the agreement does, in a sense, still stand as a symbol of the traditionally close trading ties between the two countries. At the same time, there would seem to be equally little merit in trying to base a new relationship on the agreement alone. While the agreement will certainly have to be taken into consideration in any future discussion of our bilateral economic relations, it is important that Canadians also consider other and broader aspects of the relationship which may be more directly appropriate to the challenges and opportunities of the 1980's.

The involvement of the private sector in these efforts will be essential. If new markets are to be opened and new agreements negotiated - particularly in such areas as industrial cooperation - it must be clear that our businessmen not only support these initiatives but are prepared to follow them up. For this reason, the private sector in Canada should be consulted well beforehand on whatever proposals are to be put forward. Another problem to be considered is the comparative lack of direct contact between the private sectors in the two countries. Canadian businessmen have taken part regularly in trade missions to Australia, in Australian trade fairs and in individual visits to explore and develop new markets. Beyond this, however, there are few of the joint businessmen's committees or other bodies through which representatives of both sides can normally get together and compare notes. As a result, they have not always been as aware as they might be of one another's needs and capabilities, and Canada's exploration of the Australian market has so far tended to be limited to the larger, more sophisticated and adventurous firms. It would be useful to seek some more effective means by which businessmen in both countries will be able to take advantage of the many opportunities offered.

Finally, there is a need for more effective procedures for consultation between the Canadian and Australian governments themselves. Although there is ample provision in our current agreement for consultation on any trade problem that may arise, there is no joint trade and economic committee or other formal mechanism under which consultations can be carried out on a broader basis. Whatever specific problems come up tend to be handled in comparative isolation from one another, usually among the officials most directly concerned on each side. The effect of this has not been altogether favourable in that our mutual trade relations seem to be preoccupied less with opportunities than with problems - in most cases those concerned with the exchange of preferences and the extent to which they are or are not being maintained. Even more important, there are few opportunities for discussion of wider questions such as our respective trade and economic policies, regional trends and all the other issues that affect our relations in general as distinct from the narrower concerns covered in the trade agreement. In the rapidly changing trade and economic environment of the 1980's, new procedures may be required in order to give both sides every opportunity to consult each other on matters of mutual interest and concern.

AUSTRALIE: LE PROFIL D'UN PAYS

OBJECTIF

Le présent document a pour but de brosser un large tableau de la situation actuelle de l'Australie dans le monde, à titre de pays commerçant et de puissance économique, de l'orientation que ce pays semble prendre et des diverses façons que cela pourrait toucher les intérêts du Canada.

Le contexte du commerce international des années 1980 sera vraisemblablement plus complexe et compétitif que celui des années 1970. Dans les relations du Canada avec l'Australie, de même que dans ses rapports avec les autres partenaires commerciaux, il faudra, par conséquent, élaborer des plans et politiques appropriés pour faire face à ses changements. L'analyse présente a pour but de fournir la documentation de base nécessaire à l'élaboration de ces mesures. L'étude n'est pas limitée au problème du repérage de débouchés à l'exportation en Australie et elle ne traite pas uniquement du cadre officiel de nos échanges commerciaux. Il s'agit plutôt d'envisager les répercussions générales sur le Canada de l'expansion de l'Australie pendant la prochaine décennie, soit directement ou indirectement, que ce soit à l'avantage du Canada ou autrement, et de signaler les domaines où il faudra vraisemblablement que le Canada prenne des mesures d'un genre ou d'un autre.

SOMMAIRE

Comme le Canada, l'Australie a un marché intérieur relativement restreint, son commerce d'exportation dépend beaucoup de la vente de produits agricoles et de matières premières industrielles, tandis que les produits finis constituent la majeure partie de ses importations. Son secteur manufacturier a de larges assises mais il n'est pas toujours compétitif. Le développement de l'économie australienne dépend dans une large mesure des capitaux d'outre-mer, particulièrement dans le secteur des ressources, et l'on s'inquiète de plus en plus du degré de mainmise étrangère qui peut en découler. Ses taux actuels d'inflation et de chômage sont assez semblables à ceux du Canada et le taux réel de croissance prédit pour l'an prochain ou à peu près, est également faible.

À long terme, toutefois, on prévoit des changements considérables. À l'heure présente, l'Australie dispose de plus grandes réserves d'énergie à bon marché - sous forme de pétrole brut, de gaz naturel, de charbon et d'uranium - que la plupart des autres pays industrialisés de l'Ouest. Ceci entraîne déjà le déplacement d'un certain nombre d'industries à forte consommation d'énergie depuis les pays moins riches et cela pourra éventuellement faire beaucoup pour améliorer la situation concurrentielle du secteur manufacturier de l'Australie dans son ensemble. Du côté de la mise en valeur des ressources, grâce à la demande croissante du Japon et d'autres marchés outre-mer, l'Australie semble parvenue au seuil d'une grande vague d'expansion de son industrie minière; des projets d'investissements dont la réalisation exigera des milliards de dollars, sont déjà en chantier où ils arrivent à une étape avancée de planification. Par ailleurs des récoltes exceptionnelles et les cours mondiaux élevés des denrées entraînent l'accroissement des investissements dans le secteur agricole. L'Australie, afin de tirer parti de l'établissement récent de la zone économique de 200 milles le long de ses côtes, déploie des efforts pour mettre au point une approche intégrée à la pêche et au conditionnement du poisson et des fruits de mer. Les plantations de bois tendre qui parviennent à leur maturité et la construction de nouvelles usines rapprochent graduellement aussi l'Australie de l'auto-suffisance dans le secteur des produits forestiers.

Le secteur manufacturier est également la scène de changements considérables. En principe, l'Australie s'est engagée, depuis plusieurs années, à rationaliser davantage sa structure industrielle mais les problèmes économiques actuels et les pressions protectionnistes ont freiné ses efforts. La situation semble maintenant évoluer. Afin d'améliorer sa balance des paiements, de fournir des emplois d'ouvriers spécialisés à ses travailleurs, et de mettre au rancart la protection sans cesse plus onéreuse des producteurs inefficaces, le gouvernement étudie maintenant une politique qui d'une part exposerait ses producteurs nationaux plus directement aux grands vents de la concurrence internationale et, d'autre part, les encouragerait à effectuer les changements structurels nécessaires pour affronter cette concurrence et développer leurs propres marchés d'exportation. Si cette politique est mise en application, elle aidera incommensurablement à accroître la force sous-jacente de l'économie australienne.

Les ressources et les réserves énergétiques croissantes de l'Australie confèrent déjà à ce pays une nouvelle importance dans le commerce international. L'orientation de ses échanges commerciaux évolue également. À titre d'exemple, l'Australie déploie ses efforts pour développer des marchés nouveaux et plus diversifiés outre-mer, notamment en Europe de l'Est, au Moyen-Orient et en Asie. À ce propos, on attache une attention particulière aux pays à forte croissance de l'Asie du Sud-Est, du Japon, de la Chine, de la Corée du Sud, de Taiwan et de Hong Kong. L'Australie commence à se préoccuper bien davantage de l'avenir de la région du Pacifique dans son ensemble, elle a conclu des arrangements consultatifs spéciaux avec les pays de l'ASEAN et elle étudie la possibilité de libre-échange avec les petits pays dans le Pacifique du Sud. L'Australie réexamine présentement son accord de libre-échange avec la Nouvelle-Zélande en vue d'élaborer des moyens plus efficaces de coopération économique entre les deux pays. Enfin, les Australiens s'intéressent beaucoup à la récente proposition d'établir une Communauté du Pacifique. En raison de ces relations variées et spéciales, l'Australie sera, cela ne semble faire aucun doute, l'un des pays clés sur lesquels il faudra compter dans toute nouvelle initiative tendant à la coopération ou à l'intégration économique dans cette partie du monde.

Bien que les relations commerciales et économiques canado-australiennes existent depuis longtemps, elles ne revêtent pas une importance prédominante ni dans l'optique du Canada, ni dans celle de l'Australie. Toutefois, maintenant que l'Australie envisage une évolution considérable de son économie et l'élaboration de nouvelles priorités commerciales, le Canada doit apporter une réponse concrète, de façon à améliorer, dans l'ensemble, ses relations économiques et commerciales avec l'Australie. Une telle initiative constituera aussi une étape essentielle dans le renforcement des relations économiques du Canada avec l'ensemble de la région du Pacifique.

CONCLUSIONS

Le Canada devra faire un effort spécial pour élargir et intensifier ses relations commerciales et économiques avec l'Australie pendant les années 1980. Cette conclusion se fonde, parmi autres choses, sur la nécessité de tirer davantage profit de nos marchés traditionnels dans ce pays, particulièrement celui des produits manufacturés. Le pourcentage des importations australiennes qui viennent du Canada, n'a pas changé depuis de nombreuses années, malgré que la demande s'élargisse constamment. On peut et on doit améliorer cette situation. En outre, il faut tenir compte de deux autres aspects particulièrement importants du développement de l'Australie.

1. L'industrie minière australienne connaît actuellement une reprise considérable grâce à des projets d'investissements de plusieurs milliards de dollars, qui sont déjà en voie de réalisation ou ont atteint une étape avancée de planification. Une activité semblable règne dans la mise en valeur des réserves énergétiques et dans d'autres secteurs de ressources. On s'attend à ce que cet essor

s'accompagne d'investissements considérables dans les transports, les télécommunications, la production et la distribution d'énergie ainsi que dans l'infrastructure dont les besoins sont fort variés. Il y aura probablement peu d'autres pays qui offriront une gamme comparable de débouchés aux producteurs de biens d'équipement, de machines spécialisées et de services techniques pendant la prochaine décennie. Il est essentiel que les Canadiens s'assurent qu'ils sont dans la meilleure position possible pour tirer profit de ces possibilités, que ce soit par les échanges commerciaux ou par les prises de participation directes.

2. L'Australie oriente ses efforts diplomatiques de plus en plus vers les pays du pourtour occidental du Pacifique, région qui promet d'être l'une des principales régions de croissance du monde pendant les prochaines années et l'une que l'Australie considère comme l'un des facteurs particulièrement dynamiques de sa propre croissance économique. L'influence grandissante de l'Australie dans la région et le resserrement de ses relations avec la plupart des pays en question constitueront vraisemblablement un facteur important de l'élaboration de la propre politique du Canada envers la région du Pacifique. Sur le plan de la commercialisation, l'Australie pourra faciliter l'entrée aux marchés de l'Asie et du Pacifique, soit par l'établissement d'usines en Australie ou par le biais d'entreprises en participation canado-australiennes sur ces marchés-mêmes. Sur le plan des politiques, l'Australie pourra jouer un rôle dominant dans toutes initiatives futures pour assurer une plus grande coopération régionale, des échanges commerciaux régionaux plus libres ou peut-être une forme limitée d'intégration régionale. Plus étroites seront les relations du Canada avec l'Australie, plus assurés serons-nous que nos propres intérêts dans cette partie importante du monde seront pris suffisamment en considération.

Les relations commerciales et économiques du Canada avec l'Australie sont amicales, bien intentionnées et remontent loin en arrière; on a aussi tendance à les considérer beaucoup trop comme choses acquises. Si nous persistons dans cette attitude, nous risquons de voir l'Australie nouer des relations de plus en plus étroites avec d'autres partenaires commerciaux et négliger les intérêts canadiens au moment même où ils devraient avoir toute l'attention possible. Si nous voulons éviter cette éventualité, nous devrons établir des rapports plus directs et pratiques. En oeuvrant vers ce but, il faudra se préoccuper particulièrement de trois aspects de ces relations. Ce sont: I) le rôle de notre présent accord commercial; 2) le rôle du secteur privé dans l'expansion des échanges commerciaux; et 3) la suffisance des rouages de consultation.

Il faudra tenir compte du présent accord commercial canado-australien dans toute tentative pour élaborer un cadre plus vaste de coopération commerciale et économique. L'accord a trait surtout à l'échange des préférences tarifaires. On admet généralement que ce régime préférentiel a eu des effets bénéfiques sur le développement des échanges commerciaux entre les deux pays mais il a subi un effritement graduel au cours des années et on se demande jusqu'à quand il pourra continuer de jouer un rôle valable. Il n'y a guère lieu d'abroger l'accord à ce moment-ci étant donné que les préférences encore existantes ont toujours une certaine valeur et que l'accord demeure encore, dans un certain sens, le symbole des liens traditionnellement étroits entre les deux pays. Néanmoins, il ne semble guère opportun de fonder des relations nouvelles uniquement sur cet accord. Il faudra évidemment en tenir compte dans toute discussion éventuelle sur nos relations économiques bilatérales, mais il importe que les Canadiens considèrent d'autres et plus larges aspects de ces relations qui répondraient plus directement aux défis et possibilités des années 1980.

Il est essentiel que le secteur privé s'engage dans ces efforts. Si l'on veut ouvrir de nouveaux marchés et conclure de nouveaux accords - en particulier dans des domaines comme la coopération industrielle - nos hommes d'affaires doivent non seulement appuyer clairement ces initiatives mais aussi être disposés à y donner suite. C'est pourquoi il faudra consulter au préalable le secteur privé au sujet de toute proposition. Un autre problème se pose aussi: c'est la manque relatif de contacts entre les secteurs privés des deux pays. Les hommes d'affaires canadiens ont participé régulièrement aux missions commerciales en Australie, aux foires australiennes et ils ont fait des visites individuelles pour sonder et développer de nouveaux marchés. Au-delà de ces activités, il n'y a guère de comités ou autres organismes mixtes grâce auxquels les représentants des deux pays peuvent se réunir et échanger des observations. Il s'ensuit qu'ils ne connaissent pas aussi bien qu'ils le pourraient leurs besoins et leurs capacités réciproques. L'exploration du marché australien par les Canadiens n'a été jusqu'ici effectuée seulement par les grandes sociétés, évoluées et aventureuses. Il serait utile de rechercher des moyens plu efficaces pour permettre aux hommes d'affaires des deux pays de tirer profit des nombreuses possibilités offertes.

Enfin, il faudra peut-être définir une procédure plus efficace de consultation entre les gouvernements eux-mêmes du Canada et de l'australie. L'accord présent prévoit amplement les consultations sur tout problème commercial éventuel mais il n'y a pas de comité mixte sur le commerce ou l'économie ou d'autre mécanisme officiel qui permettrait de donner plus de portée aux consultations. Quel que soit le problème qui surgisse, on a tendance à le régler isolément, et ce, habituellement entre les représentants les plus directement intéressés des deux côtés. Ce comportement n'a pas été favorable en somme, car, dans nos relations commerciales mutuelles, nous semblons nous préoccuper moins des possibilités que des problèmes; dans la plupart des cas, ces derniers ont trait aux échanges de préférence et du degré de leur maintien. Et qui plus est, il y a peu d'occasions de discuter de questions de plus grande envergure telles que nos politiques commerciales et économiques respectives, les tendances régionales et les autres questions qui touchent en général nos relations et se distinguent des préoccupations plus étroites afférentes à notre accord commercial. Dans le contexte commercial et économique en rapide évolution des années 1980, il faudra peut-être recourir à de nouvelles procédures pour donner aux deux parties toutes les occasions de se consulter sur des questions qui les intéressent et les préoccupent.

INTRODUCTION

Although Canada and Australia are widely separated geographically, there are many striking similarities between them. Like Canada, the Commonwealth of Australia is a federal state, comprising six states and two federal territories - Queensland, New South Wales, Victoria, Tasmania, South Australia, Western Australia, the Northern Territory and the Australian Capital Territory. Between the federal and state governments there is a rather similar division of constitutional powers. The entire country covers a land area of 3 million square miles or roughly 85 percent of that of Canada, making it the sixth largest in the world. As in Canada, much of the terrain is hostile, the interior of the country being largely arid or semi-arid, with the bulk of the population concentrated along the southeastern coast in much the same way as that of Canada tends to be concentrated along its southern border. The present population is around 14.5 million and, like Canada, owes a great deal to postwar immigration. Like Canada too, the population is small in comparison with the size of the country itself and, for various historical, climatic and economic reasons, is even more urbanized, some 70 percent of its people living in the capital cities and other major centres, over 40 percent in Sydney and Melbourne alone. The climate ranges from tropical in the north to temperate in the south and over large areas can be as hostile as that in Canada to human life and human activities.

