



# U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

## Executive Summary

Australia welcomes foreign investment and is a large recipient of overseas direct and indirect investment. The United States is the largest direct investor in Australia, with approximately US\$132 billion in total direct investments. U.S. direct investment in Australia accounts for over 28 percent of total foreign direct investment and is concentrated largely in resources and energy, manufacturing and the nonbank financial services sectors.

The current government came into office in September 2013 with newly elected Prime Minister Tony Abbott declaring that Australia was “open for business”. The administration pledged to reduce red tape and “green tape” that slowed investment projects and delayed environmental approvals. However, early in the administration’s term in office the Treasurer rejected a U.S.-based Archer Daniels Midland’s proposed A\$3.4 billion purchase of Australian grain handler GrainCorp. This was the first time a Treasurer denied a U.S. investment into Australia.

Nevertheless, Australia generally has an open environment to foreign investment. Australia has a well-established legal and court system for the conduct or supervision of litigation and arbitration, as well as alternate dispute processes. Australia is a world leader in the development and provision of non-court dispute resolution mechanisms, and is a signatory to all the major international dispute resolution conventions. There are few disputes that involve foreign investors.

Australia generally provides strong intellectual property rights protection and enforcement through legislation that, among other things, criminalizes copyright piracy and trademark counterfeiting.

Australia has an AAA international credit rating with a well-developed, deep and sophisticated financial market, regulated in accordance with international norms. Australia’s four leading banks are highly ranked in terms of financial security and international rankings, and have one of the lowest non-performing loan rates of economies surveyed by the International Monetary Fund.

The Australian government supports the negotiation of comprehensive Free Trade Agreements (FTAs) that are consistent with the World Trade Organization investment rules and guidelines and which complement and reinforce the multilateral trading system. Australia’s FTAs contain chapters on investment. The Australia-U.S. FTA (AUSFTA) establishes a dispute settlement mechanism for investment disputes arising under the Agreement. However, AUSFTA does not contain an investor-state dispute settlement mechanism that would allow individual investors to bring a case against the Australian government.

Note on Exchange Rate and Table of Contents: The 2014 Investment Climate Statement for Australia uses the exchange rate of A\$1 = U.S. 94 cents which was the average rate over the year.

## 1. Openness to and Restrictions upon Foreign Investment

Australia welcomes foreign investment. The United States is the largest direct investor in Australia, while Australia is the tenth largest source of foreign direct investment (FDI) for the United States. In 2012, U.S. direct investment in Australia was US\$132 billion while Australian direct investment in the United States was US\$52 billion. U.S. FDI in Australia accounts for over 28 percent of total foreign direct investment and is concentrated largely in resources and energy, manufacturing and the nonbank financial services sector.

Inward foreign investment in Australia is regulated by the Foreign Acquisitions and Takeovers Act 1975 and Australia's Foreign Investment Policy. The Foreign Investment Review Board (FIRB), a division of Australia's Treasury, screens potential foreign investments in Australia above a threshold value of A\$244 million (U.S.\$229 million) and A\$1,078 (US\$1,013 million) for U.S. investors. Based on advice from the FIRB, the Treasurer may deny or place conditions on the approval of particular investments above that threshold on national interest grounds.

Under the Australia-U.S. Free Trade Agreement (AUSFTA), all U.S. "greenfield" investments are exempt from FIRB screening. AUSFTA also raised the threshold for screening of most U.S. acquisition investments in Australia, which now stands at A\$1,078 million (US\$1,013 million). All foreign persons, including U.S. investors, must notify the Australian government and get prior approval to make investments of five percent or more in the media sector, regardless of the value of the investment.

### ***Proposed Investment by ADM Blocked***

While the FIRB generally approves U.S. investment, in November 2013 the Treasurer intervened to block U.S. agribusiness Archer Daniels Midland's proposed A\$3.4 billion purchase of Australian company GrainCorp on national interest grounds. This was the first time a Treasurer denied a U.S. investment into Australia.

