TRADE POLICY REVIEW MECHANISM

AUSTRALIA

Report by the Government


NOTE TO ALL DELEGATIONS

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1 For technical reasons, these will be issued as C/RM/G/43/Add.1.
EXECUTIVE SUMMARY

i. The Australian Government's approach to securing Australia's trading future is built on four pillars. These are its strong program of domestic economic reform, its commitment to an open multilateral trading system, its efforts to further link Australia with the rapidly growing Asia-Pacific region, and strong bilateral efforts to expand Australia's trade and investment links with other countries.

ii. Australia is a medium-sized economy ranking ninth among OECD countries in terms of GDP in 1992. Trade in goods and services accounts for 38 per cent of GDP, with exports amounting to 19 per cent of GDP. On an industry basis, manufacturing dominates Australia's goods and services exports accounting for 50 per cent of total exports, with mining accounting for 21.2 per cent, services 19.9 per cent and agriculture 8.1 per cent. However, Australia's traditional reliance on its agricultural and mineral sector remains, with a large proportion of its manufactured exports being simple transformations of these raw materials. Australia's services sector is comparable in size to that of other advanced economies. It is the largest contributor to Australian national production, accounting for around two thirds of GDP and employs approximately 80 per cent of the workforce.

iii. Historically, Australia's export earnings depended on international commodity markets. The prices of primary products (especially agricultural products) showed a long term downward trend, and the volumes of commodities Australia sold and the prices received exhibited very wide fluctuations linked to the international business cycle.

iv. Australia has little influence over prices in most markets in which it trades. It also has little influence over the protectionist and discriminatory trade policies of other countries. Australia's terms of trade therefore tend to be volatile, and Australia must ensure that its domestic policy settings provide an environment that allows the domestic economy to adjust to external economic conditions.

v. Past dependence on agricultural and mineral products for the major part of Australia's export income reflected its comparative advantage in the production of these commodities. The competitiveness of other sectors of the economy was previously heavily influenced by the existence of protective barriers and industry regulation, which reduced the incentive for industries to improve their efficiency and adjust to changing economic circumstances. There has also been an increased awareness that the provision of assistance to one industry imposes costs on other industries that can affect their ability to compete in the international market place.

vi. Australia as a trading nation in 1993 is vastly different from Australia as a trading nation ten years ago. Australia's trade policy is no longer characterised by heavy reliance upon supplying primary products to world markets. The demands of the international trade environment have changed. The Government has taken significant steps to establish Australia as a reliable and competitive supplier of globally demanded goods and services.

vii. Since 1983, the Australian Government has addressed the rigidities in the Australian economy through the introduction of wide-ranging structural reforms. In particular, the increased internationalisation of the economy and the removal of domestic regulation have enhanced the efficiency and responsiveness of the economy and created more internationally competitive
and dynamic industries. The Government has enhanced this process by close co-operation with unions and business.

viii. A highlight in the restructuring has been the introduction of far-reaching reforms in industry policy, the aim of which has been to move progressively toward a lower, more neutral, and more transparent industry assistance regime. Industry policy has shifted from an essentially defensive orientation, based on border protection, to an outward looking approach. The reforms have continued at a time when the Australian economy has been going through a slow period of growth. However, in spite of pressure from some sectoral interests, the Government is continuing the process of structural change.

ix. The following are the key elements of this reform program in recent years:

- floating of the Australian dollar and deregulation of the financial system, including the removal of exchange controls in 1983;

- a unilateral phased reduction in tariffs, which commenced in 1988 and which will continue until the year 2000. The average nominal rate of assistance for the manufacturing sector has fallen from 12 per cent in 1986/87, to 8 percent in 1991/92. Nominal assistance is currently 7 per cent and is projected to fall to 3 per cent in the year 2000;

- the tariff quotas that applied to imports of textiles, clothing and footwear (TCF), the last remaining tariff quota restrictions in the manufacturing sector, were eliminated with effect from 1 March 1993. In addition, tariffs on TCF products are being substantially reduced and, unlike many other countries, no quota or voluntary restraint agreements apply to imports of these goods into Australia;

- new policy programs have been introduced in the wool, dairy, coal, mining and natural gas industries aimed at decreasing government regulation and, in the case of wool and dairy, decreasing assistance;

- reforms have been introduced in the transport and communications sectors, including corporatisation and commercialisation of government business enterprises, liberalisation of restraints on competition, development of more efficient work practices, and simplification and harmonisation of regulations;

- civil offsets were eliminated in 1992;

- a range of programs has been introduced which are designed to overcome market failures or to facilitate restructuring, placing emphasis on research and development and innovation, export market development, quality management, design and networking, and human resource management at the company level; and

- an industrial relations Accord between the Government and the trade union movement has been a significant factor in reducing inflation to one of the lowest rates among industrial countries, enhancing Australia's competitiveness.

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1 Assistance is provided mainly by tariffs, but also includes the effects of bounties and some other measures.
x. The tariff remains Australia’s principal industry assistance measure, although its significance is declining rapidly. Australia does not use non-tariff border measures to assist industry.


xii. Australia’s export system encourages unrestricted export of Australian products. The majority of Australia’s exports receive no direct assistance, and are not subject to government imposed controls. Export controls that apply in a limited number of special cases have recently been liberalised.

xiii. Industry policy is directed at achieving international best practice in Australian industry through improvements in efficiency, productivity and quality across all sectors, including infrastructure services provided by the public sector. An important element of industry policy is the tariff reduction program which has helped increase the international competitiveness of Australian industry.

xiv. There are a number of export promotion and trade facilitation schemes. Relative to the overall value of Australian exports these schemes are small.

xv. Given the importance of the GATT multilateral trading system to Australia, the Government’s single most important trade policy objective has been the successful conclusion to the Uruguay Round negotiations. A major longer term priority is the further integration of Australia into the Asia Pacific region. Through the Asia-Pacific Economic Co-operation (APEC) process, Australia is working to strengthen economic co-operation in the region and to contribute to an environment that encourages regional growth. Trade liberalisation on a non-discriminatory basis will be a vital component of this process of open regionalism. The Government complements its multilateral and regional trade efforts through actively pursuing a rigorous non-discriminatory bilateral trade strategy, which is particularly important given the diversity of barriers which Australia faces in overseas markets.
PART A: TRADE POLICIES AND PRACTICES

1. OBJECTIVES OF TRADE POLICIES

1. The persuasive force behind the formulation of Australian trade policy objectives, and of economic policy generally, continues to be the need to foster the development of an internationally competitive and outward-looking economy.

2. Australia has made substantial progress towards these objectives since the last TPRM review in 1989. The domestic environment for trade improved appreciably over this period through improvements to macroeconomic settings and a vigorous program of economic reform. Trade in goods and services increased in the last decade (from 31 to 38 per cent of GDP). Exports of merchandise reached record levels in 1991/92 due to rapidly rising export volumes, partially offset by falling export prices. Overall, Australian manufactured exports grew faster than any OECD country in 1990 and 1991, and was well above the OECD average in 1992. Import penetration has also grown significantly reflecting the fact that the Australian economy has become increasingly open.

3. The broadening of Australia’s export base has been a significant development in recent years. Manufactured exports continue to rise faster than primary product exports in nominal and real terms. This signifies a substantial diversification from the primary commodities that have traditionally been the mainstay of Australia’s exports.

4. Australia continues to place major emphasis on creating an external environment conducive to exports through multilateral, bilateral and regional policies aimed at removing obstacles to trade and investment.

5. As a middle economic power, with limited influence and a range of overseas markets, Australia’s pre-eminent interest lies in its efforts to strengthen the multilateral trading system.

6. Australia’s continuing efforts in the Uruguay Round highlight active support for these interests, backed by active participation in other international forums, such as the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Food and Agriculture Organisation (FAO), the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the European Bank for Reconstruction and Development (EBRD) and the Customs Co-operation Council (CCC).

7. Australia supports the multilateral trading system. Australia’s main objectives are to promote transparency, to seek disciplines to free the international trading system of non-tariff trade-distorting measures, to negotiate further substantial reductions in tariffs and to support coverage extending to trade in services.

8. Australia’s multilateral, bilateral and regional arrangements are transparent and aim at complementing and contributing to the achievement of a more liberal trading system. At the bilateral level, Australia is pursuing policies and activities aimed at removing specific barriers to trade and promoting expansion and diversification of trade and investment linkages.

9. Regionally, Australia is also encouraging non-discriminatory trade liberalisation, consistent with the GATT, within the Asia Pacific Economic Co-operation (APEC) process, and in discussion with the Association of South East Asian Nations (ASEAN) and the South Pacific Forum.
10. Domestically, trade and industry policies aim at achieving a lower and more neutral assistance regime, exposing hitherto sheltered industries to competitive pressure, creating an atmosphere that encourages investment in competitive industries, and reducing distortions that discriminate against more efficient activities. Complementary policies have the objectives of removing domestic impediments to trade, including in industries that provide inputs to tradeable goods and services, and rationalising trade promotion and facilitation schemes.

11. The Australian Government gives high priority to improving trade performance in all sectors of the economy by removing domestic impediments to improved competitiveness. Australia, for all practical purposes, is a single integrated market, increasingly exposed to domestic and international competition.

12. A Committee of Inquiry into a national Competition Policy was established in October 1992 by the Prime Minister following agreement by all Australian governments on the need for a national policy and its basic principles. The Committee presented its report in August 1993. The government is to decide on how it will respond to the report.

2. DESCRIPTION OF THE IMPORT AND EXPORT SYSTEM

13. The main features of the Australian import system are:

- tariffs are almost exclusively the only intervention imposed directly on imports for assistance purposes;
- non-tariff measures are not used for protective purposes;
- an ongoing program to reduce border tariff protection; and
- regular assessment and reform with the objective of improving efficiency, productivity and quality in all industry sectors.

14. These features support overall policies aimed at enhancing transparency and reducing the extent of administrative discretion in the application of measures.

15. The main features of Australia's export system are that:

- Australian exports are relatively unrestricted;
- some industries benefit from trade facilitation programs; and
- assistance to exports, where made available, is modest and most is subject to scrutiny in the budget.

16. Since its first Trade Policy Review in 1989, Australia has continued to reduce trade restricting measures and to make major modifications to other policies that have an impact on trade and domestic resource allocation. These changes have resulted from industry specific reviews and a continued program of general reductions in tariff protection.
17. The most comprehensive of the changes to Australia’s import system stems from the Government’s May 1988 Economic Statement, which included substantial phased reductions in tariffs, reductions in assistance to the few highly assisted industries in the agricultural sector, changes to business taxation, and a relaxation of regulations in telecommunications and of controls over government enterprises.

18. The May 1988 program of assistance changes reduced the average nominal rate of assistance to the Australian manufacturing sector by one third from 12 per cent (in 1986/87) to 8 per cent (1991/92).

19. In 1991 a further major program of tariff reductions was announced which will, at the end of the decade, result in the average nominal rate of assistance to the manufacturing sector being reduced to 3 per cent. This initiative includes a number of measures designed to foster longer term structural change in the Australian economy by improving its productivity and making it more internationally competitive.

20. Key elements of this program include:
   - the general program of tariff reductions has been extended beyond 1992 to 1996 with general rates phasing from 15 and 10 per cent to a single rate of 5 per cent for most products subject to tariffs (around 70 per cent of imports enter duty free);
   - all tariff quotas (except on certain cheese) have been removed;
   - tariffs on passenger motor vehicles and TCF are being substantially reduced by the year 2000; and
   - continued emphasis on research and development and innovation, export market development, quality management, design and networking and human resource management at the company level.

21. An indication of the net incentive afforded enterprises to engage in value-adding activities by Australia’s principal import, export and other assistance measures is provided by the effective rate of assistance. In 1992/93, the effective rate of assistance for Australian manufacturing industry was 12 per cent (compared with 19 per cent in 1986/87). In 1991/92, the latest year for which estimates are available for agriculture, the effective rate of assistance for the Australian agricultural sector was 12 per cent (compared with 18 per cent in 1986/87). In line with the decline in nominal rates, effective rates are projected to decline to a low of 5 per cent in the year 2000. The changes in trade and industry policies summarised below and detailed in Chapter 4 will result in further significant reductions in effective assistance during the 1990’s.

22. **Imports**: The tariff is the main mechanism providing assistance to the manufacturing sector. On the other hand, the main form of measured assistance provided to the agriculture sector is through domestic marketing arrangements. In 1991/92, the tariff accounted for around 10 per cent of assistance to agriculture. Mining and service industries’ output receive minimal or no assistance from tariff measures.

23. Tariffs continue to be phased down, the dispersion in rates is narrowing and the operation of the tariff continues to be simplified. Systems exist which allow wide-spread concessional entry (usually duty free) in certain circumstances such as when there are no substitutable goods produced in Australia.
These concessional arrangements continue to be reformed and simplified, including reducing the extent of administrative discretion in the implementation of the arrangements.

24. Australia does not use non-tariff measures for industry assistance purposes, and it has wound back sharply its recourse to measures that directly restrict trade. All quantitative import restrictions, tariff quotas (except those applying to certain cheeses), import licensing controls and emergency safeguard measures have been eliminated.

25. The remaining non-tariff measures (labelling and packaging standards, health and safety standards, quarantine and the declaration of some products as prohibited or restricted imports) protect the safety and welfare of consumers, prevent the entry of pests and diseases or meet obligations arising from membership of international agreements (such as CITES or the Montreal Protocol). Such measures are applied consistently with Article XX of the GATT.

26. The legislation under which Australia's anti-dumping and countervailing mechanisms operates is GATT-consistent and reports on dumping actions are published.

27. **Exports:** Financial assistance is provided to exports through a number of Commonwealth Government programs. Details are provided in Chapter 4.

28. Financial assistance to export development may be mainly classified under three broad headings which reflect different forms of government assistance and use of policy instruments:
   - export development schemes, involving financial transfers to firms, administered by the Australian Trade Commission (AusTrade);
   - export finance and insurance services provided via the Export Finance and Insurance Corporation (EFIC); and
   - the Export Access program funded by the Department of Industry, Technology and Regional Development to assist small and medium sized enterprises to enter export markets.

29. Export controls applicable to a very limited number of products/areas are designed to meet quality control, conservation, defence and other national interest objectives and obligations under international arrangements. The Government provides export inspection services on a cost-sharing basis with industry.

30. **Other measures:** There are a small number of other measures that provide assistance to domestic industry. These are not linked directly to either the import or export system. Such assistance is through budgetary measures which by their nature are transparent. They cover outlays on a variety of programs including bounty payments to certain manufacturing activities. Bounty payments totalled $186 million in 1992/93 and are projected to fall to $155 million in 1993/94. All current bounties are scheduled to be phased out or reviewed by 1996. The Textile Yarns bounty is to be replaced with a 5 per cent tariff from 1 July 1995.

31. Some taxation measures and other forms of budgetary assistance are available to all industry sectors, although to differing degrees and in differing forms. Most of the measures operate through reducing the cost of value-adding factors. Many encourage investment or promote the development and use of more advanced technologies. A number of measures are adjustment programs.
32. Domestic pricing arrangements have historically been the principal form of assistance for agriculture in Australia. In many cases, the arrangements are related to export commodities and involve the exercise of price discrimination between the domestic and export markets and the payment of a pooled price to producers. The additional amount paid by domestic consumers for commodities subject to these arrangements was estimated at $482 million in 1991/92 or around 50 per cent of the total measured assistance to the agricultural sector. A number of the domestic marketing arrangements covered in this estimate are the subject of deregulation or phased reductions in assistance.

33. A number of major sectoral reforms have been introduced in the past four years. These are described in detail in Chapter 4.

3. THE TRADE POLICY FRAMEWORK

(a) Domestic laws and regulations governing the application of trade policies

34. In line with the Australian Government's policy of promoting international trade, recent government initiatives have been directed at removing specific industry regulation with the aim of improving efficiency by encouraging competition at the microeconomic level. Emphasis is placed on the Trade Practices Act 1974 to ensure that competition is both fair and free. The Trade Practices Act, Australia's competition statute, seeks to facilitate the free operation of domestic markets by proscribing certain anti-competitive conduct. In giving effect to its objective, the Act does not discriminate between domestic and foreign firms. It explicitly recognises the role of imports in providing a competitive element in Australian markets.

35. The Trade Practices Commission, an independent statutory authority, and private parties can bring proceedings under the Act. Such actions can include those brought to redress the effects of anti-competitive conduct which prevents or limits imports competing with domestic goods or services.

36. The Trade Practices Commission, after a public examination of an application for authorisation, may authorise on public benefit grounds certain anti-competitive conduct that would otherwise contravene the Act. However, unlike similar competition authorities in some other countries, the Commission cannot examine such conduct purely on public benefit criteria irrespective of the effect on competition.

(i) Interaction between legal and administrative systems

37. The Australian judicial system ensures transparency and access by any aggrieved parties.

38. There is an implicit policy proscription against the system's use, either on its own or in conjunction with other administrative systems, as a technical barrier to trade. This includes:

- private plaintiffs are subject to party costs in unsuccessful actions;
- frivolous or vexatious litigation results in early dismissal by way of interlocutory proceedings;
- the judicial system is available for review of decisions by administrative agencies that are against the interests of importers;
a legal policy exists against double jeopardy to avoid duplication or extension of the range of actions against imports; and

- there are rules of interpretation of legislation to operate against legal fictions.

39. Decisions made by Commonwealth Ministers, authorities and officials in trade-related matters can be subject to review in three main ways: (i) the Administrative Appeals Tribunal; (ii) the Federal Court; and (iii) the High Court of Australia.

40. The Administrative Appeals Tribunal is an independent body which has jurisdiction to hear appeals under more than 200 enactments. The Tribunal is generally able to substitute its own decision for that of the primary decision-maker. A party to a proceeding before the Tribunal may appeal to the Federal Court of Australia on a question of law from any decision of the Tribunal.

41. The Federal Court has jurisdiction under the Administrative Decisions (Judicial Review) Act 1977 to review administrative decisions of Ministers and officers acting under Commonwealth legislation. In many cases, a person is entitled to seek a statement of reasons for the decision of the original decision-maker.

42. The High Court of Australia, as well as having the power to hear appeals from the Federal Court, has original jurisdiction under Section 75 of the Constitution in certain matters. Under the Judiciary Act 1903, the High Court’s jurisdiction in these matters is shared by certain other courts in the Australian judicial system.

(ii) Product safety and information standards

43. Under Australia’s Federal system each State government has responsibility for establishing and administering a range of standards. Unification of standards has been a subject of consultation between the Commonwealth and the States. Discussions between the Heads of the Commonwealth, State, and Territory Governments at the meeting of Heads of Government has created a process to establish mutual recognition of professional entry and regulatory standards.

44. The Mutual Recognition Scheme is being implemented in Australia to create a truly national market in the regulation of goods and occupations. The scheme will ensure that goods legally produced or imported for sale in one state in Australia can be sold in all other states. The Mutual Recognition scheme also ensures that persons who are registered to practice their occupation in one State in Australia, on notification of that registration, are entitled to practice that occupation or skill which is substantially the same as that for which local practitioners are registered, licensed or certified in other States.

45. The scheme was implemented by an inter-governmental agreement incorporating the core principles. States and Territories then referred limited legislative power to the Commonwealth to enable it to enact the legislation implementing the mutual recognition scheme. The Commonwealth has been empowered to the extent to which such powers are not otherwise included in its legislative powers, to pass a single piece of legislation which will override inconsistent State and Territory legislation. Amendments to the Commonwealth Act will require unanimous agreement among all participating jurisdictions.

46. The Heads of Government Agreement on Mutual Recognition recognises that uniform national standards need to be developed in certain areas where such standards are essential to the efficient working of the Australian economy. This is particularly true in areas affecting public health and safety. Uniform
standards are already in place or are being developed in many areas, for example, food standards, pharmaceuticals, genetic materials, labelling of industrial chemicals, registration of agricultural and veterinary chemicals and occupational health and safety regulations (noise levels, manual handling, hazardous substances, major hazardous facilities, certification of operators of hazardous equipment and dangerous goods).

47. Mutual recognition came into force in New South Wales, Queensland, Tasmania, the Northern Territory and the Australian Capital Territory on 1 March 1993, Victoria on 1 July 1993 and South Australia on 1 October 1993. Western Australia is the only remaining jurisdiction which is yet to become involved in the scheme. Australia is confident that mutual recognition will eliminate many inter-jurisdictional differences in product standards set by State/Territory authorities.

48. There is a safeguard provision within the Mutual Recognition Agreement whereby a State or Territory can pass a law restricting goods from another jurisdiction where it is considered necessary to protect public health or safety or prevent pollution of the environment. Such a law would be valid for one year, during which time the subject would be considered by the relevant Ministerial Council as to whether a national uniform standard should be developed. This decision, and what the standard should be, would be made on a two-thirds majority of the Council. If the Ministerial Council decided against, or was unable to agree on, development of a national standard, mutual recognition would apply at the expiry of the twelve month restriction.

49. Australia and New Zealand are discussing the possibilities for the extension of the Mutual Recognition scheme to New Zealand.

(iii) International trade law

50. In consequence of the importance of international trade to its general economic well-being, Australia maintains a close involvement with those international organisations involved in the development of international trade law.

51. Notable in this regard is Australia's longstanding involvement with UNCITRAL. Australia also maintains close associations with and is a member of the private law organisations, the International Institute for the Unification of Private Law (Unidroit) and the Hague Conference on Private International Law, and participates in the development of draft texts with regard to international trade law by all three organisations.

52. Australia is also involved in a number of regional initiatives to promote the harmonisation of international trade law, in particular an initiative of the Pacific Economic Cooperation Council which is aimed at promoting wider adoption of multilateral trade and business enhancing instruments in the Asia-Pacific region. A meeting held earlier in 1993 in Singapore focused upon adoption of instruments relating to arbitration and the international sale of goods, with further meetings planned in 1994 to promote wider cooperation and sharing of information.

(iv) Intellectual property

53. Though not a large exporter of intellectual property in world terms, Australia has sought to safeguard such property both by means of its comprehensive domestic legislation and also, at the international level, through adherence to international treaties relating to intellectual property.
54. This is reflected in Australia's membership of the World Intellectual Property Organisation (WIPO) and its adoption and implementation by way of domestic legislation of the following conventions: the Paris Convention for the Protection of Industrial Property; the Berne Convention for the Protection of Literary and Artistic Works; the Universal Copyright Convention; Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations; the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of their Phonograms; the Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite; the International Convention for the Protection of New Varieties of Plants; the Patent Co-operation Treaty; the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure; the Strasbourg Agreement Concerning the International Patent Classification; and the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks.

55. In recent years, the importation provisions contained in Australia's copyright, patents, trade marks and designs legislation have been the subject of extensive consideration in Australia. Such provisions, which have a significant impact on international trade, are found in the laws of most countries.

56. The provisions of the Copyright Act giving copyright owners control over importation of copies of their works and other subject matter have been the subject of reports by both the Copyright Law Review Committee (CLRC) and the Prices Surveillance Authority (PSA). In a report presented in 1988, the CLRC recommended relaxation of that control over importation of legitimate copies of any works or other subject matter ("Parallel importation") where they had ceased to be available for more than a reasonable period.

57. In separate reports on the prices of books, sound recordings and computer programs, the PSA effectively recommended total abolition of copyright control over parallel importation. The CLRC considered the views of the PSA on importation of computer software, in the 1993 draft CLRC report on the protection of computer software, and endorsed the PSA's recommendation. In 1991 amendments to the Copyright Act allowed parallel importation of copies of new overseas titles if not published in Australia within 30 days of first publication overseas.

58. Parallel importation of any title published locally is also allowed where copies become unavailable for more than a specified period from the copyright owner or licensee in Australia. The effect of these amendments was studied by the PSA in 1993; it found that Australian book prices had generally fallen relative to overseas prices since the enactment of the amendments. Implementation of the recommendations of the CLRC in relation to copyright materials other than books and those of the PSA regarding sound recordings and computer programs are still under consideration by the Government.

59. The Industrial Property Advisory Committee (IPAC) advised the Government on changes to Australia's industrial property legislation and practice. Its last report before it ceased to operate was entitled, Practice and Procedures for Enforcement of Industrial Property Rights in Australia (1992). The report made a number of recommendations aimed at reducing the cost and time taken in the settlement of disputes.

60. Several legislation reviews were undertaken and the following reports were issued:

- The Report of the Inquiry into Intellectual Property Protection for Industrial Designs (1992). This inquiry stemmed from concerns expressed during the Australian Senate debate on the Copyright Amendment Act 1989, that some industrial products made
in Australia would not be able to be protected by either copyright or registered design as a consequence of changes to the Copyright Act by that 1989 Act.

- Legal Protection of Plants under Patent and Plant Variety Rights Legislation (1991). The report found that the two systems together provide a comprehensive system in Australia for the legal protection of plant materials, and contribute to the international legal order for the protection of advances in biotechnology. In order for Australia to accede to the 1991 UPOV Convention, the Plant Variety Rights Legislation is being amended. It is expected that the revised legislation will come into effect in 1994.

- Recommended Changes to the Australian Trade Marks Legislation (1992). The report proposed a number of reforms to the trade marks legislation, taking into account international developments. The report recommendations concerning the enforcement of rights were implemented as part of the Government's package of initiatives to assist firms restructuring their businesses in the textile, clothing and footwear industries.

- An independent working group comprising representatives of small, medium and large business, the patent attorney and legal professions and higher education and research institutions presented a report, "The Role of Intellectual Property in Innovation" to the Prime Minister's Science and Engineering Council in June 1993. The report found that existing intellectual property mechanisms are not well used or understood by Australian industry and academics and makes a number of recommendations covering legal, administrative, international and other of recommendations covering legal, administrative, international and other policy issues, intended to remedy the situation. A Government response to the recommendations of the report is being prepared.

- The Australian Law Reform Commission has commenced a comprehensive review of the existing designs legislation with the aim of optimising the effectiveness of the designs system. An issues paper has been released and a discussion paper is expected to be released in 1994.

- Following an extensive review of the patents legislation a new Patents Act was introduced in 1990. This Act has two main thrusts. Firstly the Act strengthened the standards of patentability for standard patents by testing inventions for novelty and inventive step against prior disclosures in recorded form anywhere in the world rather than just in Australia. Secondly, the text of the Act was thoroughly redrafted and re-arranged to simplify and modernise its language. A review of the operation of the new patents legislation has since been completed and amendments to the Patents Regulations are now being drafted.

- Amendments have been made to the Olympic Insignia Protection Act 1987 to provide increased protection for Olympic words and symbols against unauthorised use.

(b) Summary description of the process of trade policy formulation and review

61. Trade policy is formulated at the national level in the context of a parliamentary democratic system. Transparency is a key feature of the process which includes:

- openness of debate within a parliamentary context;
- wide-ranging consultation with non-governmental bodies;
- an independent body which reviews and reports on industry assistance measures: the Industry Commission; and
- open discussion and review by multilateral institutions (for example, GATT, OECD, IMF).

62. The General Agreement and Tokyo Round Agreements are generally reflected in relevant Australian laws. The normal practice before Australia accepts an international agreement is to ensure that its domestic law does not conflict with the agreement and enables compliance with it. This is the position that was followed in relation to the GATT and Tokyo Round Agreements. For example, specific legislation was passed to bring Australia’s customs valuation, anti-dumping and countervailing activities in line with the relevant Tokyo Round Agreements. The Australian Anti-Dumping Authority is specifically directed, in discharging its functions, to have regard to, inter alia, Australia’s obligations under the General Agreement on Tariffs and Trade not to use the imposition of duties to assist import competing industries in Australia or to protect industries in Australia from the need to adjust to changing economic conditions.