These similarities apply to the economic side as well. Both countries have small domestic markets and a consequent heavy dependence on exports. Both rely on a large degree on sales of agricultural products and industrial raw materials. There is similar preoccupation with the need to develop new markets abroad, with the need to develop a more sophisticated and competitive manufacturing sector, with the growing degree of foreign ownership, with native land rights in resource areas, with regional disparities and with a variety of other problems. In the development of relations between Australia and Canada, the sharing of such problems and experiences has been an important factor.

THE AUSTRALIAN ECONOMY

General

With the exception of such sensitive sectors as communications, transportation and banking, private initiative rather than government intervention has played the major role in Australia's economic development. Prices in most cases are set by the market place. Wage rates are determined by industrial conciliation and arbitration. Although government involvement in economic management has tended to increase in recent years in order to cope with conditions of severe unemployment and inflation, the principal aim has been simply to create a climate favourable to sustained growth. Economic strategy is thus not so much based on overall planning as it is influenced through fiscal and monetary policies, financial incentives and other forms of assistance. Most government activity at the moment is directed toward curbing inflation, developing an appropriate balance between wages and productivity, and improving international competitiveness.

Australia is a wealthy country by any standard. Traditionally the economy has been identified with the production and export of primary agricultural products such as wool, meat, wheat and sugar. The postwar period, however, has seen rapid industrialization, extensive mineral discoveries and a significant expansion in the services sector. As a result, agriculture, fisheries and forestry together now account for only 8.6 percent of the gross domestic product. Manufacturing accounts for 21 percent, the minerals sector for 4.3 percent, and services - including those of government - for 66.1 percent.

Although changing world prices for wool and other primary products have caused wide fluctuations from time to time, economic growth since the war has been generally steady. For the most part, employment remained high and domestic prices relatively stable. It was only in the latter part of 1973, as in most industrialized countries, that real inflationary pressures began to be felt and unemployment began to rise to unacceptable levels. The immediate response was a series of wage demands which only added to these pressures. Since then, however, tough fiscal and monetary measures have managed to reduce the rate of inflation to somewhere around 9 percent. During the past fiscal year, the gross domestic product rose by 4.7 percent in real terms although a large part of the increase must admittedly be attributed to record grain crops and to extremely favourable world prices for beef and other agricultural products. In absolute terms, the gross domestic product now stands at around \$135 billion or about \$9,000 per capita. Although unemployment remains at somewhere around 6.4 percent, there have been significant gains in productivity accompanied by only moderate wage increases and by growing business and consumer confidence.

During the current year, the rate of inflation is expected to stay much the same while the real rate of growth will fall to somewhere around 2.7 percent. There is nevertheless a strong mood of confidence. Given Australia's abundance of raw materials and energy resources, its improved export performance, its rising productivity, its growing competitiveness abroad, and the current surge in business investment, many feel that it may find itself in a far more favourable position economically during the 1980's than many of its western trading partners.

Agriculture

Australia has a broad range of settings for agricultural production, ranging from the sugar cane plantations of Queensland to the apple orchards of Tasmania, the wheat farms of Western Australia and the sheep runs of New South Wales. Although 65 percent of the land area can be utilized, however, less than 4 percent is exploited for crops and sown pasture. By far the largest proportion of the land is used for grazing sheep and cattle on natural grasslands. As a result, Australia produces almost one-third of the world's wool and accounts for a major share of international trade in meat. Sugar, wheat and dairy products are other important export commodities. Oats, barley, sorghum, corn, rice, oilseeds, tobacco, cotton and a wide variety of fruits and vegetables are also produced in commercial quantities.

The growth of the agricultural sector in Australia has been determined by a number of interacting factors such as the development of new markets abroad, the opening up of new land, the development of adequate transportation facilities, improvements in soil and pasture management, farm mechanization and other scientific and technical advances. The expansion of profitable overseas markets for wool and wheat and the introduction of refrigerated storage and shipping for meat and dairy products combined to make the agricultural sector Australia's main export earner. Until the late 1950's, in fact, agricultural products made up more than 80 percent of total export value. Since then, the proportion has fallen significantly to its present level of 45 percent. This is not due to any decline in agricultural activity, however, but rather to an increase in shipments of minerals and manufactured goods. The agricultural sector has, in fact, experienced a substantial increase in total output since the end of the war. It has also grown considerably more productive, as evidenced by a steep fall in the number of workers permanently employed on rural holdings.

Although agricultural products have always been subject to the vagaries of climate, to wide fluctuations in world prices and, in some cases, to import restrictions in their major overseas markets, the present outlook is highly favourable. Considerable increases in farm expenditure are expected as owners undertake both new investment and investment deferred from previous and less profitable years.

Fisheries

Although well over two thousand species of fish are found in Australia and surrounding waters, only a limited number are commercially significant. The main exports are rock lobsters, prawns, canned and frozen abalone and scallops. The industry as a whole accounts for little more than 1 percent of Australia's total sales abroad. As against this, large quantities of other types of fish and fish preparations are imported, amounting at the present time to one-quarter of the value of all foodstuffs purchased overseas. Up until now, the industry has been rather fragmented but efforts are being made to work toward a more rational development of resources and processing facilities. Such efforts should be helped considerably by Australia's establishment of a 200 mile economic zone around its territories in late 1979.

Forestry

The amount of land in Australia suitable for the production of commercial timber is very small in comparison with the total size of the country or, for that matter, with the total size of the area under forest. Of the latter, only about 106 million acres are considered to be productive or potentially productive and nearly 85 percent of these are dominated by eucalypts. There are consequently no adequate supplies of coniferous timber and Australian needs are largely met by imports. Softwood plantations, made up particularly of radiata pine, have been established at a steadily increasing rate during the past fifteen years, however, and now cover a total area of some 1.5 million acres. New mill capacity is being planned and it is expected that the country will be brought close to self-sufficiency sometime during the next decade. Although a wide variety of materials are produced from these domestic forests - lumber, plywood, wood pulp, newsprint and a broad selection of other papers - these are generally for local use only. Exports are minimal, amounting to less than 5 percent of the total value of production.

Mining

In recent years, the Australian economy has been strengthened by new mineral discoveries and the consequent establishment and expansion of extractive facilities in virtually all corners of the country. During the past fifteen years particularly, the increase in mineral production has far exceeded the growth rate of the economy as a whole, thanks in part to rapidly rising world demand for basic raw materials - especially in Japan - and technological innovations in the fields of processing and bulk transportation.

About eighty commercially significant minerals are currently produced in Australia and it is one of the few countries in the world to be virtually self-sufficient in such resources. The only major exceptions are potash, asbestos and sulphur. The most important single product is black coal which currently accounts for about 30 percent of total mine production value and for well over 10 percent of the total value of Australian exports. Australia is also a major producer of bauxite, iron ore, lead, manganese, zinc, tin, tungsten, copper, nickel, gold, ilmenite, rutile, zircon and precious stones. Finally, Australia possesses about one-fifth of the known reserves of uranium oxide in the western world. Production has so far been limited, thanks to problems with aboriginal land rights, environmental concerns and the absence of substantial markets at remunerative prices. It is now expected that Australian uranium will enter the world market in significant quantities sometime in the mid-1980's. Australia is also examining the possibility of establishing uranium enrichment facilities.

Despite the relatively bleak international economic situation, a substantial resurgence in Australia's mining industry is clearly under way. Eight new mining projects have recently gotten off the ground - the first since 1973. Four major aluminum smelters with a total investment of over $2.6 billion were announced last year and more are expected to follow. Other projects are under consideration with respect to coal, copper, iron ore, and uranium. By the end of 1980, total investment in the mining industry is expected to be double what it was only two years ago.

Energy

The long-term social and economic effects of Australia's growing edge in the field of energy may be among the more significant aspects of the country's development. Although the first commercial production of crude oil began only sixteen years ago, domestic supplies now account for just over 70 percent of refinery feedstocks. As in most oil-producing countries, there is some difference of opinion about the future, some authorities suggesting that production will begin to fall around the mid-1980's while others believe that Australia will not only achieve complete self-sufficiency but will maintain that position until well beyond the turn of the century. In the meantime, new exploration is being encouraged through various fiscal incentives and a policy of import parity pricing. Consideration is also being given to the development of an estimated 150 billion barrels in oil shale deposits in Queensland. The natural gas situation is even more promising. First discovered in commercial quantities in Queensland in 1954, it now meets some 10 percent of Australia's total energy requirements and represents one of its fastest growing sources. Some 7 percent of the Western world's total proven reserves are to be found off the North West Shelf alone and even further discoveries are expected. With regard to coal, the Australian industry, in addition to having exceptionally large reserves - an estimated 40 billion tons of black coal and 80 billion tons of brown coal - is one of the world's most efficient producers. Finally, Australia contains some 20 percent of the Western world's proven reserves of uranium and about 50 percent of its low-cost reserves. There is every possibility that still further deposits will be found.

One of the key issues still to be resolved is to what degree these resources should be exported and to what degree they should be used domestically. Australian officials have predicted that, in terms of the energy equivalent of crude oil, Australia's 1977 energy exports of 22 million tonnes could rise to 181 million tonnes by the mid-1980's and to 290 million tonnes by the beginning of the next decade. Steaming coal would represent the bulk of this but exports are also expected of uranium oxide, liquified natural gas and liquified petroleum gas, most of it to Japan, but in some cases to U.S. and European markets as well.

Advantageous as these exports would be to Australia's balance of payments, however, it is being argued that the rewards might be even greater if at least some of the resources were to be used for domestic purposes. The bulk of electric power on the Australian mainland is generated from coal-burning thermal plants. Six years ago, the cost of such power stood about 20 percent higher than the OECD average. Now, thanks to low-cost coal production, it stands about 20 percent below. Large-scale generating plants and the introduction of new technology could widen this differential even further. One of the immediate beneficiaries of this cheap power is the aluminum industry - a voracious consumer - which has already announced a three-fold increase in capacity and may expand even further by mid-decade. In 1977, Australia accounted for about 35 percent of the Western world's production of bauxite, 24 percent of its alumina but only 2 percent of its aluminum. Rapidly rising oil prices and environmental pressures, however, have severely affected production of the finished metal in such countries as Japan and the United States, and most future expansion seems likely to take place in energy-rich nations like Australia. By the mid-1980's, it is expected that Australia's share of Western production will have risen to 5 percent which, considering that the price of aluminum is roughly 70 times that of bauxite, has important value-added implications.

Australia's comparative advantage in electricity costs would also be an important factor should a decision be made to export enriched uranium, a process which is a similarly large consumer of power. Coal liquification and gasification too is highly energy-intensive. In the course of time, in fact, low power costs could have a significant effect on a broad range of Australian industries, making them far more internationally competitive than has been the case to date. It remains to be seen whether Australian governments will choose this route or whether they will settle for the more assured and immediate benefits of direct energy exports.

Manufacturing

Compared with other Western countries, Australia's manufacturing sector was built up in a remarkably short period of time. Although it had been developing since the early 1900's, significant growth and diversification did not take place until after World War II. In most cases, the objective was to serve the growing domestic market, particularly in the immediate postwar years where chronic balance-of-payments problems forced such development to concentrate to a large degree on import substitution. Such industrial self-sufficiency has been vigorously pursued and a great deal has been achieved. With the help of a highly protective tariff and a variety of other government incentives, almost continuous growth was achieved during the 1950's and 1960's. Because of this uninterrupted growth, there seemed to be little need for an overall industrial policy.

This attitude is now tending to change. The eventual effect of the import replacement approach - in some areas at least - was to build up a rather fragmented industrial structure which, by the early 1970's, began to find it difficult to meet the pressures of international competition. As a result, a general enquiry was initiated in 1974 to advise on new policies for the development of the manufacturing sector. Among other things, it found that, due to the stagnation of fixed investment, much of the equipment in Australian factories had become old and out-of-date, desirable technical innovations had been delayed, there were too few world-scale plants and the growth of productivity had for some years been below that achieved by other Western industrialized countries. Because of this inefficiency and the government's over-protectiveness, Australian industry in general tended not only to be uncompetitive abroad but in many cases was finding it more and more difficult to compete even in its own market.

On the basis of these findings, a further study by Sir John Crawford was commissioned in 1977 to analyse and make recommendations on all aspects of a structural adjustment program. The subsequent report touched on a number of important areas. It suggested that a more carefully considered approach be taken to industrial development policy in such fields as technology and innovation, the expansion of exports, investment allowances, management efficiency and business services. It dealt with the degree of federal government intervention and support required in resource-based projects. It recommended strengthened trade agreements with the countries of East and South East Asia and the gradual reduction of long-term protection against imports. It called for improved manpower programs, the greater availability of capital, and new measures to deal with problems of regional adjustment. Taken as a whole, it probably represents one of the most comprehensive sets of proposals ever put together to deal with the problems of Australian industry.

In spite of its problems, manufacturing is still a highly important sector. It has grown rapidly in expertise and sophistication, particularly in such sectors as light and heavy engineering, motor vehicles, iron and steel, electronics, chemicals and construction materials, most of which have benefitted significantly from overseas investment and the introduction of overseas technology. It employs some 1.9 million workers or 18 percent of the total labour force. It produces close to $17 billion in value added and accounts for 20 percent of the value of Australian exports. Finally, it is expected to provide the most promising opportunities for the future. In the view of many Australians, a healthy manufacturing sector is an absolute necessity if an economy capable of self-sustained growth is to be developed. In addition, despite the promising outlook for primary production, no amount of resource development is likely to make much impact on employment. Australia is a highly urbanized country and it is believed to be manufacturing that will have to provide the bulk of the jobs for a growing labour force.

The present government is said to be counting on an upturn in the world economy in the 1980's and is determined to restructure Australia's own economy in time to take full advantage of the opportunities that are expected to arise. In the circumstances, it is thought likely to move fairly quickly toward implementation of as many of the Crawford report's recommendations as possible.

Transportation and Communications

Transportation and communications have been a major challenge for Australia, given the general sparsity of population over vast areas of the country. This has made the establishment of adequate facilities both difficult and costly but none the less essential. At the moment, Australia's transport system includes some 530,000 miles of roads, 100,000 miles of unduplicated air routes and 25,000 miles of government railways. The state governments deal mainly with roads, ports, intrastate shipping and railways. Shipping and air transport between the various states and territories, as well as the Australian National Railways network, is within the federal sphere. Telecommunication services are also handled by the federal government through the Australian Telecommunications Commission, which is the major decision-making body in respect of planning, establishing and operating such services.

AUSTRALIAN OVERSEAS TRADE

General

Australia's share of world trade has fallen from nearly 3 percent in the period immediately following the war to just over 1 percent in today's more active trading environment. In 1978/79, exports were valued at some $18.5 billion and imports at $17.9 billion. Although not large in absolute terms, such trade nevertheless continues to play a significant part in the economy, the exports accounting for nearly 14 percent of gross domestic product, considerably less than in Canada but more than double the figure for the United States. Imports for their part account for nearly 13 percent of the country's gross domestic expenditure. In balance of payments terms, the traditional surplus on trade account has gone some way toward offsetting the equally traditional deficit each year on invisibles.