***Table 1: Measures of Openness***

Measure	Year	Index/Ranking
TI Corruption Index	2013	9th
Heritage Economic Freedom	2013	3rd
World Bank Doing Business	2013	11th
MCC Government Effectiveness	2013	Not listed
MCC Rule of Law	2013	Not listed
MCC Control of Corruption	2013	Not listed
MCC Fiscal Policy	2013	Not listed
MCC Trade Policy	2013	Not listed
MCC Regulatory Quality	2013	Not listed

MCC Business Start Up	2013	Not listed
MCC Land Rights Access	2013	Not listed
MCC Natural Resource Management	2013	Not listed

## 2. Conversion and Transfer Policies

The Australian dollar is a fully convertible currency. The government does not maintain currency controls or limit remittance, loan or lease payments. Such payments are processed through standard commercial channels, without governmental interference or delay.

## 3. Expropriation and Compensation

The Australian legal system is firmly grounded on the principles of equal treatment before the law, procedural fairness, judicial precedent, and the independence of the judiciary. Strong safeguards exist to ensure that people are not treated arbitrarily or unfairly by governments or officials. Private property can be expropriated for public purposes in accordance with established principles of international law. Due process rights are well-established and respected, and prompt, adequate and effective compensation is the norm.

## 4. Dispute Settlement

Australia has an established legal and court system for the conduct or supervision of litigation and arbitration, as well as alternate dispute processes. The traditional approach to commercial dispute resolution involves litigation, arbitration and more modern methods of alternative dispute resolution. Australia is a world leader in the development and provision of non-court dispute resolution mechanisms. It is a signatory to all the major international dispute resolution conventions and has organizations that provide international dispute resolution processes.

Property and contractual rights are enforced through the Australian court system, which is based on English Common Law. There are few investment disputes involving foreign companies. Australia is a member of the International Center for the Settlement of Investment Disputes.

AUSFTA establishes a dispute settlement mechanism for disputes arising under the Agreement. In the first instance disputes are to be settled through consultation between the parties. Where these consultations are not effective in resolving the dispute, the Agreement provides for an arbitral panel to consider the matter.

The dispute settlement mechanism provides for compensation for breaches of the agreement, which may include requiring the breach to be corrected, trade compensation to be provided, or monetary compensation in lieu of trade compensation. The FTA does not allow private investors to directly challenge government decisions, but individual investors are able to raise concerns about their treatment by the Australian government with the U.S. government.

## 5. Performance Requirements and Investment Incentives

As a general rule, foreign firms establishing themselves in Australia are not subject to performance requirements and incentives.

## **6. Right to Private Ownership and Establishment**

The common law system which forms the basis of Australian jurisprudence guarantees the right to private ownership and the establishment of private business enterprises.

## **7. Protection of Property Rights**

A strong rule of law protects property rights in Australia and operates against corruption. Both foreign and domestically-owned businesses enjoy considerable flexibility in their licensing, regulation, and employment practices.

### ***Intellectual Property Regime***

Australia generally provides strong intellectual property rights (IPR) protection and enforcement through legislation that, among other things, criminalizes copyright piracy and trademark counterfeiting. Under the AUSFTA, Australia must notify the holder of a pharmaceutical patent of a request for marketing approval by a third party for a product claimed by that patent. U.S. and Australian pharmaceutical companies have raised concerns that unnecessary delays in this notification process restrict their options for action against third parties that would infringe their patents if granted marketing approval by the Australian Therapeutic Goods Administration.

In April 2013, the Intellectual Property Laws Act was amended under the “Raising the Bar” legislation which raised the quality of granted patents closer to international standards and gave innovators more certainty when applying in Australia and other jurisdictions. It also introduced improved mechanisms for trademark and copyright enforcement, and greater penalties for trademark infringement, bringing them into line with penalties for copyright infringement.

Australia was an active participant in the Anti-Counterfeiting Trade Agreement (ACTA) negotiations and signed ACTA in October 2011. It has not yet ratified the agreement. ACTA establishes an international framework that will assist Parties in their efforts to effectively combat the infringement of intellectual property rights (IPRs), in particular the proliferation of counterfeiting and piracy.