(i) The system of government and parliament

63. Australia is a federation of States and Territories. The Commonwealth Parliament, which comprises two Houses, has most of the powers directly affecting matters relating to trade. A number of Commonwealth Ministers exercise particular responsibilities for the administration of laws and for issues related to trade policy, especially within the portfolios of Foreign Affairs and Trade; Industry, Technology and Regional Development; Primary Industries and Energy; Treasury; and Transport and Communications. Cabinet comprises a number of senior Ministers and acts as the primary branch of the executive government which considers changes to government policy. In some cases, consultations may be required with the States to ensure the passage of joint legislation.

64. Australia’s system of government and Parliament is described in more detail in Appendix A.

(ii) The role of government departments

65. Advice is provided to Ministers by Departments. While most Departments have an operating interest in particular trade issues, there are some with explicit and continuing trade responsibilities arising from the responsibilities of their Ministers.

66. Details of the various Departments with responsibility for trade issues are provided in Appendix B.

(iii) Independent advisory and review bodies

67. Separate review and advisory bodies have been established by the Government to advise it on matters of economic importance to Australia. The role of each of these bodies differs in the nature of its work and the issues covered. The commissions and bureaus are independent from executive and administrative responsibilities for industry regulation and assistance.

68. The Industry Commission (formerly the Industries Assistance Commission) has played a major role in reviewing Australia’s industry assistance policies and creating greater transparency concerning
economic policy, as well as issues of structural adjustment. The Commission has a general reporting function which requires it to report on assistance, regulation and other matters.

69. The Industry Commission Act 1989 requires that an inquiry be undertaken by the Industry Commission prior to any changes in the levels of most forms of industry assistance. Typically, changes in industry assistance have been preceded by a public inquiry by the Industry Commission. The Commission has generally advocated lower levels of protection and market competition as the means of improving economic efficiency in the traded goods and services sector of the economy.

70. The scope for interested individuals and organisations to participate in the inquiry process has been a fundamental feature of Commission procedures. The emphasis has been on maximising the opportunities for public scrutiny through the acceptance of written submissions, publication of a draft report, and public hearings to enable public examination of the Commission’s analysis and discussion before finalising reports for submission to Government.

71. In conducting its reviews, the Commission has been required to take an economy-wide approach, recognising that interventions and regulations that assist one activity have implications for other industries and consumers. The public inquiry process has assisted community understanding of the costs of assistance and impediments in all sectors of the economy on industries and consumers. While the review process concentrates on domestic effects, it also facilitates domestic decision-making about how Australia’s multilateral commitments can be met in a nationally rewarding way.

72. The Government also considers the advice of the Economic Planning Advisory Council (EPAC), established in 1983. The aims of EPAC are:

- to provide a broadly-based source and channel of information on economic matters;
- to assist the Commonwealth Government in making decisions relating to economic policy;
- to assist State governments, local government bodies, other bodies and individuals making decisions related to the economic policy of Government;
- to provide a forum for participation of the community in the development of the economic policy of the Government; and
- to facilitate the development and consideration by the Commonwealth Government of medium and long-term economic assessments and policy requirements.

73. EPAC seeks to promote consultation, research and public education on economic matters and has a wide-ranging brief to consider any matters it considers appropriate. Supported by an office of professional staff, it is able to conduct inquiries, collect information, consult widely, engage consultants, form committees and prepare reports.

74. The membership of EPAC is drawn from the Commonwealth and State Governments, business, rural industry, the union movement, local government, the professions and consumer and welfare organisations. The Prime Minister chairs EPAC.

75. There are a wide range of other bodies which, inter alia, provide advice to the Government on matters relating to industry and its development. These include for example, the Australian Industry,
Technology and Regional Development Council, the Australian Industry Development Corporation, the Australian Manufacturing Council, the Small Business Council, the Agricultural and Resource Management Council of Australia and New Zealand, the Bureau of Transport and Communications Economics, the Bureau of Industry Economics and the Bureau of Agricultural and Resource Economics.

(iv) Statutory authorities with trade related functions

76. In addition to Government involvement in the formulation of trade policy, there are a number of Statutory Authorities (SAs) in the agricultural sector which have trade-related powers. There are currently ten SAs associated with marketing and related issues covering many of Australia’s rural export industries, and which come under the Department of Primary Industries and Energy. The range of activities of the SAs has changed considerably in recent years following the progressive deregulation of agricultural marketing. By and large the majority are now restricted to providing market information, licences and certifications (to comply with importing country requirements) and export promotion activities. Only the Australian Wheat Board and Wool International are involved in trading. Wool International was established to take over the disposal of the wool stockpile from the Wool Realisation Commission. The Government intends Wool International to be privatised by mid 1997 with ownership passing to wool growers.

77. Nearly all the SAs have been reformed in recent years so that they now operate in a commercial manner answerable in the first instance to their producers/suppliers.

(v) State governments

78. Primary responsibility for trade policy rests with the Commonwealth Government. There are, however, certain residual powers which are administered by State Governments.

79. State Governments also offer assistance for industries operating in their States, mostly in the form of budgetary assistance. In 1991/92, state outlays for research and extension services, disease and pest control and for soil conservation amounted to about $A600 million and were the main forms of State assistance to the agricultural sector. Assistance provided to the manufacturing industry, which is thought to be less extensive than that provided to agriculture, includes payroll tax, land tax and stamp duty concessions, infrastructure funding, assistance in meeting Government charges and regulatory costs and access to State Government purchasing.

80. Australia’s program of prospective trade and microeconomic reform emphasises the role of reform of State policies, particularly in areas such as transport and energy generation, in achieving a more efficient national economic structure. Existing Commonwealth/State advisory bodies play an important part in consultations in future reforms and in co-ordinating policies to achieve maximum national benefits. A brief description of the main advisory bodies where Commonwealth, State and Territory Governments co-operate in trade related fields is given below.

81. The National Trade Strategy Consultative Process (NTSCP): The National Trade Strategy Consultative Process (NTSCP) launched in March 1991 is an important mechanism for close consultation between Commonwealth, State and Territory governments, the business community and unions to maximise the gains from international trade and investment.

82. The purpose of the NTSCP is to add value to the Australian business sector’s activities to generate substantially higher levels of trade and investment in overseas markets. The process provides for identification and focused pursuit of:
core national interests;
- bilateral aspects of trade and international investment policy;
- a major, but not exclusive, focus on the Asia-Pacific region;
- linkage between domestic economic reform and trade policy; and
- closer liaison with business.

83. The NTSCP aims at the development and implementation of a more integrated and strategic approach to meeting Australia's export challenges, by ensuring that:

- the trade and investment activities of Commonwealth, State and Territory governments are coordinated to maximise effectiveness and minimise cost and duplication;
- bilateral and sectoral trade and investment strategies operate optimally in expanding access and reducing barriers in Australia's overseas markets and provide effective assistance to the international trading and investment activities of Australian firms;
- trade and investment strategies reflect the needs and priorities of the business community in a way that is responsive to market imperatives; and
- the main domestic impediments to Australia's trade and investment performance in key overseas markets and sectors are identified and effectively dealt with.

84. There is a critical linkage between trade and investment policy and domestic policy initiatives which assist the process of building a more internationally competitive and outward looking economy. Appropriate domestic economic policies are critical to Australia's trade competitiveness. The NTSCP complements the broader framework of reform directed at creating a domestic environment conducive to meeting Australia's export challenges. As such, it serves as an important link between domestic economic reform and trade policy.

85. **Agriculture and Resource Management Council of Australia and New Zealand:** The Council was established on 27 August 1992 with the amalgamation of the Agricultural Council of Australia and New Zealand, the Australian Soil Conservation Council and the Australian Water Resources Council. Following the Council of Australian Government Ministers' meeting in June 1993, the Rural Adjustment Ministers' Meeting was also amalgamated with the new Council.

86. Membership of the Council consists of Commonwealth/State/Territory and New Zealand Ministers responsible for agriculture, soil conservation and water resources and rural adjustment. The objective of the Council is to develop integrated and sustainable agricultural and natural resource management policies, strategies and practices for the benefit of the community.

87. Council's terms of reference include:

- to develop policies and strategies for the development of sustainable agricultural and water industries and sustainable management of land and water resources including policies for research and development, education, training and extension;
- to develop policies and strategies for regional and rural economic and community development related to agriculture and water-based industries;
- to enhance the effectiveness and efficiency of agricultural and water-based industries;
- to develop water industry policies providing efficient water, sewerage and waste management services;
- to promote appropriate integrated research to achieve efficient, sustainable and equitable agricultural and water industries and natural resource management;
- to promote the adoption of a uniform policy on external marketing and water pricing;
- to ensure that agricultural practices and natural resource management provide the basis for food and water which are of high safety and quality standards; and
- to establish policies and strategies for the monitoring of the health of the nation’s land and water resource.

88. The Council meets twice yearly and each meeting is preceded by a meeting of its Standing Committee, comprising all Commonwealth, State, Territory and New Zealand government agencies responsible for agriculture, land, water and rural adjustment issues - a membership of about twenty-five based on current portfolio arrangements.

89. **The Standing Committee of Attorneys-General (SCAG):** The SCAG, which comprises Attorneys-General and/or Ministers of Justice of the Commonwealth Government, the States, the Northern Territory, the Australian Capital Territory and New Zealand, seeks to achieve uniform legislation in appropriate cases, or to harmonise legislative and other action within the portfolio responsibilities of its members. The Committee also provides a valuable forum for discussion by Ministers of matters of mutual interest.

90. Implementation of the UN Convention on Contracts for the International Sale of Goods (the Vienna Sales Convention) was considered in SCAG and implemented by way of State and Territory legislation. Implementation by Australia of the UN Commission on International Trade Law (UNCITRAL) Model Law on Commercial Arbitration was also considered in SCAG, although effected by way of Commonwealth legislation.

91. **The Standing Committee of Consumer Affairs Ministers (SCOCAM):** The SCOCAM consists of the Commonwealth, State, Territory and New Zealand Ministers responsible for Consumer Affairs. At its annual meeting it considers a wide range of issues affecting the interests of consumers.

92. **The National Food Authority (NFA):** The National Food Authority was established in August 1991 and develops and reviews national food standards which are enforced by the States and Territories. A pre-requisite to establishment of the Authority was a formal agreement by State and Territory governments to adopt simultaneously and without variation, standards developed by the Authority and approved by the National Food Standards Council by majority decision. The Council is comprised of Commonwealth, State and Territory Health Ministers with New Zealand as an observer.

93. The standards are published in the Australian Food Standards Code. The mechanism for setting such standards is based on an open and publicly accountable arrangement which allows input by all
interested parties and provides for public hearings where appropriate. After accepting an application for a new standard or a variation to an existing standard, the NFA is required under its Act to seek public comment on the application. No distinction is drawn between comments received from companies, whether they are Australian firms, foreign firms established in Australia, or foreign firms operating from abroad, or foreign governments and authorities. The Authority may itself propose standards or variation to standards under the same mechanism.


95. **The Agreement on Government Procurement**: The Agreement on Government Procurement (GPA) between the Commonwealth, State and Territory Governments had its origins in the National Preference Agreement of 1986 from a concern at that time to eliminate the various preference margins that States applied against each other. New Zealand became a signatory in 1989.

96. The GPA covers the purchasing activities of government agencies with certain exemptions. Over recent years the focus of cooperation under the Agreement has moved to general procurement and supply issues while seeking to eliminate all types of discrimination against Australian and New Zealand supplies, including discrimination between the parties.

97. The parties to the Agreement have been giving particular attention to the commitment to work in a coordinated way towards achieving greater simplicity and uniformity in procurement policies, practices and procedures. In recent years Commonwealth/State collaboration in relation to procurement has moved to a higher level with greater emphasis on policy and strategic issues.

98. **Ministerial Council for Road Transport**: The Council comprises Transport Ministers of the Commonwealth, State and Territory governments and seeks to achieve uniform legislation in all areas of road transport. Meetings are generally held twice each year to consider recommendations from the National Road Transport Commission. A formal agreement between the Commonwealth, State and Territory governments provides for the adoption of standards by majority decision.

99. The standards are made law through the Commonwealth Motor Vehicles Standards Act for design and construction requirements for vehicles and the Road Transport Reform (Vehicles and Traffic) Bill for in-service requirements such as driver licensing, charging, maintenance etc. Open and publicly accountable arrangements allow input by all interested parties and provide for public hearings where appropriate. No distinction is drawn between comments received from companies, whether they are Australian firms, foreign firms established in Australia or foreign firms operating from abroad, or foreign governments and authorities.

(c) Multilateral, regional, bilateral and preferential trading agreements and arrangements

100. Australia pursues its international economic and trade objectives through a combination of multilateral trade policies, bilateral trade relations and agreements, regional trade policies and initiatives, development assistance and technology transfer.

101. Australia recognises its responsibilities, both within the multilateral system and as a developed country. Australia is thus committed to the development, through the multilateral system, of a fairer trade environment, with an equitable balance of benefits and obligations for all nations. Australia also
assists developing countries to achieve sustainable growth and prosperity through more liberal and fair trade. Australia thus has bilateral trade agreements with a large number of developing countries and programs of development assistance and technology transfer.

102. Australia also recognises that the growth taking place in the Asia-Pacific region presents considerable economic opportunities and that the vitality of the region is dependent largely on the strengthening of a liberal trade environment. Australia has trade agreements with many countries in this region, aimed at promoting growth in trade and contributing to the opportunities created by the dynamic growth of the region. Australia has also played an active role in economic co-operation within the region, with the objective of seeking global trade liberalisation and a strengthening of the multilateral trading system.

(i) Multilateral agreements

103. Australia’s position as a medium-sized economy means it relies on an open international trade framework to maximise gains from trade. It cannot rely on economic or political leverage to protect its trade interests and is vulnerable to the actions of large countries pursuing bilateral or discriminatory trading policies. Accordingly, the multilateral trading system is a major focus of Australia’s foreign economic policy. Australia has vigorously pursued the objective of reinforcing the non-discriminatory multilateral trading system as a means of strengthening world trade. Australia is firmly of the view that the multilateral trading system also provides the most appropriate framework for the resolution of trade disputes.

104. In seeking an open and predictable trading environment, with multilateral rules observed by all trading countries, Australia maintains strong support for the GATT, the only multilateral system of rules governing international trade. Australia is a signatory to all the Tokyo Round Codes except those on government procurement and civil aircraft. Because the success of the Uruguay Round is vital to Australia’s trading interests, Australia has been a very active participant in the negotiations, in particular seeking to:

- preserve and strengthen the multilateral trading system;
- improve the framework of GATT rules and disciplines and the functioning of the GATT system;
- ensure the early resolution of current agriculture trade problems as well as a long term reform program; and
- reduce substantially distortions and barriers in trade in natural resource-based products.

105. Australia is chair of the Cairns Group of fourteen fair-trading agricultural exporters. The Cairns Group has been very active in pursuing an end to the agricultural subsidy system that has been used to the detriment of world agricultural trade since the end of the Second World War. Australian policy with regard to the Cairns Group is to maintain its cohesion and its negotiating position and through it to achieve a successful conclusion to the Uruguay Round.

106. Other major forums in which Australia pursues its multilateral trade objectives are the OECD, UNCTAD, the IMF, the IBRD, the EBRD and the Customs Cooperation Council. In recent years, the OECD has played a leading role in gaining agreement on the need to reform agricultural policies, and on the principles to guide such reform, thus focusing international attention on the need to liberalise
world trade, particularly in agriculture. This activity has underpinned the Uruguay Round of GATT negotiations and helped maintain pressure for unilateral trade liberalisation by OECD member countries.

107. The OECD is a major focus for Australia’s involvement in trade and environment issues. The OECD has prepared a set of four procedural guidelines designed to improve the compatibility of trade and environment policies and is now engaged on an analytical work program.

108. In addition to actively participating in the work of the OECD in these areas, Australia has also sought to strengthen the analytical basis of the international discussion of protection by outlining to governments the merits of the Effective Rate of Assistance as a measure of protection. As a result of the Australian initiative the OECD has commenced a project to calculate and analyse indicators of the main forms of government assistance in OECD countries (including tariffs, non-tariff barriers and industrial subsidies).

109. In UNCTAD, key priorities have been the areas of commodities and trade, seeking to complement and stimulate work underlying the Uruguay Round. Australia is supportive of the key role played by UNCTAD in promoting economic co-operation between developed and developing countries. Australia’s interests in commodity trade and agriculture have much in common with those of developing countries and Australia has worked constructively to promote a more pragmatic, focused approach to these and to development issues more generally. Australia has also pursued its trade policy objectives through its statements to and discussions with the IMF, IBRD and EBRD, emphasising the importance of freer and fairer trade in assisting developing countries to grow out of their debt and development problems. Australia is also a signatory to the CCC-sponsored Harmonized Commodity Description and Coding System.

(ii) Regional agreements

110. The Asia-Pacific region is of considerable significance for Australia’s trading interests, as it is the fastest growing region in the world and an increasingly important market for Australian exports.

111. The trade relationship between Australia and New Zealand and the Forum Island States of the South Pacific is formalised in the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA). The Agreement provides duty-free and unrestricted access to the Australian and New Zealand markets for most of the products exported by the Forum Island countries. Australia and New Zealand provide these concessions on a non-reciprocal basis. Whilst Papua New Guinea obtains trade concessions from New Zealand under SPARTECA, its trade and commercial relations with Australia are covered by the Agreement on Trade and Commercial Relations between Australia and Papua New Guinea (PATCRA).

112. The South Pacific Forum Secretariat (SPFS) is responsible for overseeing the operations of SPARTECA and reports annually on developments under the Agreement to the South Pacific Forum.

113. Further details on SPARTECA can be found in Australia and New Zealand’s GATT notification on SPARTECA: Document L/6279 of 21 December 1987.

114. Australia has also placed high priority on encouraging greater co-operation and consultation in the Asia-Pacific region. For example, Australia took a prominent role in the establishment of the Pacific Economic Co-operation Conference in 1980 and has since been active in the development of its program and expansion of its work, particularly the sectoral task forces. Australia is co-ordinator of the task force for the Minerals and Energy Forum.
115. Australia was, in 1974, the first non-member state to establish a formal relationship with ASEAN. This relationship is now conducted in five major forums:

- the annual ASEAN Post-Ministerial Conference (PMC) attended by the Foreign Ministers of the six ASEAN countries and ASEAN's seven dialogue partners (Australia, Canada, the EC, Japan, New Zealand, South Korea and the United States) considers a range of political and economic issues;

- ASEAN PMC SOM (Senior Officials Meetings) held one to two months before the PMC (attended by senior officials from the thirteen PMC participants);

- the new ASEAN Regional Forum (ARF) attended by thirteen PMC participants as well as China, Laos, Papua New Guinea, Russia and Vietnam which will take place immediately prior to the 1994 PMC to consider Asia-Pacific security issues - it is expected to be held annually thereafter. Prior to the ARF, senior officials from the eighteen members will attend an ARF SOM;

- the ASEAN - Australia Forum (held approximately every eighteen months), attended by senior officials from Australia and the six ASEAN members; and

- the ASEAN - Australia Consultative Meetings (held approximately every six months in Canberra) comprising Australian officials and the Canberra-based ASEAN Heads of Mission.

116. The ASEAN - Australia Forum is the main focal point for the exchange of views on trade, aid and other economic matters between ASEAN as a group and Australia. Discussion focuses on issues of market access, economic co-operation in specific areas of science and technology, infrastructure projects, education and aid/trade linkages. The ASEAN - Australia Economic Co-operation Program (AAECP) was established in 1974 as a regional program to support intra-ASEAN as well as ASEAN-Australian development cooperation in addition to the bilateral aid arrangements between Australia and members of ASEAN (with the exception of Brunei). Singapore recently graduated totally from Australian bilateral aid, while remaining a beneficiary under AAECP. Currently AAECP Phase II is in operation (1989-1994). Planning is under way for AAECP Phase III to commence from 1 July 1994 over a four year period with an estimated budget of $32 million. Six development projects are being identified for implementation under a Projects Stream over this period at an average cost of $3 million per project. The balance of $14 million will be spent on a new Linkages Stream providing funding support to assist private sector involvement in agreed priority sectors.

117. **Asia Pacific Economic Co-operation (APEC):** One of Australia's objectives within the Asia Pacific Economic Co-operation (APEC) forum has been to develop a substantial trade policy agenda, both in terms of an effective trade policy dialogue and practical measures to facilitate and liberalise trade in the region. The inaugural APEC Leaders Economic Conference and Fifth APEC Ministerial Meeting, held in Seattle in November 1993, have confirmed trade and investment issues at the core of APEC's agenda.

118. APEC Leaders identified a primary role for APEC in broadening and deepening the outcome of the Uruguay Round, strengthening trade and investment liberalisation in the region, and facilitating regional co-operation. In addition APEC Ministers released a strong statement on the Uruguay Round, accompanied by a separate statement outlining new offers made by a number of members in specific sectors.
119. At Seattle, APEC members also agreed to a framework through which trade and investment issues will be pursued. A permanent high-level Committee on Trade and Investment (CTI) was established to replace previous informal arrangements, with agreement also reached on a work program. This will take forward work already underway including a dialogue on trade policy issues affecting the region, practical initiatives on investment, customs procedures, non-tariff measures, and standards and conformance. In addition the CTI will address measures identified from the Report on the Eminent Persons Group, undertake a post-Uruguay Round Review, and examine ways to further develop small and medium enterprises in the region.

120. A key source of ideas for APEC’s future work on trade and investment issues is the suggestions made by the APEC Eminent Persons Group (EPG). The EPG was established at the 1992 Ministerial meeting in Bangkok to enunciate a broad vision for trade in the region. There are four main elements to the report’s recommendations to the APEC Seattle Ministerial Meeting:

a. Trade liberalisation:
   - an enhanced role for APEC in setting the global trade agenda;
   - the commencement of new multilateral trade negotiations by no later than 1995, and that a 'Group of Wise Persons' should begin planning for such negotiations as soon as possible; and
   - set the goal for free trade in the region, including by supplementing GATT agreements with GATT consistent regional initiatives.

b. A forward-looking trade facilitation agenda including:
   - the development of an Asia Pacific investment code;
   - an Asia Pacific dispute settlement process;
   - macroeconomic and monetary policy co-operation;
   - mutual recognition of testing and certification arrangements;
   - closer co-ordination of approaches to competition policy;
   - co-operation on environmental policies; and
   - work on harmonising approaches to rules of origin.

c. Technical cooperation:
   - To facilitate the development of the human and physical resources needed for further economic advancement including, for example, the promotion of student exchanges, and closer co-operation on finance and physical infrastructure development.
d. Institutionalisation:

- An APEC Leaders Conference at least every three years; continued development of a permanent and high quality Secretariat; an enhanced role for Economic Ministers in guiding the APEC process; emphasis on consolidating APEC rather than broadening membership.

121. At Seattle, Ministers endorsed the broad thrust of the EPG Report and established processes for Senior Officials and relevant Working Groups to study the EPG recommendations for immediate implementation (where they coincide with existing work), or further analysis aimed at early implementation. The EPG has been asked to further elaborate aspects of its longer term vision and report again to Ministers in Indonesia in November 1994.

122. There was also agreement in Seattle to expand APEC’s membership with Mexico and Papua New Guinea admitted immediately, with Chile to join at the next Ministerial Meeting in late 1994. There will be no consideration of new members until 1996.

(iii) Bilateral agreements

123. Currently, Australia has bilateral trade agreements with 40 countries (listed in Appendix C) and bilateral science and technology agreements with 10 countries. Australia’s bilateral agreements are transparent and GATT-consistent. A common feature of the agreements are that they are facilitative and are designed to encourage trade without recourse to discriminatory or trade-distorting devices. With the exception of the agreements with New Zealand, Papua New Guinea, Forum Island countries and Canada, Australia’s bilateral agreements do not involve preferential treatment. The agreements typically involve the establishment of media for consultation and exchange of information and to facilitate participation in trade fairs. The Government also provides trade promotion and marketing assistance to developing countries which have bilateral trade deficits with Australia, to assist these countries to improve their trade with Australia. The aim of these assistance programs, which are funded by the Australian International Development Assistance Bureau (AIDAB), is to help developing countries compete on even terms with suppliers from developed countries.

(iv) Free trade agreements

124. The Australia New Zealand Closer Economic Relations Trade Agreement (CER): Australia’s most comprehensive bilateral trade agreement - the Australia New Zealand Closer Economic Relations Trade Agreement - is central to bilateral relations with New Zealand and has contributed to a significant increase in two-way trade since it entered into force on 1 January 1983. It replaced the New Zealand-Australia Free Trade Agreement (NAFTA) of 1966 and a succession of earlier trade agreements dating from 1922.

125. The central objective of the Agreement, the establishment of a full free trade area between Australia and New Zealand was reached on 1 July 1990 with the removal of all remaining tariffs and quantitative restrictions.

126. At their meeting in July 1990, to mark the achievement of full free trade in goods, the Australian and New Zealand Prime Ministers outlined a process, involving close consultation with their respective business communities, to set the agenda for the 1992 Review of CER. The agenda focused on practical ways in which CER could be improved. This reflected business views, and the mature stage the
Agreement had reached. The main outcomes of the review, announced by the Australian and New Zealand Trade Ministers on 7 October 1992, were:

- amendment and clarification of the CER Rules of Origin, to remove the direct shipment rule in Article 3:1, define more clearly terms such as materials and factory or works costs, and introduce greater flexibility in the application of the rules by introducing a 2 per cent margin of tolerance applicable in certain circumstances;

- clarification of consultative procedures contained in the 1988 Agreed Minute on Industry Assistance;

- an exchange of letters on technical barriers to trade, updating the 1988 Memorandum on Technical Barriers to Trade, in particular to take into account Australia's accession in 1992 to the GATT Standards Code;

- removal of the last remaining margin of tariff preference obligation contained in Annex F of the CER Agreement;

- agreement to examine the potential benefits of a scheme for the mutual recognition of goods and occupations;

- renewed commitment to work on business law harmonisation, and cooperation on customs and quarantine matters;

- a statement on Australia/New Zealand shipping, reaffirming both Governments' commitment to open international competition;

- updating the list of services exempt from the CER Protocol on Trade in Services; and

- agreement to issue a joint guide to customs procedures and a guide to CER.

127. The two governments also agreed, in the context of the 1992 Review, to the phased implementation of multiple designation of airlines between Australia and New Zealand, an exchange of certain beyond rights, domestic access for Australian and New Zealand airlines and to put in place arrangements to facilitate processing of passengers travelling between the two countries.

128. Finally, the two Governments agreed to a further general review of CER in 1995 and to institute annual Trade Ministers talks and annual Senior Officials trade and economic talks to enable a more continuous review process and address any trade difficulties expeditiously.

129. Agreement on Trade and Commercial Relations between Australia and Papua New Guinea (PATCRA): Trade between PNG and Australia is governed by PATCRA, in operation since 1977. PATCRA ensures duty-free access to the Australian market for PNG's exports and provides a framework within which PNG can seek additional assistance.

130. A renegotiated PATCRA was signed on 21 February 1991 and entered into force on 20 September 1991. The new agreement differs only slightly from the 1977 Agreement in that it includes changes to the definition of rules of origin, improved consultative mechanisms and revised schedules. The rules governing the exemptions to the free trade area are set out in Article 5 and in the Agreed Minutes and Exchange of Letters. In addition, Article 8 provides that a wide range of measures are not to be
used as a means of arbitrary or unjustifiable discrimination or as a disguised restriction on trade (similar to the GATT Article on general exemptions).

(v) Preferential agreements

131. Canada-Australia Trade Agreement (CANATA): CANATA came into effect in 1960. It provided a bilateral basis for continuation of preferential trade arrangements which were established in the Ottawa Agreements of the 1930s, and which are provided for in Annex A to Article I of the GATT.

132. Under CANATA, tariff margins of preference are accorded by each country to the other on a range of goods listed in two schedules to the agreement. CANATA also preserves the benefits of the British Preferential Tariff for other goods as applicable. These margins and ceiling rates are bound bilaterally between the two countries.