Trade Policies and Objectives

Given the fact that Australia's export income has been traditionally dominated by primary products - agricultural commodities with an increasing proportion of minerals - it is not surprising that its general trade policy, on the export side at least, comes rather close to being a commodity policy. One of the more important objectives has been to bring about, in cooperation with other exporting and importing countries, improved access for such products in overseas markets as well as reasonable and stable prices. Australia has consequently played an active part in all the more important international trade and economic organizations where such issues could be discussed. It was one of the original signatories to the General Agreement on Tariffs and Trade (GATT) and has been a full member of the Organization for Economic Cooperation and Development (OECD) for the past nine years. It has been a party to the International Wheat Agreement, the International Sugar Agreement, the International Tin Agreement and the Lead and Zinc Study Group. As an importer, it has participated in the International Coffee Agreement, the International Cocoa Agreement and the International Rubber Agreement. It is a member of the International Bauxite Association, the Association of Iron Ore Exporting Countries and the International Energy Agency. It has expressed interest in an international discussion group on nickel and in various stabilization proposals for international trade in copper and tungsten. It has taken an active part in the United Nations Conference on the Law of the Sea, particularly with regards to deep sea bed mining. In the GATT framework, it is expected to become a signatory to both the International Dairy Agreement and the International Meat Council which resulted from the recent multilateral trade negotiations in Geneva. As a logical extension of such interests, it has supported common fund proposals as a means of stabilizing prices on a further range of commodities of special interest to developing countries.

As a primary producer, Australia has always experienced some frustration in its overseas trade. It is for this reason that, although the General Agreement on Tariffs and Trade is the principal instrument in the establishment and enforcement of international trade rules, there has always been a measure of disillusionment in Australia's attitude toward it. The main criticism has been that obligations are not in balance. Many of the early tariff concessions, it felt, especially those offered by Western Europe and the United States on agricultural products, were subsequently nullified by quantitative restrictions, export subsidies and other devices to which the GATT rules tended to be applied with rather less stringency. This situation became even less favourable with the establishment of the European Economic Community - and its Common Agricultural Policy - in 1958 and the subsequent accession to the Community of the United Kingdom, up until then Australia's main agricultural market. Restrictions in the United States have continued while Japan, though accommodating enough with respect to industrial raw materials from Australia, has proved much less so where the importation of rural commodities is concerned.

The positions taken by Australia in such bodies as GATT and the OECD, therefore, tend to be focussed far more than those of Canada on issues specifically concerned with questions of agricultural access and subsidization of export sales. Because of the difficulty of gaining adequate concessions for such products from its major trading partners, Australia has also tended to participate in a much more limited way in multilateral trade negotiations such as the Tokyo Round, particularly since the establishment of the "across-the-board" approach to tariff reduction. It is noteworthy that the Crawford report, while still supporting the traditional most-favoured-nation principle, raises the possibility of some eventual departure from this principle - perhaps in the form of special arrangements with the developing market economies and the state trading countries of Asia and the Pacific - should the existing GATT rules not be applied as effectively to agricultural trade as they are to trade in industrial products.

These interests are reflected in Australia's bilateral trade agreements as well. There are now twenty-one such agreements. Those with Western industrialized nations are confined to a special free trade arrangement with New Zealand, what might be called a residual preferential arrangement with Canada, and a commercial agreement with Japan. Of the remainder, eight are with the Soviet Union and other centrally planned economies in Eastern Europe, and ten with developing countries. All of them, with the exception of those with Canada and Malaysia and the free trade arrangements with New Zealand and Papua New Guinea, provide for an exchange of most-favoured nation treatment and for certain consultative procedures to ensure that the objectives of the agreements are met. Most of them also express support for the principle of international commodity agreements and for improved conditions of trade in primary products.

Australia's interest in the developing countries is based partly on their common preoccupation with commodity problems and partly on what it perceives as a potential market for Australian exports. In order to strengthen this relationship, Australia was the first to introduce a generalized system of preferences for the less developed countries. The objective of this scheme, which came into force in 1966, was to help such countries overcome the disadvantages they faced in competing with other overseas suppliers in the Australian market, always provided, of course, that there was no injury or threat of injury to Australian industry itself. A range of products where developing countries were already competitive in the Australian market was consequently excluded from the original scheme and a number of additional items have since been withdrawn on the grounds of disruption to local industry. In general, however, the system now covers most dutiable manufactured, semi-manufactured and substantially processed primary products, except for those subject to revenue duties, and offers margins of preference which are generally 10 to 15 percentage points below the general tariff rate.

It is noteworthy that, of the thirteen bilateral trade agreements which were signed with other than Eastern European nations, ten are with countries either in or bordering on the Pacific. As a Pacific nation itself, Australia has always had a strong interest in the political and economic stability of the region. There is now, however, an increasing interest in it as a market. In recent years, there has been a significant shift in the areas of world economic growth. As a result, Australia now finds itself far more strategically placed in relation to its major markets than it was during the period of its dependence on more distant purchasers in Britain and Western Europe.

One of these growth areas is the Middle East. The other, which is closer still, includes Japan, China, South Korea, Taiwan, Hong Kong and the five member countries of the Association of South East Asian Nations (ASEAN) - Malaysia, Indonesia, Philippines, Singapore and Thailand.

Together these have helped to fill the vacuum caused by the loss of Australia's traditional European market for agricultural commodities and have allowed a continued increase in such major exports as beef, mutton, grains and sugar. On the minerals side, over three-quarters of Australia's exports now go to Asian markets, Japan alone depending on Australia for some 46 percent of its iron ore supplies, 48 percent of its coal and 68 percent of its bauxite. China has become the largest buyer of Australian wheat, a major purchaser of sugar and a promising market for wool, coal, steel, raw materials and specialized capital equipment. Taiwan provides a ready market for coal and iron ore and Hong Kong for foodstuffs, raw materials and specialized manufactures. Korea is also interested in resource-based commodities as well as in primary products such as beef, wool and dairy products. Finally, there is strong Australian interest in the economic development of the ASEAN countries which are expected to provide growing opportunities for the sale of mineral ores, energy resources, agricultural products and manufactures. In general, imports into these countries have been rising over the past decade at a rate of almost 20 percent annually and they are said to constitute one of the fastest growing markets in the world. At the moment nearly 70 percent of Australia's total sales abroad are directed to countries in or bordering on the Pacific including of course, Canada and the United States. These same countries provide nearly 60 percent of Australian imports.

In the circumstances, there is growing interest in the future framework of these various relations. Australia has always played an active role in regional association and organizations such as the United Nations Economic and Social Commission for Asia and the Pacific, the Columbo Plan, the Asian Development Bank, the South Pacific Forum, the South Pacific Commission, the South Pacific Bureau for Economic Cooperation, the Pacific Trade and Development Conferences and the Pacific Basin Economic Council. It has strongly supported the economic aspirations of the ASEAN countries and has established an ASEAN-Australia Consultative Committee to consider mutual trade and other problems. Even in its bilateral aid program, some 65 percent of its assistance goes to Papua New Guinea and a further 22 percent to other countries in the Pacific and to South East Asia.

A number of new initiatives are already going forward. On the bilateral side, discussions have begun with New Zealand to seek new ways of strengthening the trade and economic ties between the two countries and of reaching a more efficient allocation of resources. There is a general feeling that the New Zealand-Australia Free Trade Agreement has progressed about as far as it can go and that new means of economic cooperation should be worked out. Introductory discussions of a rather similar nature were held between Australian and Canadian officials last fall and will likely be resumed later this year. With regard to its Asian trading partners, it has been suggested by the Crawford report that Australia's various bilateral agreements should be strengthened and more attention paid to the actual nature of its relationship with these particular countries. One of the criticisms of the Australian generalized preferences scheme was that, by offering preferences on all goods save those produced in Australia itself, it was simply providing new market opportunities at the expense of other overseas suppliers. Import restrictions continued to apply against textiles, clothing, footwear and other labour-intensive manufactured goods of interest to Asian exporters. These restrictions have been a constant sore point for some time in Australia's relations with this part of the world and with the ASEAN countries in particular. The Australian government has tried to keep such criticism within bounds by constantly adding new items to its list of generalized preferences. It has also provided the countries concerned both with advice as to how to sell their products in the Australian market and, in some cases, with financial assistance. Given Australia's hope of further opening up East and South East Asia as a market for its own manufactures in addition to more traditional products, however, there may have to be a rather drastic change as well in Australian attitudes towards imports from these areas and the manner in which protection is applied. This may well be one of the more difficult problems to be faced in the proposed restructuring of Australian industry.

In the immediate South Pacific area, consideration is already being given to the possibility of both Australia and New Zealand allowing unilateral duty-free entry of imports from Fiji, the New Hebrides and other neighbouring nations, in much the same way as those from Papua New Guinea are already allowed free entry into Australia. Given the limited volume of trade and the non-disruptive nature of most of the goods involved, this may not be too significant a step in itself but it does seem to indicate a growing sense of regional responsibility on the part of both countries.

The most recent and perhaps the most interesting initiative involving Australia, however, has been the concept of a Pacific Community. The original recommendation, which was put forward in the United States early last year, called for the establishment of an Organization for Pacific Trade and Development (OPTAD). This was to be an inter-governmental grouping which would provide a framework for regular high-level consultations but which would also have a small secretariat, supported by task forces of experts from both the public and private sectors. These would consider such specific problems as free and fair trade, trade restructuring, the financing of regional development, direct foreign investment, resource and energy security and methods of trade with non-market economies.

For the moment, no further action has been taken on these particular recommendations. The general concept, however, has now been taken up by the Japanese government and discussed with a number of its trading partners including Australia. Given the range of rather disparate economic interests among the various countries concerned and the difficulties that some of them are already experiencing in far more limited fields of cooperation, it remains to be seen how successful the proposal will be. Certainly some more effective form of cooperation in the Pacific seems inevitable in view of the region's growing interdependence. Generally, it has been agreed that political and military issues should be avoided and that the aim should be simply to develop a loose cultural and economic alliance through informal discussion and consultation. The emphasis would be on the promotion of mutual understanding rather than on the undertaking of specific commitments.

Even at this, however, there are still reservations. There is some difference of opinion, for example, over the possible membership of such non-market economies as China and the Soviet Union. It has been suggested, on the other hand, that the ASEAN countries would be reluctant to see their strength diluted in a wider grouping and, on the other, that they might use the new grouping all too effectively to push their views on such matters as development aid, tariff preferences and low-cost imports. Some of the Pacific Islands have expressed similar concern that their existing relationship with Australia and New Zealand could be damaged by the pursuit of a larger and less digestable concept of cooperation, especially in view of their newly-won independence and their preoccupation with the economic and administrative responsibilities this has entailed.

In sum, however, the idea of a gradualist and reasonably modest approach seems to have been accepted. Prime Minister Fraser of Australia has welcomed the idea as a "forward looking" one and a series of seminars - predominantly academic in nature - are to be held in order to decide in what way the work might best be carried forward. The first of these is to be held at the Australian National University in Canberra on September 15-18, 1980 and will be attended by representatives from Australia, New Zealand, Japan, Canada, the United States, South Korea, the Philippines, Indonesia, Malaysia, Singapore, Thailand, Papua New Guinea, Fiji and Western Samoa.

In the light of Australia's growing and understandable preoccupation with its own part of the world, its trade policies during the next decade may be expected to focus to an increasing degree on the problems and challenges of that region.

Composition and Direction

Of the $16 billion worth of Australian exports in 1977/78, agricultural products were still preeminent, representing 41.5 percent of the total. Minerals came second with 29.2 percent, the bulk of it made up of shipments of black coal, iron ore and alumina. Manufactured goods accounted for 23.8 percent and forest and fisheries products combined for only 1.4 percent.

On the import side, the market tended to be dominated by demands for industrial raw materials and machinery of a kind which is not always available locally due to the relatively small domestic market. This is particularly so in the case of certain specialized machines, heavy fabricating and electrical equipment, certain industrial chemicals and the more advanced scientific equipment. Such imports were augmented by a wide variety of consumer and other finished goods. It is noteworthy that in 1977/78 machinery accounted for some 25 percent of the total value of Australian imports and manufactured goods in general for 68 percent. Of the remaining 32 percent, close to two-thirds was made up of mineral fuels and chemicals.

Although there has not been too drastic a change in the composition of Australia's trade over the past decade or so, save for a steady increase in the proportion of mineral exports, there has been a noticeable change in its direction. Perhaps the most important has been the gradual replacement of Britain both as a supplier and as a market. In 1957/58, Britain took over 27 percent of Australia's exports and accounted for 41 percent of its imports. Twenty years later, these figures were no more than 4 percent and 11 percent respectively. Thanks primarily to its restrictive agricultural policies, the remainder of the European Community shared in this export drop, accounting for just over 10 percent of Australia's total sales abroad in 1977/78 as against nearly 23 percent two decades earlier. On the import side, however, purchases from the Community, particularly from West Germany, have tended to increase slightly, possibly as a result of the erosion of Britain's former preferential position in the Australian market.

Japan has now become Australia's major market and second most important supplier, its share of Australian exports having risen over the same twenty-five-year period from 13 percent to 32 percent - largely in the form of minerals - and its share of imports from 3 percent to 19 percent - largely in the form of motor vehicles, electronic equipment and other sophisticated manufactures. Similarly, the United State's share of Australian exports has grown from 6 percent to 11 percent and its share of imports from 13 percent to 21 percent. Finally, the results of Australia's efforts to diversify its export trade are clearly shown in the increase from 22 percent to 32 percent in the proportion of goods taken by "other" nations. Similar influences have been at work on the import side, showing both Australia's growing demand for foreign oil and the greater competitiveness of developing countries in the production of manufactured goods.

Market Outlook

The main interest of Australia's trading partners, of course, is not so much in the present composition and direction of its trade as it is in the outlook for the years immediately ahead, particularly on the import side. The following sections highlight what would appear to be the situation in each of the main sectors of the economy and the kind of demands that are most likely to present themselves. While demand in general is expected to remain high, it will be noted that there is considerable variation in the opportunities offered in different areas.

Agricultural products: Australia is relatively self-sufficient in agricultural products, the value of its imports in 1977/78 amounting to $688 million or just under 5 percent of its total purchases from abroad. Of this amount, furthermore, over 47 percent consisted of tea, coffee, cocoa and spices - which are not produced domestically - and a further 23 percent of beverages and tobacco. It does not seem likely that this situation will change to any appreciable extent. The demand for unprocessed agricultural products tends to be something of a spot market, depending to a large degree on variations in climate and other factors affecting domestic production. The most predictable needs, apart from the items noted above, are for breeding stock and livestock semen - both of which, it should be noted, are subject to certain quarantine requirements - and for such processed products as canned fruits and vegetables, confectionary, specialty cheeses and canned meat preparations. Canada's share of these imports at the moment is fairly minor, amounting to only $6.2 million or less than 1 percent of the total. The greater part of these consisted of canned fruits and vegetables - cherries and asparagus in particular - pickles and tobacco.

Fish and fish products: As noted earlier, only a limited number of the wide variety of fish found in Austalian waters are commercially significant, the principal ones being rock lobsters, prawns, abalone and scallops. For this reason, large quantities of other types of fish and fish preparations have to be imported, particularly such items as canned and smoked salmon, sardines, herring, kippered snacks and block frozen fish. Australia's total purchases abroad in 1977/78 were valued at $155 million, a figure which represents only 1.4 percent of imports in general, but a very high proportion of domestic consumption. With the recent establishment of a 200-mile economic zone and efforts to work toward a more integrated harvesting and processing of its fisheries resources, Australia may eventually become more self-sufficient. It seems equally likely, however, that there will be an increased demand not only for overseas investment and technical skills in these enterprises, but for greater supplies of the block frozen imports on which much of the processing will be based. At the moment, Canada's share of Australia's fish imports is $17 million or just over 10 percent of the total. The main products are canned salmon, canned herring and frozen fish packs.