Australia is currently considering options to address piracy via peer-to-peer file sharing, but negotiation of a voluntary industry code of conduct between Internet service providers and content owners has yet to produce an agreement. A 2012 High Court ruling found ISPs were not responsible for policing online piracy. The court rejected an argument by the film industry that an Australian ISP, iiNet, had the power to prevent its customers from infringing copyright by issuing warnings and suspending or terminating customer accounts. Copyright holders, including U.S. companies, retain the option of suing individuals that breach copyright, but this option is costly.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Peter Thorin [ThorinPD@state.gov](mailto:ThorinPD@state.gov)

Local attorneys list: <http://canberra.usembassy.gov/lawyers.html>

## **8. Transparency of the Regulatory System**

Australia subscribes to the 1976 declaration of the Organization for Economic Cooperation and Development (OECD) concerning International Investment and Multinational Enterprises. The instruments cover national treatment and investment incentives and disincentives, and spell out voluntary guidelines for the conduct of multinational enterprises in member countries. Australia also subscribes to two OECD codes of liberalization, one covering capital movements and the other invisible transactions.

Australia ranked third in 2013 (behind Hong Kong and Singapore) on the Heritage Foundation's rankings for 'economic freedom.' The survey ranks Australia highly in the ten economic freedoms: "Australia's modern and competitive economy performs well on many of the 10 economic freedoms. The country has a strong tradition of openness to global trade and investment, and transparent and efficient regulations are applied evenly in most cases."

### ***Tax Issues***

U.S. businesses have expressed concern over changes to Australia's cross-border transfer tax regime which give the Australian Taxation Office (ATO) significant powers to investigate alleged retrospective tax avoidance. As a result U.S. companies could face significant, unexpected and backdated tax obligations back to 2004 based on the ATO's reconstruction of "arm's length" transactions between parent and subsidiary companies.

Further, the amount of interest that can be deductible under "thin capitalization" can be disputed retrospectively if the ATO considers it to be in excess of arm's length dealing. In addition, the regime applies only to countries with tax treaties. Other companies are exempt from this measure. The Australian government confirmed in November 2013 that it would proceed with changes to the "thin capitalization" rules, due to start on July 1, 2014. The rules are designed to make it harder for companies to shift profits to countries with lower tax rates, restricting multinationals from allocating large amounts of debt to their Australian operations.

U.S. financial firms are subject to a 10 percent interest withholding tax on funding to bank branches from overseas head offices, which can make it difficult to compete with domestic financial services firms.

## **9. Efficient Capital Markets and Portfolio Investment**

Australia has an AAA international credit rating with a well-developed, deep and sophisticated financial market, regulated in accordance with international norms. In terms of global turnover, Australia's foreign exchange market is the eighth largest in the world, and the Australian dollar/U.S. dollar is the fifth most traded single currency and the fourth most traded currency pair globally (BIS, Triennial Central Bank Survey, September 2013).

Australia's four leading banks are highly ranked in terms of financial security and international rankings. Australian banks have one of the lowest non-performing loan ratios of economies surveyed by the IMF. Australia has an open and transparent approach to mergers and acquisitions. There are no "cross-shareholding and "stable shareholder" arrangements used by private firms to restrict foreign investment through mergers and acquisitions. Measures used by private firms to defend against hostile takeovers are not focused on foreign investors. In 2011, Chi-X became Australia's second stock exchange operator in a policy change designed to increase competition.

In December 2013, the Australian government announced a wide-ranging Financial System Inquiry to examine how to develop a more efficient, competitive and flexible financial system, consistent with financial stability. A final report is to be provided to the Treasurer by November 2014.

### **10. Competition from State-Owned Enterprises (SOEs)**

Australia has steadily privatized most of its SOEs and few remain. Private enterprises are generally allowed to compete with public enterprises under the same terms and conditions with respect to markets, credit, and other business operations, such as licenses and supplies. Public enterprises are not generally accorded material advantages in Australia. Remaining SOEs do not exercise power in a manner which discriminates against or unfairly burdens foreign investors or foreign-owned enterprises. Australian Commonwealth and state governments have followed policies of privatizing their remaining state-owned assets in areas such as electricity generation, transmission, distribution, and retailing to both domestic and foreign investors. A new wave of privatizations of government-owned agencies is expected to occur in 2014.

Australia has one sovereign wealth fund, the Future Fund, which was established by the Future Fund Act 2006 to help future governments meet the cost of public sector superannuation (i.e. retirement pension) liabilities by delivering investment returns on contributions to the Fund. There is no regulation prescribing the proportion of the Future Fund's assets which must be invested in Australia or offshore. The Future Fund plans to increase its foreign exposure, including in the United States, but most funds are invested in Australia.