133. The 1973 Ministerial Exchange of Letters on CANATA provides for the continuation of the preferential arrangements to the maximum extent feasible and desirable. The Agreement does not preclude reduction in MFN duty rates and reduction or elimination of margins of preference may occur where necessary, following agreed notification and consultation procedures. This has occurred on a number of items in each schedule.

4. THE IMPLEMENTATION OF TRADE POLICIES

(a) Measures affecting imports

(i) Tariffs

134. MFN duty rates: The policy of the Australian Government is to gradually reduce tariffs as part of a strategy to develop internationally competitive manufacturing industries able to compete in global markets. The initial general tariff reduction program ran from 1988 to 1992, with tariffs above 15 per cent at 1 July 1988 phasing to 15 per cent on 1 July 1992. Those above 10 per cent but not greater than 15 per cent phased to 10 per cent over the same period. A further tariff phasing program commenced on 1 July 1992. Tariffs at 15 per cent or 10 per cent are phasing in four steps commencing on 1 July 1993 to 5 per cent on 1 July 1996. This program includes the bulk of tariff lines not already 'free'(around 70 per cent of all imports enter Australia duty free via MFN rates, tariff concessions and by-laws).

135. The textiles, clothing and footwear (TCF) and passenger motor vehicle (PMV) sectors have separate phasing arrangements. PMV tariff quotas were abolished from April 1988 and tariffs were reduced from 57 per cent to 45 per cent and then phased to 32.5 per cent on 1 January 1993. By the year 2000, the PMV tariff will phase to 15 per cent.

136. For TCF, tariff quotas were abolished from 1 March 1993. By 1 July 2000 the rate of duty for apparel and certain finished textiles will fall to 25 per cent from the 1993 level of 47 per cent. Footwear and most other textiles will phase to 15 per cent over the same period from 1993 levels ranging from 29 per cent to 37 per cent. TCF goods already having rates of 15 per cent or less will phase down to 5 per cent in line with general reductions for manufacturing tariffs. Imports of TCF products are not subject to voluntary restraint or other quantitative restrictions.
137. Areas where tariff phasing arrangements do not currently apply are sugar, certain cheeses, tobacco leaf and tobacco products. Prevailing arrangements for these commodities are subject to regular public review. The Government announced in February 1993 that the sugar tariff is to be maintained at its current level until 30 June 1997, with a review of the tariff to commence in 1995/96.

138. Where possible, in the context of the 1993 to 1996 general phasing program, the non-revenue component of specific and composite tariff rates has been converted to ad valorem equivalents. These will be reduced to 5 per cent in line with the general tariff phasing arrangements. Some twenty duty lines are affected. Specific rates equivalent to the excise duty levied on domestic production of beer, spirits and certain petroleum products (the revenue component) will continue to apply to imports of such products.

139. Monitoring the effects of tariff changes: There are a number of measures that are used for monitoring the impact of border protection and the pace of reform. These measures are reported in Table I, Appendix D. The table shows that under all the measures reported, barrier assistance has declined significantly since 1987.

140. When making comparisons of Australia’s tariff rates with those of other countries the different basis for import duty calculation in Australia must be taken into account. Most countries levy tariffs on the landed-duty-free value of imports, usually the cost insurance freight (cif) or equivalent valuation. Tariffs in Australia are calculated on the free-on-board (fob) value of the goods in the exporting port. Thus, an ad valorem duty in Australia levied on an import valuation that excludes freight, insurance and other importing costs, will be less restrictive and imply a smaller increase in the landed duty paid value of imports than the same rate of duty levied on the higher cif valuation of goods.

141. Australia’s unweighted ad valorem tariff average including tariff quota items has declined from 16.9 per cent to 9.9 per cent over the six year period from 1 July 1987 to 1 July 1993. Over the same period, the import weighted average tariff (based on MFN imports) has declined by 44 per cent from 10.7 per cent to 6 per cent. Due to the high level of concessional and preferential entry, the decline in the trade weighted tariff taken over all imports is greater.

142. Australia has traditionally relied on tariffs as a means of protecting local industry. In the case of manufacturing, over 95 per cent of assistance in 1992/93 was provided by tariffs. Two summary measures of industry assistance are the nominal and effective rates of assistance. The first measure takes into account the assistance afforded the output of an activity while the second measure takes into account the net effect of assistance to outputs and the taxing effect of tariffs on inputs. In 1986/87, the nominal rate of assistance for the manufacturing sector was estimated to be 12 per cent. By 1993/94 this nominal assistance is projected to be half of this level and by the year 2000 nominal assistance to outputs will have further declined to 3 per cent.

143. In terms of the effective rates, which summarise the assistance induced incentives to engage in an activity, assistance to manufacturing nearly halved, reducing from 19 per cent in 1986/87 to (a projected) 10 per cent in 1993/94. In line with the decline in nominal rates, effective rates are projected to decline to a low of 5 per cent in the year 2000. This represents a decline of over 70 per cent from 1986/87 levels.

144. Reflecting the reduction in tariff levels, the tariff penalties on inputs used by primary industry, manufacturing and service sectors have declined and are set to decline further.
145. **Tariff bindings:** About 20 per cent of Australia’s tariff rates are bound in the GATT. This reflects the fact that bindings are negotiated on a mutually beneficial and reciprocal basis (GATT Article XXVIIIbis) and that Australia has gained little in reciprocal concessions from past MTN rounds on key products of export interest to Australia. The low level of bindings has not, however, precluded Australia implementing substantial unreciprocated tariff reductions on a unilateral basis. The scope and depth of Australian tariff bindings will increase substantially following a successful outcome to the Uruguay Round. While the level of bindings of other developed countries is higher, it has to be taken into account that the value of bindings in some of these countries, unlike Australia, is significantly reduced by other measures such as ‘voluntary’ restraints. For the record, Australia has been forced to accept such voluntary restraints on its exports of important commodities such as steel and meat.

146. **Duty Drawback:** The Duty Drawback Scheme enables an exporter to claim a refund of import duty, sales tax and excise duty paid on goods or components fully incorporated into manufactured goods which are subsequently exported. Exporters must demonstrate that export has occurred and that duty was paid on importation in order to claim drawback.

147. In addition to the Duty Drawback Scheme, exporters can gain concessional entry via the Tariff Export Concession (TEXCO). This enables enterprises to gain exemption from duties on goods intended for subsequent export, either in their imported state or incorporated into a manufactured product. Importers must provide evidence of prospective export and must maintain a security, in cash or documents held with the Australian Customs Service, sufficient to cover the full value of duty payable.

148. Similar schemes have been in existence since 1968, but from 1988 onwards changes have been made to the schemes to facilitate refund of duties/concessional entry for imported components where the end product is for export.

149. Legislation for the Duty Drawback Scheme is contained in the Customs Act 1901 and associated regulations, the Excise Act and Regulations and the Sales Tax Assessment Act. The TEXCO Scheme operates under a Policy Item in Schedule 4 of the Customs Tariff Act 1987 and an associated by-law.

150. **Concessional tariffs:** Australia operates two distinct systems for providing tariff concessions to importers. Firstly, under the Tariff Concession System (TCS), Australia allows duty free entry of imports where there are no substitutable goods produced in Australia in the ordinary course of business. Once a tariff concession order (TCO) is in place, any importer can use it to import goods described in the order at the concessional rate.

151. The Government’s decision on changes to the Commercial Tariff Concession System was announced on 26 September 1991, and legislation implementing the new Tariff Concession System came into effect on 1 November 1992. Legislation for the scheme is contained in the Customs Act 1901, with TCOs being made as items in Part 2 of the Schedule of Concessional Instruments against Policy Items in Schedule 4 of the Customs Tariff Act 1987. The associated by-laws are in the Schedule of Concessional Instruments.

152. Secondly, the Policy Item/By-Law System allows concessional entry (usually duty free) to address a range of policy situations for which the TCS is not appropriate. It is used for instance to meet certain Australian obligations under international treaties, such as the Florence Agreement. The mechanism for approval and for importation under this system varies, depending on the particular purpose and the conditions applying to the Item and/or its by-laws. In addition to meeting Australian obligations under international treaties, the system covers a number of programs including TEXCO (mentioned
153. The Overseas Assembly Provision (OAP) scheme was introduced for a trial period of three years from 1 March 1993. The Scheme enables clothing manufacturers to cut fabric in Australia for assembly in other countries and import the finished garment free of duty on the Australian content, provided 85 per cent of the fabric is made in Australia. It is open to any clothing company and firms participating in the scheme are required to apply to the Textiles, Clothing and Footwear Development Authority (TCFDA). The Authority considers these applications before making recommendations to the Minister for Industry, Technology and Regional Development. The US and a number of European countries run similar schemes to Australia’s OAP scheme.

154. **Tariff quotas:** With the termination of TCF quotas on 1 March 1993, tariff quotas have been removed from all imports except some types of cheese. Schedule 4 of the Customs Tariff Act 1987 contains the relevant legal instrument.

155. **Tariff preferences:** Australia provides tariff preferences to a number of countries. The Australia New Zealand Closer Economic Relations Trade Agreement (CER) provides for reciprocal free trade for goods of Australian and/or New Zealand origin. Agreements with the Forum Island countries and Papua New Guinea provide duty free entry into Australia for goods originating in these countries. Tariff preferences are provided on imports from Canada for specified products under CANATA, however, these margins of preference are being reduced in a number of cases as a consequence of the phased reduction in MFN tariffs.

156. The Australian System of Tariff Preferences for Developing Countries (ASTP) provides for the developing country (DC) tariff rate to be 5 percentage points below the MFN tariff rate where that MFN rate exceeds 5 per cent, and DC imports are admitted duty-free where the MFN tariff rate is 5 per cent or lower. The scheme does not apply to the internal tax component of tariffs applied to goods which are subject to excise duties.

157. In 1991, Australia announced the phased removal of DC preferences for imports from Singapore, Hong Kong, Taiwan Province, and the Republic of Korea. Rates of duty from these sources are frozen at the rate applicable from 1 July 1992 until the MFN tariff rate falls to the DC preference rate. Thereafter the MFN tariff rate will apply. There will be no increase in tariffs. Simple average tariffs for these countries will reduce from 8.9 per cent in 1992 to 4.9 per cent in the year 2000.

158. The Government decided in early 1993 that DC preference margins applicable to textiles, clothing and footwear; chemicals; sugar; vegetable and fruit preparations; tuna; and dried fruit would be phased out for all ASTP beneficiaries except the Least Developed Countries (LDCs) and the South Pacific Island Territories. These changes are operative from 1 July 1993. No country will face higher tariffs as a result of these changes which are being implemented on the same basis as for Singapore, Hong Kong, Taiwan Province and the Republic of Korea. Simple average tariffs applying to DC suppliers will fall from 8.9 per cent in 1992 to 1.9 per cent in the year 2000.

159. In principle, the ASTP contains no product or country specific quotas or ceilings nor does it include safeguard clauses or general provisions for graduating more economically advanced countries.

160. **Import taxes:** Apart from anti-dumping and countervailing duties, there are no import taxes levied additional to those levied via the tariff.
(ii) **Import restrictions**

161. Australia does not impose quantitative import restrictions. There are no government-to-government Voluntary Export Restraints or Orderly Marketing Agreements applying to imports into Australia and Australia is not a signatory to the Multi-Fibre Arrangement. Australia has no Article XIX actions which are currently effective.

162. Australia is a signatory to the GATT Code on Import Licensing. Import licensing on second hand materials-handling equipment was terminated in 1989. Australia does not use import licensing to control imports, except in relation to narcotics, certain psychotropic substances and therapeutic substances and goods. For details see L/5640/Add.13/Rev 5.

163. There are few products for which importation is prohibited absolutely. Conditional import prohibitions apply to about 6 per cent of the tariff classifications in Schedule 3 of the Australian Customs Tariff. Such products can be imported provided that written authorisation is obtained or certain regulations are complied with. Such conditional import prohibitions are imposed for reasons other than assistance purposes, for example health, safety, censorship or to meet obligations arising from Australia's membership of international agreements.

(iii) **Quarantine requirements and food inspection**

164. As an island nation currently free of many diseases present in other countries, Australia imposes quarantine controls on imported products.

165. Australia's quarantine objectives are to facilitate the importation of animals, plants and related products while maintaining the maximum practical protection against the entry and spread of exotic pests and diseases, to ensure that agricultural products inspected by the Australian Quarantine and Inspection Service are safe, wholesome, fit for human consumption and accurately described and that mandatory health requirements and international obligations (treaty and other) are met. Quarantine decisions are based on sound technical grounds. Furthermore, in keeping with GATT commitments, Australia does not use quarantine measures in an unjustified or arbitrary way as a means of protecting its industries against foreign competition in domestic markets.

166. In the development and review of its policies, AQIS undertakes consultation with importers, exporters, overseas countries (both importing and exporting), scientific and other relevant organisations. On the multilateral front, AQIS participates in the Office International des Epizooties, FAO/WHO Codex Alimentarius Commission, OECD and UNECE committees on standards for fresh fruit and vegetables, International Plant Protection Convention, Asia and Pacific Plant Protection Commission and several lesser organisations concerned with plant and animal health issues. AQIS also maintains bilateral relationships with major importing and exporting countries and has developed a wide range of quarantine protocols to facilitate trade in animals, plants and their products.

167. Implementation of the quarantine program involves clearance of passengers and personal effects at air and seaports, container and cargo clearances, inspection of postal articles, supervision of approved premises and treatment of plant material and goods. Disease screening of imported plant material and supervision of animal imports as well as the operation of quarantine stations are important post-entry activities. Quarantine restrictions apply to live animals, animal products, fruit and vegetable, pasture seeds, grain, legumes, oilseeds and rice.
168. Work on international standards as far as plant quarantine is concerned is being undertaken under the International Plant Protection Convention in response to GATT initiatives on a decision on sanitary and phytosanitary (SPS) issues. The Australian Government’s quarantine policy is consistent with the draft SPS decision.

169. In developing and implementing its risk assessments, the Australian Quarantine and Inspection Service (AQIS) liaises closely with other agencies tasked with protecting the environment.

170. Removal or at least standardisation and harmonisation of trade rules as they relate to animal health has been pursued in IOE (International Office of Epizootics) and FAO (Food and Agricultural Organisation). Australia uses IOE Codes wherever possible.

171. Export inspection operations include the inspection and certification of meat and non-meat products for export and the inspection of most meat for domestic consumption. Non-meat products include fish, dairy products, fresh and processed fruits and vegetables and cereal crops such as wheat, rice, sorghum, etc. With regard to unprocessed plant products, inspection is often only to meet conditions of the International Plant Protection Convention. Live animal exports are also inspected against health and disease parameters.

172. Australia is an active member of a number of international technical groups aimed at harmonisation of a range of technical aspects relating to agricultural and veterinary chemicals. For example:

- Codex Committee on Pesticide Residues (of the WHO/FAO’s Codex Alimentarius Commission);
- Codex Committee on Residues of Veterinary Drugs in Food;
- Agrochemicals Commission (of the International Union of Pure and Applied Chemistry);
- Collaborative International Pesticides Analytical Council (of the FAO); and

173. Whilst Australia is either adhering to international standards, or moving in that direction, there will be a few instances where, on scientific grounds, and having regard to local factors, it will be appropriate for Australia to adopt standards that are tighter than international standards.

(iv) **Government offsets and procurement**

174. The Government’s civil offsets program (which was in operation from the early 1970s) was abolished in 1992. No new civil offsets activities were initiated by the Government after June 1991. Under the previous offsets policy, overseas suppliers of goods and services were required to provide offsets activities in Australia at a level of 30 per cent of the value of the imported content component for purchases valued in excess of $2.5 million. The civil offsets program principally benefited the aerospace and information industries. In 1991, it was decided to maintain the Defence offsets program. Defence procurement (including the offsets scheme) is currently under public review by the Industry Commission.
175. The Standing Committee on Industry and Procurement (SCIP) is an advisory body which is largely concerned with coordinating Commonwealth and State industry development activities. It undertook tasks on behalf of the then Australian Industry and Technology Council (AITC) and initiated reports associated with the industry development implications of government purchasing. Its membership is drawn from officials of Commonwealth, State, and Territory industry and purchasing policy agencies and from the New Zealand High Commission.

176. SCIP considers such matters as:

- the revision of the National Preference Agreement, now the Government Procurement Agreement, following the move to zero preference by the Commonwealth and some states; and

- options available to better align and co-ordinate Commonwealth, New Zealand, State and Territory procurement policies.

177. Following the Government’s review of its Ministerial Councils, the AITC was replaced with the Australian Industry and Regional Development Council. The future of SCIP has yet to be decided.

178. The National Supply Group (NSG) is an advisory body which is concerned with co-ordinating Commonwealth and State strategic issues related to public sector procurement. It reports to Chief Executive Officers of procurement policy agencies and the respective Ministers responsible for common services provision.

179. The NSG, in conjunction with SCIP on industry development issues, considers such matters as:

- the revision of the Government Procurement Agreement, following the move to zero preferences by the Commonwealth and some States; and

- options available to better align and co-ordinate Commonwealth, New Zealand and Territory procurement policies.

180. The Australian Government does not use countertrade as a trade policy measure.

(v) Rules of origin

181. Rules of origin for preference purposes apply to goods which are claimed to be the produce or manufacture of New Zealand, Papua New Guinea, Forum Island countries, developing countries and Canada and which are eligible for preferential tariff treatment when imported into Australia.

182. Under Australian rules of origin (preference) legislation, as contained in the Customs Act 1901, goods are treated as the produce or manufacture of a country if they are its unmanufactured raw products, are wholly manufactured in the country or are partly manufactured in the country and meet specified requirements in relation to factory or works cost.

183. Goods are treated as partly manufactured in a preference country if the last process in their manufacture was performed in the country and a specified percentage of the factory or works cost is represented by materials, labour and overheads of the country. In some cases, costs contributed by certain other countries can also be counted. For example, a developing country can include factory
or works costs contributed by any other developing country, a Forum Island country can include costs from any other Forum Island country, and all preference countries can include any Australian content.

184. Rules of origin were among the issues examined in the 1992 CER Review when the Governments of Australia and New Zealand agreed to a number of changes.

185. The Commonwealth Government also decided to extend the administrative and definitional aspects of the Australia New Zealand agreement on rules of origin to other preference arrangements.

(vi) Anti-dumping and countervailing policy

186. Action to remedy injurious dumping or subsidisation of imports is governed by legal provisions found in the Customs Act 1901, the Customs Tariff (Anti-Dumping) Act 1975 and the Anti-Dumping Authority Act 1988. These provisions reflect Australia's rights and obligations as signatories of the General Agreement and of the GATT anti-dumping and subsidies and countervailing codes.

187. The last review of anti-dumping and countervailing provisions was undertaken in 1991, with changes being implemented in July 1992 and January 1993. These provided, inter alia, for a reduction to 125 days in the time allowed for processing applications to preliminary finding stage (145 days for complex cases); extension of the sunset provisions for anti-dumping and countervailing measures from three to five years; and a new system for the imposition of anti-dumping and countervailing duties.

188. Use of anti-dumping and countervailing measures is determined by the Minister where it is established as a result of an inquiry that dumping or subsidisation is causing or threatening material injury to Australian industry.

189. The Australian Customs Service (ACS) has 25 days in which to examine each application lodged. Only if there is reasonable evidence of dumping, material injury and a causal link, is an investigation undertaken. If an inquiry has commenced a preliminary determination must be made within 100 days unless, due to the complex nature of the product or the issues to be resolved, the inquiry period has been extended in which case the determination must be made within 120 days. If Customs' determination is in the affirmative at this point, the Anti-Dumping Authority has a further 120 days to undertake the final investigation and make recommendations to the Minister.

190. The decision to apply for action is a commercial one made solely by the Australian industry and is not influenced or controlled in any way by the Australian Government. Assembling the necessary material to justify the initiation of an application represents a considerable commitment by the industry in terms of both time and resources, and is not lightly undertaken.

191. The Australian system is transparent - any interested party may lodge a submission to an inquiry; a 'public file' system is used by both Customs and the ADA; draft information and calculations are consistently forwarded to firms for comment; and reports are always published. Interested parties are encouraged by the ADA to attend a public 'meeting of parties' at which the major issues in the case can be discussed in a public forum.

192. Provision is made for independent reviews, either through the ADA (on all aspects of a case) or through the Federal Court (on whether procedures were undertaken in accordance with the law). All duties are put in place for a finite length of time (five years). At any time an exporter or importer can seek a revocation of duties where it is believed these are no longer justified.
193. The Government continues to adhere to a policy, enshrined in legislation, that anti-dumping and countervailing measures are not to be used to protect Australian industry from the need to adjust to changing international competitive pressures, or as an unjustifiable impediment to trade.

(vii) Local content arrangements

194. Agriculture: Fruit and vegetable juices and drinks consisting of at least 25 per cent Australian, New Zealand or Papua New Guinea juice carry a wholesale sales tax of 11 per cent. Other juices and drinks face a wholesale sales tax of 21 per cent. This arrangement pre-dates the GATT.

195. Domestic manufacturers of tobacco products which voluntarily use 50 per cent local tobacco leaf content may import the remainder of their requirements at a lower concessional tariff rate. In recent years manufacturers have voluntarily increased this from 50 per cent to 57 per cent. The arrangements will terminate on 30 September 1995.

196. Industry: The Commonwealth Government does not apply any local content requirements in the manufacturing sector. The specific local content requirement in the passenger motor vehicle industry was abolished in 1988.

(b) Measures affecting exports

(i) Export taxes

197. The Commonwealth Government's Coal Export Duty was introduced in 1975. Changes to the duty led to the tax applying only to six open cut mines in Queensland and the Commonwealth abolished the duty with effect from 1 July 1992. Abolition of the duty was seen as a significant microeconomic reform. It was achieved in a such a way as to ensure long run benefits would flow to the Australian coal industry as a whole, since the operator of the six mines on which the duty was levied agreed to a number of commitments in areas such as enhanced research and development in exchange for the duty's removal.

198. The Commonwealth Government applies a levy to all exports of uranium concentrate produced in the Alligator Rivers Region of the Northern Territory. This levy was imposed in recognition of the special costs borne by the Commonwealth in undertaking environmental monitoring and research in this region. It is administered principally through the Office of the Supervising Scientist established under the Environment Protection (Alligator Rivers Region) Act 1978. Since the closure of the Nabarlek uranium mine, the Ranger uranium mine is the only mine affected. The levy is currently set at $1.30 per kilogram of U3O8, collected at the point of export.

(ii) Export restrictions

199. Controls on the exportation of certain products are applied for environmental, cultural and national interest reasons.

200. Exports of unprocessed wood and woodchips are controlled to ensure that environmental values are protected and that the price obtained for the goods is consistent with prevailing world market prices.

201. Export controls on certain mineral sands are maintained to ensure that environmental heritage objectives are met.
202. The major objective of controls on bauxite and alumina is to ensure that export prices are in line with world market prices. These controls also provide a mechanism to ensure new projects meet environmental and heritage protection requirements.

203. The Government requires Australian coal exporters to submit settlements with purchasers for acceptance for export control purposes. The Government does not become involved in price negotiation for coal sales, with sales terms and conditions being examined for export control purposes after negotiations have been completed. Generally, coal export settlements are approved quickly, with the Government exercising its power to withhold export approval only in the exceptional circumstances where clear and compelling national interest considerations are involved. The purpose of export controls on coal is to ensure that prices for Australian coal are fair and reasonable and in line with the market.

204. The Protection of Movable Cultural Heritage Act 1986 and Regulations control the export of objects of significance to Australia's cultural heritage. Categories in the Control List include objects such as archaeological items and Australian Aboriginal and Torres Strait Islander artefacts.

205. Restrictions apply on the export of Australian native wildlife. The objectives of the Wildlife Protection (Regulation of Exports and Imports) Act 1982 include the protection and conservation of the wild fauna and flora of Australia to protect potential adverse effects on natural habitats, animals and/or plants. Trade may also be restricted if the species is listed under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

206. In 1989 Australia became a participant in the Co-ordinating Committee for Multilateral Strategic Export Controls (COCOM). As a result, controls on Australian exports of high technology with dual civil and military use have been revised. From 23 May 1989, Australian exporters have been required to obtain a permit from the Department of Defence for all exports of dual-use technology to all destinations.

207. Export of Australian wine must be licensed by the Australian Wine and Brandy Corporation (AWBC) under the AWBC (Exports) Regulations, made under the Australian Wine and Brandy Corporation Act 1980. Samples of all wines to be exported must be submitted to the Corporation to ensure they are sound and merchantable and meet importing country requirements.

208. Exporters of Australian apples, pears, nashi, citrus, honey and dried vine fruits must be licensed by the Australian Horticultural Corporation under the provisions of the Australian Horticultural Act (1987) at the request of industry - generally for orderly market development.

209. Exports of wheat are prohibited without the consent of the Australian Wheat Board (AWB) under the Wheat Marketing Act (1989). To ensure the effective administration of this arrangement the approval of the Minister for Primary Industries and Energy is also required under the provisions of the Customs (Prohibited Exports) Regulations. These export controls take account of the current distortions in the international grain market and will be reviewed subject to progress in the Uruguay Round of the GATT and as any successful reforms arising from the Round become effective.

(iii) Export assistance

210. A number of Commonwealth Government programs assist Australian exporters. Commonwealth assistance to exporters under general export strategies as reported in the 1993/94 Commonwealth Budget totalled $396.7 million in 1992/93. Outlays under these schemes are set out in Table II, Appendix D.
211. Export promotion financial assistance provided to exporters by the Australian Trade Commission (Austrade) in 1992/93 was $178.3 million. This represented an increase of 8.4 per cent over the previous year. A proportion of the assistance provided to exporters is refundable to the Government. The major programs of financial assistance are the Export Market Development Grants Scheme ($148m), the International Trade Enhancement Scheme ($20m), the Innovative Agricultural Marketing Program ($3.7m) and the Project Marketing Loans Facility ($1.2m).

212. These schemes require claimants to meet rigorous criteria but are not export performance related. It is estimated that 3,350 claims will be lodged for EMDGS in 1993/94. EMDGS has a budget of $209 million and ITES one of $32 million in 1993/94. In line with the Commonwealth Government's policy of recent years that agencies should charge fees or retainers for certain of their services, Austrade has implemented a regime of cost-recovery charges for selected exporter services.

213. Details of the schemes reported in the table follow.

214. **Export Development Schemes:** The Export Market Development Grants Scheme is designed to encourage small to medium-sized companies develop export markets for goods, specified services industrial property rights and know-how. Retrospective taxable cash grants are made to cover part of an exporter’s initial marketing expenses.

215. **Export and Trade Promotion:** AUSTRADE is the principal government provider of Australia’s export and trade promotion. Services provided by AUSTRADE include export counselling, market research and in-market support information and publishing services and trade displays.

216. AUSTRADE has three main aims - to maximise the effectiveness of Australia’s international business effort, to assist export development and to attract foreign investment into Australia. It provides financial assistance to eligible companies to secure increased international business and to develop overseas markets. It delivers services to clients through an extensive network of offices around Australia and overseas. Austrade also mounts a range of trade displays around the world to increase awareness of Australian products and services. The high level of interest in its export services is indicated by over 238,000 client contacts in 1992/93.

217. Austrade also manages the Commonwealth Government's Investment Promotion Program (IPP) under a budget from the Treasury. In 1992/93 this $4.9 million program helped to secure foreign investment valued at $988 million in thirty seven projects. IPP assists Australian companies identify suitable foreign equity partners in their projects and encourages foreign companies to invest in specific projects.

218. In terms of regional focus, Austrade spent over half its overseas budget for 1992/93 in Asia, where it has twenty seven permanent offices, plus part-time representatives.