Forest products: Australia's future demand for forest products from abroad will depend to a large extent on the development of its domestic softwood plantations and on the degree of protection which the government is prepared to grant local industries dependent on these domestic supplies. Australia, for example, has always been an excellent market for imported softwood timber since a large proportion of its native forests were made up of hardwoods which were not always easily harvestable. Given the growing demand for new housing and the fairly healthy home improvement market, this situation should continue for some time. As the local radiata pine plantations mature, however, increasing pressure on imports may be expected. Price will also be a factor, as in the case of Western red cedar whose rising costs have already resulted in its replacement by alternative materials, a situation from which it is not always easy to recover. Finally, there have been increasing demands for protection on the part of local producers. As a consequence, tariff quotas have already been imposed on imported plywood and a variety of other products are under investigation. Australia's total timber imports in 1977/78 were valued at $163 million, of which some $45 million were supplied by Canada in the form of Douglas fir, hemlock and Western red cedar.

The future for pulp and paper suffers from much the same uncertainties. Under the New Zealand-Australia Free Trade Agreement, for example, Australian producers were urged to set aside up to 89 percent of their newsprint requirements for domestic and New Zealand suppliers to the extent that sufficient supplies were available, thus limiting third country suppliers to only 11 percent of the market. As softwood plantations continue to mature in both Australia and New Zealand and new mills are established, this limitation will have an increasingly restrictive effect. So far as other types of paper are concerned, the Australian industry is a relatively mature and efficient one. This, combined with continuing demands for protection against imports, has tended to limit opportunities in such conventional markets as those for fine papers. There are believed to be continuing and profitable opportunities, however, for more specialized products such as wallpaper and computer paper.

Australia's imports of wood pulp in 1977/78 were valued at $74 million and those of paper and paperboard at $366 million. Canada's share of these imports came to $20 million and $40 million respectively.

Domestic capabilities in the production of other wood products is high and there is believed to be a considerable amount of excess plant capacity available. For this reason, opportunities tend to be limited. The local prefabricated housing industry, for example, is providing competitive products in all but certain specialty house types. One area of possible activity in this regard - so long as the prices of cedar and other materials stay resonable - is in the ski areas where substantial investment is expected in both hotel and chalet-type accommodation. Substantial demand is also expected for such products as knocked-down kitchen cabinets, outdoor wooden furniture, doors, panels and moldings, but, in light of the heavy domestic competition, quality, price and uniqueness will be important factors. Australia's imports of manufactured wood products in 1977/78 amounted to $67 million, of which only $1.7 million was supplied by Canada.

Minerals and mineral products: As noted earlier, Australia is self-sufficient in most minerals. Crude oil accounts for 80 percent of its current imports. An additional 15 percent is made up of phosphate rock, asbestos, specialty steels, potassium fertilizers and sulphur, all of which are produced domestically in only relatively small quantities. So far as most materials are concerned, there would seem to be rather limited potential beyond spot markets. The outlook for finished products, however, is considered to be most promising, particularly in the iron and steel sector. Among the more important opportunities will be the large-diameter steel pipe involved in the North West Shelf oil and gas development, as well as pressure vessels for liquified petroleum gas. Imports of Canadian minerals in 1977/78 totalled $49 million, of which sulphur and asbestos alone accounted for some 95 percent.

Chemicals: Some 20 percent of the Australian market for chemicals is supplied from overseas sources. Total imports in 1977/78 amounted to around $1.3 billion, of which chemical elements and compounds accounted for 37 percent, plastic materials for 24 percent and pharmaceuticals for 11 percent. Most of the trade is in the hands of multinational companies which tends to limit the opportunities for independent sales, although many such opportunities do, in fact, exist. Canadian sales were relatively minor, accounting for only some 2 percent of total purchases abroad. The principal products were plastic materials and manufactured fertilizers. The most important overseas suppliers, in order of importance, were the United States, the United Kingdom, Japan and Germany, which together made up some 75 percent of Australia's imports.

Machinery: As noted above, machinery is one of the most important items on Australia's import list, currently accounting as it does for some 25 percent of foreign purchases. The shape of future demand may depend to a large extent on the various resource projects which are either being planned or are in the course of development. In the mining field alone, there are $2 billion worth of projects already under way and another $8 billion on the drawing board. One major difficulty to be met in supplying this market arises from the fact that most of the requirements for mining equipment can be handled by manufacturers in Australia itself and in Japan, often under licensing arrangements with the parent companies of those Canadian subsidiaries which might otherwise supply them. In view of the considerable activity in the mining sector as a whole, however, there is believed to be excellent potential for sales in selected areas.

On the forestry side, some $1,200 million worth of projects are being planned. The number of new plants and the upgrading or modernization of sawmills throughout Eastern Australia is the direct consequence of increasing resources from softwood plantations. This in turn will call for more mechanical harvesting equipment, and cable extraction systems will be in demand later as timber is harvested from the less accessible slopes. Most current activity is centred in Victoria and Tasmania, but, as plantations mature, New South Wales and Queensland will become more significant market areas. There should be excellent opportunities for the sale, not only of specialized harvesting equipment, but of sawmill machinery, pulp mill equipment and newsprint machines.

In the energy field, there will be heavy demand for oil and gas equipment, as well as for pipeline supplies. The dominant activity in this area will be the $6.3 billion North West Shelf natural gas project, which will involve the development of an offshore gas field, an underwater pipeline, an onshore plant to treat gas for domestic sale and to liquify it and a 1,500 kilometre pipeline. Another $438 million has been committed for offshore oil and gas exploration in Western Australia during 1979-83 and another $1.3 billion will be spent on similar exploration and development in Bass Strait prior to the mid-1980's. Further potential is provided by several petrochemical projects which are either underway or under development.

In other areas, Australia is expected to remain a promising market for agricultural equipment. Special emphasis is being laid on dryland farming equipment for those extensive cereal growing areas with only limited rainfall. There will be heavy demand as well for machinery for secondary industries. Major construction projects should provide opportunities for materials handling and construction equipment, although a large proportion of this is already produced domestically by subsidiaries of overseas companies. Printing, labelling and packaging machinery will also be required. Finally, in the service sector, increased demand may be expected from the rapidly growing franchised auto servicing industry and sales of hotel equipment will grow in step with the Australian Government's plans for improved tourist accommodation.

Electrical and electronic products: In the field of energy and information systems, Australian industry relies on imports for only the very large or very high-voltage type installations which it would be uneconomic to manufacture locally. Overseas purchasing is consequently rather sporadic. However, the $2.7 billion, 4000 megawatt Loy Yans project now being built by the Victorian State Electricity Commission is expected to be fully operational by 1991, while before then the Commission will be planning schemes of a similar size to take advantage of the 15,000 million tonne, open-cut brown coal deposits in the Latrobe Valley. Other large-scale power generation developments are rumoured for Tasmania and Western Australia, while Queensland and New South Wales have also made commitments to supply power to major capital projects such as the proposed aluminum smelters. Additional opportunities exist in the mini-computer and associated software market although the sector is extremely competitive.

On the consumer products and components side, the Australian white goods industry is attempting to restructure along more competitive lines. The industry is now dominated by two major Australian companies which have more or less divided between them the production of washing machines, refrigerators and freezers. The prospects for overseas suppliers gaining a share of the market for dishwashers - which are not made in Australia - appear more promising.

With regard to telecommunications, Australia has announced its intention of acquiring a domestic communications satellite system consisting of three satellites, two in orbit and a spare on the ground. The project, which would cost in the neighbourhood of $180 million, is expected to be launched in 1984. There is believed to be similar potential in the area of videotex transmissions, the use of fibre optics, television receive-only satellite earth stations and high-capacity public mobile telephones.

On the instrumentation side, prospects are believed to be good for producers of geophysical, seismic and process control equipment of the type used in large-scale mining and exploratory projects in Australia. In addition, Australia has now proclaimed a 200-mile economic zone. This will mean a need for comprehensive surveillance, leading in turn to possible sales of navigation position instrumentation and surveillance gear. The Australian fishing fleet is also expected to be upgraded gradually to larger vessels, offering prospects for sophisticated marine electronics.

Finally, with regard to avionics, opportunities are believed to exist for the supply of Boeing 727 flight simulators to the two domestic Australian airlines.

Transportation equipment: The introduction of an import complementation scheme allowing local manufacturers to decrease the local content of motor vehicles from 85 percent on the dollar-for-dollar basis in exchange for exports represents another potential opportunity for imported parts. In the special vehicles field, there is generally little potential except perhaps for airport crash and rescue vehicles. Mining developments may require heavy duty trucks and off-road vehicles.

Urban transportation in Australia is on the threshold of new investment and overseas firms may be able to benefit from demands for both machinery and consulting services. Adelaide is embarking on a LRV urban transit line design program and Melbourne is examining vehicle location systems. Sydney and Brisbane are also committed to renovating their systems during the next few years. The latter is preparing for the 1982 Commonwealth games with a program to upgrade its guided transit systems with electrification and new passenger cars. Depending on the financial package arranged, it could be possible, in conjunction with a local company, to manufacture a good portion of the more than 100 cars required.

With regard to aircraft and aerospace sub-systems, excellent opportunities are in prospect for STOL aircraft which allow an increase in capacity and more efficient service to many rural areas without the outlay of major capital costs in upgrading airfields. Other requirements are for surveillance and utility aircraft, water bombers, corporate jets, courier/air express craft and VIP/liaison aeroplanes.

In the area of shipbuilding and ocean industries, the building of vessels in Australia over 10,000 tonnes has been virtually terminated save for the occasional defence contract. The building of smaller ships under 5,000 tonnes, such as rig service vessels, dredges, trawlers and pleasure craft, has recently increased to the point where it is difficult to get work done. Most of this activity centres around three major sectors, offshore oil and gas, fishing and tourism. There are commitments to drill at least 70 exploration wells off Western Australia, a development which has given rise to strong interest in submersibles.

So far as railroads are concerned, considerable activity is taking place in the upgrading and installation of railroads in Queensland, New South Wales and the Northern Territory. In addition to the renovation of suburban and interstate railroads, several mining railroads are seriously considering electrification. There should be opportunities for overseas component manufacturers when New South Wales lets tenders for up to 200 new passenger railcars. Increasing fuel costs are being translated into greater utilization of rail transport for bulk and long distance hauling. This trend is showing up the need for investment in rail facilities to handle projected freight increases.

Textiles and consumer products: In the rather sensitive field of clothing, imports continue to be restricted by quotas and most of the sales that are actually made are by Asian suppliers. There are considered to be worthwhile opportunities, however, in ski wear, on which no import quotas are imposed, and in high fashion wear as well. With regard to textiles, Australia is an excellent market for carpets and rugs. Considerable pressure is being exerted by local industry, however, to control carpet imports and an IAC inquiry is now taking place. Upholstery, soft furnishings and drapery fabrics are other items on which no quotas are applied. On footwear, import quotas continue to limit opportunities with the exception of such specialized products as skate boots, tree climbing boots and other work boots which have found a regular though limited market for some years.

In the field of consumer products generally, the Australians' high average income and highly developed Western tastes make them a natural market, a market that becomes even more attractive when one considers that the population is expected to grow by another 2 million before the end of the century. About 90 percent of the goods consumed are produced domestically but there are nevertheless excellent opportunities for new and competitive items. Profitable markets exist for various household goods, jewellery, toys and sports equipment. There is similar potential for skiing and camping equipment, water sports equipment and possibly pre-fabricated swimming pools. Sales in the consumer goods area are very much the result of careful market investigation and promotion.

Construction and consulting services: The main prospects in this area are still in resource-related construction projects. Normally Australian construction capabilities are such that, unless an overseas firm has particular expertise to offer, there is no requirement for its services. This applies particularly to infrastructure, public works, routine civil construction, but includes resource development projects as well. The recommended approach for an overseas firm is to associate itself with a local company.

The pace of resource development is increasing but is still sensitive to the world market situation. In areas where overseas capabilities are not internationally known, Australia can be difficult and very competitive. It has become almost a prerequisite for doing consulting business in Australia that the foreign company have some kind of permanent presence, and most of the world's leading consultant firms have either resident offices or associate companies. The extent of planned resource developments will likely require major participation from offshore consultants. In addition to equipment requirements, there is the possibility of supplying engineering construction/project management where overseas firms possess particular capabilities. Many of the better known foreign firms already have local offices, associates or representatives.

INSTRUMENTS OF AUSTRALIAN TRADE POLICY

Customs tariff

As in Canada, one of Australia's main objectives has been to encourage the growth of domestic industry, to accelerate economic development and to provide, among other things, employment for an expanding population with a high and rising standard of living. The traditional means of accomplishing this has been through tariff protection.

The present Australian Customs Tariff provides for both general and preferential rates of duty and its structure has been based, since July 1, 1965, on the Customs Cooperation Council Nomenclature, formerly known as the Brussels Tariff Nomenclature. The general rates of duty are the most-favoured nation rates. The preferential rates are those applied to certain goods produced or manufactured in Canada, New Zealand, Papua New Guinea, Malaysia, the United Kingdom, Ireland and those developing countries covered by the generalized preferences scheme. The preferential rates applied to the goods of one country, of course, are not necessarily the same as those applied to the goods of another. It should also be noted that, with the termination of the Australia-United Kingdom Trade Agreement on February 1, 1973, the preferential rates applied to British and Irish goods no longer have any legal basis and are being gradually phased out. Most Australian duties are ad valorem but some are specific or a combination of the two. In addition to the regular import duties, a primage or revenue duty is applied to a number of items. Raw materials and most other essential imports, however, are exempt from these additional charges.

To complement the normal tariff, certain goods may be entered free of duty, or at rates lower than those normally applicable, under customs by-law. The most frequently used provision is Section 19 of Schedule 2 of the Customs Tariff which allows duty-free admission of goods "a suitable equivalent of which that is the product or manufacture of Australia is not reasonably available". The original and primary purpose of this was to provide relief to manufacturers from protective duties on imported machinery and raw materials when such relief was not detrimental to an Australian industry. The scope has since been widened considerably but this still remains the principal objective. There are three main types of by-law. "Standing" by-laws are those prescribed as effective for an indefinite period and goods falling under them are automatically eligible for concessional entry. This usually applied to goods which are not yet being produced in Australia. "Limited period" by-laws, as the name implies, provide such entry for a specific period only, generally in cases where local production is unavailable for a predictable length of time. "Ad hoc" by-laws apply to a specific shipment or shipments by a particular importer, usually in order to supplement local supplies.

Until fairly recently, Australian tariffs tended to be the result of what has been described as the made-to-measure approach. That is to say, the existing domestic industries are taken as given and an attempt is made to set tariffs at the levels required for their continued existence. The principal mechanism for determining these levels is the Industries Assistance Commission, a statutory authority that, either on request or at its own initiative, may review the degree of assistance required. Its recommendations are not necessarily limited to tariff adjustments, it may suggest import restrictions or direct financial aid, but the bulk of its work is concerned with finding the exact rate of duty that will provide an industry with the protection it needs without detracting in any way from its efficiency. After obtaining the views of interested parties at public hearings and weighing the evidence, the Commission submits reports to the Government which, in all but the most unusual cases, incorporates the recommendations into bills for consideration by Parliament.

As suggested earlier, there is a growing realization in Australia that domestic industries must be more exposed to the cold winds of international competition if they are to become internationally competitive themselves. Significant tariff cuts have already been made. In 1973, for example, the Australian tariff was unilaterally cut across-the-board by 25 percent, largely as an anti-inflation measure. Further cuts were made on several hundred individual items in 1976 for much the same reason. Finally, additional concessions were made in the course of the recent Tokyo Round of multilateral negotiations in Geneva although the Australian delegation's main efforts were devoted to negotiating what it considered to be satisfactory compensation from its trading partners for the unilateral reductions carried out earlier. All these concessions were partially offset on July 1, 1979 with the imposition of a 2 percent revenue duty as part of the Commonwealth government's overall budgetary policy but the net effect of the various steps taken over the past six years or so has been to reduce average tariff levels to a quite significant extent.