### **11. Corporate Social Responsibility**

In Australia, there is a general awareness of corporate social responsibility among both producers and consumers. Both foreign and local enterprises tend to follow generally accepted corporate social responsibility (CSR) principles such as the OECD Guidelines for Multinational Enterprises. Firms that pursue CSR are often rated highly in surveys of corporate behavior.

### **12. Political Violence**

As in all liberal democracies, political protests (e.g., rallies, demonstrations, marches, public conflicts between competing interests) form an integral, though generally minor, part of Australian cultural life. Such protests rarely degenerate into violence.

### **13. Corruption**

Australia maintains a comprehensive system of laws and regulations designed to counter corruption. In addition, the government procurement system generally is transparent and well regulated, thereby minimizing opportunities for corrupt dealings. Corruption has not been a factor cited by U.S. businesses as a disincentive to investing in Australia, or to exporting goods and services here. Non-governmental organizations interested in monitoring the global development or anti-corruption measures, including Transparency International, operate freely in Australia. Australia is perceived internationally as having low corruption levels. Transparency International's Corruption Perception Index in December 2013 ranked Australia ninth, ahead of Korea, Japan, the United Kingdom and the United States.

Australia is an active participant in international efforts to end the bribery of foreign officials. Legislation to give effect to the anti-bribery convention stemming from the OECD 1996 Ministerial Commitment to Criminalize Transnational Bribery was passed in 1999. Legislation explicitly disallowing tax deductions for bribes of foreign officials was enacted in May 2000. At the Commonwealth level, enforcement of anti-corruption laws and regulations is the responsibility of the Attorney General's Department. Australia introduced federal public sector whistleblower protection legislation in mid-2013.

#### **14. Bilateral Investment Agreements**

The Australian Government supports the negotiation of comprehensive Free Trade Agreements (FTAs) that are consistent with the World Trade Organization rules and guidelines and which complement and reinforce the multilateral trading system. Australia has FTAs with the United States, Thailand, Singapore, Korea, Chile, Malaysia, and a multilateral FTA with New Zealand and the countries of the Association of Southeast Asian States (ASEAN), all of which contain chapters on investment. The countries covered by these FTAs account for 28 percent of total trade. Negotiations with Japan for a bilateral FTA are completed, and the agreement is expected to be signed in mid-2014.

Australia is currently engaged in seven FTA negotiations - three bilateral FTA negotiations: China, India and Indonesia; and four plurilateral FTA negotiations: the Trans-Pacific Partnership Agreement (TPP), the Regional Comprehensive Economic Partnership (RCEP, consisting of the ASEAN+6 group of nations), the Gulf Cooperation Council (GCC), and a Pacific trade and economic agreement (PACER Plus). The countries covered by these negotiations account for a further 44 percent of Australia's trade.

Since 2009, the United States has been engaged in negotiations for an Asia-Pacific trade agreement called the Trans-Pacific Partnership (TPP), with the objective of shaping a high standard, broad-based regional agreement. This agreement will create a potential platform for economic integration across the Asia-Pacific region, a means to advance U.S. economic interests with the fastest-growing economies in the world, and a tool to expand U.S. exports, which are critical to U.S. economic recovery and the creation and retention of high-paying, high-quality jobs in the United States. In addition to Australia and the United States, the TPP negotiating partners currently include Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

*Australia-United States FTA (AUSFTA):* The Australia-United States FTA (AUSFTA) entered into force on January 1, 2005. The comprehensive agreement covers goods, services, investment, financial services, government procurement, standards and technical regulations, telecommunications, competition-related matters, electronic commerce, intellectual property rights, labor and the environment. The agreement has guaranteed U.S. access to the Australian market and the gradual expansion of this access. Under the FTA, trade in goods and services as well as foreign direct investment has continued to expand. More than 99 percent of U.S. exports of manufactured goods are now duty-free. The FTA will also eliminate tariffs on textiles within 10 years of entry into force.