219. Austrade maintains close working relations with other Commonwealth agencies and with all State governments. It also plays an active part in the National Trade Strategy Consultative Process. One tangible product of that process was Austrade’s creation of an international Business Calendar in 1993. This allows for better coordination among Commonwealth and State agencies, as well as industry associations, in overseas mission planning.

220. **Export Credit Insurance and Finance Facilities:** In trade finance, the Government’s objectives are to promote greater transparency and discipline in the use of export credits by all countries while ensuring, within the international disciplines, that Australian exporters have access to trade finance.
and insurance which is comparable to that which is made available to their competitors by other Governments.

221. The instrument for this policy is the Export Finance Insurance Corporation (EFIC), a Commonwealth Statutory Authority operating under its own Act. EFIC provides a range of specialised export credit insurance, finance and guarantee facilities not normally available from the private sector. In late 1991, EFIC was reconstituted from the Australian Trade Commission (AUSTRADE) with its own Board. The powers and functions of EFIC remained unchanged and the Commonwealth Government’s guarantee of its operations was also retained.

222. EFIC operates its own commercial account on a self-funding basis and a National Interest Account where the Commonwealth Government is responsible for any losses. While EFIC’s entire operation is backed by a Government guarantee, there has not been a call on it during EFIC’s 37 years of operation. EFIC complies with the OECD Arrangement on Officially Supported Export Credits. It applies risk based premiums and, in conformity with GATT obligations, follows a financial policy directed at paying its way.

223. EFIC’s export finance facility provides loans in support of Australian capital goods exports and related services at interest rates in conformity with the terms of the OECD Arrangement. The difference between EFIC’s borrowing rates and its lending rates is covered by an interest subsidy from the Government ($9.4 million in 1992/93 and estimated to be $7.6 million in 1993/94). National Interest claim payments in the Budget were $58.8 million in 1992/93. Half of this amount related to non-payment of wheat debts by Iraq following the imposition of UN sanctions. The latest estimate for National Interest claim payments in 1993/94 is $25.1 million.

224. Other measures that assist exports: There are number of other programs which provide assistance to exports. Some of the more significant schemes are described below.

225. Australian Tourist Commission: The Australian Tourist Commission markets Australia as a destination for international tourists. Its programs include the development of marketing campaigns across the world. Budget outlays are expected to be $77.1 million in 1993/94.

226. The Development Import Finance Facility (DIFF): The DIFF provides, in a manner consistent with the OECD Arrangement, Australian Government foreign aid funds in combination with EFIC loans, to create soft loan packages for the supply of Australian goods and services for development projects. The projects must satisfy aid criteria. The aid grant component is classified as foreign aid and is reported as ODA to the OECD’s Development Assistance Committee. The Budget outlay to the aid program for DIFF was A$98 million in 1991/92 and A$120 million in 1992/93.

227. Export Access: Export Access was introduced in 1991 to assist small and medium-sized enterprises (SME’s) enter export markets. It is a trade facilitation program tailored to SMEs and delivered by a network of national and State based industry associations. The program received an additional $8 million in the August 1993 budget. Approximately $20 million is expected to be outlaid on the program to the end of 1995/96. Project managers work closely with SMEs providing such assistance as identification of market opportunities, business matching and evaluation and follow up activities. The total expenditure under this program in 1992/93 was $A4.1 million.
(c) Other measures

(i) Sales and excise tax

228. The Commonwealth Government imposes Wholesale Sales Tax (WST) and excise on a range of goods as part of its general revenue raising policies. The broad thrust of these measures are described below.

229. Wholesale Sales Tax (WST): WST generally applies to the last wholesale sale of goods that have not previously been used in Australia. It applies to both locally produced goods and imported goods. WST also applies where goods are not sold by wholesale (for example where they are sold by retail by a manufacturer or where a manufacturer applies taxable goods to its own use). WST is paid on the wholesale selling price of the goods, or where there is no wholesale sale, alternative values are used. Services are not subject to WST and exported goods are exempt.

230. Rates of WST vary. The general rate is 20 per cent. However, most household goods (such as whitegoods and furnishings) and some foods and beverages (for example confectionery) are taxed at the rate of 10 per cent. Most passenger motor vehicles are taxed at 16 per cent, and certain 'luxury' goods (including luxury cars, furs, jewellery, TVs and stereos) are taxed at 30 per cent.

231. Many goods, including clothing (except furs), medicines and most foods, are exempt from tax. Other goods, such as tobacco and petroleum fuels, are exempt from WST but are subject to excise duty. Goods for use by certain bodies, such as Government departments and public hospitals, are exempt and a wide range of goods for use as inputs into goods production, for example manufacturing, mining or primary production, are also exempt to reduce cascading of the tax.

232. The Government recently replaced the WST legislation with a more streamlined structure, which essentially is intended to be clearer and easier to use than the previous legislation. The new WST legislation, which came into effect on 1 January 1993, now consists of six acts. These are:

- Tax Assessment Act 1992;
- Sales Tax(Exemptions and Classifications)Act 1992;
- Sales Tax Imposition(Excise) Act 1992;
- Sales Tax Imposition(Customs) Act 1992;
- Sales Tax Imposition(General) Act 1992; and

233. Excise duties: Excise duties apply, at varying rates, to alcoholic beverages (but not wine), tobacco and most petroleum products for home consumption in Australia. Various rebates of excise are available in respect of diesel fuel purchased for off-road use by certain users (in mining, primary production, hospitals and for home heating). Where excise applies to domestically produced products, an excise component equivalent to the rate for domestic production is included in the import duty rate for those products when imported.

(ii) Standards

234. Standards and Testing: Australia joined the Standards Code on 1 March 1992 and has established a GATT Enquiry Point within the Department of Foreign Affairs and Trade. Australian standards generally accord with recognised international standards. Australian standards are applied to protect the safety and welfare of consumers. They apply equally to imported goods and those of Australian
origin. Labelling and packaging standards apply to many products ranging from food, clothing and chemicals to various items of machinery and equipment. Health and safety standards apply to a range of agricultural, food, textiles, clothing chemical and scientific products. Implementation of standards is frequently a State/Territory responsibility. Food standards are essentially uniform between States and Territories and take cognisance of the international Codex Alimentarius Standards. There are a number of Government agencies preparing standards in particular areas such as food and therapeutic goods, automotive and marine transport, radio communications and telecommunications. Some of the Government agencies involved in standards writing include the Department of Transport and Communications, the Australian Telecommunications Authority (AUSTEL), the Department of Health, Housing, Local Government and Community Services, the Department of Primary Industries and Energy, the Spectrum Management Agency (SMA) and the National Food Authority.

235. **Standards Australia**: Standards Australia is recognised by a Memorandum of Understanding with the Commonwealth Government as the peak standards writing body in Australia and is responsible for most of the technical standards writing.

236. Standards Australia is a non-government agency whose standards are voluntary unless called up into legislation by Commonwealth, State or local government agencies. Standards Australia is administered by a Council comprising nominees from the Commonwealth and State Governments, associations representing manufacturing and commercial interests, professional institutes and other bodies representing a diversity of community opinion including consumers. Four Standards Policy Boards, the Building Standards, Electro-Technology Standards, Multitechnics Standards and International standards, provide general policy direction for standards activities and are the major link between the broad community and standards-writing committees. Some 1,700 technical committees in which over 9,000 volunteer experts participate, form the core of the standards writing process. Committee membership is drawn from relevant sectors of industry, government, professional associations, academia, and community and consumer groups. Many Australian standards are used as a basis for national and international conformity assessment.

237. In line with Government guidelines for alignment with international standards, SA maintains a policy whereby if an existing international standard exists, its first option is to adopt that international standard using the process known as 'cloning'. If there are valid reasons for variation to the international standard - for instance to incorporate additional safety requirements or allow for climatic conditions - these are identified in the preface to the Australian standard.

238. The Commonwealth provides grant-in-aid funding to Standards Australia (SA) and the National Association of Testing Authorities (NATA) to cover a range of national interest activities in the standards and testing fields. Funding covers activities such as membership of international bodies and attendance at key meetings, and accelerated development work for standards or testing procedures.

239. **The National Association of Testing Authorities (NATA)**: NATA was established by the Commonwealth Government in 1947, but is now incorporated as a non-profit company. NATA provides a laboratory accreditation program offering services across all areas of testing, measurement and calibration. NATA’s memorandum of understanding with the Commonwealth Government requires it to undertake a number of activities to support the international acceptance of Australian test and measurement data, including for example representing Australia in the International Laboratory Accreditation Conference.

240. **Agreement on Standards, Accreditation and Quality (ASAQ) and the Joint Accreditation System of Australia and New Zealand (JAS-ANZ)**: The October 1990 Agreement on Standards, Accreditation
and Quality (ASAQ) is essentially an umbrella agreement, the objective of which is to remove technical barriers to trade within Australia and between Australia and New Zealand caused by differing requirements regarding product and processing standards accreditation arrangements, test procedures and certification schemes. ASAQ is not based on any legal obligation of the signatories, but relies on their cooperation and goodwill. The agreement is implemented by a Monitoring Committee, consisting of representatives of the Commonwealth, State and Territory Governments and New Zealand, as well as the Chief Executives of Standards Australia, the National Association of Testing Authorities, the National Standards Commission and their New Zealand counterparts.

241. At the time of approving ASAQ it was agreed that the Governments of Australia and New Zealand would work towards a common accreditation scheme for quality systems.

242. The Commonwealth Government signed a treaty with the New Zealand Government to establish the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) in October 1991. The System established a Council which will accredit to international standards those organisations that assess and certify suppliers of goods and services. This System will replace the current multiplicity of practices and assessment procedures operating to differing standards. Its objectives are to strengthen trade; to be the joint accreditation body for quality systems certification, product certification, personnel certification and laboratory accreditation; and to establish mutual recognition agreements with Europe and other nations and with other accreditation bodies on a bilateral and multilateral basis.

243. The Council actively participates in a number of international committees that work to develop uniform standards for accreditation and certification bodies to adopt. This work provides a strong basis upon which mutual recognition agreements can be based. JAS-ANZ has signed a Memorandum of Understanding with the American National Standards Institute (ANSI) and the Registrar Accreditation Board (RAB), who jointly operate an accreditation program for quality certification bodies operating in the United States. The memorandum details the agreed steps that need to be taken to achieve a mutual recognition agreement between the bodies. The accreditation bodies operating in the UK, Netherlands and Canada have all agreed that they will sign a similar memorandum with JAS-ANZ in the near future.

244. Mutual Recognition Agreement on Product Testing and Conformity Assessment: Discussions on a possible Mutual Recognition Agreement (MRA) were initiated by the Commission of European Communities (EC) in late 1990. The EC has adopted a global approach to testing and certification which will ensure a community-wide accreditation of a country’s certification facilities. Under this approach, MRAs between the EC and other countries will replace all existing bilateral arrangements. The advantage of this approach for Australian exporters to Europe will be their ability to assess the conformity of their products to EC requirements in Australia through the Australian testing and certification network.

245. MRAs with other countries will initially address ten product areas in the EC’s regulated sector, known as the New Approach directives. These are areas where the Commission has established minimum essential health, safety, consumer and environmental requirements with which products must comply.

246. The EC expressed interest in undertaking exploratory talks jointly with Australia and New Zealand as a cost effective way of making progress. Accordingly, representatives from the EC and the Governments of Australia and New Zealand held exploratory discussions in Brussels in December 1992.
247. The exploratory discussions clarified a number of issues including the general parameters of the prospective negotiations and the way future negotiations might proceed. They involved an extensive exchange of information on the respective systems of conformity assessment.

248. The EC decided in November 1993 that Australia and New Zealand should be among the first group of countries with which it would begin formal negotiations on an MRA. The first round of negotiations is expected to be held early in 1994.

249. Asia Pacific Economic Cooperation (APEC): In March 1993, APEC members agreed to commence work on standards and conformance, initially through a survey of regional practice. A survey was jointly developed by Australia, Japan and New Zealand with preliminary findings presented to the Regional Trade Liberalisation (RTL) Group Meeting in Seattle in November 1993.

250. At the Seattle Ministerial Meeting in November 1993, APEC Ministers endorsed recommendations for further work on standards and conformance. These recommendations will be taken up by the new Trade and Investment Committee which will replace the informal RTL group. In broad terms, APEC’s work on standards and conformance is aimed at achieving three integrated objectives:

- greater alignment of APEC members with existing international standards;
- expanded mutual recognition of conformance arrangements (eg. testing, certification); and
- closer co-operation by APEC members in appropriate international bodies.

(iii) Production Bounties


252. Bounties are subject to public scrutiny and accountability. Firstly, most bounties have a sunset provision which calls for periodic review. Secondly, amounts allocated by the Parliament for payment of bounties are published in the Budget. Thirdly, all bounty legislation requires a return to be tabled in Parliament in each financial year setting out the name, address and amount of bounty received by each claimant in that financial year. This becomes a public document and is available to interested parties.

253. Bounties operate as a substitute for tariffs, but without imposing costs on users. All bounties have sunset clauses, and almost all are phasing down in line with phased reductions in tariffs.

254. Table III, Appendix D provides details of Bounty schemes by sector of economic activity in 1993/94.

(iv) Tax exemptions and concessions

255. The Australian taxation system contains a number of provisions to support specific activities. Since 1989, a number of new measures have been introduced, mainly as a result of the Government’s
February 1992 *One Nation* and February 1993 *Investing in the Nation* statements. The major measures are outlined below.

256. A deduction of 150 per cent is allowable for qualifying expenditure incurred on research and development activities carried out in Australia. A company’s total research and development expenditure for the year must be greater than $50,000 to qualify for the full concession, while a phased-in rate of between 100 and 150 per cent is available for expenditure between $20,000 and $50,000. Expenditure on plant used exclusively for research and development is deductible at a rate of 150 per cent over three years.

257. A number of measures to encourage investment have recently been introduced:

- the Government announced, in February 1992, that depreciation deductions for new plant and equipment would be accelerated, particularly for assets with long effective lives;

- also in February 1992, the Government announced the introduction of a development allowance which provides an additional tax deduction of 10 per cent of the cost of plant and equipment for projects with a capital cost of $50 million or more. Eligible projects must meet certain timing criteria and other requirements related to their ability to be internationally competitive; and

- in February 1993, the Government announced the introduction of a general investment allowance of 10 per cent for expenditure on eligible plant and equipment costing not less than $3,000 and purchased before 1 July 1994. The deduction is in addition to both depreciation and the development allowance.

258. The agriculture sector benefits from tax averaging provisions. In addition, a tax linked Income Equalisation Deposit (IED) scheme was introduced on 1 July 1989 for primary producers. Under the scheme, deposits are fully tax deductible in the year of deposit and assessable in the year of withdrawal. Interest is payable on a proportion of the deposits at the short-term Commonwealth bond rate. In 1992, the scheme was extended to include Farm Management Bonds which provide greater concessions and are expressly designed as a provision against hardship arising from natural events such as drought. Primary producers also benefit from taxation concessions allowing outright deductions for expenditure on measures to combat land degradation. Expenditure on water conservation and conveying water can be deducted at a concessional rate over three years. Tax relief is also available to primary producers forced to dispose of livestock due to fire, flood, drought or pollution due to pesticide residue.

259. The mining and petroleum industry benefits from special write-off allowances for certain capital expenditures. Expenditure on exploration and prospecting may be deductible in the year of expenditure. Allowable capital expenditure incurred in the working of mine sites, petroleum fields and quarries may be written off over the lesser of 10 years or the working life of the mine or field. Allowable capital expenditure includes expenditure on site preparations, the provision of services and employee amenities and expenditure on some mineral treatment. Expenditure on mineral transport facilities may also be written off over 10 years. Full rebate of excise on diesel fuel used for specific off-road purposes is granted to primary producers, while the mining sector receives a significant rebate of such excise payments.

260. Increased private sector provision of infrastructure is encouraged by allowing the issue of non-assessable, non-deductible infrastructure bonds in areas of land transport, sea ports and public electricity
generation projects. Interest on the borrowings is non-assessable to the lender and non-deductible to the borrower for a maximum period of 10 years. The tax provisions for infrastructure bonds have been available since 1 July 1992 and will assist companies by reducing the cost of capital in circumstances where they cannot access the interest deductions relating to conventional borrowings.

261. From 1 July 1992, a concessional tax rate of 10 per cent has been applied to taxable income derived from pure offshore banking transactions by authorised offshore banking units.

262. A 25 per cent concessional rate of tax applies to Pooled Development Funds (PDFs). PDFs are approved investment companies intended to provide patient equity capital to small and medium-sized firms.

263. The Department of Industry, Technology and Regional Development administers a scheme which provides an exemption from tax on certain eligible foreign remuneration derived by an Australian resident. The exemption applies where a taxpayer performs personal services overseas in connection with an approved project for a period of at least 365 days. A partial exemption applies to periods of less than 365 days but not less than 91 days.

264. From August 1986, the sales tax exemption provided since the 1930s for fruit juice containing at least 25 per cent Australian, New Zealand or Papua New Guinea fruit juices was replaced with a concessional rate of sales tax which was 10 percentage points lower than the general rate (presently 11 per cent compared with 21 per cent for other fruit juice products).

(v) Research and development support

265. The Commonwealth Government directly supports R&D with funding to Commonwealth research bureaux, the CSIRO and the universities.

266. The Commonwealth Government has recently requested the Industry Commission to carry out a detailed public inquiry into research and development in Australia. The Commission is to deliver its final report to Government by March 1995.

267. Manufacturing Industry Support: The Industry Innovation Program is administered by the Industrial Research and Development (IR&D) Board and includes five components. The Tax Concession Scheme provides for registered R&D performers to claim a 150 per cent deduction for R&D expenditure. Discretionary Grants support market driven R&D in companies unable to take advantage of the tax concession scheme. Generic Technology Grants provide support for collaborative R&D in biotechnologies, communications technologies, environmental technologies, information technologies and manufacturing and materials technologies. National Procurement Development Grants support the development of new goods, services or systems in collaboration with government purchasers. National Teaching Company Grants encourage links between companies and research institutions to employ high calibre graduates on projects designed to improve company performance.

268. The Department of Industry, Technology and Regional Development administers three sectoral programs which have research and development (R&D) components. The computer bounty assists the production of computer hardware, certain assemblies, electronic microcircuits, printed circuit boards, modems and multiplexers, and certain operating software. The Factor (f) Pharmaceutical Industry Development Program provides higher prices for some products, in return for individual manufacturers undertaking increased activity in Australia, including new investment, production, research and
development. The *Australian Building Research Grants Scheme* provides funds to encourage building and construction research.

269. **Rural Industry Support:** A coordinated approach to strategic R&D is being pursued to achieve sustainable productivity practices and greater market orientation across the range of industries making up the rural sector. Responsibility for setting strategic direction for research has been devolved to recently established industry and resource based R&D Corporations and Councils. These have links between the specific industry and relevant parts of government to focus resources on high priority areas and channel information and new technology arising from research to industry. R&D programs encourage greater industry participation and emphasise relevant commercialisation mechanisms and opportunities.

270. The Rural Industries R&D Corporation supports smaller and prospective industries and addresses issues which affect several or all agricultural industries. It is funded by the Commonwealth Government ($10.3 million a year) and receives additional funding from voluntary and levy contributions from some industries for specific research programs.

271. The Commonwealth Government matches rural industry research contributions for the industry specific R&D corporations, on a dollar for dollar basis up to 0.5 per cent of the gross value of industry production. Total expenditure is estimated to be $242.5 million in 1992/93, which includes industry contributions.

272. The Dairy Research and Development Corporation (DRDC) is jointly funded by industry and the Commonwealth Government. The research levy rate was set at 1.8 cents per kilogram of milk fat in 1992/93 with total levy receipts of $5.639 million. The Commonwealth Government contributed $6.15 million of the $12.5 million expenditure. The Corporation is charged with the responsibility of identifying, co-ordinating, supporting and financing research and development activities for the dairy industry and ensuring that research findings are taken up by the industry. Its influence in the marketing sphere is in the areas of enhancing production efficiencies and processing, product and market research.

273. To assist Australian horticulture specifically, the Government in 1988 established the Horticulture Research and Development Corporation (HRDC). The HRDC aims to foster efficient and competitive horticultural industries through its research and development efforts. The Commonwealth provides dollar for dollar matching of the monies raised by the industry through levies and export charges destined for the HRDC, up to 0.5 per cent of the annual gross value of production (GVP) of the industry.

274. **Fishing Industry:** The Fisheries Research and Development Corporation was established in July 1991. The Corporation is the primary funding body for fisheries research in Australia. The Corporation aims to fund research and development, with a view to improving the production, processing, storage, transport and marketing of fish and fish products and achieving the sustainable use and management of fish resources.

275. **Forestry Industry Support:** The Government provides significant support to forest industry research and development in a number of ways: through direct funding for the CSIRO, through various programs such as the National Pulp Mill Research program, the Rural Industries Research and Development Corporation's Agroforestry Program and through the Forestry Postgraduate Awards Scheme administered by the Department of Primary Industries and Energy.

276. Research is undertaken principally by the CSIRO Division of Forestry, Forest Products and Wildlife and Ecology; the Co-operative Research Centre for Temperate Hardwood Forestry; and Hardwood Fibre and Paper Science; and universities.
277. Forestry and forest products research is also supported by the State governments and the forest industry.

278. As a key initiative under the National Forest Policy Statement, the Commonwealth Government, in partnership with industry, will establish a Forest and Wood Products Research and Development Corporation to enhance and focus forest production and processing research and development. The charter for the corporation will be phased in over a number of years, and will be derived from two sources. Industry will contribute through a levy. After the phase in period the levy will be at least 0.5 per cent of the gross value of production. The levy will apply at the same rate to both imports and domestic products. The Commonwealth will provide, for any one year, an amount equivalent to half of the industry's contribution which has been spent by the Corporation, up to a limit of 0.25 per cent of the forestry sector gross value of production.

279. **Land, Water and Energy Use Support:** The Commonwealth Government funds energy research through the Energy R&D Corporation because of the community interest in alternative energy and energy security.

280. The Commonwealth fully funds the Land and Water R&D Corporation, ($12 million in 1992/93) which focuses on improving the long term productive capacity, sustainable use, management and conservation of Australia's land, water and vegetation resources.

281. **Mining Industry Support:** The minerals industry is characterised by diversity and large companies. Most of the benefits of research and development can be appropriated by the industry. Through the Australian Minerals Industry Research Association, the industry has a small but effective cooperative research program. The minerals and oil related research is also conducted by government organisations including the CSIRO, Australian Geological Survey Organisation, and the Australian Bureau of Agricultural and Resource Economics. Companies are also eligible for the 150 percent tax incentive program. The Government sees no case for further public funding through industry programs.

282. The coal industry collects a levy on the industry to fund coal research. Like the minerals industry, the coal industry features some very large corporations. There are, however, many small and moderately sized companies, and the industry is not as diverse as the minerals industry. Some of the research is oriented towards safety, which has related social value.

(vi) **Business improvement programs**

283. **National Industry Extension Service (NIES):** NIES was established in 1986 as a joint Commonwealth, State and Territory Government initiative. Its purpose is to assist manufacturing and service enterprises to attain and sustain international competitiveness. NIES seeks to achieve this by developing networks and information and advisory services.

284. In practical terms NIES acts as a catalyst to help enterprises become more effective in key management functions through the use of outside consultants. It provides core services essential to commercial success such as strategic, business and export market planning, quality management, design, networking and human resource management.

285. Commonwealth funding for NIES was $16.4 million in 1992/93 and is estimated at $21.5 million in 1993/94. The Commonwealth Government contribution to NIES has been increased by $12.5 million over the next three years. This will enable the program to focus more sharply on the needs of small and medium-sized firms.
286. The Best Practice Environmental Management (BPEM) was established in 1992. BPEM is a method of business management which integrates environmental considerations into business practice resulting in more efficient resource utilisation and reduced environmental impact. Operating under BPEM techniques initially involves undertaking an environmental audit or examination to assess specific areas in the manufacturing process that can be improved.

287. In 1993 the Department of Industry, Technology and Regional Development offered an industry assistance program focussing on small to medium-sized enterprises. Participating firms received a subsidy of 50 per cent of the cost of an environmental examination up to a maximum of $5,000. Funding in 1992/93 was $167,000.

288. Businesslink: The 1993/94 Commonwealth Budget allocated development funds of $7.9 million to Businesslink and the First Stop Shops as part of the Government’s response to the findings of the McKinsey report on Australia’s emerging exporters. Businesslink will use best information technology and practices to improve the distribution of government and business information and services.

289. The Businesslink concept arose from a recognition of the unique and seemingly intractable difficulties of small businesses in accessing government information. It is intended that Businesslink will improve government relationships with business at lower costs, promote and facilitate private sector adoption of best practices in information management, and improve business efficiency and development.

290. First Stop Shops: Businesslink will, among other things, provide the technological underpinning or information platform for the First Stop Shops. Three broad models for a First Stop Shop will be trialled and evaluated to determine the most appropriate way to provide more comprehensive and co-ordinated advice and referral services. These are:

- **The Multiple Entry Model** - seeks to network existing specialist agencies and give each the capacity to refer clients to other agencies where necessary;

- **The Telephonic First Stop Shop** - provides a centralised point of telephone access to information on Government business assistance programs and services; and

- **The Integrated Shop Front** - based on physically co-locating a number of service deliverers allowing providers to retain autonomy over their programs and at the same time to join other service providers where appropriate to target a discrete range of services to particular client groups or to provide a range of services to a broader client base.

291. Small to Medium Enterprise (SME) Development Program: The SME Development Program began in 1991. The objective of the Program is to promote the creation and growth of competitive enterprises by removing regulatory and other impediments. Targeted assistance is provided to support critical stages of enterprise development. The Program has a budget of A$22 million over four years. Expenditure in 1991/92 totalled A$4 million and is estimated at A$7.7 million in 1992/93. The major elements of the program are:

- **Export Access** - introduced in 1991 to assist small and medium-sized enterprises to enter export markets. It is delivered by a network of industry associations via export managers. The 1993/94 budget allocated an additional $8 million over three years to expand the program;
- Business Skills and Support Infrastructure provides a referral service for small business seeking information about business assistance measures and helps develop small business management competency standards; and

- Pooled Development Funds (PDFs) - introduced in 1992 and is designed to alleviate the problems experienced by SMEs in obtaining patient equity capital. PDFs receive concessional tax treatment when they invest in eligible activities in companies with assets not greater than $30m.

292. Agri-Food Industries Growth Strategy/Clean Food Export Strategy: The Agri-Food Industries Growth Strategy aims to develop linkages between the rural and processing sectors. The Agri-Food Council provides cohesion and leadership in the development of an internationally competitive agri-food industry with an emphasis on value adding and processing of high quality rural produce. The Networking program aims to improve international competitiveness by encouraging further horizontal and vertical strategic alliances between food processors.

293. A major component of the Agri-Food Industries Growth Strategy is the Clean Food Export Strategy designed to create a marketing advantage for exports by promoting the ability to produce wholesome fresh and processed food from a clean environment. The initial focus is on the Asian market with a pilot promotion in Taiwan. Commonwealth Government funding is conditional on matching industry contributions, and if the pilot is successful a wider, predominantly industry funded campaign is anticipated.

294. Up to $12.7 million has been allocated for these strategies over four years to 1995/96.

295. The Agribusiness Programs: The Agribusiness Programs administered by the Department of Primary Industries and Energy under the auspices of an industry-led Agribusiness Programs Board have the potential to provide an integrated package of assistance to enable firms, businesses or industry groups to improve their international competitiveness and take advantage of opportunities emerging in world markets through the provision of funding and consultancy support for:

- benchmarking studies;
- design and implementation of world best practice projects;
- development of quality management systems;
- strategic business and market planning;
- development and enhancement of networks;
- targeted export marketing skills projects;
- identification of opportunities for community-based agribusiness development; and
- innovation in production, processing and marketing.