For some time, the Industries Assistance Commission and its predecessor, the Australian Tariff Board, has been carrying out a sector-by-sector review of the Australian tariff structure. The general objective has been to bring about a more effective allocation of the country's resources, that is to say, to divert assistance away from high-cost industries to those which are more efficient in the Australian environment. In most cases, this has meant a gradual reduction in tariff levels although, in some cases, rates have been maintained or even temporarily raised in order to give the industry concerned time to restructure. In any event, the recognition that industries may need to be restructured or even phased out altogether represents a considerable departure from the previous "made to measure" approach to tariff assistance. Because of the economic recession and its effect on many of the industries under study, this review has tended to mark time in recent years. The Crawford report has now recommended, however, not only that it be completed as soon as possible but that the Commission begin an investigation at once into how to implement a further program of gradual reductions in long-term protection.

It remains to be seen how quickly these recommendations are translated into actual tariff changes. The investigation itself is expected to take at least two years. It will likely not include certain sensitive industries such as textiles, clothing, footwear and motor vehicles which will be the subject of special studies. No government decisions will be taken moreover until most of the industrial development instruments which were also recommended by the Crawford report are in place and ready to be used. Finally, it is suggested that no steps be taken to implement any general program affecting the level of protection until Australian unemployment falls below 5 percent. Other things being equal, therefore, it seems doubtful that tariff levels will be substantially changed from what they are now for several years to come.

Anti-dumping and countervailing duties

Anti-dumping duties may be imposed in addition to the normal import duties after an enquiry and report by the Industries Assistance Commission and upon notification in the Australian Gazette specifying the goods to which the duty is to apply. Such duties may be imposed if foreign goods of a class or kind produced or manufactured in Australia are being sold to an Australian importer at an export price less than the normal market value of the goods at the time of shipment and if such sales are considered detrimental to an Australian industry. In June 1975, legislation was enacted to bring Australian anti-dumping law into harmony with the GATT anti-dumping code. A decision has not yet been taken, however, as to whether to become a signatory to the amended code resulting from the recent Tokyo Round.

There is also provision for countervailing duties, or export subsidy dumping as it is sometimes called in Australia, in the Customs Tariff (Dumping and Subsidies Act) 1961-65. Such duties have been used very sparingly, however, only a handful of cases having been brought in the 20 years or so since they were first introduced. It has been suggested that this may be due as much as anything else to fear of retaliation against many of Australia's own agricultural exports whose production or export may have been assisted in one way or another by the government. With regard to the new international code on subsidies and countervailing duties resulting from the Tokyo Round, the government has decided to accede only if appropriate arrangements can be negotiated to safeguard Australia's right to use export incentive arrangements which do not materially harm the interests of its trading partners.

Valuation for duty

As of July 1, 1976, Australia adopted a new system of customs valuation based on the Brussels Definition of Value, that is to say, a value determined by the price the goods would bring in an open market transaction between an independent buyer and seller at the time duty becomes payable. In practice, the basis for valuation is generally taken to be the invoice price, subject to certain safeguards and adjustments where necessary. It should be noted that, in the Australian case, the valuation is made on an f.o.b. basis rather than on the c.i.f. basis generally used under the Brussels system. Pending consultations with industry, no decision has yet been taken by Australia as to whether or not to accede to the new code on valuation negotiated in the Tokyo Round.

It should be noted in this regard that, under the provisions of the Canada-Australia Trade Agreement of 1960, no greater amount of inland freight changes is to be included by either country in determining the value for duty of goods from the other than would be incurred if the goods were to be forwarded from their point of origin to the nearest point of export. In short, the freight charges on a product manufactured in Winnipeg would be those to the Minnesota border, rather than to its probable port of exit in Vancouver.

Quantitative import restrictions

Although import quotas and other direct restrictions were common in Australia during much of the early postwar period, economic prosperity and an improved balance-of-payments position had eliminated them almost entirely by the end of 1973. By early 1974, however, a sudden surge of imports - attributed by some to the unilateral tariff cuts of the previous year - were disrupting or threatening to disrupt a number of Australian industries, particularly those dealing with textiles, footwear and motor vehicles. Special protection was demanded and in most cases granted. The principal instrument for dealing with requests of this nature is the Temporary Assistance Authority (TAA) which, unlike the Industries Assistance Commission, is required to investigate and make recommendations on an urgent basis before the industry concerned can be too seriously damaged. As the name implies, such assistance is considered to be purely temporary and is to be granted only long enough for the industry concerned to restructure itself or to take whatever other steps may be necessary to improve its competitive position. All TAA recommendations are reviewed by the Industries Assistance Commission which must, in theory at least, satisfy itself that the long-term prospects of the industry are healthy and that the assistance is not simply a prop to permanent inefficiency.

At present, some 42 commodities or groups of commodities are subject to import controls with most of the impact in trade terms accounted for by the textile, apparel and motor vehicles sectors. Imports of restrained items have generally been allowed to continue at historically high levels. All restraints apply on a global basis and usually take the form of import licensing which imposes a definite ceiling on imports, or tariff quotas which allow imports above the level established but at a substantially higher rate of duty. In both cases, entitlements are granted to importers on the basis of their import performance during a representative base period.

In addition to the above, concessionary tariff quotas apply to certain products from developing countries under the generalized preferences system. In these cases, the preferential rate of duty is applied up to a specified import level. There is no limit on imports at the general rate of duty. Finally, certain products are forbidden entry into Australia altogether for the usual reasons of safety, danger to human, animal and plant health, consumer protection, environment and conservation, quality controls or the need to comply with international agreements.

Australia has announced its intention of acceding to the International Agreement on Import Licensing which was negotiated during the Tokyo Round. This agreement elaborates existing GATT provisions dealing with the administrative procedures used in operating quantitative import restrictions and licensing controls. Since current Australian practice is considered to be consistent with it, no procedural changes are expected.

Other non-tariff barriers

Apart from direct restrictions on imports, there are a variety of other non-tariff barriers to trade. The most notable and certainly the most stringent are Australia's health and quarantine regulations. This stringency is largely due to the importance to the economy of agricultural crops and products and by the geographic isolation and recent settlement of the country, which has meant that Australia is relatively free from many exotic animal and plant diseases and pests that are widespread elsewhere.

While there may be a few cases where these regulations appear to be unnecessarily strict, these would generally seem to have been the result of over-caution rather than any hidden attempt to provide protection for Australian producers.

Other regulatory areas include trade marks, copyright, marks of origin, packaging and industrial standards. As in the above case, it is difficult to prove any protective intent. For the moment, the federal government has decided not to accede to the new International Code on Technical Barriers to Trade negotiated during the Tokyo Round until it has had a chance to discuss the matter with the various State governments which have responsibilities of their own in this field.

Federal and state government procurement policies tend to be both complex and obscure but the Commonwealth government has taken the position that they are entirely consistent with its international obligations. For the moment, as in the case of standards, it has decided not to accede to the new GATT International Code on Government Procurement on the grounds that the possible disadvantages are more visible and tangible than the potential benefits. While accession opens up the possibility of certain export opportunities in other developed countries, it finds it difficult to say how extensive these might be. It considers further that the possible benefits are not sufficiently convincing to warrant any change in the current Australian practice of giving preference to local industry.

Export controls and incentives

The Customs Act provides, among other things, that the export of goods from Australia may either be prohibited entirely, prohibited to a specified destination or prohibited subject to the meeting of certain terms and conditions. In this last context, the Australian government maintains export controls over certain metals, petroleum and petroleum products, and all raw and semi-processed minerals. The main objective of these controls is to protect the national interest by obtaining fair and reasonable export prices, to ensure adequate supplies to domestic industry, and to meet international and strategic obligations. In 1978, a new policy was established under which exporters of iron ore, coal, bauxite and aluminum were required to obtain specific government approval even before entering into export negotiations, on the grounds that sellers might otherwise be played off against one another to obtain price cuts and other concessions. This policy has since been relaxed to some extent, however, and is likely to be called into use only in particular marketing situations.

Financial incentives to encourage exports are provided under the Export Market Development Grants Act which, in its present form, will operate until June 30, 1982. As the name implies, it is designed to encourage exporters and potential exporters to seek out and develop overseas markets. The scheme covers exporters of primary products, industrial goods, services, know-how and industrial property rights. The Export Expansion Grants Act, which also runs until mid-1982, is designed to reward improved export performance by providing taxable grants based on the increase in exports in a given year over the average annual exports in the three immediately preceding years. The Crawford report has suggested that this scheme be expanded by making the grants non-taxable.

Exchange rate

The Australian dollar was realigned on a number of occasions during the 1970's. Following upward revaluations in 1972 and 1973, it was devalued again in 1974. At the same time, the fixed link with the U.S. dollar was discontinued and a system introduced whereby any further adjustments would be determined by changes in an average of foreign currency values, weighted in accordance with their trading significance to Australia. Under this "basket" system, the rate for the Australian dollar tended to vary from day to day against all currencies, including the US dollar, in a manner which kept constant the weighted average exchange rate.

In late 1976, the dollar was further devalued. At the same time, a different pattern of rate management was adopted, comprising a variable link to the trade-weighted basket. The new system, in effect, constitutes a flexibly administered rate somewhat along the lines of a managed float. A mid-rate for the Australian dollar in terms of the U.S. dollar is announced each day by the reserve Bank of Australia. The level of the exchange rate in relation to the trade-weighted index is kept under review and is changed when assessment of all relevant economic factors indicates a need for movement of the rate. Official limits are set at or within which banks are to effect spot transactions with the public in U.S. dollars. The official limits for currency exchange rates in U.S. dollars used by the banks are always somewhat below and above this middle rate for the buying and selling of currencies. Exchange rates for other currencies are not officially posted and banks are free to determine their own spot rates for all other currencies. There are no taxes or subsidies on purchases or sales of foreign exchange.

As of December 31, 1979, the middle rate was A $1 = US $1.10 (or $1.29 in Canadian funds). Exchange control policy is determined by the federal government with the advice of the Treasury Department and the Reserve Bank. No restrictions are imposed on payments for imports. All payments for invisibles are subject to exchange control but are not restricted.

CANADIAN-AUSTRALIAN TRADE AND ECONOMIC RELATIONS

General

One of the principal factors affecting Canada's relations with Australia has been the "tyranny of distance", the classic phrase used by Australians themselves to describe their relative isolation from the rest of the world and its effect on their cultural and economic development. At the popular level, Canadians and Australians have had comparatively little direct contact with one another. On the basis of what is considered to be a common political system, a common frontier outlook and shared experience in two world wars, however, there tends to be a general and mutual feeling of good will which usually stands up when put to the test.

On the businessman's level, distance plays perhaps a more serious part. Many Canadian exporters have found it difficult to penetrate past the sheep station image of Australia and to consider it as the profitable and sophisticated market that it is. For much the same reason, Australian importers have found it hard to imagine Canada in the same category as the United States as a supplier of manufactured goods. While there is heavy Canadian investment in Australia's resource development, therefore, the exploration of other market areas has so far tended to be limited to the larger, more sophisticated or more adventurous Canadian companies.

Government perceptions are based on more frequent and direct contact. As suggested earlier, there is a strong and shared interest in one another's problems and experiences and the manner in which they have been met. This is particularly the case among Australian officials who are inclined to look on Canada as a country whose development - and development policies - has led their own by a number of years. The Australian Foreign Investment Review Board, for example, was modelled to a large extent on Canada's Foreign Investment Review Agency, and there has been a steady flow of official visitors to examine the Canadian way of dealing with everything from native land rights to regional economic disparities and adjustment assistance for industry. Canada has shown similar interest in such matters as new methods of minerals extraction and export pricing policies for resources.

In other areas, the two countries have a considerable number of common interests internationally and are often able to work closely together to advance them. There are probably an equal number of areas where interests tend to diverge and mutual support cannot be taken for granted. In either case, however, the result has been to develop a network of personal relationships and a tradition of official contact with one another on a broad range of issues, both bilateral and multilateral.

Trade agreements

Trade between Canada and Australia has been governed not only by the provisions of the General Agreement on Tariffs and Trade but by the preferential arrangements established under the Ottawa Agreement of 1933. In 1960, a bilateral Canada-Australia Trade Agreement (CATA) was signed which, among other things, bound these preferences on certain scheduled goods. In the case of Australian goods entering Canada, it was generally the preferential rate itself that was bound. In the case of Canadian goods entering Australia, it was the "margin" of preference, that is to say, the difference between the preferential rate and the general rate.

This Trade Agreement was supplemented in 1973 by an Exchange of Letters providing for the continuation in future trade between the two countries of the tariff preferences derived from the respective Canadian and Australian trade agreements with the United Kingdom. With the latter's entry into the European Common Market, both these agreements were formally terminated but there seemed little point in terminating the preferences as they applied to trade between Canada and Australia. On the Canadian side particularly, it was hoped that such treatment might, to some extent, help Canadian manufactured goods replace those previously imported into Australia from Britain. The Exchange of Letters consequently reaffirmed the value of these preferences and established certain conditions and consultative procedures to be followed should either country seek to eliminate them.

The preferences thus fall into two categories: (1) those listed in the Schedules to the 1960 Agreement which are bound bilaterally; and (2) those which are derived from each country's previous agreement with the United Kingdom and which are not so bound. An important distinction should be noted between them. In the case of the bound preferences, the elimination or reduction of a preference by one party must be compensated for by the granting of another concession of substantially equivalent value by the other. Should this be impossible, the injured party has the right to withdraw a substantially equivalent concession of its own. In the case of derived preferences, the only formal commitment is to provide reasonable notice that a margin may be changed. Even this commitment is limited since it applies only to goods of so-called "significant interest". These are defined, if we take Canadian goods as an example, as goods which, in any one of the three immediately preceding years, either accounted for at least A $200,000 worth of Australian imports or accounted for at least A $20,000 worth and represented at least 10 percent by value of Australia's imports of such goods from all countries. In such a case, the Australian government will accept representations as to why the preference in question should not be changed but is under no obligation to do anything more.

Other provisions in the 1960 Trade Agreement and the 1973 Exchange of Letters relate to direct shipment between the two countries, limitations on inland freight charges in calculating the value for duty, the use of anti-dumping measures, the steps to be taken when margins of preference accorded to Canadian goods are eliminated by by-law admission, and Australia's "preferred supplier" position in Canadian imports of butter. Provision is also made for consultation on matters not otherwise dealt with in the 1960 Agreement which could have a material effect on trade. These include instability in international trade in primary products, shipping problems, agricultural protectionism, import restrictions, surplus disposal transactions, other non-commercial trading practices and export subsidies.

Extent and composition of trade

In 1979, Canada's exports to Australia came to a total value of $560 million and Australia's exports to Canada to $466 million. Australia was thus Canada's twelfth largest foreign market, accounting for 0.87 percent of total Canadian exports. Canada was Australia's sixteenth largest market and accounted for 1.9 percent of Australian exports. Canada provided 2.9 percent of Australia's imports and was its seventh largest supplier. Australia provided 0.74 percent of Canada's imports and was its eleventh largest supplier.

Although the trade figures are in fairly even balance from year to year, there is a considerable difference in the composition of the trade. Australian exports to Canada are, to an overwhelming extent, still made up of agricultural and other primary products. Canada's exports are composed to a far greater degree of finished goods. Australia has indeed become a very important market for semi-manufactured and fully manufactured products, so much so that, in 1979, exports of such products amounted to nearly 88 percent of Canada's total Australian sales. In terms of fully manufactured goods, in fact, Australia has become Canada's third largest overseas market.

One result of this situation has been the growing proportion of Canadian goods which enter Australia under derived preferences. The difference between Canadian and Australian trade in this regard is noteworthy. In 1976/77, the most recent year for which such figures are available, just over 15 percent of Australian imports from Canada entered under bound margins of preference, some 28 percent under derived preferences and the remaining 56 percent without benefit of preference at all. In the opposite direction, some 36 percent of Canadian imports from Australia entered under bound margins, 7 percent under derived preferences, and 57 percent without preference. In other words, the same proportion in both cases benefitted from preferences but a far greater share of Australian exports were the same traditional products which have been bound in the Trade Agreement of nearly twenty years before.