*Other Free Trade Agreements:* Australia signed a free trade agreement with the Association of Southeast Asian Nations and New Zealand, which became effective in January 2010. The 2003 Singapore-Australia Free Trade Agreement (SAFTA) eliminated most tariffs and increased market access for services. It also harmonized competition policy, government procurement, intellectual property, e-commerce, customs procedures, and business travel. The Thailand-Australia FTA cut tariffs to zero on virtually all goods from January 2010. The Australia-Chile FTA will eliminate tariffs on all merchandise trade between Australia and Chile by 2015.

The Australia-Malaysia FTA (MAFTA) took effect from January 1, 2013 and provides for 98 percent of Australian goods currently exported to Malaysia to be eligible for tariff-free treatment, rising to 99 percent in 2017. Service providers benefit from increased access to the Malaysian market and an easing of rules on control of Malaysian businesses. All remaining Australian tariffs on Malaysian goods have been removed.

Australia and Japan concluded negotiations for an FTA on April 7, 2014. Australia and South Korea signed an FTA on April 8, 2014. 84% of Australian exports (by value) enter Korea duty free, to rise to 99.8% of exports on full implementation of the agreement. Australia removed many tariffs on entry into force of the agreement and will eliminate the rest over several years.

## **15. OPIC and Other Investment Insurance Programs**

The Australian Government provides assistance to business for the development or expansion of export markets, and business advice on exporting and financial grants through the Export Market Development Grants scheme and the activities of Austrade, Australia's export promotion agency. The Export Finance and Investment Corporation (EFIC) provides export financing assistance to Australian businesses and sometimes overseas buyers. The U.S. Overseas Private Investment Corporation (OPIC) excludes Australia, as it is not a developing country. In some cases, the U.S. Export-Import Bank (EXIM) can support major resources and energy projects in Australia to support U.S. jobs and exports.

## **16. Labor**

The Australian Government is a party to all International Labor Organization (ILO) conventions.

Australia's unemployment rate was 6.0 percent in February 2014, the highest rate in a decade. In the year to May 2012, annual average weekly earnings in Australia grew 3.5 percent. The core inflation rate was 2.5 percent for 2013. Real wages have grown strongly over the last decade but increased only 2.6% in 2013, the smallest rise since 1997.

The Fair Work Act provides a safety net of enforceable minimum employment terms and conditions through the National Employment Standards (NES). The Australian government is currently seeking to amend the Act to increase workplace flexibility.

The number of industrial disputes is low by historical standards. There were 219 disputes in 2013, 15 more than in the previous year, but the number of working days lost halved to 131,000, compared with 273,000 in the previous year.

The Superannuation Guarantee (Administration) Act 1992 requires employers to contribute a minimum of nine percent of each employee's base salary into that employee's superannuation (i.e., retirement pension) account. Employees may make additional contributions and are entitled to choose their superannuation fund. In the 2011 Federal budget the government announced that the superannuation guarantee rate will gradually increase from 9 percent to 12 percent between July 2013 and July 2019.

In 2001, the Government established the General Employees Entitlements Redundancy Scheme (GEERS), a taxpayer-funded insurance scheme, in response to growing community concerns about the loss of employee entitlements after several companies collapsed. GEER is a basic payment scheme established to assist employees who have lost their employment due to the liquidation or bankruptcy of their employer and who are owed certain employee entitlements. The scheme covers capped unpaid wages, annual and long-service leave, capped payment in lieu of notice, and capped redundancy pay. Employees currently stand ahead of unsecured creditors, but behind lenders with fixed security in the creditors' queue following a company collapse.

*General Skilled Migration Program:* Immigration has always been an important source for skilled labor in Australia. The Immigration Department has a 'skilled occupations list' (SOL) which can be used by potential applicants seeking to nominate skilled occupations which are acceptable for permanent and temporary skilled migration to Australia under the General Skilled Migration program, and the Employer Nominated Scheme. Applicants must have a nominated occupation when they apply which is applicable to their circumstances.

In 2013-14, 190,000 people are expected to migrate to Australia unchanged from the 2012-13 Migration Program, with a skilled worker component of about two-thirds of the total.

Over time, there has been an increase in the employer-sponsored program to around 40 percent of the skill stream, as part of the government's policy to directly target skills shortages through a more demand-driven approach. New Zealand was Australia's largest source of migrants in 2012-13 with a total 27,015 places, followed by India (18,395) and China (18,041) respectively. The government continued to provide for family reunions which account for about one third of the total migration program.