296. The Marketing Skills Program (MSP) aims to create high level export marketing skills in principals and key people in the agricultural, fishing and timber industries to enable them to establish and expand export markets. The skills enable rural industry businesses and producer groups to develop
appropriate export marketing strategies and to implement these strategies. Funding is $6.05 million over four years commencing in 1992/93.

297. The Rural Industries Business Extension Service (RIBES) assists agricultural and related businesses to advance their international competitiveness by improving their access to professional business and marketing support services. The program generally provides up to 50 per cent of the cost of employing a consultant or facilitator to provide professional help on projects which focus on value adding, transfer of technology, the integration of production, processing and markets, business management to improve international competitiveness. Funding is $3.79 million over two years commencing in 1992/93.

298. The World Best Practice Incentive Scheme (WBIPS) is available to assist farmers, processors and marketers of rural products to adopt best practice through the provision of grants. Funding is $11.2 million over four years commencing in 1993/94.

299. The Rural Enterprise Network Program (RENP) is available to encourage small and medium-sized rural businesses to form networks to achieve common outcomes, such as accessing export markets, that are beyond the reach of individual companies. Funding is $3.9 million over four years commencing in 1993/94.

300. The Rural Development Incentive Scheme (RDIS) is available to assist rural business communities take action that will improve the competitiveness of rural and related businesses and industries. This may be via development and implementation of plans of action to overcome obstacles that are inhibiting the establishment or expansion of viable enterprises and industries or by concentration on local strengths and opportunities. Funding is $7.5 million over four years commencing in 1993/94.

301. The Innovative Agricultural Marketing Program (IAMP) is jointly administered by Austrade and the Department of Primary Industries and Energy. The program provides development finance to commercialise and market innovative rural-based products, processes and marketing systems. It supports projects that focus on new agricultural, forestry or fishery products, new processes applied to existing products and new elements in production, processing, packaging, storage or transportation.

302. IAMP can provide repayable grants of up to $300,000 per year for up to three years. However, the applicant must fund at least 50 per cent of the venture, excluding direct production costs. Grants for capital equipment items are repayable within three years (interest free) regardless of the success of the project. Funds returned to the program are used to support additional projects. Funding is $25 million over five years commencing in 1992/93.

303. The Business Advice for Rural Areas (BARA) program aims to expand, diversify or stabilise income opportunities by assisting local entrepreneurial capacity, fostering business talent and ideas and improving individual and rural economic diversification. BARA is jointly implemented by the Commonwealth, State governments and community groups. Assistance is in the form of a grant which covers a proportion of the cost of employing a business facilitator. Funding is $5.4 million over three years which commenced in 1991/92.

304. Rural Community Development: The Commonwealth Government has developed a package of programs for Rural Community Development, seeking to improve the delivery of information on Government and business services and communications technology in rural areas. The programs focus on social justice in rural communities and to help rural communities to help themselves.
305. The Rural Access Program (RAP) provides grants to non-profit community groups, industry associations and educational institutions involving communities in improving access to education and training, social, health and other services. Funding of $4.5 million over three years to June 1994 has been provided, including $0.5 million per annum specially for women’s projects.

306. The Countrylink program, which was established in 1988, has been extended to June 1996 with funding of $1.6 million over four years. The Program will continue to improve the access of rural Australians to information on the wide range of Commonwealth services and programs. Access is by telephone, through shopfronts at country shows and other venues and via the Rural Book, a comprehensive guide to Commonwealth services and programs.

307. The Rural Counselling Program is a Commonwealth initiative, with matching community funding (States may meet part of the community contribution) to meet the cost of rural counsellors employed by non-profit organisations providing an independent free service to rural families in financial or social hardship. Counsellors working in 60 centres across Australia received Commonwealth funding of $3.95 million in 1993/94.

308. Two new initiatives were established in 1992 to further develop access in rural communities:

- the Telecentres Program which provides grants for community-run rural centres to assist in providing access to the modern telecommunications and information technologies essential to competitive business. Funded by $4 million over four years to June 1996; and

- the Australian Country Information Service (ACIS) which has funding of $2.6 million over four years to June 1996, to assist community groups and other organisations to provide Commonwealth Government information and assistance on a local, face to face basis to people in rural and remote areas.

(vii) Adjustment assistance

309. National Drought Policy: The National Drought Policy is a joint Commonwealth/State initiative which was announced in August 1992 and is designed to help primary producers develop long term risk management programs and plan for greater self reliance. This is to be achieved by improving the skills base across the farm sector to prepare for downturns such as low commodity prices and adverse weather conditions.

310. The Policy recognises drought as a natural feature of the Australian climate and seeks to dispel expectations within the farm sector for special assistance during difficult periods. Education and training will be a fundamental part of the approach. The intention is to encourage all farmers to develop their skills and ensure they all have access to training opportunities. The Commonwealth Government has allocated $15.1 million (including $13 million in new funding) over four years to work with State Governments to implement the Strategy.

311. Schemes that may be used by farmers to cope with and adjust from the effects of drought are the Rural Adjustment Scheme (RAS) and the Income Equalisation Deposits Scheme (IEDS).

312. Rural Adjustment Scheme (RAS) is intended to promote a more productive and profitable farm sector. It also aims to provide, through the related Farm Household Support Scheme, improved assistance to farm families suffering hardship. It is the principal means of maintaining farm productivity.
313. New arrangements for supporting farmers under the Rural Adjustment Scheme (RAS) were introduced in January 1993. The Scheme has been revised with a sharper focus to achieve effective structural adjustment of farm enterprises consistent with other rural policies.

314. The emphasis is on productivity, profitability and sustainability. Eligibility depends on prospects for long term profitability and on the farmer’s past performance. This is a shift in emphasis away from assistance and debt reconstruction.

315. The Scheme complements services provided by the commercial financial sector to support eligible farmers through interest subsidies of up to 50 per cent on commercial finance. In exceptional circumstances, such as extreme drought, there is provision for interest subsidies up to 100 per cent. Farmers may be eligible for grants to upgrade farm business and property management skills, and assist with obtaining expert advise related to farm business. A re-establishment grant of up to $45,000 can be obtained by eligible farmers on leaving the farm.

316. Under normal RAS the Commonwealth contributes 90 per cent of the funding and the States 10 per cent and under exceptional circumstances the Commonwealth funds 90 per cent for the first 50 per cent and then matching State funding dollar for dollar up to 100 per cent. Commonwealth expenditure in 1992/93 was $168.9 million including $7.0 million allocated for exceptional circumstances in the wool industry.

317. **Income Equalisation Deposit Scheme (IEDS):** The Income Equalisation Deposit Scheme is a taxation measure which is designed to assist taxpayers with fluctuating incomes. It is available solely to primary producers. Under this scheme, a primary producer may deposit part of his net primary production income. Such deposits are treated as deductions against the depositor’s taxable income. Interest is paid on the investment component of these deposits at the short term Commonwealth Government bond rate.

318. Income Equalisation Deposits (IEDs) have been revamped to encourage farmers to prepare for contingencies such as drought or market downturns through financial planning to build up reserves. In times of low income farmers may draw on their IEDs. When a withdrawal is made an amount representing accrued tax instalments is withheld from the amount paid.

319. **Farm Household Support:** The Farm Household Support Scheme (FHS) commenced in March 1993, replacing the household support component of Part C of the old Rural Adjustment Scheme. FHS complements the new RAS arrangements by providing financial support for farmers whose financial arrangements are inadequate to meet day-to-day expenses. Eligibility for the scheme is the inability of the farmer to access commercial finance.

320. FHS is a loan at commercial rates and is available for up to two years. If the farmer leaves the land within two years the first nine months of the loan is converted to a grant. Finance is available up to the equivalent of the Job Search Allowance (Unemployment Benefit), with no repayments required until the family comes off the Scheme. As on-farm assets are excluded from the assets test, FHS can assist farmers who are precluded from Social Security benefits because of the value of their properties.

321. The Department of Social Security administers the FHS on behalf of the Department of Primary Industries and Energy under a new separate Act called the Farm Household Support Act (1992). Funding in 1993/94 is $6.9 million.
(d) Measures related to specific industries

(i) Underwriting schemes

322. Underwriting arrangements available for wheat, dairy and apples and pears have been terminated over the past few years and government guarantees have been introduced for certain Australian Wheat Board borrowings and the borrowings of the Australian Wool Realisation Commission. However, underwriting arrangements for dried vine fruit exports (sultanas) remain in place until the end of the current season.

323. The 1992 changes to the wheat marketing arrangements provide for continuation to June 1999 of the Government’s underwriting guarantee of AWB borrowings (not price) which enables the AWB to make advance payments to growers for wheat of a particular season delivered to the pool. The level of the Government guarantee is set at 85 per cent of the aggregate estimated net pool (AENPR - calculated as an estimate of pool returns for a season made first in September of each season and based on consideration of a range of estimates of production, AWB receivals, expected costs and sale prices).

324. Under the Wheat Marketing Act 1989, the guarantee had been set to terminate in June 1994, and for the season commencing in July 1992 the guarantee was set at 82.5 per cent. These changes raised slightly the level of the guarantee for 1992/93. The amendments will provide an opportunity to build up a capital base for the AWB, giving the industry security to plan a future of financial independence post June 1999.

(ii) Horticulture

325. Following the review of dried vine fruit marketing arrangements in 1990, the Government extended the sultana underwriting scheme until the end of the 1993 season, at which time it will be terminated. The sultana underwriting scheme only applies to exports and has not been triggered since 1982. The export price underwriting scheme for apples and pears ended on 31 December 1990. A payment of $1.8 million was made in 1988/89 with regard to the 1987/88 season and a final payment of $4,000 was made in 1990/91.

(iii) Dairy industry

326. The new Commonwealth dairy industry arrangements introduced on 1 July 1992 are aimed at providing the Australian dairy industry with a framework that will enable a more productive, internationally competitive and export focused sector to develop.

327. One of the objectives of the previous dairy marketing arrangements in place from 1986 to 1992 was to progressively reduce the support provided by the arrangements while encouraging the industry to become more internationally competitive.

328. The current arrangements provide for further, phased reductions in assistance. Assistance is mainly provided through the market support scheme, which is intended to increase returns to growers from the domestic market. This is achieved by making payments from a market support fund on exports of manufactured dairy products. These payments increase the domestic price to the level of the actual export price plus the ‘market support payment’.

329. The arrangements are funded by a levy on all milk produced in Australia, i.e. the market support scheme is industry funded. However, the higher prices paid by consumers on the domestic market
more than compensates producers for the levy paid. Under the previous arrangements there was provision for a government-funded underwriting scheme which could be used to 'top up' market support payments in the event of a significant fall in export returns. (A payout of $22 million was triggered in 1990/91). The underwriting scheme has not been continued in the current arrangements introduced last year.

330. The market support scheme is market oriented. It does not guarantee a high domestic price for producers irrespective of world price movements. Instead it allows domestic prices to move in parallel with world prices, while also providing some assistance. Furthermore, for most dairy products imports are unrestricted. While there are tariff quotas on imports of some cheeses, there is still significant import competition in the cheese market, for example cheese imports from New Zealand are unrestricted and there are GATT bound tariff concessions including free access for fancy cheeses and tariff quota arrangements for a range of other cheeses.

331. The current arrangements provide for an upper limit on the market support payments of 20 per cent of export prices. The legislation requires this upper limit to be reduced in equal annual increments, down to 10 per cent by the year 2000. The actual level of market support payments has been significantly below the upper limit, and currently averages less than 15 per cent of export prices.

(iv) Tobacco industry

332. The tobacco industry is being reviewed by the Industry Commission before changes are considered to the tariff treatment of tobacco. Besides a "tariff" component, the rate applying to tobacco products includes an excise component equivalent to that paid on domestic production of tobacco products. In March 1993, the Tobacco Industry Stabilisation Plan (TISP) which had been due to cease on 30 September 1993 was extended until 30 September 1995 when the Local Leaf Content Scheme (LLCS), which allows for imports of tobacco leaf at concessional tariffs, is also due to cease. From that date, tariff-only assistance will be provided. As of 1 July 1992, the MFN tariff on unmanufactured tobacco imported outside the concessional arrangements was reduced from 17 per cent to 15 per cent (10 per cent for Developing Countries).

(v) Fishing industry

333. Following a major report on reform and development of the fishing industry in 1989, the Government established the Australian Fisheries Management Authority (AFMA) and the Fisheries Research and Development Corporation in 1992.

334. The AFMA is a Commonwealth statutory authority responsible for the management of fisheries under Commonwealth jurisdiction. Its goals are to:

- develop and implement fisheries management programs which will result in the conservation and sustainable use of all fisheries within its control, including the recovery of depleted fisheries;

- develop and implement fisheries management programs which will encourage the efficient exploitation of fisheries resources;

- increase the level of community awareness of fisheries resource issues within the broader community; and
335. A prime objective under AFMA’s governing legislation is to ensure that fishing and related activities are carried out in ways that are consistent with the principles of ecologically sustainable development. The industry dominated management advisory committees ensure that regional and social policy objectives are taken into account in Government fisheries policies.

(vi) Wool industry

336. From the end of 1989, the Reserve Price Scheme (RPS) came under increasing pressure. High wool prices, an appreciation of the Australian dollar and economic problems in two of Australia’s largest markets, China and the former Soviet Union, resulted in a major decrease in price and purchases. This led to the AWC having to buy over 75 per cent of the wool sold at auction and resulted in the creation of a 4.7 million bale stockpile and an associated debt of $2.7 billion.

337. In February 1991, due to rapidly rising debts, the RPS was suspended and the Government announced the establishment of a Committee to review the marketing arrangements for wool applying from the 1991/92 season onwards. The new arrangements included the creation of four new statutory bodies on 1 July 1991:

- the Australian Wool Realisation Commission (AWRC) to manage the stockpile and reduce the associated debt;
- the Wool Research and Development Corporation (WRDC);
- a new Australian Wool Corporation (AWC) to carry out wool promotion, encourage efficiency in marketing and enforce quality standards; and
- the Australian Wool Industry Council (AWIC) to co-ordinate wool industry policy advice to Government and to examine matters affecting the interests of the industry.

338. Recognising that serious difficulties continued to face the wool industry, in April 1993 the Government announced a package of measures to address both the circumstances facing Australian wool growers as well as the longer term issues fundamental to the survival of the industry. The package included the establishment of a Wool Industry Review Committee to re-examine the industry’s market structure, its capacity to enhance world demand for wool and the effectiveness of the industry’s operating arrangements.

339. Following this review, the Government announced, in September 1993, an integrated package of measures to restructure the Australian wool industry and to secure its future as a supplier of premium, high quality, natural fibre in world markets. The proposed changes responded to the need to bring about more rapid change in the Australian industry. In particular, while the abolition of the Reserve Price Scheme in 1991 was a major step forward in removing a significant distortion from the wool industry in Australia, there was a need to increase the pace of change and to encourage the industry to become more market orientated and more self-reliant.

340. This package has three key elements - the introduction of new structural arrangements; the introduction of a more commercially orientated approach to the management and disposal of the wool stockpile, together with the development of new marketing and risk management mechanisms; and
a heightened emphasis on developing new market opportunities, not only in the growing markets of Asia, but also in Australia's more traditional markets. The changes also provide the means by which the wool industry will be able to take greater responsibility for its own marketing arrangements with a diminished role for Government in wool industry affairs.

341. The proposed structural changes will result in the creation of two new bodies:

- Wool International, which will replace the existing Australian Wool Realisation Commission, and take over responsibility for the stockpile and associated debt but will also have a key role in the development of new marketing mechanisms and management tools to help producers better manage their own risks; and

- the Australian Wool Research and Promotion Organisation (AWRAP), which will be formed through the merger of the existing Australian Wool Corporation and the Wool Research and Development Council and will be given a purely research and promotion role. Other functions relating to matters such as quality assurance, which are currently the responsibility of the AWC, will be transferred by 31 December 1995 to other industry bodies.

342. Other key elements of the package included:

- the introduction of a fixed schedule for sale of stockpile wool to create greater certainty in the market by providing a clear indication of how much stockpile wool will be sold;

- the introduction of trade expansion measures through an integrated package of measures called the Australian Trade Investment Package to draw together all the various mechanisms through which the Government and industry together can influence domestic trade policy and, in particular, access to other markets with a view to the effective pursuit of new marketing opportunities; and

- the abolition of the Australian Wool Industry Review Council.

(vii) Passenger motor vehicles

343. Current policy affecting trade in both the passenger motor vehicle (PMV) and commercial vehicle (CV) sectors was announced as part of the Government's March 1991 Industry Statement.

344. The Government's prime objective remains the development of an Australian automotive industry that is viable and internationally competitive, providing higher quality vehicles at lower prices to consumers. This process is already underway. The 1984 Car Plan laid the groundwork for the achievement of this objective. It has encouraged rationalisation in the industry, raised quality and boosted exports.

345. Assistance to both the PMV and CV sectors will continue to reduce significantly through to the end of the decade. Tariffs on PMV's will reduce from 32.5 per cent in 1993 to 15 per cent in the year 2000. Tariffs on CV's including off-road vehicles, will reduce from 15 per cent in 1992 to 5 per cent in 1996. Tariff quotas were abolished in 1988.

346. Components used in Original Equipment Manufacture (OEM) of PMVs attract a duty equal to the PMV duty. PMV replacement components are subject to a 15 per cent duty fixed to the year
2000. Commercial vehicle components are subject to the CV rate, which is 15 per cent in 1992 reducing to 5 per cent in 1996.

347. The Government’s automotive policy with respect to PMVs encompasses several other elements directed at industry restructuring and increased economies of scale.

348. The March 1991 Industry Statement retained provisions intended to develop a more internationally competitive automotive industry with longer term viability.

349. Car makers are able to import OEM components and cars duty-free up to a value equal to 15 per cent of their annual production. Trade in the automotive sector is also encouraged by other provisions allowing exporters to earn ‘credits’ with which to reduce the duty paid on automotive imports.

350. The above provisions provide an element of security for the automotive industry during a period when tariffs are rapidly declining in this sector. The value of the provisions will diminish as Australia tariffs on OEM components and cars phase down. Participation is voluntary and a matter of commercial judgement and evaluation by individual companies. Participation is also open to both overseas and Australian owned companies.

351. In an effort to rationalise the industry, the present policy continues to encourage car makers to produce a minimum of 30,000 units per model per year. Production below this level may result in a lowering of the 15 per cent ceiling on the car makers’ initial duty free entitlement. The specific production volume arrangement will cease in 1996.

352. There are no agreements with either foreign Governments or industry restraining the level of automotive imports into Australia. There are no agreements which require surveillance, monitoring and forecasting of import volumes.

(viii) Textiles clothing and footwear (TCF) industry

353. Since the TCF Plan came into effect in 1989, the Australian TCF industries have undergone considerable restructuring. The Plan’s objectives are to promote the development of more efficient and internationally competitive industries and to reduce their dependence on Government support.

354. In 1991, as part of its review of overall industry assistance measures, the Government examined the assistance arrangements for the TCF industry. As a result the following revised assistance arrangements were announced:

- reductions in tariff levels to the year 2000;

- tariff quotas were abolished in March 1993, two years earlier than previously intended; and

- bounties to be abolished by July 1995.

355. In July 1992 the Government announced a package of initiatives to assist TCF firms restructure their businesses. A key feature was the provision of an additional SA30 million under the Industries Development Strategy. This brought total funding for the strategy to SA160 million between March 1988 and June 1995.
356. The restructuring program has resulted in greater modernisation of the industries, improvements in infrastructure support systems, and increases in the level of value added exports. Imports have increased by 29 per cent over the period 1986/87 to 1991/92, and their share of the Australian market has increased from about 20 per cent to nearly 28 per cent over that period.

357. However, there has been a significant productivity improvement, partly due to a decline in employment from around 115,000 persons in 1986/87 to about 94,000 persons in 1992/93. The shift out of low value, high volume production into higher value merchandise has enabled the TCF sector to increase its level of exports by over 38 per cent over the period 1986/87 to 1992/93, to nearly $A550 million in 1992/93.

358. The Import Credit Scheme aims to encourage improved efficiency, promote international competitiveness, greater export orientation and a lesser dependence on Government assistance. It was introduced in July 1991 to enable exporters of certain TCF products to earn an import credit with which to offset duty payments on imports of TCF goods into Australia.

359. The Scheme will terminate in June 2000.

(ix) Pharmaceuticals

360. The Pharmaceutical Industry Development Program is aimed at encouraging an innovative and internationally competitive Australian pharmaceutical industry. The Program seeks to address the low levels of pharmaceutical manufacturing activity in Australia which have resulted from the low prices for products listed on the Pharmaceutical Benefits Scheme (PBS). The program operates primarily through 'Factor f', one of the eight pricing factors the Pharmaceutical Benefits Pricing Authority considers when pricing products listed on the PBS.

361. Under 'Factor f', companies can gain increased prices for some of their products listed on the PBS in return for undertaking research, product and process development and local manufacture.

362. All companies participating in the scheme undertake to increase their Australian R&D and production. Collaboration between companies and research institutions has grown as R&D previously carried out overseas has become increasingly directed to Australia.

363. Increased investment has also strengthened and developed links between 'Factor f' companies and other manufacturing and service industries.

364. In March 1992, the Government announced an extension of Factor f, to run from 1 July 1992 to 30 June 1999. Certain modifications were made to the scheme to increase its effectiveness. The revised guidelines for participants received Ministerial endorsement in June. Increased funding for Factor f was contained in the Prime Minister's One Nation Statement of 26 February 1992.

(x) Forests policy

365. In December 1992, the Commonwealth and State and Territory Governments, with the exception of Tasmania, endorsed a National Forest Policy Statement which sets out an agreed national approach to the conservation and sustainable management and use of Australia's forests. Tasmania has affirmed its commitment to the management of its forest resources as set out in the Tasmanian Forests and Forest Industry Strategy.
366. The Statement is a comprehensive response to the conclusions and recommendations of a number of major forest inquiries undertaken within Australia over the past couple of years.

367. The Commonwealth and State and Territory Governments agree that the policies outlined in the Statement should be pursued within a planning framework based on sub-national regions which integrates environmental and commercial objectives. Implementation of policies requiring funding will be subject to budgetary priorities and constraints in individual jurisdictions. However, the Commonwealth has allocated a total of $14.2 million for key initiatives with the program over the next three years.

(xi) Industry development programs

368. The Industry Development Arrangements (IDA) Scheme: Introduced in July 1989, the IDA is a scheme under which companies may connect certain Customer Premises Equipment (CPE) products to the network provided they meet certain criteria. The CPE products include standard telephones, private automatic branch exchanges, small business systems/key systems and cellular mobile telephones.

369. The scheme was introduced to provide a transition period for adjustment from the previous restrictive regulatory environment to a more liberalised market. The aim of the transitional arrangements is to improve the competitiveness of Australian suppliers through integration into world markets.

370. The IDA scheme was recently extended to July 1996, a year before full deregulation of the industry. The extension of the IDA Scheme will give the industry three more years of transition to a deregulated environment, after which assistance to the CPE sector will be through a tariff regime consistent with that applying to manufacturing generally. The operative tariff at 1 July 1996 will be 5 per cent.

371. The Partnerships for Development (PfD) Program: The program was established in 1987 as a key element of the Information Industries Strategy. Under the PfD Program, large international information technology and telecommunications (IT&T) companies are encouraged to develop long term commercially based strategic business plans.

372. Participation in the program generally entails a five to seven year "best endeavours" agreement between the Commonwealth Government and the IT&T supplier. The principal aim of the PfD Program is encourage IT&T suppliers to undertake longer term strategic commercial activities in Australia, and for those activities to be fully integrated into the companies' global strategies for product development and marketing by drawing on the strengths of local companies and research organisations. In this way, it is expected that the activities being undertaken will be sustainable long after any formal Partnership arrangement has expired. The PfD Program does not have an official expiry date.

373. Both the Partnerships for Development Scheme and the Industry Development Arrangements for Customer Premises Equipment are transition mechanisms for Australian markets which are moving to a more open and deregulated environment.

374. Fixed Term Arrangements Program (FTA): Under the FTA program, smaller international information technology suppliers are encouraged to develop strategic business plans which strengthen their Australian and global business, by drawing on the strengths of local companies and research organisations. Participation in the scheme is on a "best endeavours" basis and the companies are encouraged to develop their program of activity over four years.
375. Strategic business activities may encompass internationalisation of Australian products or services, facilitation of new market opportunities, R&D, training, technology transfer, and strategic and/or venture capital investment. Activities are commercially based and integral to the company’s global strategies for product development and marketing.

376. Companies entering the Fixed Term Arrangements are not granted any incentives to do so, nor are any public funds employed to encourage FTA companies to develop strategic business plans. Companies develop such plans of their own volition, and are expected to undertake FTA activities on a normal commercial basis which strengthen their Australian operations over the longer term.

377. **Vendor Qualification Scheme:** A review of the Information Industries Strategy was conducted at the end of 1990, with some changes announced in the March 1991 Industry Statement. The Vendor Qualification Scheme for manufacturers of information technology hardware has been extended to 1994. The Scheme promotes process quality and product certification in the information and communications technology industry. The scheme provides eligible firms with funding support to meet the costs associated with the implementation of international product accreditation standards and quality management systems. In 1992 the Scheme was extended to assist the software industry to improve quality management.

(e) Deregulation and liberalisation programs in other sectors

378. Reform programs are in place in most jurisdictions for Australia’s major infrastructure industries. In addition to these programs the State and Territory Governments have agreed to the mutual recognition of regulation. Details of some of the ensuing reforms and arrangements are reported below.

(i) **Mutual recognition within Australia**

379. National arrangements for mutual recognition of regulations commenced in March 1993. The arrangements allow most goods that are first produced in or imported into one State or Territory under the laws of that jurisdiction to be sold freely throughout the country. In addition, members of regulated occupations once registered in any one State or Territory will be able to enter practice within an equivalent occupation anywhere in Australia.

(ii) **Electricity and gas**

380. Most State and Territory Governments are pursuing programs to commercialise or corporatise their electricity and gas utilities. By placing enterprises on a more commercial footing the programs are intended to improve performance. As part of the reform process, the States and Territories are moving toward the development of a national electricity grid in Australia.

381. The Commonwealth Government announced a National Gas Strategy in 1991. Following from this strategy, the Commonwealth Government has proposed the development of a regulatory framework designed to promote the interstate trade in gas, and a number of rationalisations of trade and increases in interstate sales are taking place.

(iii) **Transportation**

382. **Road:** The National Road Transport Commission was established in 1992 following an agreement between the Commonwealth, States and Territories on heavy vehicles. The Commission recommends heavy vehicles charges, develops nationally consistent technical standards, and uniform operating procedures for licensing drivers and vehicle registration.
383. **Rail**: Reform to various degrees has been undertaken by all Government-owned rail systems in Australia. Reforms in all systems are driven by a commercial approach and the need to increase productivity. The Commonwealth and mainland States agreed to the formation of a National Rail Corporation. The Corporation commenced operation on 1 February 1993. It has control of marketing and freight management for interstate rail freight and will gain control of rolling stock and line-haul operations over the next few years.

384. **Waterfront**: In mid to late 1989, the Government initiated three year programs to reform Australia’s waterfront and shipping sectors. The programs, which have now been completed, involved reducing stevedoring labour, reforming work practices on the waterfront, reducing crew numbers on Australian vessels and retraining seamen.

385. In April 1993, the Government announced a further program of shipping reforms. This program is to be implemented by the Shipping Industry Reform Authority and will achieve reductions in crew levels on Australian ships to an average of 18 by early 1994, with the aim of negotiating levels close to 16 by the end of the program in September 1995. The program will also involve crew retraining and an examination of employment practices.