The recently concluded multilateral trade negotiations in Geneva have had relatively little effect on the access of the two countries to one another's markets. As with any preferential relationship, there is always something of a conflict between the general desire to see world trade liberalized through the further reduction of tariffs and the knowledge that any downward movement in most-favoured-nation rates on the part of a trading partner extending preferences is likely to benefit other overseas suppliers at the expense of those who, up until then, had enjoyed a clear advantage. In cases where both preferential rates and most-favoured-nation rates are high, it may be possible to retain the preferential margin by lowering the one in step with the other. In cases where the preferential rate is low or already at zero, however, no such adjustment may be possible.

In the Tokyo Round negotiations, however, as previously noted, the Australian negotiators were concerned largely with seeking satisfactory compensation from their trading partners for the unilateral tariff reductions carried out in 1973. Australian concessions consequently took the form of binding against increase the rates on some 120 tariff headings covering agricultural and industrial products. No tariff item applicable to Australian manufactures was actually reduced. In the circumstances, it appears that none of Canada's margins of preference as set out in either the 1960 Agreement or the 1973 Exchange of Letters have been affected.

The actual effect of Australia's preferences on Canadian trade is difficult to measure. In many cases, they have been nullified by the fact that the products concerned have been admitted duty-free under by-law from all sources. There has also been a constant erosion of derived preferences - as described more fully in the following section - which has introduced an element of uncertainty into the trade. All things considered, however, their very existence has had a useful psychological effect, both on Canadian exporters and on Australian importers. This has been particularly so in the case of small or medium-sized Canadian firms which might not otherwise have considered the Australian market at all. On a larger scale, Canada's important exports of motor vehicle parts and office machines have been largely due to the decision of multinational companies to take advantage of the preferred treatment given to goods sourced from their Canadian plants.

Trade problems

As in most trade relationships, there have always been a certain number of irritants. On the Australian side, for example, concern has been expressed over Canada's import restrictions on beef and veal, increased Canadian tariffs on canned fruit, on the impairment of preferences for both canned fruit and dried vine fruits, import quotas for dairy products, the continued uncertainty over the Canadian preference on sugar, direct shipment limitations on dried raisins and currants, the effect of changes in the general preferential tariff on competing Australian products and a number of measures affecting access for Australian wines such as bilingual labelling, appellations of origin and the practices of provincial liquor commissions.

On the Canadian side, there have been similar problems, such as the establishment some years ago, of import controls on aluminum, a support value for duty system on industrial chemicals, and Australia's decision, as part of NAFTA, to allocate 89 percent of its newsprint market and 75 percent of its pulp market to domestic and New Zealand suppliers. More recently, there have been a number of actions affecting derived preferences. Since early 1974 - only a few months after the October 1973 Exchange of Letters in which it was agreed that, so far as possible, such preferences should be maintained - various recommendations have been put forward by the Industries Assistance Commission which have had the effect of either increasing rates of duty on certain

Canadian goods or reducing margins of preference. In many of the earlier cases, these changes were admittedly based on Commission studies which had begun before the Exchange of Letters and which were primarily designed to work out a more rational tariff structure for the industries concerned. In other cases, the actions tended to be the result of applications to the Temporary Assistance Authority for protection against disruptive imports - protection which generally took the form of absolute quotas as well. A wide range of Canadian products have been affected. In a number of cases, Canadian imports were not the immediate cause of the market disruption but were nonetheless caught up in the protective measures imposed. It proved possible in some instances to persuade the Australian authorities to exempt such goods from quota or, in one way or another, to preserve existing margins of preference. Whether these representations were successful or not, however, Canadian sales have tended to suffer from the fact that, should temporary protection be granted, goods in transit would not necessarily be exempted. This has resulted in a marked reluctance on the part of Australian importers to make purchase commitments once an investigation has been initiated - a disruption to normal trade from which it has often been difficult to recover. The situation is of particular concern in Australia because of the large number of investigations called and because of the long periods of time that can elapse between the initial complaint by a domestic producer and the subsequent decision by government.

Similar problems have resulted from the 2 percent revenue customs duty imposed in late 1979. Although, as a result of representations made by Australian interests, measures have subsequently been taken to exempt certain categories of goods, such exemptions have been few. Canadian wood products that had been entering Australia free of duty must now face increased competition from New Zealand.

There have been problems as well with Australian health and sanitary regulations. Some success has already been achieved - or is expected shortly - with the movement of Canadian cattle, swine, horses and bovine semen but quarantine regulations still prevent the entry of poultry. More recently, exports of frozen salmon have been affected by a blanket prohibition on all imports of fresh and frozen fish of the genus Salmonidae, which were found to be subject to a number of diseases which could threaten domestic Australian fisheries. It is hoped that this restriction too will shortly be relaxed.

Given its greater reliance on exports of primary products, Australia has probably faced - or may face - more comprehensive problems of access into the Canadian market than

Canada has in the Australian market. The main impact on Canadian suppliers has been to cast some doubt on the extent to which the Australian market can be further developed for manufactured goods, at least until the international economic situation improves and Australia comes to grips with the long-standing question of where it wants its own manufacturing sector to go. In a regional sense, the more immediate impact of Australian restrictions may be on Canadian West Coast producers, given the importance of our trade in such commodities as lumber, newsprint, wood pulp and fish, all of which have experienced difficulties of one sort or another. There has nevertheless been considerable impact as well on Eastern Canada, whose manufacturers have already been affected by Australian action of one sort or another on imports of such disparate items as railway rolling stock, razor blades, saw chains, viscose staple fibre, woven pile fabric, sports equipment, pantyhose, hand files, wallpaper, carpets, home freezers and room air conditioners. Taking into account potential as well as present trade, the regional effect would seem to be fairly well balanced.

Government and business contacts

Although both the 1960 Trade Agreement and the 1973 Exchange of Letters provide for consultation on a broad range of matters, there is no Joint Economic Committee or other formal consultative mechanism of the type which both Canada and Australia have established with a number of other countries. Such issues as have arisen have been treated informally and directly through contacts among Ministers or officials. Whether this sort of approach will continue to be effective depends to a large degree on how our relationship evolves over the years ahead.

At the moment, our main government trade contacts in Australia are handled through our posts at Canberra, Sydney and Melbourne. The High Commission in Canberra does not normally handle trade promotion - save for defence equipment - but deals only with trade policy issues and other matters requiring direct contact with the Commonwealth government. The Consulate-General in Sydney is responsible for trade promotion in the States of New South Wales and Queensland, the Northern Territory and the Australian Capital Territory. The Consulate General in Melbourne is responsible for trade promotion in the States of Victoria, Tasmania, South Australia and Western Australia. To the extent possible, both Sydney and Melbourne attempt to report on economic and policy developments within the individual states in the same way that more general economic reporting is carried on from Canberra.

It has been suggested that this representation, like our consultative procedures in general, may not be adequate. The two regions of Australia which currently seem to offer the greatest opportunities for Canadian businessmen in the field of resource development are Western Australia and Queensland. Both have extensive energy, mineral and agricultural resources. Both are involved in billions of dollars worth of development projects. Most important of all, both are taking an increasingly independent and aggressive attitude toward their own future, an attitude which suggests that those who would share this future would do well to be represented on the spot. Physically speaking, this may be less important in the case of Queensland whose capital at Brisbane is only some 500 miles from Sydney. Perth in Western Australia, on the other hand, is close to 2,000 miles from the responsible post at Melbourne. Although there is an honorary commercial agent in place and officers from Melbourne visit the area as often as six times annually, it is felt that more intensive Canadian representation may eventually be needed, preferably in the form of a full-time trade office.

On the private sector side, contact is considerably less structured. There are few of the usual businessmen's committees or other organizations through which businessmen on both sides can get together and compare notes. Both countries are admittedly represented on the Pacific Basin Economic Council but this is rather too diffuse a group to allow a meaningful exchange of views. Certain Canadian organizations such as the B.C. Council of Forest Industries, as well as a number of the larger Canadian firms, maintain local agents or representatives in Australia to look after their interests. For the most part, however, business contacts between Canada and Australia are carried out through private visits and through participation in trade fairs and missions. These have been rewarding enough in a practical sense but they have not always managed to make Canadian and Australian businessmen as fully aware as they might be of one another's needs and capabilities. The Canadian government has already done a great deal to gain access for its producers into the Australian market, to maintain preferential treatment for Canadian goods and, in general, to overcome the problems imposed by the great distance between potential buyers and potential sellers. Over the next few years, it may be the turn of the private sector to find some better and more direct means of taking advantage of these opportunities.

Tourism

The growing influence of tourism between Canada and Australia should not be overlooked, either as a source of revenue or as a means of developing close contacts between the two countries. Over the past few years, there has been a steady increase in the number of travellers, accounting for over 67,000 Australian visits to Canada last year and estimated earnings of some $25 million. The number of Canadian visits to Australia was somewhat less, resulting in a slight surplus on tourism account. This is largely due, of course, to the fact that most Australians are able to combine their triip to Canada with one to the United States, while, for most Canadians, Australia tends to represent a single and rather distant destination. In view of the favourable dollar exchange rate, the introduction of promotional air fares across the Pacific in early 1979, and the scheduled introduction in the summer of 1980 of twice-weekly air service between Sydney and Toronto, the prospects for an even greater flow of visitors to Canada appear excellent.

Transportation facilities

Maritime shipping transportation facilities are well developed between Canada and Australia. From the east coast of Canada, Atlanttrafik Express Service schedules monthly sailings from Saint John to Brisbane, Sydney, Melbourne and Fremantle. Pacific America Container Express schedules two sailings monthly from Saint John to Sydney, Melbourne and Brisbane. Columbus Line serves the same destinations with the same frequency from Halifax. From the west coast of Canada, there are four lines working out of Vancouver. Farrell Lines sails every three weeks to Brisbane, Sydney and Melbourne, while Columbus Line does the same every seventeen days. Fesco Lines sail twice monthly to the same three ports. Knutsen Line sails twice monthly to Fremantle, the port for Perth in Western Australia. In addition to these, Pacific Australian Direct Line sails twice a month to Brisbane, Sydney, Melbourne and Adelaide from New Westminster, while Canadian Transport Company does the same from all main British Columbia ports.

An air agreement with Australia was signed in 1946 and amended in 1974. At the moment, Canadian Pacific and Qantas both offer direct flights from Vancouver, while connecting services operate via San Francisco, Los Angeles and Honolulu. Discussions between the two lines regarding the frequency and capacity of future flights have just been concluded. As a result, a complete switch to wide-body aircraft will take place by July 1980. At the same time, a new direct service will be inaugerated from Toronto to Honolulu which will continue on to Sydney via Fiji.

The present trade agreement between Canada and Australia contains tariff preferences which are tied to direct shipment provisions. Thanks to a waiver granted by Canada, Australia has enjoyed these preferences without having to comply with the provisions. Changes are under way, however, which suggest that this situation be reconsidered. As a result of the recent trade negotiations in Geneva, tariffs and related preferences will be significantly reduced over the years ahead and their use as an incentive for direct shipment will decline. At the same time, such factors as the likely creation of a Canadian deep-sea merchant marine, the growing role of transportation services possible concerns about fuel availability, the most effective use of Canadian ports, and the general prospects for growth in trade and tourism, all point to the need for direct transportation services and a more selective use of third country gateways.

FOREIGN INVESTMENT IN AUSTRALIA

General

Overseas capital has played a major part in financing the development of the Australian economy. The many opportunities for profitable investment in that country's growing market, coupled with political stability, have strongly encouraged foreign companies to establish themselves there.

On the Australian side, successive governments have similarly recognized the almost indispensible role of such capital in moving the economy forward. Traditionally, Australia has always adopted something of an "open-door" policy toward foreign investment. It was only in the early 1970's that some concern began to be expressed as to the extent to which key sectors of the economy should be allowed to be dominated by foreign interests. The first Foreign Takeovers Act was introduced into Parliament in 1972. In 1976, this was replaced by new legislation under the same name which set up a Foreign Investment Review Board similar to that already established in Canada.

Australia's current policy on foreign investment is outlined in more detail in Appendix II. Essentially, however, its principal aim is to encourage such investment on a basis that recognizes Australian needs and aspirations. The basic approach is to look at individual proposals to ensure that they meet this objective. Apart from certain limited areas of the economy where investment is restricted - banking, insurance, broadcasting, television, newspaper, civil aviation and real estate - proposals, whether takeovers or new projects, are considered against broad criteria that take into account economic, social and other national interest considerations. It is believed that, wherever practical, Australians should have an opportunity to participate with foreign investors in major projects. Such participation is therefore sought to the extent appropriate to the particular circumstances of each proposal, with specific guidelines laid down for Australian involvement in new natural resource projects.

Appendix III, which provides further details of these various enterprises, indicates the general thrust and variety of the Canadian approach. It should be noted, however, that in the four years or so since this list was drawn up, many other significant investments have taken place, increasing both the value and range of Canada's involvement.

It is to be expected that this path will be followed by many other Canadian companies as well. On the resource development side, soaring demands for capital may mean more aggressive moves by Australian firms to seek foreign joint venture partners. A number of Canadian mining and oil companies are already active in this particular field, an activity that not only promises to be highly profitable in itself but, because of their familiarity with Canadian products and Canadian capabilities, may result in increased exports of Canadian equipment, machinery and other sophisticated goods. In the manufacturing sector as well, there are many areas where a marriage of Canadian and Australian resources and expertise has already proved rewarding to both sides, ranging over such disparate enterprises as food processing and the production of prefabricated buildings. Such ventures offer Canadian firms the additional advantage of a foothold in a market which, because of steadily eroding preferences, may be less attractive than before to products exported from Canada itself. Finally, there are several major Australian firms in the field of distributive trade which are actively seeking linkages with overseas firms which can provide access to new and sophisticated merchandising techniques, an opportunity which again would have the incidental effect of opening up new channels for the products of any country taking advantage of it.

A number of local interests in Australia have pointed out the benefits of joint venture operations to sell not only in the domestic market but to markets in South East Asia and other areas where advantage could be taken of established Australian connections, Australian sales techniques and, in some cases, Australian export incentives. There are many cases, it is felt, where the technology and resources of either country would find it difficult to meet Japanese and European competition but where a joint operation would strengthen their chances of success. By extension, the same argument would apply to joint Canadian and Australian ventures within these third country markets themselves.

The extent of foreign investment

Over the past ten years, the inflow of foreign investment into Australian enterprises has amounted to just under $15 billion. The three most important investors have been the United States (which supplied some 38.3 percent of the total), the United Kingdom (27.5 percent) and the remaining countries of the European Economic Community (19.5 percent). Japan was responsible for only 7 percent of the total. It should be noted, however, that there was no Japanese investment whatsoever until 1972 and that it has been rising steadily ever since, particularly in the resources area. Its current investments in aluminum smelters and coal extraction may be the first step toward making it one of Australia's main sources of outside capital.

Canadian investment in Australia during this period was not extensive, amounting as it did to only 2.6 percent of the total. As of December 31, 1975, the most recent date for which comprehensive figures are available, the cumulative sum invested was $439 million or just over 4 percent of the total invested by Canadian interests in all countries.

It should be noted that a new double taxation agreement between Canada and Australia was signed in Canberra in May 21, 1980. This replaces an earlier agreement concluded in 1957. Since that time, a number of changes had taken place in the tax laws of both countries, particularly in Canada where a major reform of the system came into effect in 1976. When given the force of law, the agreement will have effect in Australia from July 1, 1975, and in Canada from January 1, 1976.

The agreement covers all forms of income flowing between the two countries and its provisions correspond closely with those contained in other Australian double taxation agreements. In general, the new agreement limits the tax which may be levied by the source country to 15 percent on dividends and interest and 10 percent on royalties. As is customary, however, these limits will not apply to income effectively connected with a permanent establishment or fixed base that the resident of one country has in the other country. These limits, it should be noted, are a new feature of double tax relief arrangements between Australia and Canada. No such limits existed in the 1957 agreement.