*The 457 Long Stay Business visa:* If an overseas business decides to establish a presence in Australia and relocate for its business operations, it may apply for the status of a Business Sponsor and sponsor personnel for a 457 visa through the Department of Immigration. Business can use the 457 visa program to gain access to priority processing and approval to sponsor skilled workers for six years under a new accreditation scheme. The scheme applies to business

that used 457 visas for three years and has a commitment to ensure 75 percent of their workforce is Australian. The 457 visa program aims to alleviate skill shortages in sectors such as mining.

### 17. Foreign Trade Zones/Free Ports

Australia does not have free trade zones.

### 18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

**Table 2: Key Macroeconomic data, U.S. FDI in host country/economy**

	Host Country Statistical source*		USG or international statistical source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
<b>Economic Data</b>	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013	US\$1,488	2013	US\$1,500	<a href="http://www.worldbank.org/en/country">http://www.worldbank.org/en/country</a> <a href="https://www.dfat.gov.au/geo/fs/aust.pdf">https://www.dfat.gov.au/geo/fs/aust.pdf</a>
<b>Foreign Direct Investment</b>	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other

U.S. FDI in partner country (Millions U.S. Dollars, stock positions)	2012	A\$131,255	2012	US\$132,000	(BEA) click selections to reach. <a href="http://www.abs.gov.au">http://www.abs.gov.au</a> <a href="http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02012?OpenDocument">http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02012?OpenDocument</a>
Host country's FDI in the United States (Millions U.S. Dollars, stock positions)	2012	A\$103,383	2012	US\$43,000	<a href="http://www.bea.gov">http://www.bea.gov</a> <a href="http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02012?OpenDocument">http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02012?OpenDocument</a>
Total inbound stock of FDI as % host GDP (calculate)	2012	6.9%	2012	8.8%	<a href="http://www.bea.gov">http://www.bea.gov</a> <a href="https://www.dfat.gov.au/geo/fs/aust.pdf">https://www.dfat.gov.au/geo/fs/aust.pdf</a> <a href="http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02012?OpenDocument">http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02012?OpenDocument</a>

Table 3: Sources and Destination of FDI

Australia, 2011

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	571,886	100%	Total Outward	385,821	100%
United States	136,571	24%	United States	107,570	28%
United Kingdom	82,633	14%	United Kingdom	58,509	15%
Japan	63,681	11%	New Zealand	46,142	12%
Netherlands	33,575	6%	Singapore	11,267	3%

Singapore	24,788	4%	China, P.R.: Mainland	8,705	2%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: <http://cds.imf.org>

Comment: This data is consistent with the national statistics from the Australian Bureau of Statistics (ABS)

**Table 4: Sources of Portfolio Investment**

*Australia, End of June 2013*

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	21,765	100%	World	12,800	100%	World	8,965	100%
United States	20,427	94%	United States	11,803	92%	United States	8,624	96%
Luxembourg	682	3%	Luxembourg	682	5%	Brazil	294	3%
Brazil	397	2%	Spain	124	1%	Germany	39	0.44%
Spain	124	1%	Brazil	103	1%	Chile	4	0.05%
Germany	40	0.18%	China, P.R.: Mainland	22	0.17%	Uruguay	3	0.03%

Source: <http://cpis.imf.org/>

Comment: This data is NOT consistent with the national statistics from the Australian Bureau of Statistics (ABS): see:

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02012?OpenDocument>

The correct table for portfolio investment into Australia by country is given below (from ABS, see link).

Portfolio Investment Assets, 2012								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	1,238,154	100%	World	353,479	100%	World	884,675	100%
US	372,246	30.1	US	140,539	39.8	US	231,707	26.2
UK	291,805	23.6	UK	137,724	39.0	UK	154,081	17.4
Japan	56,623	4.6	Japan	3,405	1.0	Japan	53,218	6.0
Lux	20,408	1.6	Lux	-	-	Lux	20,402	2.3
Switz	16,933	1.4	Switz	2187	0.8	Switz	14,747	1.7

*Levels of Foreign Investment:* The level of foreign investment in Australia increased by A\$148 billion (US\$133 billion) in 2012 to reach A\$2,168 billion (US\$1951 billion). Portfolio investment accounted for A\$1,238 billion (US\$1114 billion) or 57 percent, direct investment for A\$550 billion (US\$495 billion or 25 percent), other investment liabilities for A\$286 billion (US\$257 billion or 13 percent), and financial derivatives for A\$94 billion (US\$85 billion or 4 percent). Of the portfolio investment liabilities, debt securities accounted for A\$885 billion (US\$797 billion or 71 percent) and equity securities for A\$313 billion (US\$282 billion or 29 percent).