386. Following the release in June 1993 of a major review of port authority services and activities, the Commonwealth Government is pursuing further reform of port authorities with State and Territory Governments. Several States are already moving to give their port authorities a more commercial focus.

387. **Airlines**: For airlines to be designated as Australian international carriers, they are required to demonstrate compliance with the provisions of Australia’s bilateral air services agreements that they are substantially owned and controlled by Australian nationals. Airlines applying for Australian designation are required to meet a number of national interest criteria, including: at least two-thirds of the Board members are Australian citizens; the Chairperson of the Board is an Australian citizen; the airline’s head office is in Australia; the airline’s operational base is in Australia; and no more than 35 per cent in aggregate of equity will be held by foreign airlines, with a limit of 25 per cent on the total share holding of any single foreign airline.

388. In 1992 the Government endorsed the sale of 100 per cent of the State owned combined airline, Qantas (Qantas merged with Australian Airlines in June 1992). On 8 January 1993 the Government approved the sale of 25 per cent of Qantas to British Airways. The Qantas Sale Act 1992 requires that the Company’s Articles of Association contain provisions that will ensure that total foreign ownership does not exceed 35 per cent, and specify that no single foreign interest can hold more than 25 per cent of the equity of Qantas.

389. **Domestic aviation**: The Commonwealth Government’s formal regulation of interstate aviation ended in October 1990. Domestic passenger activity increased substantially after deregulation but the rate of growth has levelled off in the last year. The aviation market appears to be stabilising after the initial stimulus of deregulation.

390. Intra-State air services remain partially regulated in some States.

(iv) **Communications**

391. **Post**: In November 1993 the Commonwealth Government announced changes which will reduce Australia Post’s monopoly over letter services.
392. The Commonwealth will remove restrictions on international mail. Mail originating in Australia and destined overseas will be deregulated. For mail originating overseas, any carrier can bring mail into the country for lodgement in the domestic mail system.

393. Any domestic carrier is now allowed to deliver letters weighing more than 250 grams (previously 500 grams). Previously they were required to charge 10 times Australia Post’s standard letter rate to deliver letters below the weight limit. This has been reduced to 4 times the standard letter rate.

394. Other changes include: allowing companies to transfer mail within their organisation by any method they wish; specifically excepting the operation of document exchanges from the postal monopoly; and allowing those companies which generate bulk mail to lodge their mail at mail centres closer to its destination, rather than at the centre nearest to the originating company.

395. *Telecommunications*: In November 1990 the Commonwealth Government announced major reforms to the Australian telecommunications regulatory framework, including the introduction of a second telecommunications carrier in Australia. Its objectives were to provide a more competitive market for telecommunications services and to promote an internationally competitive industry sector.

396. Telstra, Optus and Vodafone have prepared industry development plans to foster strong, commercial relationships with Australian equipment suppliers. Their major transnational suppliers are willing to undertake a range of activities consistent with the arrangements for suppliers of information technology equipment to the Government.
PART B: BACKGROUND TO THE ASSESSMENT OF TRADE POLICIES

1. WIDER ECONOMIC AND DEVELOPMENTAL NEEDS, POLICIES AND OBJECTIVES

(a) Economic policy structure and reform

397. Australia is a medium-sized economy, ranking ninth among OECD countries in terms of GDP in 1992. It is moderately open, exporting some 19 per cent of national product. On an industry basis, manufacturing dominates Australia's goods and services exports, accounting for 50 per cent of total exports, with mining accounting for 21.2 per cent, services 19.9 per cent and agriculture 8.1 per cent. However, Australia's traditional reliance on its agricultural and mineral sector continues, with a large proportion of its manufactured exports being simple transformations of these raw materials. Australia's services sector is comparable in size to that of other advanced economies. It is the largest contributor to Australian national production, accounting for around two thirds of GDP.

398. The current economic policy aims at balancing both short-term and medium-term needs, having regard to the state of the recovery and the aim of achieving sustainable growth in a low inflation environment.

(b) Fiscal policy

399. Since the last Trade Policy Review on Australia in 1989, and especially over the last three years, fiscal policy has been and continues to be directed towards providing a boost to the relatively weak economy. The budget deficit has been allowed to increase through the operation of the budget's automatic stabilisers. Discretionary increases in spending have also provided a further stimulus to activity, with priority being given to boosting expenditure on employment-related programs, in particular labour market programs and public sector infrastructure.

400. Fiscal policy settings are aimed at balancing the short-term need to support the recovery with the medium-term requirement of reducing the public sector's call on national saving as business investment recovers. The 1993/94 Commonwealth budget deficit is around 3.8 per cent of GDP. This is expected to provide a small stimulus to the economy in 1993/94.

401. The combined deficit of the Commonwealth, State and local governments (not including their public trading enterprises) is estimated to be 4.8 per cent of GDP in 1993/94.

402. As the pace of the recovery quickens and private sector investment increases, the Commonwealth government will unwind the fiscal stimulus of recent years and substantially reduce its call on national savings. In this regard, it has announced specific outlays and revenue measures in the 1993/94 budget that, on current projections for the economy, will result in the Commonwealth budget deficit falling to around one per cent of GDP in 1996/97.

403. The Commonwealth Government has the primary role in deciding and implementing both the macroeconomic management and distributional elements of fiscal policy. Each level of government, however, affects the conduct and effectiveness of fiscal policy.

404. Under Commonwealth and State/Territory financial arrangements, the Commonwealth raises the bulk of public sector revenue and distributes a large part of this to the States as grants. These
payments, together with revenue raising activities by the States and local government, mean that the State and local sector make a relatively greater contribution to public sector final demand (including public sector infrastructure) and employment than the Commonwealth.

405. Consequently, changes in the level of the Commonwealth payments to the State and local sector, as well as its own purpose spending, personal benefit payments and revenue raising, are all channels by which the Commonwealth can seek to influence the stance of fiscal policy.

406. Financial arrangements between the Commonwealth, States and Territories are discussed each year at the annual Premiers' Conference/Loan Council meetings, held before the announcement of the Commonwealth budget. Commonwealth and State/Territory governments have greatly increased their level of cooperation with respect to fiscal policy through both the preparations of a National Fiscal Outlook report and the adoption of new Loan Council arrangements.


408. The new Loan Council arrangements for approving Commonwealth and State/Territory borrowing reflect the common interest that Commonwealth and State/Territory governments have in ensuring that overall public sector borrowing in Australia is consistent with sound macroeconomic policy and that borrowings by each government are consistent with a sustainable fiscal strategy.

409. Traditionally, the Commonwealth budget has been delivered in August each year and the State/Territory budgets shortly thereafter. However, the Commonwealth Government has announced that the timing of its budget will be brought forward so that it is delivered prior to the start of the financial year. Both the States/Territories and the Commonwealth may make supplementary economic statements during the year.

(c) Monetary policy

410. Over recent years, the primary goal of monetary policy has been to achieve and maintain low inflation and inflation expectations, while lending support to the recovery in economic activity.

411. In line with these goals, the Reserve Bank has reduced short-term official interest rates from a peak of around 18 per cent in late 1989 to the current level of 4.75 per cent. The latest reduction of half a percentage point took place on 30 July 1993.

412. Inflation has fallen from over 7.5 per cent in 1989 to around 2 per cent in underlying terms at present. Partly as a result of the fall in inflation and inflation expectations, long-term bond yields have fallen from around 14 per cent in 1989 to around 6.9 per cent at present.

413. In consultation with the Treasurer, the Board of the Reserve Bank determines monetary policy. The Reserve Bank intervenes in financial markets to put its monetary policy decisions into effect. Consultation occurs regularly between the Governor of the Reserve Bank, representing the Reserve Bank Board, and the Treasurer. The Secretary to the Treasury is an ex-officio member of the Reserve Bank Board. In the event of any disagreement, the Reserve Bank Act provides a mechanism for resolving disputes, however, this mechanism has never been used. There have been no substantive changes to the Reserve Bank legislation over the past few years.
414. The policy deliberations of the Commonwealth Government, in determining fiscal policy, and the Reserve Bank, in determining monetary policy, take account of the implications for the broader policy mix. The regular consultations between the Treasurer and the Governor of the Reserve Bank assist in this process. In addition, analysis of the economic outlook is prepared on the basis of jointly agreed forecasts of the key economic variables. Participants in the Joint Economic Forecasting Group (JEFG), which prepares these forecasts three times a year, includes representatives from the Commonwealth policy co-ordinating Departments (the Departments of Finance, Prime Minister and Cabinet and Treasury) and the Reserve Bank.

(d) Recent economic developments and prospects

415. Australia had one of the highest OECD growth rates throughout the 1980s, but this was associated with relatively high inflation and an excessively high current account deficit.

416. In the late 1980’s macroeconomic policy settings were tightened significantly. The subsequent downturn was greatly exacerbated by:

- a downturn in international economic conditions, which impacted on the demand for Australia’s exports;

- a drought affected rural sector;

- the impact on business investment and confidence of the unwinding of asset price inflation; and

- for non-dwelling building investment, rapidly rising asset prices in the late 1980s led to a significant oversupply in some areas, such as office space.

417. The Australian economy has expanded at a moderate pace since the 1990/91 recession. GDP grew by 2.7 per cent in 1992/93 after rising by 0.4 per cent in 1991/92. While this is one of the strongest growth rates in the OECD, the recovery is subdued by past Australian standards.

418. The moderate recovery reflects the weakness of international economic conditions that affect export volumes and prices as well as business and consumer confidence more generally. The impetus for recovery has thus come largely from domestic sources: private consumption, the housing and stock cycles, and public sector activity.

- The terms of trade fell in 1992/93 because of falling commodity prices and an exchange rate depreciation (a fall in the exchange rate tends to initially increase import prices more than export prices). Given the subdued outlook for the world economy and thus for commodity prices, the terms of trade is not expected to improve in the near future.

- For Australia, the weakness of the world economy has been partially offset by stronger than average growth in the economies of the majority of Australia’s Asian trading partners.

419. However, there are emerging signs that the recovery is becoming more broadly based, despite the continued subdued international economy:
importantly, the rate of decline in business investment has slowed significantly, with plant and equipment investment probably having bottomed. Non-dwelling building approvals appear to have passed their trough;

- the majority of industry sectors are now growing in trend terms. The services sector has generally been the strongest. Manufacturing and construction have grown in the last four quarters in trend terms after significant earlier falls;

- the Government expects that the recovery will continue to broaden and gradually gather pace through 1993/94. The latest official forecasts included in the 1993/94 Budget show that GDP is expected to grow by 2.75 per cent in 1993/94; and

- progress on reducing unemployment is expected to be slow in 1993/94, with employment growth similar to labour force growth.

420. Business investment, particularly spending on plant and equipment, is expected to play an increasing role in the recovery. A number of policy initiatives have been taken to encourage investment. For example:

- a general investment allowance will provide an upfront deduction of 10 per cent for plant and equipment. This deduction is additional to depreciation; and

- the company tax rate has been reduced from 39 per cent to 33 per cent, effective from 1993/94.

421. The Australian economy is now in a strong fundamental position to build on the recovery and achieve sustained growth through the 1990s:

- growth is expected to accelerate through the year as the constraints to business investment gradually weaken;

- inflation is very low and inflation expectations are at historically low levels;

- underlying business profitability is sound; and

- international competitiveness is being improved by ongoing microeconomic reform and by the spread of enterprise level wage bargaining.

422. Inflation has risen slightly after recording its lowest rate in nearly thirty years. Over the year to the September 1993 quarter, the CPI rose by 2.2 per cent; as did the underlying inflation rate (excluding prices subject to seasonal fluctuations or directly influenced by government decisions) over the same period:

- Australia's rate of inflation has compared favourably with that of Australia's major trading partners since mid 1991, and consumer and business inflation expectations remain at low levels; and

- inflation is expected to remain subdued, reflecting the absence of domestic cost pressures. Increases in indirect taxes announced in the 1993/94 Budget and higher import prices flowing from the lower exchange rate are expected to have a modest
one-off impact on measured 'headline' inflation. However, it will be an objective of policy to prevent or limit this increase being incorporated into ongoing inflation.

423. The weak labour market and the fall in inflation and inflation expectations have had a significant impact on average earnings growth in recent years. In 1992/93, non-farm average earnings slowed further to 3.4 per cent, the lowest nominal increase since the late 1960s.

424. The Government and the Australian Council of Trade Unions negotiated their seventh Prices and Incomes Accord in March 1993, reaffirming the shift away from centralised wage increases towards enterprise bargaining. The pace of enterprise bargaining continues to gather momentum. Enterprise agreements cover over 30 per cent of employees on Commonwealth awards. The Government has recently introduced legislation into Parliament to assist the spread of enterprise bargaining including in the non-union sector.

2. EXTERNAL ECONOMIC ENVIRONMENT

(a) Major trends in imports and exports

425. Export levels: Over the past decade, growth in export volumes has exceeded growth in import volumes in all but four years - on average net exports made a contribution to growth in this period. Exports of goods and services since 1983/84 have grown by an average annual rate of around 8 per cent in real terms, and have risen from around 13 per cent of GDP to around 19 per cent. On present indications, this broad outcome is expected to continue over the medium-term given the present level of competitiveness and the growing export orientation in some areas of the economy, particularly the manufacturing and service sectors.

426. Australia's resource endowments and efficient farming, pastoral and mining practices have given it a competitive advantage in primary production. A major share of Australia's export revenue depends on sales of primary products and will continue to do so for the foreseeable future. However, Australia has been diversifying its export mix, and in particular has increased its exports of services and manufactures. In 1982/83, manufactures and services together accounted for around 34.5 per cent of total exports; by 1992/93, their export share had risen to almost 43.5 per cent (exceeding the combined value of all minerals, fuels and unprocessed agricultural produce).

427. Australia still runs a significant deficit on its trade in services. However, in the past decade, services exports have grown more strongly than merchandise exports — by 1992/93, services exports had risen to about 3.3 times their 1982/83 value, whereas merchandise exports had risen to about 2.9 times their 1982/83 value. This has reflected both stronger growth in the volume of services exports and stronger rises in their prices.

428. The broad balances in Australia's merchandise trade reflect the traditional pattern, with large surpluses on trade in primary products and large deficits on trade in manufactures. In the past decade, exports of manufactures (especially elaborately transformed manufactures, (ETMs) have grown quite strongly. In 1982/83, manufactures accounted for a little over 20 per cent of Australia's merchandise exports. By 1992/93, their share had risen to about 29 per cent — the corresponding share for ETM exports has risen from 12 per cent to almost 20 per cent during the past decade.

429. Growth in merchandise export volumes is expected to moderate from the relatively high rates of recent years. This reflects the unwinding of special factors (particularly relating to gold), the
slowdown in the Japanese economy and smaller increments to productive capacity in the non-rural sector (particularly for crude oil). In addition:

- merchandise export values are at historically high levels after increasing in 1992/93. This in part reflects strong export price increases in 1992 as well as an 8.6 per cent depreciation in the trade weighted index in the second half of 1992. Merchandise export values increased by about 10 per cent in 1992/93; and

- in 1992/93, there was strong growth in elaborately transformed manufactures, energy, sugar and meat exports.

430. Total farm exports have increased gradually over the past several years, from an average current value of $14.3 billion over the years 1988/89 to 1990/91, to an estimated $15.7 billion in 1992/93. Several categories have increased considerably: the value of exports of meat and meat preparations increased by almost 30 per cent, and other rural (dairy, cotton, etc) have increased by 26 per cent. However the value of wool and sheepskin exports (greasy wool accounts for 60-70 per cent of this category) decreased by 20 per cent.

431. The sturdy growth in Australia’s export earnings from manufactures and services is expected to continue through the remainder of this decade, reflecting the greater openness of the Australian economy, increased competitiveness and progressive integration into the dynamic Asian region.

432. **Import levels:** Notwithstanding the comparatively weak recovery in the domestic economy, merchandise import values grew by almost 17 per cent in 1992/93. This comprised 9 per cent growth in volumes and 7.5 per cent growth in prices. The principal factor driving the increase in imports was the 10 per cent growth in endogenous import volumes. Exogenous import volumes fell moderately, by 3.5 per cent, in 1992/93.

433. The split of endogenous goods imports (ie., excluding civil aircraft, fuel and government items) into ‘capital’, ‘consumption’ and ‘other’ goods categories have changed little in recent years. The share of ‘other’ or ‘intermediate’ goods has accounted for about half of endogenous imports with the remainder fairly evenly split between the capital and consumption categories. The import mix is not expected to change significantly in the near future, although there is a possibility that a continuation of the rising incidence of intra-industry trade may increase the proportion of ‘intermediate’ goods imported.

434. On an individual category basis, imports of machinery have risen significantly over the past decade. In 1982/83, machinery imports accounted for 25 per cent of all merchandise imports. By 1992/93, this proportion had risen to 32 per cent. Imports of ‘other manufactures’ have remained fairly stable over the past decade, at just over 20 per cent, while imports of transport equipment have been comparatively volatile, reflecting the lumpy nature of these imports. Imported commodities which have experienced a declining share include fuels and textiles.

435. A part of the strong growth in endogenous imports can be explained by the importation of certain lumpy items, including superstructure for the North-West shelf gas project, a satellite and several ships. The outcome was also influenced by the behaviour of computer imports, which recorded volume growth in excess of 20 per cent for the second consecutive year. Underlying endogenous imports (which exclude lumpy items and computers) recorded growth of just over 7 per cent in volume terms in 1992/93.
436. **Directions of trade:** It is possible that certain changes associated with the increasing internationalisation of the Australian economy have contributed to a structural shift in the relationship between imports, demand and relative prices. This may include a growing incidence of intra-industry trade, whereby imports entering Australia are used as components for local assembly, with the finished goods being exported. For example, Australia’s growing pharmaceutical exports are typically manufactured using active ingredients that must be imported. Similarly, Toyota’s locally produced motor vehicles rely on a relatively high level of components imported from Japan. The phased reduction in industry assistance over the past decade or so is another structural change that may have boosted imports.

437. In 1992/93, 58 per cent of Australia’s exports went to the Asia region compared with about 45 per cent in 1982/83. In 1992/93, 25 per cent went to Japan, 19 per cent to North Asia (excluding Japan) and 14 per cent to ASEAN. The comparable proportions in 1982/83 were about 28 per cent, 11 per cent and 8 per cent respectively. The increasing Asian share has come at the expense of the ‘other countries’ category, together with a small relative decline in traditional markets (such as the USA and UK).

438. A similar story emerges with imports, with almost 40 per cent of Australia’s imports in 1992/93 emanating from Asian countries (Japan, North Asia and ASEAN). The import share of these countries was about 35 per cent in 1982/83. Throughout this period the share of imports from Japan fell slightly while imports from the USA remained stable at around 20 per cent.

439. The share of exports to, and imports from, Asia can be expected to increase over the medium-term. This reflects Australia’s growing links with the Asian region and the likelihood that economic growth in the Asia region will exceed economic growth in the OECD countries.

(b) Developments in the terms of trade and commodity prices

440. Australia is a price taker for a large majority of its exports and imports. As a result, the terms of trade is largely determined externally, rather than being influenced by domestic economic developments.

441. Manufactured goods form the bulk of Australia’s imports, whereas exports are primarily resource based, notwithstanding the rapidly growing share of manufactured and service exports. Thus fluctuations in the terms of trade tend to be the result of fluctuations in international commodity prices.

442. Since the deterioration in the mid-1980s, world commodity prices, and as a result Australia’s terms of trade, have fluctuated in line with OECD economic growth and both reached a cyclical high in 1988/89. However, by 1992/93 the terms of trade had fallen by around 11 per cent in line with the extended nature of the world economic downturn. In 1992/93, the terms of trade declined by 3.4 per cent (in year-average terms) on the previous year, as the weaker exchange rate boosted the rate of growth of import prices while growth in export prices was constrained by weakness in world commodity prices.

443. The outlook for the terms of trade is closely aligned to the outlook for international commodity prices. Given the subdued outlook for the world economy and thus for commodity prices, Australia’s terms of trade is expected to remain flat in year average terms although a slight improvement could become evident over the course of the year as the international economy commences a moderate recovery.
(c) Important trends

(i) Balance of payments

444. Australia has traditionally been a net importer of capital, facilitating the development of a rich endowment of natural resources at a faster pace than would have been possible if domestic savings were the only source of investment funds. Australia, therefore, has traditionally run a current account deficit, reflecting the use of a net inflow of capital to obtain real resources from the rest of the world.

445. During the 1960s and 1970s, the current account deficit averaged 2.4 per cent of GDP. The merchandise trade account was generally in surplus, net services and net income were in deficit and net unrequited transfers close to balance. However, this pattern altered in the 1980s, when the current account deficit did not fall below 3.5 per cent of GDP and averaged 4.8 per cent. The balance on merchandise trade was in persistent deficit, and as a result of the growing cost of servicing the related build-up in external indebtedness, the net income deficit increased from around 2 per cent of GDP at the beginning of the decade to 4.7 per cent in 1989/90.

446. The current account deficit fell during 1990/91 and 1991/92 to 4.3 per cent and 3.2 per cent of GDP respectively. These sharp improvements in the deficit reflected an improvement on the goods and services balance, recording a surplus in 1991/92 for the first time since 1979/80, and a reduction in the net income deficit because of lower world interest rates. The key factor contributing to the surplus on balance of goods and services was an increase in export volumes while import volumes continued to grow but at a slower rate. Rural and resources export volumes both increased 9 per cent in 1991/92, despite the drought and slow world growth. Manufactured exports and tourism exports also grew strongly, at 13 per cent and 9 per cent respectively.

447. During 1992/93, the current account deficit increased by 25 per cent to $15.4 billion (or 3.8 per cent of GDP). This deterioration reflected a return to deficit on the goods and services balance combined with a sharp fall in the net transfers surplus. These movements were partly offset by a decline in the net income deficit. The balance on goods and services deteriorated because of a small decline in net exports volumes and, more importantly, a further fall in the terms of trade. The net transfers surplus fell because of lower migration and changes to the eligibility requirements for business migrants. Lower world interest rates more than offset the increase in servicing costs associated with a higher stock of external liabilities to result in an improved net income balance.

448. The current account deficit is expected to increase in 1993/94 to $18 billion (4.25 per cent of GDP). This deterioration, in spite of net exports contributing to GDP growth, reflects a fall in the terms of trade and an increase in the net income deficit. The terms of trade is expected to fall again in 1993/94 as a result of continued weak commodity prices. Following declines in recent years, the net income deficit is expected to increase in 1993/94. This does not reflect an increase in net interest payable on external debt, which is expected to be largely unchanged, but an increase in the level of dividends payable overseas as a result of increased domestic profitability.

(ii) Interest rates

449. After peaking at around 18 per cent in late 1989, official short-term interest rates were reduced gradually to their current level of 4.8 per cent as it became clear that growth in activity was slowing and inflation expectations were falling. Short-term money market rates have fallen in line with official rates and are also around 4.8 per cent currently, their lowest level in 20 years.
Long-term interest rates have also fallen, from levels around 13.5 per cent in mid-1990 to 20 year lows of around 6.9 per cent now. Lower long-term interest rates overseas, reduced domestic short-term rates and lower domestic inflation expectations have prompted substantial falls in long-term rates during 1993 (by over 2 percentage points since the beginning of 1993).

Prime leading rates have been reduced broadly in line with cuts in official interest rates, from late 1989 peaks of around 20 per cent to 9 per cent currently. Surveys of the business sector suggest that the level of interest rates is no longer an important constraint on investment.

Reflecting the trends in the current account deficit previously described, as well as valuation effects arising from a lower $A, the net external debt to GDP ratio has increased significantly, from 5.6 per cent at end-June 1980 to 42.7 per cent at June 1993. A further slight increase is expected in 1993/94. The debt/equity ratio of new capital inflow has fallen substantially to be lower than the average experienced in the 1980s while still being above the average experienced in the 1970s.

Australia's official reserve assets totalled $20,842 million at end-June 1993 compared with the peak of $24,047 million at end-June 1991 and $5,681 million at end-June 1980. The fall since the June 1991 peak mainly reflects the Reserve Bank of Australia interventions in the foreign exchange market directed at slowing the decline in the Australian dollar more than offsetting the positive valuation effects flowing from the depreciation of the Australian dollar and gold price changes.

Most of the movements in Australia's real effective exchange rate are determined by movements in the nominal rate. In the 1989 to 1991 period, the nominal exchange rate was steady, reflecting trends in the terms of trade and interest rate differentials in that period. The subsequent depreciation of the exchange rate largely reflects the decline in Australia's terms of trade in recent years. In addition, the fall in Australia's inflation to levels below those of our trading partners has worked to reduce the real effective exchange rate.

Empirical estimates of the effect that movements in the real effective exchange rate have on trade flows need to be treated with caution. However, the Reserve Bank paper, *The Exchange Rate and the Balance of Payments*, concluded that roughly half the increase in manufactured export growth since the mid-1980s could be accounted for by declines in the real exchange rate.
(d) Foreign investment

(i) Foreign direct investment

457. In February 1992, as part of the Government's One Nation Economic Statement, further liberalisation of foreign investment policy was announced as an element in a suite of measures designed to enhance business expectations and investor confidence. In particular, the previous restrictions on inward foreign direct investment (FDI) in the mining sector were removed because policy may have been constraining some FDI in new mining projects where foreign/Australian equity thresholds were prescribed.

458. Ownership ratios of Australian and foreign shareholders in private banks are stipulated by the Banks (Shareholdings) Act 1972. The Banks (Shareholdings) Act also instructs that any one investor (foreign or Australian) is permitted to acquire no more than 5 per cent of the total share capital in the Commonwealth Bank of Australia (CBA). The selldown this year of 19 per cent of the CBA (in addition to the 30 per cent floated in 1991) has led to increased foreign portfolio investor interest.

459. Before deregulation in October 1990, domestic aviation was given special category status under the Government's foreign investment policy. As the objective of deregulation was to open up the domestic airline industry to competition, it was decided that access to foreign capital could make a contribution to this aim.

460. Australia has consistently been a net capital importer, attracting foreign capital to supplement domestic savings. This has allowed Australia to achieve higher rates of growth and living standards than would otherwise be possible. Factors like political stability, close economic relations with the major capital exporting nations, rich natural resources and competitive rates of return on foreign investment have made foreign investors willing to supply capital.

461. In this context, the primary influence of sectoral protection policies has not been on the level of direct foreign investment in Australia, but rather on the composition of foreign investment. That is, by distorting rates of return, industry policies are more likely to have encouraged investment in some industries beyond what would have occurred in the absence of border protection. This may have been the case with the automobile industry where protectionist policies encouraged the entry of a number of foreign firms to service a relatively small population. However, the investment projections for the automotive sector suggest that any such linkage in the past between high levels of protection and increases in investment is becoming irrelevant. For example, in an environment of substantially decreasing protection for the automotive sector, current investment projections for the period 1993/96 (over $2 billion) is 19 per cent higher than investment in the period 1989/92.

462. Foreign investment (direct and portfolio) has fallen significantly since the peak in 1988/89. However, there does not appear to have been a noticeable change in the pattern of direct foreign investment in the manufacturing sector in spite of reductions in tariffs in recent years and the expectation of further reductions in coming years. The proportion of portfolio investment in the manufacturing sector has dropped sharply in recent years, possibly due to the generally subdued economic conditions both in Australia and overseas and the cyclical nature of the manufacturing industry.

(ii) Restrictions on foreign direct investment

463. The Government does not maintain any restrictions on the volume or direction of outward foreign direct investment (FDI).
464. With respect to inward foreign investment, the Government's foreign investment policy is framed and administered to encourage foreign investment in Australia and ensure that such investment is consistent with the needs of the community.

465. The Government recognises the substantial contribution foreign investment makes to the development of Australia's industries and resources. Capital from other countries supplements domestic savings and provides scope for higher rates of economic activity and employment. Foreign capital also provides access to new technology, management skills and overseas markets.