Apart from other changes to bring the arrangements with Canada into line with Australia's modern agreements, the new agreement provides for limited taxation rights for the country of source, in respect of pensions paid to residents of the other country, and for some relaxation of the rules under which residents of one country, working for short periods in the other, are freed from taxation in the country being visited. Also, reflecting the difficulties that Canada has experienced with such articles, the agreement does not include a provision specifically covering the taxation of the remuneration of professors and teachers of one country who are visiting the other. Measures for the relief of double taxation of income that remains taxable in both countries correspond with those that apply in the context of Australia's modern double taxation agreements. For example, Australia is to give credit as it does now for Canadian tax on dividends received by Australian individuals. As is customary, the legislation giving the force of law to the agreement in Australia will provide for the credit method of relief to apply to interest and royalties derived by Australian residents where the Canadian tax on that income is subject to the agreement limit of 15 or 10 percent, respectively. Other non-dividend income that Australian residents derive from Canada will continue to be exempt from Australian tax if taxed in Canada.

Transitional provisions will mean that the old agreement continues to apply generally in Australia in respect of the 1979-80 and earlier income years and, in Canada, in respect of the 1980 calendar year, in cases where it would give a greater relief from tax of either country than the new agreement does. Australian legislation to apply the credit method of double taxation relief to interest and royalties derived from Canada by Australian residents will also have transitional provisions. These will in practice mean that the credit method will apply to interest derived after May 21, 1980, while for royalties the position will be that Australian residents deriving such income before May 22, 1980, will not pay more total tax than would have been paid but for the new arrangements.

TABLE I

DIRECTION OF AUSTRALIAN TRADE

	Percentage of Total				Value in A $ Million
	1957/58	1967/68	1977/78	1978/79	1978/79
Australian Exports					
Japan	12.6	21.1	31.8	28.9	4,111
United States	5.7	13.2	10.5	12.5	1,732
EEC (excluding Britain)	22.7	11.7	10.1	10.1	1,436
New Zealand	6.7	5.1	4.8	5.3	750
Mainland China	1.2	4.2	4.7	3.1	438
Britain	27.1	14.0	3.9	4.0	569
Canada	1.7	1.8	2.3	1.9	272
Others	22.3	28.9	31.9	34.2	4,925
	100.0	100.0	100.0	100.0	14,233
Australian Imports					
United States	13.2	25.8	20.8	23.4	3,226
Japan	3.0	10.5	18.9	17.7	2,430
EEC (excluding Britain)	10.3	13.1	13.7	14.8	2,033
Britain	41.0	22.1	11.5	10.8	1,492
New Zealand	1.6	1.9	3.2	3.1	425
Canada	2.9	4.3	2.5	2.8	384
Others	28.0	22.3	29.4	27.4	3,767
	100.0	100.0	100.0	100.0	13,757

TABLE 2

AUSTRALIAN EXPORTS BY COMMODITY CLASS 1977/78

(in millions of Australian dollars)

	Value	Percentage of Total
Agricultural products		
Wool	$ 843	8.7
Wheat	921	9.6
Beef and veal	488	5.2
Sugar	561	5.8
Other products	1,379	14.2
Total	4,192	43.5
Forestry and fishing	95	1.0
Minerals		
Coal	1,070	11.1
Iron ore	771	8.0
Aluminum	436	4.5
Other minerals	538	5.6
Total	2,815	29.2
Manufactures		
Iron and steel	320	3.3
Machinery	325	3.1
Petroleum products	162	1.7
Other manufactures	1,298	13.7
Total	2,105	21.8
Others		
Total	9,640	100.0

TABLE 3

AUSTRALIAN IMPORTS BY COMMODITY CLASS 1977/78

(in thousands of Australian dollars)

	Total Imports		Imports from Canada	
	Value	Percentage	Value	Percentage
Food and live animals	$ 531,270	4.76	$ 17,252	6.24
Beverages and tobacco	122,284	1.10	618	0.22
Crude materials (inedible)	476,975	4.27	101,670	36.78
Mineral fuels and lubricants	1,156,792	10.36	5,167	1.87
Animal and vegetable oils and fats	65,867	0.59	4	0.00
Chemicals	1,008,644	9.03	19,780	7.16
Manufactured goods classified mainly by material	1,992,821	17.85	68,233	24.69
Machinery and transport equipment	4,117,560	36.87	51,635	18.68
Miscellaneous manufactures	1,483,714	13.29	11,279	4.08
	11,166,553	100.00	276,392	100.00

TABLE 4

AUSTRALIAN IMPORTS BY COUNTRY

		Value of Imports in A $000		Percentage of Total Imports	
		1973/74	1977/78	1973/74	1977/78
1.	United States	1,348,012	2,319,855	22.2	20.8
2.	Japan	1,084,968	2,111,908	17.8	18.9
3.	United Kingdom	848,662	1,280,991	13.9	11.5
4.	West Germany	450,836	746,394	7.4	6.7
5.	New Zealand	168,077	360,108	2.8	3.2
6.	Saudi Arabia	53,169	355,220	0.9	3.2
7.	Canada	191,819	276,392	3.2	2.5
8.	Italy	140,540	268,523	2.3	2.4
9.	Hong Kong	159,603	265,309	2.6	2.4
10.	Singapore	82,082	264,863	1.3	2.4
11.	Taiwan	114,048	246,799	1.9	2.2
12.	Kuwait	98,937	194,715	1.6	1.7
13.	France	80,156	179,714	1.3	1.6
14.	Sweden	109,475	175,944	1.8	1.6
15.	Netherlands	83,842	164,523	1.4	1.5
16.	Switzerland	90,844	131,627	1.5	1.2
17.	Malaysia	69,565	120,454	1.1	1.1
18.	South Korea	31,346	120,258	0.5	1.1
19.	Iraq	38,000	117,554	0.6	1.0
20.	China	71,857	113,392	1.2	1.0
21.	Belgium - Luxembourg	57,437	110,442	0.9	1.0
	Total	5,373,275	9,924,985	88.2	89.0
	Total exports	6,085,004	11,166,553	100.0	100.0

TABLE 5

CANADA'S TRADE WITH AUSTRALIA

(in C $ Million)

	Canadian Exports	Canadian Imports	Trade Balance
1950	$ 35.3	$ 32.7	$ 2.6
1960	98.9	35.5	63.4
1970	197.8	146.1	49.7
1973	204.1	236.0	-31.9
1974	317.4	-35.0	-17.6
1975	247.4	344.8	-97.4
1976	364.2	339.2	25.0
1977	407.6	353.5	54.1
1978	412.4	356.0	56.4

TABLE 6

CANADA'S LEADING EXPORTS TO AUSTRALIA

(in C $ Million)

	1975	1976	1977	1978	1979
Motor vehicle parts and accessories (except engines)	28.5	48.5	51.3	54.9	80.2
Lumber, softwood	15.1	38.4	37.8	47.2	75.0
Newsprint	33.8	33.6	36.2	37.6	51.4
Asbestos, unmanufactured	11.5	21.7	32.4	16.2	12.7
Wood pulp	13.6	21.6	19.0	23.8	26.8
Office machines	11.6	16.8	14.8	13.6	15.4
Trucks and chassis	7.6	14.9	13.1	7.1	4.7
Sulphur	9.8	9.1	12.8	17.1	15.0
Other motor vehicles	3.0	5.9	11.8	0.3	4.8
Personal and household goods	8.0	11.0	11.0	22.0	35.6
Total Specified Goods	142.5	221.5	240.2	239.8	321.6
As of % of	57.6	60.8	58.9	58.1	57.5
Total Exports	247.4	364.2	407.6	412.4	559.6

TABLE 7

CANADA'S LEADING IMPORTS FROM AUSTRALIA

	1975	1976	1977	1978
Canned fruit	8,246	8,072	8,356	12,048
Beef, frozen boneless	29,601	53,317	32,413	49,807
Mutton, fresh or frozen, boneless	6,085	5,079	2,216	7,555
Lamb, fresh or frozen	1,663	1,535	1,367	1,910
Raisins	8,685	10,918	11,886	12,131
Raw sugar	159,291	110,444	103,946	86,518
Wool, scoured or washed	2,082	2,396	2,176	3,261
Alumina	49,413	50,666	69,213	73,116
Nickel in ores, concentrates and scrap	29,168	35,430	36,185	19,621
Metal ores, concentrates, scrap NES	7,435	4,326	18,901	11,910
Total Specified Goods	301,670	282,183	286,660	277,877
As of % of	87.5	83.2	81.1	78.1
Total Imports	344,756	339,207	353,473	355.992

ADMINISTRATION OF AUSTRALIAN FOREIGN INVESTMENT POLICY

The Treasurer is responsible for the administration of the Government's foreign investment policy. In this task he is advised by the Foreign Investment Review Board.

The Board's main functions are:

- to advise the Government on foreign investment matters generally;
- to foster an awareness and understanding of the Government's policy in the community at large and in the private enterprise sector in particular;
- to give guidance to foreign investors on those aspects of their proposals that may not be in conformity with policy and suggest ways by which such proposals might be amended;
- to work towards a high level of Australian participation in new investment undertakings;
- to establish liaison with State Government authorities; and
- to keep in touch with the activities of foreign-controlled businesses operating in Australia.

In undertaking these tasks, the Board is assisted by the Foreign Investment Division of the Commonwealth Treasury which acts as its Executive. Other Government agencies are consulted as appropriate.

Proposals Which Should be Submitted to the Foreign Investment Review Board

The Board examines certain types of proposals by foreign interests to invest in Australia.

A foreign interest is defined as:

- a natural person not ordinarily resident in Australia;
- a foreign-controlled corporation or business; or
- any corporation or business in which there is a substantial foreign interest regardless of whether the corporation or business is foreign-controlled. ('Substantial interest' is defined in section 9 of the Foreign Takeovers Act and covers a holding of 15 per cent or more of the issued shares or voting power of a company by a single or associated foreign interests, of 40 per cent or more in aggregate by two or more foreign interests).

The following categories of proposals by foreign interests should be submitted for examination:

(a) Proposals falling within the scope of the Foreign Takeovers Act. These include:

- (i) any acquisition or issue of shares which would result in or increase a substantial interest in an existing Australian company;
- (ii) any acquisition of an Australian business by the purchase of assets;
- (iii) any agreement (including alteration of Articles of Association) that would give a substantial foreign shareholder in an Australian business rights to representation on the board of that business; and
- (iv) any arrangement relating:
  - — to the leasing or the granting of other rights to use assets of an Australian business;
  - — to participation in the management or profits of an Australian business.

It is the practice of the Government not to intervene, except in special circumstances, in proposals where the total assets of the target company or business are less than \$2 million.

(b) Investment proposals not coming under the Foreign Takeovers Act but falling within the following categories:

- (i) all proposals to establish a new business or project, irrespective of size, in industries subject to special restrictions; namely, finance, insurance, the media, civil aviation, uranium and activities relating to uranium;
- (ii) direct investments by foreign governments or their agencies (i.e. excluding portfolio investments or investments related to their official representation);
- (iii) other proposals to establish new businesses, where the total amount of the investment is \$5 million or more (including diversification into activities not previously undertaken directly in Australia and new projects in mining or other natural resource industries); and
- (iv) proposals to acquire real estate valued at \$250 000 or more (see detailed provisions p. 16).

Examination of Proposals

The Government seeks to ensure that foreign investment is in accord with Australia's interests by maximising the benefits and minimising any disadvantages of such investment. Proposals are considered on their merits against certain criteria, the most important of which are listed below:

(a) whether, against the background of existing circumstances in the relevant industry, the proposal would produce, either directly or indirectly, net economic benefits to Australia in relation to the following matters:
   (i) competition, price levels and efficiency;
   (ii) introduction of technology or managerial or workforce skills new to Australia;
   (iii) improvement in the industrial or commercial structure of the economy, or in the quality and variety of goods and services available in Australia; and
   (iv) development of or access to new export markets.

If a proposal is judged to be not contrary to the national interest on the basis of the above criteria, the following additional criteria are taken into account:

(b) whether the business or project concerned could be expected to be conducted in a manner consistent with Australia's best interests in matters such as:
   (i) local processing of materials and the utilisation of Australian components and services;
   (ii) involvement of Australians on policy-making boards of businesses;
   (iii) research and development;
   (iv) royalty, licensing and patent arrangements; and
   (v) industrial relations and employment opportunities;

(c) whether the proposal would be in conformity with other Government economic and industrial policies and with the broad objectives of national policies concerned with such matters as Australia's defence and security, Aboriginal interests, decentralisation and the environment, as well as with Australia's obligations under international treaties;

(d) the extent to which Australian equity participation has been sought and the level of Australian management and control following implementation of the proposal (see also p. 17);

(e) taxation considerations (including the manner in which a proposal is to be financed);

(f) the interests of Australian shareholders, employees, creditors and policy holders affected by the proposal.

All of the criteria are not necessarily relevant to each proposal. The list is drawn on to the extent appropriate in the circumstances of a particular case. In the examination process a liberal approach is taken towards proposals that are accepted as being Australian controlled upon implementation. Except for investment in the natural resources area, in real estate, banking, insurance, financial intermediaries, the media and civil aviation, such proposals are approved unless there are special circumstances.

Where proposals concern areas of the economy in which foreign ownership and control is already extensive, or would become extensive as a result of the implementation of the proposal, the Government expects to see significant economic benefits and/or significant Australian equity participation before approval is granted.

Areas in Which Restrictions Apply to Foreign Investment

There are areas of the economy where, because of national interest considerations, the Australian Government imposes restrictions on foreign investment.

Finance

Banking

It is the policy of the Government, as it has been of all previous Governments since 1945, not to grant foreign interests authority to carry on banking business in Australia or to allow them to acquire interests in existing Australian banks. Under the Banks (Shareholdings) Act, individual or associated holdings in an Australian bank are limited to less than 10 per cent. The Government would also be opposed to acquisitions short of that figure where the intention of the overseas interest was to exercise an influence over the bank concerned. Approval is, however, generally given by the Treasurer for overseas banks to establish representative offices in Australia for liaison purposes.

Non-bank financial intermediaries and insurance companies

The financial sector plays a pivotal role in the economy and all proposals by foreign interests to establish a new non-bank financial intermediary (nbfi) or an insurance company are closely examined. In view of the extensive level of foreign ownership and control in some parts of the financial sector, proposals must show substantial net economic benefits to Australia to obtain approval or, where the net economic benefits are small, must involve an effective partnership between Australian interests and the foreign investor in the ownership and control of the company concerned. In some cases approval may be more readily granted where a financial intermediary's operations are strictly ancillary to other business (e.g. an in-house financier) and do not have significant implications for the financial sector.

All proposals to acquire or increase substantial interests in an existing nbfi or insurance company are closely examined, regardless of the size of the company. Again, substantial benefits must be demonstrated, taking account of the implications of the proposal for the financial sector and for the level of Australian ownership.

Media

Broadcasting and television

Foreign investment in broadcasting and television is governed by the Broadcasting and Television Act, which provides that no less than 80 per cent of the issued capital of a company holding a broadcasting or television licence must be beneficially owned by Australian residents and that no single overseas shareholder shall have more than 15 per cent of the issued capital of such a company.

Newspapers

All proposals for foreign investment in newspapers in Australia, irrespective of the size of the proposed investment, are subject to case-by-case examination. Foreign investment in mass circulation newspapers is restricted. Further, approval is not normally given to proposals by foreign interests to invest in ethnic newspapers in Australia, unless there is substantial involvement by the local ethnic community and effective local control of editorial policy.

Civil Aviation

Foreign equity in domestic civil aviation is restricted. All proposals for foreign investment in this industry, irrespective of the size of the proposed investment, are subject to case-by-case assessment.