The leading investor countries in 2012 by level of investment were the United States, with A\$618 billion (US\$556 billion or 28 percent), the United Kingdom with A\$496 billion (US\$446 billion or 23 percent), Japan with A\$126 billion (US\$113 billion or 6 percent), the Netherlands with A\$37 billion (US\$33 billion or 2 percent), Singapore with A\$56 billion (US\$50 billion or 3 percent) and the Hong Kong Special Administrative Region with A\$39 billion (US\$35 billion or 2 percent). Note: Australian foreign investment statistics are based on current market values.

The stock of foreign direct investment (FDI) in Australia in 2012 was A\$550 billion (US\$495 billion) and the ratio of FDI to GDP of A\$1.5 trillion was 37 percent. There is no official listing of major foreign investments by U.S. companies or other companies. The Australian Bureau of Statistics collects this information, but does not release it on a disaggregated basis due to

confidentiality provisions. A list of major new resources and energy projects, which often involve significant foreign investment, is compiled by the Australian Bureau of Resources and Energy Economics (BREE). In October 2013 BREE reported 63 committed projects worth A\$240 billion (US\$216 billion) of which over 70 percent were gas and petroleum projects.

*Australian Investment Abroad:* The level of Australian investment abroad reached A\$1,298 billion (US\$1,168 billion) in 2012, an increase of A\$111 billion (US\$100 billion) in the previous year. Direct investment abroad accounted for A\$371 billion (US\$334 billion or 29 percent), portfolio investment for A\$447 billion (US\$402 billion or 38 percent), other investment for A\$259 billion (US\$233 billion or 21 percent), reserve assets for A\$47 billion (US\$42 billion or 4 percent), and financial derivatives for A\$105 billion (US\$95 billion or 9 percent). Equity has been the leading form of Australian investment abroad during the past decade but this share has declined and in 2012, equity of A\$653 billion (US\$588 billion) represented 50 percent of the total level of investment.

The leading destination country in 2012 was the United States, which accounted for A\$434 billion (US\$391 billion) or 33 percent of the stock of Australian investment abroad. Other major countries of investment were the United Kingdom with A\$218 billion (US\$196 billion, 17 percent), New Zealand with A\$74 billion (US\$67 billion, 6 percent), Canada with A\$43 billion (US\$45 billion, or 3 percent), Japan with A\$39 billion (US\$36 billion, or 3 percent), France with A\$30 billion each (US\$28 billion, 2 percent) and the Netherlands with A\$28 billion (US\$287 billion or 2 percent).

*Investment Inflows:* Foreign investment in Australia recorded a net inflow of A\$94 billion (US\$90 billion) for 2012, an increase of A\$10 billion (US\$9 billion) over the previous year. The leading investor countries were the United States with A\$44 billion (US\$39 billion) or 47 percent, the United Kingdom with A\$12 billion (US\$11 billion) or 13 percent, Japan with A\$12 billion (US\$11 billion) or 13 percent and France with A\$11 billion (US\$10 billion) or 12 percent.

*Investment Outflows:* Australian investment abroad recorded a net outflow of A\$38 billion (US\$34 billion) for 2012, a decrease of A\$13 billion (US\$12 billion). There was a net decrease in outflows to the United States and the United Kingdom. Investment outflows to Germany increased by \$6 billion (US\$18 billion or 16 percent), Japan with A\$3 billion (US\$3 billion) or 8 percent and Canada with A\$3 billion (US\$3 billion) and Hong Kong with A\$3 billion (US\$3 billion) or 8 percent.

## **19. Contact Point at Embassy**

For future contact on the Investment Climate Statement for Australia, please contact:

Peter Thorin  
Deputy Economic Counselor  
U.S. Embassy Canberra  
Tel: (61)(2)6214-5824  
Email: ThorinPD@state.gov