466. Notwithstanding this general welcoming approach to inward FDI the Government requires by legislation, *The Foreign Acquisitions and Takeovers Act 1975 (FATA)*, or under policy the notification of certain proposals. These include:

- acquisitions of substantial interest in existing Australian businesses with total assets over $5 million ($3 million for rural properties);
- the establishment of new businesses involving total investment over $10 million;
- investments in the media sector irrespective of size;
- direct investments by foreign governments or their agencies irrespective of size;
- acquisitions of non-residential commercial real estate valued over $5 million;
- acquisitions of residential real estate irrespective of size (unless exempt under certain regulations); and
- takeovers of offshore companies whose Australian subsidiaries or assets are valued over $20 million or account for more than 50 per cent of the target company's global assets.

467. In the interests of a transparent screening policy the Government publishes guidelines for foreign investors. The Foreign Investment Review Board, the advisory body to the Government on the administration of foreign investment policy, publishes an annual report. It deals with, inter alia, significant proposals and a compendium of expected FDI statistics for the previous financial year.

468. The Government applies some restrictions governing FDI in certain sensitive areas. These sectors include uranium mining, shipping, broadcasting, telecommunications, aviation, banking and acquisitions of established residential real estate.

469. **Uranium Mining:** Foreign interests may explore for uranium and are not required to seek Australian participation in their exploration activities. With respect to development or uranium projects, the government operates a 'three mine' policy. This precludes the development of any other mine in this sector.

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3 Namely the Range and Navarlek (now closed) projects in the Northern Territory and the Olympic Dam deposit in South Australia.
470. **Shipping:** The Shipping Registration Act 1981 requires that, for a ship to be registered in Australia, it must be either:

- majority Australian-owned;
- on demise (bare boat) charter to an Australian based operator; or
- if it is less than 12 metres in length overall, wholly owned or operated by residents of Australia or by Australian nationals and residents together.

471. **Broadcasting:** Foreign interests in commercial television broadcasting services continue to be limited to a 15 per cent company interest for individuals and a 20 per cent company interest in aggregate. A foreign person must not be in a position to exercise control of a commercial television broadcasting licence. Not more than 20 per cent of directors of a commercial television broadcasting licence may be foreign persons. Foreign ownership and control limits have been removed for commercial radio.

474. For all subscription television broadcasting services licenses, foreign interests are limited to a 20 per cent company interest for an individual and a 35 per cent company interest in aggregate. Until 1 July 1997, no person who is in a position to exercise control of subscription television service Licence A can have company interests exceeding 2 per cent in, or be in a position to control, Licence B. There are no other foreign ownership and control restrictions on other broadcasting services under the Broadcasting Services Act 1992.

472. **Telecommunications:** Only the Commonwealth of Australia may hold shares in Telstra Corporation Ltd (the Government owned telecommunications company) and these shares cannot be transferred.

473. Optus Communications Pty Ltd, Australia's second general telecommunications company is 51 per cent Australian owned. Current Government policy stipulates that this 51 per cent Australian ownership level is to be maintained in the foreseeable future.

474. Australia's third licensed mobile carrier, Vodafone Pty Ltd is currently 95 per cent foreign owned. It is however, a condition of the license that, on or after 1 July 2003, foreign interests must not hold 50 per cent or more of Vodafone's total issued shares.

475. **Aviation:** Foreign investment guidelines provide that foreign airlines flying to Australia may acquire up to 25 per cent of the equity in a domestic carrier individually or up to 40 per cent in aggregate provided the proposal is not contrary to the national interest. In special circumstances these limits can be waived by the Government. All other foreign investors (including those that do not operate an airline service to Australia) may acquire up to 100 per cent of a domestic carrier or establish a new aviation business unless judged contrary to the national interest.

476. In the case of Qantas, total foreign ownership is restricted to a maximum of 35 per cent in aggregate, with individual holdings limited to 25 per cent. In addition, a number of national interest criteria also must be satisfied, relating to the nationality of Board members and operational address of the enterprise.
477. **Banking**: Foreign investment in the banking sector needs to be consistent with relevant legislation, policy and prudential requirements. The Government will permit the issue of new banking authorities to foreign owned banks conditional on Reserve Bank approval. Foreign banks are also free to bid for smaller banks (if available for sale).

478. **Established residential real estate**: Acquisitions of established real estate by foreign persons are restricted to individuals with temporary residence status or, in limited cases, companies with significant Australian operations who are purchasing a residence for a company executive.

(iii) **Policy changes**

479. Australia’s policy regarding FDI has become increasingly more liberalised in the latter part of the last decade. This has included announcement of the following policy changes.

480. In January 1988 Australian participation guidelines for FDI in new mining projects over $10 million no longer applied to new oil and gas developments, permitting up to 100 per cent foreign equity, provided they were not considered contrary to the national interest.

481. In July 1991 foreign investors could acquire residential real estate within a designated Integrated Tourism Resort without the need to seek approval under the FATA.

482. As part of the Government’s *One Nation* Economic Statement in February 1992, thresholds in non-sensitive sectors below which proposals are normally approved without detailed examinations were increased. Australian equity guidelines in new mining businesses were relaxed and the economic benefits test for takeovers of existing mining businesses was abolished.

483. In April 1993, Australian equity requirements in acquisitions of commercial property valued at over $5 million were abolished, and there was some easing of the off-the-plan rules applied to the redevelopment of commercial buildings into residential units. The Government also increased the permitted foreign interest involvement in mass circulation newspapers by a single shareholder to 25 per cent. Unrelated foreign interests were allowed to have (non-portfolio) shareholdings of up to 5 per cent.

(e) **International macroeconomic situation affecting the external sector**

484. Given Australia’s increasing linkages with the international economy, the prospects for world economic activity are fundamental to domestic economic activity. While the Australian economy has been in recovery for two years, that recovery has been particularly slow judged against past standards, with a weak world economic recovery seen as one of the major constraints on the pace of the domestic recovery.

485. Despite encouraging signs in a number of industrial economies, the world economy is expected to continue growing at a subdued rate, at least in the short-term. The uneven performance of the major

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*a* Banking is legislated by the *Banking Act 1959* and the *Banks (shareholdings) Act §971*.

*b* Unless otherwise exempted by a FATA regulation.

*c* $500 million in non-sensitive sectors $3 million for rural businesses, $5 million for takeovers of existing businesses and $20 million for the Australian assets involved in offshore takeovers.
economies has prolonged the period of weak world economic activity. The unsynchronised nature of the business cycle in the major countries has also tended to reduce the extent of the aggregate downturn in growth and can be expected to similarly limit the extent of the aggregate recovery. Further uncertainty has been created by recent developments in the European Exchange Rate Mechanism (ERM) which has seen, in essence, the floating of most ERM currencies. Nevertheless, these developments have given some European economies the flexibility to lower interest rates in order to assist activity.

486. While the short-term outlook remains uncertain, the pace of world economic activity will start to pick-up to some degree as growth in the US economy consolidates and the Japanese and German economies recover. This will assist a recovery in commodity prices and provide a stimulus to the Asian economies and to Australia, both directly and indirectly.

487. In contrast to the relatively subdued performance of the industrial economies, the Asian economies have maintained their strong growth and the outlook for Asia continues to be more promising than for the OECD. A progressive shift to domestic demand as the source of growth in the Asian region offers the prospect for Australia to further diversify its exports to the region.

3. PROBLEMS IN EXTERNAL MARKETS

488. Internationally, primary sector exports face a range of impediments and the Government is pursuing strategies aimed at increasing market access and removing market distortions through three tiers of international negotiations - multilateral, regional and bilateral.

489. World agricultural trade, in particular, is subject to serious market distortions, for example through the agricultural policies of the EC and US which have disrupted international trade and contributed to depressed world prices for key agricultural products. Policies on food security and quality and sanitary/phytosanitary requirements have also inhibited exports, particularly to some Asian markets.

490. International resource markets are distorted through production subsidies and other measures such as discriminatory taxes and duties, quantitative restrictions and licensing requirements. Escalating tariffs for more processed agricultural-based and resources based products also reduce opportunities for Australia to increase its export earnings through value-adding.

491. The Uruguay Round of multilateral trade negotiations provides a systematic approach to international trade liberalisation. A successful conclusion of the Round remains the top priority for the Government and will have substantial long-term benefits for Australian exporters.

492. The major constraints to growth in exports can be summarised by the following points:

- the present degree of protectionism in international markets, particularly in agricultural products, is a cause for concern, as is tariff escalation and potential future trends in protectionism. Greater trade liberalisation, and in particular a successful conclusion to the Uruguay Round, would remove a major constraint to Australian exporters;

- continuing slow growth in the major industrial countries, possibly for an extended period, is an identifiable risk. Importantly, this will inhibit a recovery in commodity prices and keep volume growth subdued. However, Australia's growing links with the Asian region cushions, to some extent, the impact of continuing weak world economic activity;
ongoing microeconomic reform is essential to maintain competitiveness and make exporters more receptive to international demands and more flexible in accommodating those demands. The Government is committed to continuing and accelerating structural reform;

it is also necessary to prevent a deterioration in Australia’s international competitiveness through a rise in underlying inflation and/or input costs relative to Australia’s major competitors. This is principally the role of monetary policy but it is also necessary to effect a smooth transition to a more decentralised wages system. This is being facilitated by economic policy settings and the current subdued macroeconomic environment. The competitiveness index has returned to the high point reached following the depreciation of the SA in the mid 1980s;

in the past, domestic recovery has caused some companies to divert exports to the domestic market. Therefore, it is important for the export culture to become firmly entrenched such that exports are maintained even in the face of strong domestic growth, and that the level of commitment by Australian firms to export markets. The evidence to date is that exporters are keen to maintain export markets as they have incurred substantial sunk costs in initially operating these markets;

orwithstanding the current increase in the value of rural exports, Australia is encountering difficulties in ensuring continued access to several important markets;

in the case of meat and meat preparations, exports are being hindered by the USA’s Meat Import Law (MIL) which prevents imports of beef and veal, mutton and goatmeat into the US beyond an annually set level. It was invoked in December 1992, and reduced access levels in 1993, for the third consecutive year;

exports have also been hindered by the decision by Canada in June 1993 to impose a 48 kilotonne (kt) quota on imported boneless beef for the period May to December 1993 with a 25 per cent surtax to apply to imports above the quota level;

the promising Mexican market was unexpectedly affected by the recent imposition of a 25 per cent tariff on frozen boneless beef. Tariffs of 15 per cent and 20 per cent were also imposed on livestock and fresh, chilled beef, respectively;

in the case of sugar, Australia has had access to the US market further reduced by 10kt to 86kt in 1993. This contrasts with US imports of 800kt of Australian sugar in 1981, the year prior to the introduction of US sugar import quotas, and a high of 232kt in 1984 under the quota regime;

the export subsidies and industry support policies of the US and the EC are depressing world wheat prices and making it difficult to market Australian wheat competitively on the world market; and

the outlook for wool is clouded primarily by Australian oversupply resulting partly from the ongoing effects of the artificial stimulus provided by the (now abandoned) Reserve Price Scheme, and partly from contraction of overseas demand associated with international recession and loss of markets in the former Soviet Union and Eastern Europe. In addition, market access for wool is being restricted in China.
APPENDIX A

The System of Government and Parliament

1. The system: Australia is a federation. It was created by the Commonwealth of Australia Constitution Act 1900 (a statute of the British Parliament) and came into being on 1 January 1901. It comprises six states (New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia) and ten territories. There are three internal territories (the Northern Territory and the Australian Capital Territory which includes the Jervis Bay Territory) and seven external territories, namely: Christmas Island, Cocos (Keeling) Island, Norfolk Island, the Territory of Ashmore and Cartier Islands, the Territory of the Coral Sea Islands, the Territory of McDonald and Heard Islands and the Australian Antarctic Territory; and a central Commonwealth Government. The latter is given specific powers under the Constitution while the remainder of the powers are with the States and Territories.

2. Under the Constitution a valid Commonwealth law will override an inconsistent State law to the extent of the inconsistency. The High Court of Australia, which is also established by the Constitution, is the final court of appeal for all Australian purposes, including disputes as to the division of constitutional power between the Commonwealth and the States.

3. Commonwealth heads of power: The following is a list of some of the more important powers which the Commonwealth Parliament has to affect directly matters relating to trade:

- interstate and overseas trade and regional development, including navigation and shipping;
- taxation, but so as not to discriminate between States or parts of States;
- bounties on the production of goods, but so that such bounties shall be uniform throughout the Commonwealth;
- postal, telegraphic, telephonic and other like services, currency, coinage, and legal tender;
- banking, other than State banking; also State banking extending beyond the limits of the State concerned, the incorporation of banks and the issue of paper money;
- insurance, other than State insurance; also State insurance extending beyond the limits of the State concerned;
- copyrights, patents, trade marks and designs;
- quarantine laws;
- foreign corporations, and trading or financial corporations formed within the limits of the Commonwealth;
- external affairs; and
- conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State.
4. The Commonwealth Parliament may also be able indirectly to affect, for example, purely
domestic trade, through the power which it has under the Constitution to make conditional grants of
financial assistance to the States.

5. **The Ministry**: Within the Ministry, certain Ministers exercise particular responsibilities for
issues related to trade policy.

6. Within the Foreign Affairs and Trade portfolio, the Minister for Foreign Affairs, the Minister
for Trade and the Minister for Development Co-operation and Pacific Island Affairs have responsibility
for bilateral, regional, and multilateral foreign and trade policy, treaties including trade agreements
and international trade. AUSTRADE (Australian Trade Commission) has come within the Foreign
Affairs and Trade portfolio and is responsible for export promotion and marketing.

7. The Ministry for Industry, Technology and Regional Development (formerly the Minister for
Industry, Technology and Commerce), assisted by the Minister for Science and Small Business, is
responsible for manufacturing and services, industry policy and programs, regional development, science
and technology including industrial research and development and industrial property (patents, trade
marks and designs), customs and excise duties, anti-dumping and export services.

8. The Minister for Primary Industries and Energy, assisted by the Minister for Resources, has
responsibility at the Commonwealth level for the agricultural, fishing, forestry, mineral and energy
industries, water and other natural resources, inspection and quarantine, commodity marketing (including
export promotion), commodity-specific international organisations and activities, administration of export
controls on primary products and energy products, and management of radioactive waste.

9. The Treasurer is responsible for fiscal and monetary policy, taxation, foreign exchange, foreign
investment in Australia and competition policy. Policy responsibility for Australia’s competition
legislation, Part IV of the Trade Practices Act 1974 and for Australia’s competition authority, the Trade
Practices Commission, was transferred from the Attorney-General’s portfolio to the Treasurer’s portfolio
in March 1993. There is an Assistant Treasurer at Ministerial level who is responsible for, among
other things, issues such as competition policy and business affairs.

10. The Minister for Transport and Communications contributes to overall economic and trade
policy by providing a regulatory framework for air and surface transport and communications services.

11. Trade policy is carried out within the framework of the Government’s overall economic policy.

12. An important tool in policy development is the Cabinet Committee on Structural Adjustment
and Trade. This provides a forum for interchange and co-ordination of Government objectives on
a range of issues relevant to improving the capacity of the Australian economy in the medium term.
It operates as a working group developing policy options and, in many cases, puts recommendations
to Cabinet. Its membership is: the Prime Minister (chair); the Treasurer (deputy chair); Minister
for Finance; Minister for Employment, Education and Training; Minister for the Environment, Sport
and Territories; Minister for Primary Industries and Energy; Minister for Trade; Minister for Industry,
Technology and Regional Development; Minister for Transport and Communications; Minister for
Resources and Minister for Tourism.

its Departments. The Ministers in charge of the different portfolios are accountable to Parliament.
The Australian Parliament consists of the House of Representatives and the Senate. To become law,
a Bill must pass both Houses and receive assent from the Governor-General. The Senate is the house of review and may reject or amend proposed legislation, except financial supply bills, which it may reject but may not amend. The administration of laws is the responsibility of the Executive Government, or Ministry, which is drawn from the party or parties commanding a majority in the House of Representatives.

14. The formal procedures for passing and implementing legislation on forms of industry assistance do not differ from the procedures for implementing any other legislation.

15. Commonwealth legislation concerning external trade includes general legislation such as the Customs Act of 1901 and more specific legislation affecting particular products or industries, such as the Bounty (Ships) Act of 1980. Responsibility for this legislation rests with the relevant Departments.

16. Proposed changes to industry policy typically undergo widespread consultation between Commonwealth Government Departments and agencies, industry associations, and advisory bodies. Those Departments and agencies with a policy responsibility for the proposal are consulted in the formulation of the Government’s position. Following these consultations, the Minister with prime responsibility prepares the proposal for Cabinet, the primary forum for gaining policy approval.

17. Cabinet is composed of a number of senior Ministers and acts as the primary branch of the Executive Government which considers changes to Government policy. The Structural Adjustment and Trade Committee of Cabinet also acts as an important forum for consultation among Ministers and for coordination of industry policy.

18. Upon gaining Cabinet approval, the Minister with prime responsibility prepares legislation for introduction into Parliament. In some cases, such as agricultural marketing arrangements, consultations may be required with the States to ensure the necessary joint legislation.

19. Committees of the Parliament may also conduct public inquiries into issues of trade and industry policy. The recommendations and reports arising from such inquiries are submitted to the Government for consideration. Any member of the public or organisation may make a submission to such inquiries.
APPENDIX B

The Role of Commonwealth Government Departments

1. Details of the various Commonwealth Departments with trade-related responsibilities are provided below.

2. **Department of Foreign Affairs and Trade**: The Department provides advice to its Ministers (the Minister for Foreign Affairs, the Minister for Trade and the Minister for Development Cooperation and Pacific Island Affairs) and the Government on external affairs, including bilateral, regional and multilateral trade policy, treaties including trade agreements and international trade and commodity negotiations.

3. Functions of the Department that influence the process of trade policy formulation are:
   - to produce medium-term policy and specific policy strategies covering bilateral, multilateral and regional trade issues, particularly in the western Pacific region and with the major trading powers, the European Community, Japan and the United States;
   - to develop and co-ordinate policy and strategy aimed at advancing Australia's trading objectives through participation in the GATT (and Uruguay Round) and bilateral trade negotiations;
   - to ensure compliance with trade (including GATT) obligations;
   - to contribute to the formulation of domestic policies relevant to trade, including sectoral trade issues; and
   - to inject Australian concerns into the work programs and agenda of major regional and international economic organisations.

4. **Links with other departments/organisations**: The Department works very closely on trade, industry and investment policy issues with a wide range of other Departments (particularly Treasury, Industry, Technology and Regional Development and Primary Industries and Energy).

5. In addition, the Department conducts extensive consultations with a wide range of industries, industry associations, unions and State/Territory governments on a range of multilateral, regional, bilateral and domestic trade related policy issues.

6. A key mechanism in this area is the National Trade Strategy Consultative Process which brings together Commonwealth, State and Territory governments, industry and unions to identify priorities for Australia's trade agenda and the ways in which governments can best facilitate Australian business efforts overseas.

7. **Treasury**: The Treasury advises and assists the Treasurer and through him the Government in the discharge of their collective responsibilities for the management of the Australian economy.
8. Functions of the Department that influence the process of trade policy formulation are:

- to formulate and co-ordinate monetary policy, fiscal policy, taxation policy, structural policy, financial sector policy and foreign investment policy;

- to assess domestic economic indicators and conduct short-term forecasting and economic modelling;

- to monitor and analyse developments in the balance of payments and external accounts; and

- to monitor and analyse international economic and financial developments impacting on Australia.

9. The portfolio also has responsibility for a number of key Government review bodies such as the Prices Surveillance Authority (PSA) and the Industry Commission (IC).

10. Links with other departments/organisations: Treasury is the principal economic adviser to the Government. It maintains close links with the Reserve Bank and other Australian Commonwealth Government departments and agencies in carrying out its duties.

11. Department of Industry, Technology and Regional Development: The Department has primary responsibility for advising the Government in manufacturing and service industries, science and technology, and regional development. It provides advice to the Minister for Industry, Technology and Regional Development and the Minister for Science and Small Business. It also delivers programs on behalf of the Government to firms in the manufacturing and services sectors and to the science and technology community.

12. The Department seeks to promote internationally competitive manufacturing and service industries, through policies and programs which:

- encourage the development of world-class enterprises, industries, science and technology; and

help to bring about and maintain an internationally competitive environment within which enterprises can develop and prosper.

13. These policies and programs relate to industry development, enterprise improvement, innovation and tariffs and bounties. In March 1993 the Office of Regional Development was established within the Department reflecting the Government’s increased emphasis on ensuring that structural change does not impact disproportionately on different regions of Australia. Prior March 1993 Commerce.

14. The portfolio also has responsibility for a number of other significant agencies, namely the Commonwealth Scientific and Industrial Research Organisation (CSIRO), the Australian Nuclear Science and Technology Organisation, the Australian Customs Service, the Anti-Dumping Authority, the Australian Industry Development Corporation, the Australian Institute of Marine Science, the Industry Research and Development Board, the Management and Investment Companies Licensing Board, the National Standards Commission, the Patent Attorneys Professional Standards Board, the Snowy Mountains Engineering Corporation and various industry authorities all of which bear upon industry and trade developments.
15. **Links with other departments/organisations:** The Department of Industry, Technology and Regional Development is the principal body involved in science, industry and technology and regional development issues and, in order to perform its duties, maintains close liaison with other relevant Departments, industry and science bodies, committees, advisory bodies, research associations, professional bodies and organisations. It also liaises with individual manufacturers as necessary.

16. **Department of Primary Industries and Energy:** The Department provides advice to the Minister for Primary Industries and Energy and the Minister for Resources on issues relating to their areas of Ministerial responsibility. The portfolio also has research and technical functions carried out by the Australian Bureau of Agricultural and Resource Economics, the Australian Geological Survey Organisation and the Bureau of Resource Sciences.

17. The portfolio has responsibility for:

- a number of Statutory Authorities which have trade-related powers under the provisions of their respective Acts; and

- the Australian Quarantine and Inspection Service (AQIS) which operates within the Department of Primary Industries and Energy with the task of overseeing and administering Australia's quarantine regulations, thus safeguarding Australia's health and disease status and maintaining prospects for the export of Australian agricultural products.

18. **Links with other departments/organisations:** The Department of Primary Industries and Energy has regular contact with the Departments of Foreign Affairs and Trade; Industry, Technology and Regional Development; Prime Minister and Cabinet; Arts and Administrative Services; Tourism; Environment, Sport and Territories; Community Services and Health; the Treasury; the Industries Commission and the Australian Customs Service.

19. There is extensive contact with industry, both directly and through bodies such as the Commodities Trade Advisory Group and the Agrifood Council.

20. Regular high level consultation occurs with the States through the Agriculture and Resource Management Council of Australia and New Zealand. Less formal consultations with the states occur frequently at working level meetings covering areas of common interest.

21. **Department of Transport and Communications:** The Department has policy responsibility for two key elements of national infrastructure: transport (aviation, maritime and land) and communications (broadcasting, post and telecommunications).

22. The Department provides advice to its Ministers (Minister for Transport and Communications and Minister for Communications) and administers over ninety Acts of Parliament concerning the following principal areas:

- aviation policy, security and safety;

- broadcasting policy and services;

- management of the radiofrequency spectrum;
telecommunications and postal policy;
- land transport including road safety; and
- shipping, marine navigation and safety.

23. The Department has been central in assisting the Government to meet its microeconomic reform objectives in these sectors. Achievements include the development of one of the world's most liberalised frameworks for telecommunications, reform of Government Business Enterprises in the portfolio, deregulation of the domestic aviation industry from 1990, significant deregulation of broadcasting in 1992 and steps to reform the waterside and shipping industries.

24. Functions of the Department that influence the process of trade policy formulation are:
- to regulate the safety of vehicles supplied to the Australian market;
- to develop international aviation policy, negotiate and administer bilateral aviation agreements and to develop and administer aviation charter policy;
- to promote a diverse, high quality and efficient broadcasting industry;
- to regulate the radiofrequency spectrum and to conduct related international negotiations;
- to review the telecommunications and broadcasting regulatory framework to ensure that it is responsive to current and future technological developments;
- to develop and promote the Government's telecommunications and postal policies within Australia and in appropriate international fora with the goal of facilitating more open trade in telecommunications and postal services;
- to promote the Government's maritime policies within Australia and at appropriate international forums with the aim of facilitating a liberal shipping environment;
- to enhance the international competitiveness of Australian industry, both through the provision of efficient and competitive road and rail freight services and more productive, reliable towage and shore-based handling arrangements; and
- to enhance the competitiveness of other sectors through provision of more productive and reliable shore-based shipping operations and efficient and cost-effective carriage of freight and passengers to and from Australia.

25. Links with other departments/organisations: The Department has regular contact with the Trade Practices Commission; Attorney-General's Department; Department of Foreign Affairs and Trade; Department of Industry, Technology and Regional Development; Department of Environment, Sport and Territories and AUSTRADE on matters affecting trade policy development.

26. There is extensive contact with industry, employee groups and unions. The Department also has representation on a range of bodies such as the International Cargo Handling Association, the Marine Council, the Bulk Cargoes Advisory Group and various committees advising on shipping, ports, road and rail transport, broadcasting, telecommunications, aviation and tourism.
APPENDIX D

TABULAR AND STATISTICAL INFORMATION

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<th>Page</th>
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<tr>
<td>Table IX</td>
<td>External Accounts</td>
<td>93</td>
</tr>
</tbody>
</table>
### Table I
Effects of barrier protection reforms, 1986 to 2000

(As referred to Paragraph 139)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple average tariff&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. tariff quota items included&lt;sup&gt;d&lt;/sup&gt;</td>
<td>16.9</td>
<td>12.6</td>
<td>-29.8</td>
<td>9.9</td>
<td>-41.6</td>
<td>6.3</td>
<td>-63.0</td>
<td>4.9</td>
<td>-71.1</td>
</tr>
<tr>
<td>. tariff quota items deleted</td>
<td>12.6</td>
<td>8.5</td>
<td>-32.3</td>
<td>7.3</td>
<td>-41.9</td>
<td>4.2</td>
<td>-66.7</td>
<td>3.6</td>
<td>-71.2</td>
</tr>
<tr>
<td>Trade weighted average tariff&lt;sup&gt;c&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. imports at General rates</td>
<td>10.7</td>
<td>7.9</td>
<td>-37.4</td>
<td>6.0</td>
<td>-43.9</td>
<td>3.9</td>
<td>-63.6</td>
<td>2.9</td>
<td>-72.9</td>
</tr>
<tr>
<td>. total imports&lt;sup&gt;i&lt;/sup&gt;</td>
<td>7.9</td>
<td>4.9</td>
<td>-38.0</td>
<td>4.1</td>
<td>-48.1</td>
<td>2.8</td>
<td>-64.6</td>
<td>2.2</td>
<td>-72.2</td>
</tr>
<tr>
<td>Average nominal assistance&lt;sup&gt;e&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. manufacturing&lt;sup&gt;b&lt;/sup&gt;</td>
<td>12.0</td>
<td>7.0</td>
<td>-41.7</td>
<td>6.0</td>
<td>-50.0</td>
<td>4.0</td>
<td>-66.7</td>
<td>3.0</td>
<td>-75.0</td>
</tr>
<tr>
<td>. agriculture&lt;sup&gt;f&lt;/sup&gt;</td>
<td>7.5</td>
<td>4.0</td>
<td>-46.7</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Average effective assistance&lt;sup&gt;j&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>. manufacturing&lt;sup&gt;b&lt;/sup&gt;</td>
<td>19.0</td>
<td>12.0</td>
<td>-36.8</td>
<td>10.0</td>
<td>-47.4</td>
<td>6.0</td>
<td>-68.4</td>
<td>5.0</td>
<td>-73.7</td>
</tr>
<tr>
<td>. agriculture&lt;sup&gt;f&lt;/sup&gt;</td>
<td>18.0</td>
<td>12.0</td>
<td>-33.3</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

<sup>a</sup> September 1986 represents the start of the Uruguay negotiations. July 1992 marks the end of the first round of reform in Australia. July 1993 is the start of the second round of reforms. July 1996 marks the end of the general tariff reductions. July 2000 marks the completion of cuts to TCF and PMV.