Real Estate

Although the Government's general policy is to welcome foreign investment in Australia, special consideration is regarded as necessary in the case of proposals involving substantial investment in real estate. The Government is concerned that foreign interests should not engage in real estate investment that is of a speculative nature or that is intended purely for capital gain or investment income without accompanying benefits to the Australian economy.

In this context, real estate includes any option or interest in Australian freehold land, or in a lease of land, or improvements thereon, having a term of more than five years, or in a financing arrangement that provides for the sharing of profits from an investment in real estate.

In order to keep to a minimum the real estate proposals requiring notification to the Foreign Investment Review Board, the Government has exempted from the need for foreign investment approval a wide range of transactions (these exemptions do not affect requirements under the Foreign Takeovers Act or Banking (Foreign Exchange) Regulations), as follows:

(a) individual (one-off) acquisitions of less than $250 000 (unless such an acquistion is part of a property investment program involving total acquisitions since 8 June 1978 of more than $250 000, in which case it should be referred for consideration);
(b) acquisitions by foreign-controlled charities or charitable trusts operating in Australia for the primary benefit of Australians;
(c) acquisitions by life assurance companies, representing investment of their Australian statutory funds (annual notification of these acquisitions is required, including reference to the relationship between the value of total real estate holdings and the statutory funds);
(d) acquisitions by Australian pension funds of foreign employers, representing the investment of pension funds for the benefit of Australian superannuants (annual notification of these acquisitions is required, including reference to the relationship between the value of total real estate holdings and the pension funds);
(e) acquisitions of offices and residences by foreign government missions for use as official missions or residences for staff, subject to sale to Australians or other eligible purchasers when no longer being used for those purposes; and
(f) acquisitions of real estate, for example, a factory site, that are necessary for the continuation of the normal business activities of a foreign interest other than a business of real estate acquisition, development or investment.

Proposals for foreign investment in real estate not covered by the above exemptions require notification on an individual basis. However, for acquisitions of real estate which form part of a major real estate project or continuing program, such as for development and sale to Australians or eligible persons, arrangements may be made with the Board for advance notification and approval on an annual program basis.

All examinable proposals are considered in the light of their expected benefits to the Australian economy and having regard to the level of Australian participation in ownership and control of the business. Special emphasis is attached to Australian participation in major real estate projects and approval would normally be forthcoming where there is 50 per cent or more Australian ownership.

Australian Participation

The Government wishes to encourage Australian participation in new businesses and mineral projects because it believes that this will be in the long term interests of both Australia and the foreign investor. For this reason, one of the criteria used in the examination of individual proposals is the extent to which Australian equity participation has been sought and the level of Australian management and control that will exist following implementation of the proposal.

There are specific guidelines for Australian participation in the natural resources sector.

Uranium

Because of the unique status that the Government attaches to uranium, any project involving investment by foreign interests in the mining and production of uranium, or in uranium enrichment, or in activities in any way connected with the nuclear fuel industry, are subject to examination. A proposed project for the mining and production of uranium not already in production will only be allowed to proceed provided it has a minimum 75 per cent Australian equity and is Australian controlled. These requirements must be met by the time the project comes into production. In assessing whether a project meets the 75 per cent Australian equity requirement the level of foreign portfolio investment in participating companies is taken into account. However, in the absence of special circumstances, individual portfolio shareholdings of less than 10 per cent in an Australian uranium company will be disregarded.

Mining (other than uranium), agriculture, pastoral, fishing and forestry

A proposal for a new business or project in these areas involving a total investment of $5 million or more will, as a general rule, only be allowed to proceed if it has a minimum 50 per cent Australian equity together with at least 50 per cent of the voting strength on the board or controlling body held by Australian interests.

Proposals that are not contrary to the national interest but which do not meet the guideline of a minimum of 50 per cent Australian equity may be allowed to proceed if the Government judges that the unavailability of sufficient Australian equity capital on reasonable terms and conditions would unduly delay the development of Australia's natural resources. In that event, however, the Government will, as appropriate, seek satisfactory arrangements for Australian equity to be increased to at least 50 per cent within an agreed period.

Mineral Exploration

It is not mandatory for foreign interests to seek Australian participation in their mineral exploration activities. However, the Government wishes to see, to the extent practicable, a continuing and significant level of Australian involvement in mineral exploration. Accordingly, it expects foreign interests to seek Australian participation in those projects that can reasonably be expected to proceed to the development stage. Foreign exploration companies are also expected to advise the Foreign Investment Review Board annually of their forward exploration programs. Any proposed developments arising out of exploration activities are subject to examination in terms of the relevant guidelines for new mineral projects.

Scope for Foreign Companies to Naturalise

The Government welcomes proposals to increase Australian participation in existing foreign-owned companies. It has provided a framework and an incentive for the introduction of additional Australian equity into predominantly foreign owned companies. Companies whose proposals to become 'naturalised' over a period are accepted by the Government may avail themselves of certain benefits.

Naturalised and naturalising companies

A company may be granted *naturalised status* by the Government if:

(i) it is at least 51 per cent Australian-owned;
(ii) its Articles of Association provide that a majority of members of the board are Australian citizens; and
(iii) general understandings have been reached between the company, major shareholder interests and the Government about the exercise of voting powers in respect of the company's business in Australia.

A company wishing to naturalise—a *naturalising company*—must meet certain pre-conditions. It must:

(i) have a minimum of 25 per cent Australian equity;
(ii) provide in its Article of Association for a majority of Australian citizens on its board; and
(iii) give a public commitment to increase Australian equity to 51 per cent, subject to agreed understandings between the company, major shareholder interests and the Government, and have regular discussions with the Foreign Investment Review Board on progress towards achieving 51 per cent Australian ownership.

A company wishing to naturalise is required to reach an understanding with the Government on practical arrangements for achieving 51 per cent Australian ownership. These arrangements will include a general understanding with the major shareholder interests of the company on the process of naturalisation and the exercise of voting powers in respect of the company's business in Australia. The rights of a naturalising company may be withdrawn if it does not adhere to the understanding with the Government.

The Government will expect the process of naturalisation to take place primarily by way of new share issues to Australians to fund new projects and expansions, rather than by takeovers which remain subject to case-by-case examination under the Foreign Takeovers Act.

Benefits from naturalisation

A naturalised or naturalising company may undertake new projects (other than projects involving uranium, finance, insurance, the media and civil aviation, where special restrictions apply):

(i) on its own or in partnership with Australian companies, naturalised or naturalising companies; or

(ii) in any such combination jointly with foreign companies provided that the 'resultant mix' observes the 50 per cent equity and control guidelines where applicable.

Note: For purposes of calculating the mix in (ii), a naturalising company is given prior credit for 51 per cent Australian ownership, and a naturalised company such higher percentage of Australian ownership as it may have attained. Both naturalising and naturalised companies are regarded as Australian-controlled.

Notification requirements

A company accepted by the Government as a naturalised or naturalising company is not required to notify proposals to develop a new resource project that is subject to the 50 per cent rule where it intends to proceed on its own or in partnership with Australian-owned companies or other naturalised or naturalising companies. All other proposals must be notified to the Foreign Investment Review Board. However, notification arrangements applying to new investment proposals by naturalised or naturalising companies in other sectors may be the subject of special agreement with the Government.

The naturalisation arrangements do not apply to foreign participation in uranium projects and do not affect a company's position under the provisions of the Foreign Takeovers Act.

Companies should not feel that they are expected, or have an obligation, to proceed to 'Australianise'. It is a matter for individual companies to decide whether they wish to do so.

Australian Sources of Finance

Foreign-controlled companies incorporated in Australia, or operating here as locally registered foreign companies, may raise funds for their local requirements in the Australian capital market. (Prior exchange control approval is necessary if borrowings are to be guaranteed from overseas.) Such foreign companies proposing to borrow locally are invited to consider alternative sources of financing, including the raising of local equity by means of new share issues or other placements, subject to normal stock exchange requirements. The Australian Industry Development Corporation is available to assist companies seeking Australian equity partners.

Authority for the Policy

The Government's administration of its foreign investment policy is based on the powers available to it under the Foreign Takeovers Act, the Banking (Foreign Exchange) Regulations and export controls. In the implementation of those aspects of its policy not covered by legislation the Government seeks the co-operation of all parties.

CANADIAN INVESTMENT IN AUSTRALIA

as of December 31, 1975

CANADIAN COMPANY	AUSTRALIAN COMPANY	PRODUCTS	AUSTRALIAN ASSETS	PERCENT CANADIAN EQUITY
Albany Felt Company of Canada limited	Albany Felt Pty Limited	felts, industrial filtration fabrics and articles, needled textile products	$ 5,817,314	100
Alcan Aluminum Limited	Alcan Australia Ltd.	aluminum and aluminum alloys products	$74,000,000	70
Ashner Food Products Limited	Ashner Food Products Pty Limited	fruit drink crystals, flavour bases, food stabilizers	$ 57,753	100
Bayer Foreign Investments Ltd.	Bayer Australia Limited	industrial chemicals, agricultural chemicals, pharmaceutical and veterinary preparations	$19,000,000	100
Burndy Canada Ltd.	Burndy Canada Ltd.	electrical connectors, cable supporting systems	$ 350,000	Branch
Canada Packers Ltd.	Corio Meat Packing (1965) Pty Ltd.	beef, mutton, lamb and pork - fresh, frozen, chilled canned meats, ham and bacon, edible and inedible tallow, meat meal, hides, skins, sheep skin rugs, casing	$14,508.015	65

APPENDIX III

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CANADIAN INVESTMENT IN AUSTRALIA

as of December 31, 1975

CANADIAN COMPANY	AUSTRALIAN COMPANY	PRODUCTS	AUSTRALIAN ASSETS	PERCENT CANADIAN EQUITY
Canadian Hardinge Machine Tools Ltd.	Hardinge Australia Pty Ltd.	collets, feed fingers machine tools and attachments	$ 140,000	51
Canron Ltd.	Tamper (Australia) Pty Ltd.	railway maintenance machinery	$ 955,000	100
Capital Wire Cloth Ltd.	Capital Wires Pty Ltd.	stainless steel, nickel alloy and bronze and brass wires	$ 834,000	100
Castor Investments Limited	F.P.E. Australia Pty Limited	electrical switchgear, motor control gear, circuit breakers, bus ducts, distribution transformers, fuse switches, earth leakage equipment	$ 3,100,000	100
Chesebrough-Pond's International Ltd.	Chesebrough-Pond's International Ltd.	cosmetics and toiletries, perfume	$ n/a	100
Consumer Glass Co. Ltd.	Glass Container Limited	glass containers	$20,487,673	38.88
The Cooper Tool Group Limited	The Cooper Tool Group Limited	rectractable tape rules, electric soldering irons	$ 77,168	Branch
Custom Card of Canada Ltd.	Custom Card (N.S.W.) Pty Ltd.	greeting cards	$ 279,751	75

CANADIAN INVESTMENT IN AUSTRALIA

as of December 31, 1975

CANADIAN COMPANY	AUSTRALIAN COMPANY	PRODUCTS	AUSTRALIAN ASSETS	PERCENT CANADIAN EQUI
Emco Ltd.	Wheaton Australia Pty Ltd.	pipes, valves, pumps	$ 779,432	100
Extrusion Machine Co. Limited	Extrusion Machine Company (Australia) Pty Ltd.	extrusion die manufacturers	$ 163,349	50
Ford Motor Company of Canada Limited	Ford Motor Company of Australia Limited	passenger and commercial motor vehicles, agricultural and industrial tractors and implements, construction equipment, industrial engines, motor vehicle parts and accessories, tractor and implement parts, accessories	$280,356,570	100
I.T.E. Industries Limited	I.T.E. Industries Australia Pty Ltd.	electric power equipment for: power transmission distribution, naval ships, industrial control	$ 2,000,000	100
Jamesway Co. Limited	Harrison Jamesway Pty Limited	poultry cages, incubators, automatic feeding systems, dairy feeders, lot feeding systems, re-inforcing mesh	$ 1,563,254	50
Lily Cups Limited	Hygienic-Lily Limited	paper cups, containers and plates, plastic cups and containers	$12,500,000	50

.... 4

CANADIAN INVESTMENT IN AUSTRALIA

as of December 31, 1975

CANADIAN COMPANY	AUSTRALIAN COMPANY	PRODUCTS	AUSTRALIAN ASSETS	PERCENT CANADIAN EQUITY
Massey-Ferguson Limited	Massey-Ferguson Holdings (Australia) Limited	agricultural and light industrial tractors, other agricultural machinery, construction machinery, service parts and diesel engines	$74,158,805	100
Moore Corporation Limited	Lamson Industries Australia Limited	printed business forms, docket books, carbon sets, continuous/computer stationery and forms handling equipment carbon papers and inked ribbons, document handling conveyors, vacuum tubes, lifts, waste compaction and dust extraction systems	$22,100,000	59.3
Morgan Adhesives of Canada	Morgan Adhesives of Canada Ltd.	Carpet seaming tape, protective car trim, pressure sensitive shipping envelopes	$ 104,000	Branch
Muscamo Canada Limited	Bata Shoe Company of Australia Pty Ltd.	footwear	$ 4,063,438	95
National Trust Company Ltd.	Electric Lamp Manufacturers (Australia) Pty Ltd.	electric incandescent and fluorescent lamps	$14,960,687	44
National Trust Company Ltd.	Philips Industries Holdings Limited	television receivers, radios, tape recorders, record players, washing machines, clothes dryers, refrigerators, shavers,	$139,481,000	78

cont'd page 5

CANADIAN INVESTMENT IN AUSTRALIA

as of December 31, 1975

CANADIAN COMPANY	AUSTRALIAN COMPANY	PRODUCTS	AUSTRALIAN ASSETS	PERCENT CANADIAN EQUITY
National Trust Company Ltd.	Philips Industries Holdings Limited	Cont'd. from page 4 bicycles, hearing aids, telecommunications equipment, computers and business systems, industrial and educational vision and sound systems, pharmaceutical and bio-chemical products and vaccines, formed metal products, electronic components and materials, lighting products, navigational and meteorological equipment, scientific and industrial equipment and medical systems and equipment		
Placer Development Limited	Fox Manufacturing Co.	conveyors, underground mining equipment, drilling equipment, transport vehicles for mining, towing tractors	$10,817,283	100
Placer Development Limited	Placer Holdings Pty Limited	conveyor, mining and drilling equipment, plywood veneers, lubricants	$20,721,758	100
Rio Algom Ltd.	Atlas Steels (Aust.) Pty Ltd.	Stainless steels, bar and wire, high speed steels	$ 5,320,590	100

.... 6

CANADIAN INVESTMENT IN AUSTRALIA

as of December 31, 1975

CANADIAN COMPANY	AUSTRALIAN COMPANY	PRODUCTS	AUSTRALIAN ASSETS	PERCENT CANADIAN EQUITY
Sala Machine Works Ltd.	Sala Australia Pty. Limited	pumps, disc filters, balline drums, classifiers, trommel screens, thickeners, speed reducers, complete processing plants, sewerage treatment equipment	$ 987,842	83
Sandoz Holdings Ltd.	Sandoz Australia Holdings Pty Ltd.	Pharmaceuticals, dyes/ chemicals	$11,475,000	100
Shaw Pipe Industries Ltd.	Shaw Pipe Protection (Australia) Pty Ltd.	Pipe protection and heat shrink sleeves	$ 2,903,345	100
Siemens Beteiligungen Ltd.	Medical Applications Pty Ltd.	X-ray and electromedical systems	$ 3,547,378	45
J.C. Stephenson	Sternson Aust. Pty Ltd.	concrete mixtures and	$ 145,006	10
G.F. Stern and Sons Ltd.				30
Thomson Equitable Corporation Ltd.	Thomson Nelson (Australia) Limited	publishers	$ 1,896,035	100
Woodsreef Minerals Limited	Woodsreef Mines Ltd.	asbestos fibre	$23,352,209	58