<sup>b</sup> The analysis excludes items subject to excise and cheese tariff quota items, but includes TCF items subject to tariff quota (tariff quotas were removed 1 March 1993).

<sup>c</sup> The simple average is the average of all General tariff rates (fob basis) in the Australian Customs Tariff weighted by line item. 1986-87 rates are not available. These estimates relate to rates applying at January 1988. Other estimates relate to the rates applying at 1 July of each financial year.

<sup>d</sup> Rates applied for tariff quota items are the scheduled General rate plus the price effect of the tariff quota, measured by the tender premium.

<sup>e</sup> For 1986-87 and 1992-93 the trade weighted average is the average duty paid weighted by the fob value of imports. For the remaining years the scheduled rates (fob) basis are weighted by 1992-93 General rate trade.

<sup>f</sup> Includes concessional and preferential imports.

<sup>g</sup> Average nominal rates on output are weighted by the unassisted value of output of each activity.

<sup>h</sup> Over 90 per cent of manufacturing assistance is delivered by border measures (tariffs and tariff quotas where applicable).

<sup>i</sup> 1991-92 is the latest year for which estimates for agriculture are available. Estimates for this year are reported in 1992-93 column.

<sup>j</sup> The main form of assistance for agriculture is provided by agricultural marketing arrangements; tariffs account for less than 10 per cent of assistance.

<sup>k</sup> Average effective rates are weighted by the unassisted value added of each activity.
Table II
Outlays under general export strategies
(As referred to in Paragraph 210)

<table>
<thead>
<tr>
<th></th>
<th>$Aus</th>
<th>1992-93 Actual</th>
<th>1993-94 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export development schemes</td>
<td>$m</td>
<td>178.3</td>
<td>251.6</td>
</tr>
<tr>
<td>Export and trade promotion</td>
<td>$m</td>
<td>123.3</td>
<td>134.6</td>
</tr>
<tr>
<td>Export finance facility</td>
<td>$m</td>
<td>9.4</td>
<td>7.6</td>
</tr>
<tr>
<td>National interest export business</td>
<td>$m</td>
<td>58.9</td>
<td>25.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$m</td>
<td><strong>396.8</strong></td>
<td><strong>418.9</strong></td>
</tr>
</tbody>
</table>
Table III
Bounty schemes by sector of economic activity, 1993-94
(As referred to in Paragraph 254)

<table>
<thead>
<tr>
<th>Bounty Act</th>
<th>Expiry date</th>
<th>Current bounty rate</th>
<th>1992/93 outlays</th>
<th>1993/94 estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bounty (Ships) Act 1989</td>
<td>30/6/1995a</td>
<td>9% of 1.2 x cost of productionb</td>
<td>$A24.2 m</td>
<td>$A26.7 m</td>
</tr>
<tr>
<td>Machinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bounty (Machine Tools and Robots) Act 1985</td>
<td>30/6/1997</td>
<td>16% (value added)c</td>
<td>$A8.6 m</td>
<td>$A7.5 m</td>
</tr>
<tr>
<td>Textiles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bounty (Bed Sheet) Act 1977</td>
<td>30/6/1995</td>
<td>$A0.12 per m2</td>
<td>$A2.4 m</td>
<td>$A1.6 m</td>
</tr>
<tr>
<td>Bounty and Capitalization Grants (Textile Yarns) Act 1981</td>
<td>30/6/1995</td>
<td>22% (value added)</td>
<td>$A46.5 m</td>
<td>$A16.5 m</td>
</tr>
<tr>
<td>Bounty (Printed Fabrics) Act 1981</td>
<td>30/6/1995</td>
<td>22% (value added)</td>
<td>$A1.5 m</td>
<td>$A1.7 m</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bounty (Books) Act 1986</td>
<td>31/12/1993d</td>
<td>13.5% (prod. cost)d</td>
<td>$A21.4 m</td>
<td>$A22.3 m</td>
</tr>
<tr>
<td>Bounty (Photographic Film) Act 1989</td>
<td>31/12/1992</td>
<td>$A3.75 per m2</td>
<td>$A6.0 m</td>
<td>$A0.0</td>
</tr>
<tr>
<td>Bounty (Citric Acid) Act 1991</td>
<td>31/12/1995</td>
<td>$A350 per tonne</td>
<td>$A0.7 m</td>
<td>$A0.7 m</td>
</tr>
</tbody>
</table>

a Proposed Legislation will alter expiry date to 30/6/1997. Rates will phase from 9%, for the 1993/94 financial year, to 5% in 1996/97.
b Except for vessels exported to New Zealand.
c Rate for advanced machines (standard machines: 14%).
d In addition, 11.9% of paper or binding materials are free of charge.
e The Government has announced Legislation that will extend the expiry date to 31/12/97.
### Table IV

**Commodity composition of exports**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Live animals other than fish crustaceans molluscs and aquatic invertebrates</td>
<td>160,221</td>
<td>208,954</td>
<td>245,642</td>
</tr>
<tr>
<td>1</td>
<td>Meat and meat preparations</td>
<td>3,178,081</td>
<td>3,431,849</td>
<td>3,747,159</td>
</tr>
<tr>
<td>2</td>
<td>Dairy products and birds’ eggs</td>
<td>720,383</td>
<td>812,887</td>
<td>1,102,177</td>
</tr>
<tr>
<td>3</td>
<td>Fish (not marine mammals) crustaceans molluscs and aquatic invertebrates and preparations thereof</td>
<td>719,767</td>
<td>831,047</td>
<td>951,454</td>
</tr>
<tr>
<td>4</td>
<td>Cereals and cereal preparations</td>
<td>2,436,982</td>
<td>2,352,317</td>
<td>2,952,630</td>
</tr>
<tr>
<td>5</td>
<td>Vegetables and fruit</td>
<td>627,520</td>
<td>727,321</td>
<td>872,761</td>
</tr>
<tr>
<td>6</td>
<td>Sugars sugar preparations and honey</td>
<td>947,624</td>
<td>746,431</td>
<td>1,073,935</td>
</tr>
<tr>
<td>7</td>
<td>Coffee tea cocoa spices and manufactures thereof</td>
<td>88,136</td>
<td>96,474</td>
<td>124,305</td>
</tr>
<tr>
<td>8</td>
<td>Feeding stuff for animals(excl. unmilled cereals)</td>
<td>256,348</td>
<td>355,351</td>
<td>467,032</td>
</tr>
<tr>
<td>9</td>
<td>Miscellaneous edible products and preparations</td>
<td>112,656</td>
<td>144,251</td>
<td>143,592</td>
</tr>
<tr>
<td>11</td>
<td>Beverages</td>
<td>288,848</td>
<td>344,791</td>
<td>385,250</td>
</tr>
<tr>
<td>12</td>
<td>Tobacco and tobacco manufactures</td>
<td>21,215</td>
<td>20,832</td>
<td>31,840</td>
</tr>
<tr>
<td>21</td>
<td>Hides skins and furskins raw</td>
<td>412,396</td>
<td>361,013</td>
<td>388,509</td>
</tr>
<tr>
<td>22</td>
<td>Oil seeds and oleaginous fruits</td>
<td>47,865</td>
<td>63,171</td>
<td>80,195</td>
</tr>
<tr>
<td>23</td>
<td>Crude rubber (incl. synthetic and reclaimed)</td>
<td>8,711</td>
<td>9,188</td>
<td>11,341</td>
</tr>
<tr>
<td>24</td>
<td>Cork and wood</td>
<td>437,241</td>
<td>447,238</td>
<td>465,104</td>
</tr>
<tr>
<td>25</td>
<td>Pulp and waste paper</td>
<td>28,283</td>
<td>7,054</td>
<td>12,310</td>
</tr>
<tr>
<td>26</td>
<td>Textile fibres (excl. wool tops and other combed wool) and their wastes</td>
<td>3,745,201</td>
<td>4,609,147</td>
<td>4,013,060</td>
</tr>
<tr>
<td>27</td>
<td>Crude fertilizers (excl. those of division 56) and crude minerals (excl. coal petroleum and precious stones)</td>
<td>263,042</td>
<td>317,398</td>
<td>368,999</td>
</tr>
<tr>
<td>28</td>
<td>Metalliferous ores and metal scrap</td>
<td>8,295,701</td>
<td>7,624,539</td>
<td>7,571,679</td>
</tr>
<tr>
<td>29</td>
<td>Crude animal and vegetable materials nes</td>
<td>158,523</td>
<td>180,335</td>
<td>196,761</td>
</tr>
<tr>
<td>30</td>
<td>Coal coke and briquettes</td>
<td>6,480,921</td>
<td>6,945,315</td>
<td>7,622,579</td>
</tr>
<tr>
<td>32</td>
<td>Petroleum petroleum products and related materials</td>
<td>18,219,066</td>
<td>2,908,631</td>
<td>3,329,375</td>
</tr>
<tr>
<td>34</td>
<td>Gas natural and manufactured</td>
<td>1,005,539</td>
<td>1,017,487</td>
<td>1,234,535</td>
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<tr>
<td>41</td>
<td>Animal oils and fats</td>
<td>117,667</td>
<td>115,126</td>
<td>156,336</td>
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<tr>
<td>42</td>
<td>Fixed vegetable fats and oils crude refined or fractionated</td>
<td>3,821</td>
<td>3,391</td>
<td>4,325</td>
</tr>
<tr>
<td>43</td>
<td>Fats and oils (processed) waxes and inedible mixtures or preparations of animal or vegetable origin nes</td>
<td>15,974</td>
<td>17,756</td>
<td>30,914</td>
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<tr>
<td>51</td>
<td>Organic chemicals</td>
<td>113,441</td>
<td>88,623</td>
<td>87,602</td>
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<tr>
<td>52</td>
<td>Inorganic chemicals</td>
<td>200,910</td>
<td>228,535</td>
<td>197,092</td>
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<tr>
<td>53</td>
<td>Dyeing tanning and colouring materials</td>
<td>185,655</td>
<td>241,227</td>
<td>328,153</td>
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<tr>
<td>54</td>
<td>Medicinal and pharmaceutical products</td>
<td>320,390</td>
<td>455,541</td>
<td>564,366</td>
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<tr>
<td>55</td>
<td>Essential oils and resins and perfume materials toilet polishing and cleansing preparations</td>
<td>123,485</td>
<td>131,960</td>
<td>171,994</td>
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<tr>
<td>56</td>
<td>Fertilizers (excl. crude)</td>
<td>18,584</td>
<td>14,069</td>
<td>12,426</td>
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<tr>
<td>57</td>
<td>Plastics in primary forms</td>
<td>161,288</td>
<td>188,464</td>
<td>209,627</td>
</tr>
<tr>
<td>58</td>
<td>Plastics in non-primary forms</td>
<td>76,586</td>
<td>85,449</td>
<td>99,620</td>
</tr>
<tr>
<td>59</td>
<td>Chemical materials and products nes</td>
<td>175,023</td>
<td>225,926</td>
<td>323,584</td>
</tr>
<tr>
<td>61</td>
<td>Leather leather manufactures and dressed furskins nes</td>
<td>179,835</td>
<td>220,052</td>
<td>283,716</td>
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<tr>
<td>62</td>
<td>Rubber manufactures nes</td>
<td>65,015</td>
<td>79,119</td>
<td>107,674</td>
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<tr>
<td>63</td>
<td>Cork and wood manufactures (excl. furniture)</td>
<td>36,415</td>
<td>63,304</td>
<td>66,194</td>
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<tr>
<td>64</td>
<td>Paper paperboard and articles of paper pulp of paper or of paperboard</td>
<td>188,414</td>
<td>211,313</td>
<td>258,246</td>
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<tr>
<td>65</td>
<td>Textile yarn fabrics made-up articles nes and related products</td>
<td>210,065</td>
<td>235,469</td>
<td>307,143</td>
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<tr>
<td>66</td>
<td>Non-metallic mineral manufactures nes</td>
<td>507,018</td>
<td>615,056</td>
<td>558,417</td>
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<td>Iron and steel</td>
<td>980,993</td>
<td>1,143,925</td>
<td>1,211,122</td>
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<td>68</td>
<td>Non-ferrous metals</td>
<td>3,757,144</td>
<td>3,634,085</td>
<td>3,995,191</td>
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<tr>
<td>69</td>
<td>Manufactures of metals nes</td>
<td>477,143</td>
<td>559,840</td>
<td>550,582</td>
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<td>------------------------------------------------------------------------</td>
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<tr>
<td>71</td>
<td>Power generating machinery and equipment</td>
<td>542,832</td>
<td>609,574</td>
<td>615,263</td>
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<td>72</td>
<td>Machinery specialized for particular industries</td>
<td>516,775</td>
<td>533,924</td>
<td>696,913</td>
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<tr>
<td>73</td>
<td>Metal working machinery</td>
<td>82,221</td>
<td>83,715</td>
<td>104,809</td>
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<tr>
<td>74</td>
<td>General industrial machinery and equipment nes and machine parts nes</td>
<td>474,745</td>
<td>534,512</td>
<td>719,052</td>
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<tr>
<td>75</td>
<td>Office machines and automatic data processing machines</td>
<td>719,460</td>
<td>832,050</td>
<td>995,201</td>
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<tr>
<td>76</td>
<td>Telecommunications and sound recording and reproducing apparatus and equipment</td>
<td>319,764</td>
<td>306,282</td>
<td>501,973</td>
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<td>77</td>
<td>Electrical machinery apparatus appliances parts (incl. non-elec. counterparts of electrical domestic equip)</td>
<td>469,625</td>
<td>594,024</td>
<td>762,943</td>
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<td>78</td>
<td>Road vehicles (incl. air-cushion vehicles)</td>
<td>846,792</td>
<td>768,971</td>
<td>988,551</td>
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<td>79</td>
<td>Transport equipment (excl. road vehicles)</td>
<td>639,503</td>
<td>764,431</td>
<td>1,030,996</td>
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<td>81</td>
<td>Prefabricated buildings sanitary plumbing heating and lighting fixtures and fittings nes</td>
<td>42,822</td>
<td>71,939</td>
<td>62,782</td>
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<tr>
<td>82</td>
<td>Furniture parts thereof bedding mattresses mattress supports cushions and similar stuffed furnishings</td>
<td>33,788</td>
<td>41,601</td>
<td>63,603</td>
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<td>83</td>
<td>Travel goods handbags and similar containers</td>
<td>4,949</td>
<td>4,499</td>
<td>6,633</td>
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<td>84</td>
<td>Articles of apparel and clothing accessories</td>
<td>129,489</td>
<td>154,188</td>
<td>198,291</td>
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<td>85</td>
<td>Footwear</td>
<td>23,810</td>
<td>29,860</td>
<td>40,612</td>
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<td>87</td>
<td>Professional scientific and controlling instruments and apparatus nes</td>
<td>275,785</td>
<td>328,867</td>
<td>394,745</td>
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<td>88</td>
<td>Photographic apparatus equipment and supplies and optical goods nes watches and clocks</td>
<td>255,321</td>
<td>286,880</td>
<td>396,940</td>
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<td>89</td>
<td>Miscellaneous manufactured articles nes</td>
<td>552,893</td>
<td>699,393</td>
<td>719,908</td>
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<td>93</td>
<td>Special transactions and commodities not classified according to kind</td>
<td>173,857</td>
<td>210,171</td>
<td>218,966</td>
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<td>95</td>
<td>Gold coin and other coin not being legal tender</td>
<td>229,928</td>
<td>299,882</td>
<td>267,274</td>
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<tr>
<td>96</td>
<td>Coin (excl. gold coin) not being legal tender</td>
<td>1,051</td>
<td>311</td>
<td>1,228</td>
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<tr>
<td>97</td>
<td>Gold non-monetary (excl. gold ores and concentrates)</td>
<td>3,672,312</td>
<td>4,023,032</td>
<td>4,314,837</td>
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<td>Combined confidential items of trade</td>
<td>787,345</td>
<td>775,429</td>
<td>759,558</td>
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<td></td>
<td><strong>TOTAL</strong></td>
<td>52,370,797</td>
<td>55,074,789</td>
<td>60,777,629</td>
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<td>------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>0</td>
<td>Live animals other than fish crustaceans molluscs and aquatic</td>
<td>73,071</td>
<td>59,684</td>
<td>59,558</td>
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<tr>
<td></td>
<td>invertebrates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Meat and meat preparations</td>
<td>36,394</td>
<td>42,599</td>
<td>33,224</td>
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<td>Dairy products and birds' eggs</td>
<td>123,540</td>
<td>134,850</td>
<td>159,207</td>
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<td>3</td>
<td>Fish (not marine mammals) crustaceans molluscs and aquatic</td>
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<td></td>
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<tr>
<td></td>
<td>invertebrates and preparations thereof</td>
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<td>4</td>
<td>Cereals and cereal preparations</td>
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<td>112,481</td>
<td>136,452</td>
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<tr>
<td>5</td>
<td>Vegetables and fruit</td>
<td>382,666</td>
<td>469,160</td>
<td>470,051</td>
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<td>6</td>
<td>Sugars</td>
<td></td>
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<td></td>
<td>sugar preparations and honey</td>
<td>61,337</td>
<td>59,458</td>
<td>77,047</td>
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<td>Coffee tea cocoa spices and manufactures thereof</td>
<td>308,740</td>
<td>309,281</td>
<td>337,048</td>
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<tr>
<td>8</td>
<td>Feeding stuff for animals (excl. unmilled cereals)</td>
<td>65,223</td>
<td>90,014</td>
<td>66,530</td>
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<td>Miscellaneous edible products and preparations</td>
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<td>306,306</td>
<td>389,374</td>
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<td>11</td>
<td>Beverages</td>
<td>292,692</td>
<td>280,805</td>
<td>319,208</td>
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<td>12</td>
<td>Tobacco and tobacco manufactures</td>
<td>102,502</td>
<td>111,011</td>
<td>118,622</td>
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<tr>
<td>21</td>
<td>Hides skins and furskins raw</td>
<td>9,861</td>
<td>5,893</td>
<td>5,303</td>
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<td>22</td>
<td>Oil seeds and oleaginous fruits</td>
<td>58,215</td>
<td>60,532</td>
<td>67,685</td>
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<tr>
<td>23</td>
<td>Crude rubber (incl. synthetic and reclaimed)</td>
<td>77,224</td>
<td>81,552</td>
<td>104,346</td>
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<td>Cork and wood</td>
<td>436,200</td>
<td>458,930</td>
<td>571,315</td>
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<tr>
<td>25</td>
<td>Pulp and waste paper</td>
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<td>141,717</td>
<td>156,653</td>
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<tr>
<td>26</td>
<td>Textile fibres (excl. wool tops and other combed wool) and their</td>
<td>132,082</td>
<td>140,627</td>
<td>143,970</td>
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<tr>
<td></td>
<td>wastes (not manufactured into yarn or fabric)</td>
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<td></td>
<td></td>
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<tr>
<td>27</td>
<td>Crude fertilizers (excl. those of division 56) and crude minerals (excl.</td>
<td>117,700</td>
<td>139,241</td>
<td>146,789</td>
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<tr>
<td></td>
<td>coal petroleum and precious stones)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Metalliferous ores and metal scrap</td>
<td>132,160</td>
<td>128,762</td>
<td>164,616</td>
</tr>
<tr>
<td>29</td>
<td>Crude animal and vegetable materials nes</td>
<td>109,527</td>
<td>123,330</td>
<td>145,550</td>
</tr>
<tr>
<td>32</td>
<td>Coal coke and briquettes</td>
<td>5,137</td>
<td>8,948</td>
<td>7,205</td>
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<tr>
<td>33</td>
<td>Petroleum petroleum products and related materials</td>
<td>3,115,625</td>
<td>2,711,871</td>
<td>3,828,972</td>
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<tr>
<td>34</td>
<td>Gas natural and manufactured</td>
<td>8,258</td>
<td>10,458</td>
<td>20,766</td>
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<tr>
<td>41</td>
<td>Animal oils and fats</td>
<td>1,739</td>
<td>2,075</td>
<td>2,064</td>
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<tr>
<td>42</td>
<td>Fixed vegetable fats and oils crude refined or fractionated</td>
<td>114,799</td>
<td>134,284</td>
<td>170,941</td>
</tr>
<tr>
<td>43</td>
<td>Fats and oils (processed) waxes and inedible mixtures or</td>
<td>12,542</td>
<td>13,373</td>
<td>17,409</td>
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<tr>
<td></td>
<td>preparations of animal or vegetable origin nes</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>51</td>
<td>Organic chemicals</td>
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<td>1,094,797</td>
<td>1,402,302</td>
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<tr>
<td>52</td>
<td>Inorganic chemicals</td>
<td>660,797</td>
<td>719,596</td>
<td>655,008</td>
</tr>
<tr>
<td>53</td>
<td>Dyeing tanning and colouring materials</td>
<td>233,283</td>
<td>269,599</td>
<td>320,128</td>
</tr>
<tr>
<td>54</td>
<td>Medicinal and pharmaceutical products</td>
<td>942,412</td>
<td>1,052,659</td>
<td>1,392,596</td>
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<td>Essential oils and resinsoids and perfume materials toilet polishing</td>
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<td>382,667</td>
<td>462,387</td>
</tr>
<tr>
<td></td>
<td>and cleansing preparations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>Fertilizers (excl. crude)</td>
<td>275,528</td>
<td>312,144</td>
<td>350,581</td>
</tr>
<tr>
<td>57</td>
<td>Plastics in primary forms</td>
<td>594,680</td>
<td>602,096</td>
<td>706,205</td>
</tr>
<tr>
<td>58</td>
<td>Plastics in non-primary forms</td>
<td>438,781</td>
<td>482,997</td>
<td>562,179</td>
</tr>
<tr>
<td>59</td>
<td>Chemical materials and products nes</td>
<td>629,283</td>
<td>658,599</td>
<td>772,759</td>
</tr>
<tr>
<td>61</td>
<td>Leather leather manufactures and dressed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>furskins nes</td>
<td>120,964</td>
<td>127,043</td>
<td>133,836</td>
</tr>
<tr>
<td>62</td>
<td>Rubber manufactures nes</td>
<td>660,616</td>
<td>747,518</td>
<td>811,524</td>
</tr>
<tr>
<td>63</td>
<td>Cork and wood manufactures (excl. furniture)</td>
<td>214,215</td>
<td>238,234</td>
<td>259,012</td>
</tr>
<tr>
<td>64</td>
<td>Paper paperboard and articles of paper pulp of paper or of paperboard</td>
<td>1,155,494</td>
<td>1,334,571</td>
<td>1,419,135</td>
</tr>
<tr>
<td>65</td>
<td>Textile yarn fabrics made-up articles nes and related products</td>
<td>1,818,199</td>
<td>2,020,656</td>
<td>2,143,505</td>
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Table V (cont’d)
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<th>SITC</th>
<th>Product</th>
<th>1990-91 $A'000</th>
<th>1991-92 $A'000</th>
<th>1992-93 $A'000</th>
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<tr>
<td>66</td>
<td>Non-metallic mineral manufactures nes</td>
<td>958,046</td>
<td>927,570</td>
<td>1,032,978</td>
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<td>67</td>
<td>Iron and steel</td>
<td>883,093</td>
<td>825,380</td>
<td>945,212</td>
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<tr>
<td>68</td>
<td>Non-ferrous metals</td>
<td>385,040</td>
<td>380,194</td>
<td>465,282</td>
</tr>
<tr>
<td>69</td>
<td>Manufactures of metals nes</td>
<td>1,200,510</td>
<td>1,282,675</td>
<td>1,568,859</td>
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<tr>
<td>71</td>
<td>Power generating machinery and equipment</td>
<td>1,259,101</td>
<td>1,291,584</td>
<td>1,604,980</td>
</tr>
<tr>
<td>72</td>
<td>Machinery specialized for particular industries</td>
<td>2,147,549</td>
<td>1,903,192</td>
<td>2,648,749</td>
</tr>
<tr>
<td>73</td>
<td>Metal working machinery</td>
<td>316,910</td>
<td>320,145</td>
<td>288,002</td>
</tr>
<tr>
<td>74</td>
<td>General industrial machinery and equipment nes and machine parts</td>
<td>2,715,599</td>
<td>2,717,958</td>
<td>3,109,685</td>
</tr>
<tr>
<td>75</td>
<td>Office machines and automatic data processing machines</td>
<td>3,374,832</td>
<td>3,637,148</td>
<td>4,237,981</td>
</tr>
<tr>
<td>76</td>
<td>Telecommunications and sound recording and reproducing apparatus and equipment</td>
<td>1,737,485</td>
<td>1,981,223</td>
<td>2,346,432</td>
</tr>
<tr>
<td>77</td>
<td>Electrical machinery apparatus appliances parts (incl. non-elec. counterparts of electrical domestic equip)</td>
<td>2,521,128</td>
<td>2,835,323</td>
<td>3,362,370</td>
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<tr>
<td>78</td>
<td>Road vehicles (incl. air-cushion vehicles)</td>
<td>4,458,538</td>
<td>4,808,469</td>
<td>6,160,903</td>
</tr>
<tr>
<td>79</td>
<td>Transport equipment (excl. road vehicles)</td>
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<td>2,499,221</td>
<td>2,154,319</td>
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<tr>
<td>81</td>
<td>Prefabricated buildings sanitary plumbing heating and lighting fixtures and fittings nes</td>
<td>138,511</td>
<td>155,223</td>
<td>175,735</td>
</tr>
<tr>
<td>82</td>
<td>Furniture parts thereof bedding mattresses mattress supports cushions and similar stuffed furnishings</td>
<td>290,561</td>
<td>320,184</td>
<td>349,565</td>
</tr>
<tr>
<td>83</td>
<td>Travel goods handbags and similar containers</td>
<td>215,137</td>
<td>240,883</td>
<td>270,322</td>
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<tr>
<td>84</td>
<td>Articles of apparel and clothing accessories</td>
<td>955,555</td>
<td>1,100,044</td>
<td>1,330,220</td>
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<tr>
<td>85</td>
<td>Footwear</td>
<td>383,649</td>
<td>410,913</td>
<td>512,358</td>
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<tr>
<td>87</td>
<td>Professional scientific and controlling Instruments and apparatus</td>
<td>1,199,280</td>
<td>1,282,394</td>
<td>1,568,519</td>
</tr>
<tr>
<td>88</td>
<td>Photographic apparatus equipment and supplies and optical goods nes watches and clocks</td>
<td>777,891</td>
<td>839,212</td>
<td>976,920</td>
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<tr>
<td>89</td>
<td>Miscellaneous manufactured articles nes</td>
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<td>3,418,961</td>
<td>3,732,871</td>
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### Table VI
Constant price exports and imports - values at average prices
(SAust million)

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Table VIII  
Incomes and prices

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<th>Average weekly earnings (survey basis)</th>
<th>Factor shares - per cent of GDP*</th>
<th>Coonsumer price index</th>
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<td>All persons total earnings</td>
<td>Wage share</td>
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- a Australian Commonwealth Treasury estimates.
- b Quarterly incomes data are seasonally adjusted.
### Table IX
External accounts

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<th>Balance on goods &amp; services ($ million)</th>
<th>Current account deficit ($ million)</th>
<th>Percentage of GDP (per cent)</th>
<th>Exports of goods &amp; services ($ million)</th>
<th>Imports of goods &amp; services ($ million)</th>
<th>Terms of trade (1989-90=100)</th>
<th>Level ($ million)</th>
<th>Per cent of GDP (per cent)</th>
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* End of period basis.