

REPORT ON THE AUSTRALIAN MARKET



Australia is in the Oceania continent between the Indian Ocean and the South Pacific Ocean.

It is a self-governing member of the Commonwealth. With an area of 7,686,850 square kilometers, it is the world's smallest continent but sixth-largest country. It consists of six states: New South Wales (capital Sydney), Victoria (capital Melbourne), Queensland (capital Brisbane), South Australia (capital Adelaide), Western Australia (capital Perth), Tasmania (capital Hobart) and two territories: The Australian Capital Territory, in which is located the capital Canberra, and the Northern Territory (capital Darwin), which includes Ashmore and Cartier Islands. Australia's external territories are Christmas Island, Cocos (Keeling) Islands, coral Sea Islands, Norfolk Island, Australian Antarctic Territory and Heard and McDonald Islands.

The Australian market/economy has been experiencing a sustained growth for many years boosted by the domestic demand after to be came a commonwealth of the British Empire in 1901. Australia is a vast agricultural country which takes advantages of its natural resources to develop its agricultural and manufacturing industries, and one of the largest exporters of wool, meat; wheat and cotton in the

world. The country benefits with natural resources such as carbon, nickel, gold, iron, led, uranium and other premier minerals. The food processing industry's the largest industry in the country and employs 20% of the skilled labour force which gives the strength for a strong competitive economy.

Australia's commercial balance traditionally is negative: the country actually exports raw material and imports finished products. Australia's main trade partner is the European Union which represented 23% of the market share in 2005, the other principal partners are the United States, Japan and China. Products belonging to food, chemical, paramedical and interior decoration sectors fall in the privileged category. The main export partners are Japan, the United States and the New Zealand. Australia exports mainly mineral fuels, mineral oils and products of their distillation.

Australia has an enviable Western-style capitalist economy with a per capita GDP on par with the four dominant West European economies. Rising output in the domestic economy, robust business and consumer confidence, and rising exports of raw material and agricultural products are fueling the economy. Australia's emphasis on reforms, low inflation, and growing ties with China are other key factors behind the economy's strength. The impact of drought, weak foreign demand, and strong import demand pushed the trade deficit up from \$8 billion in 2002, to \$18 billion in 2003, \$13 billion in 2004, and nearly \$17 billion in 2005. Housing prices probably peaked in 2005, diminishing the prospect that interest rates would be raised to prevent a speculative bubble. Conservative fiscal policies have kept Australia's budget in surplus from 2002 to 2005.

Land

Total area 7,686,850 sq.kilo metres

Land 7,617,930 sq.kilo metres

Water 68,920 sq.kilo metre

Note - includes Lord Hove Island and Macquari Island

In land area, Australia is the 6th largest country after Russia, Canada, China, USA, and Brazil.

Population

19,913,144 (July 2004 est.)

Age structure

0-14 years: 20.1% (male 2,044,449; female 1,948,574)

15-64 years: 67.2% (male 6,747,687; female 6,623,995)

65 years and over: 12.8% (male 1,121,522; female 1,426,917) (2004 est.)

Median age

Total : 36.3 years

Male : 35.5 years

Female : 37.1 years (2004 est.)

Population growth rate : 0.9% (2004 est.)
Birth rate : 12.4 births/1,000 population (2004 est.)
Death rate : 7.38 deaths/1,000 population (2004 est.)
Net migration rate : 3.98 migrant (s)/1,000 population (2004 est.)

Population origin

Origin of the population % of the population

Native European 94.8
Asian 4
Aboriginal 2
Other 0.2

Life expectancy at birth

Total population : 80.26 years
Male : 77.4 years
Female : 83.27 years (2004 est.)

MAIN CITIES	POPULATION
Sydney	3,700,000
Melbourne	3,189,000
Brisbane	1,500,000
Perth	1,239,000
Adelaide	1,075,000
Canberra	328,000

National Holiday

Australia Day, 26 January (1788)

Capital

Canberra

Area

Total – 7,686,850 sq km

Land – 7,617,930 sq km

Water – 68,920 sq km

Note – includes Lord Howe Island and Macquarie Island

Climate

Generally arid to semi arid; temperate in south and east; tropical in north

Natural resources

Bauxite, coal, iron ore, copper, tin, gold, silver, uranium, nickel, tungsten, mineral sands, lead, zinc, diamonds, natural gas, petroleum

Currency

Australian dollar (AUD)

Currency code: AUD

Exchange rates : Australian dollars per US dollar – 1.5419 (2003), 1.8406 (2002), 1.9334 (2001), 1.7248 (2000), 1.55 (1999)

Languages

Official language :English

Literacy

Definition: age 15 and over can read and write

Total population: 100%

Male: 100%

Female: 100% (1980 est.)

Religion

Anglican 26.1%, Roman Catholic 26%, other Christian 24.3%, non –Christian 11%, other 1`2.6%.

Ethnic groups

Caucasian 92%, Asian 7%, aboriginal and other 1%

Labour force – by occupation

Agriculture 5%, industry 22%, services 73% (1997 est.)

Unemployment rate

6% (2003)

Legal system

Based on English common law, accepts compulsory ICJ jurisdiction, with reservations

Political parties and leaders

Australian Democrats (Andres BARTLETT); Australian Labour Party (Mark LATHAM); Australian Progressive Alliance (Meg LEES); Country Liberal Par (Terry

MILLS); Australian Greens (Bob BROWN); Liberal Party (John Winsto HOWARD); The Nationals (John ANDERSON); One Nation Party (Len HARRIS)

Political pressure groups and leaders

Australian Monarchist League (leader NA); Australian Republican Movement (leader NA)

International organization participation

ANZUS, APEC, ARF, AsDB, ASEAN (dialogue partner), Australia Group, BISC, CP, EBRD, FAO, IAEA, IBRD, ICAO, ICC, ICct, ICFTU, ICRM, IDA, IE, IFAD, IFC, IFRCs, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, ISO, ITU, MIGA, NAM (guest), NEA, NSG, OECD, OPCW, Paris Club, PCA, PIF, Sparteca, UN, UNCTAD, UNESCO, UNHCR, UNMEE, UNMISSET, UNTSO, UPU, WCO, WFTU, WHO, WIPO, WMO, WTO, ZC

International Aid Programme

The aim of the Australian aid programme, which is administered by the Australian Agency for International Development (AUAID) is to assist developing countries to reduce poverty and achieve sustainable development. The primary focus is the Asia Pacific Region but targeted assistance is also provided to South Asia, Africa and the Middle East. In 2002/2003, Australia provided \$ 1.815 billion as official development assistance. Each year the Australian Government's overseas aid programme reaches more than 5-8 million people living in poverty, with more than 800 million people surviving on less than \$ 2 per day.

This includes support in the areas of governance (including economic institutions as peace and security measures), delivery of basic services (like education and health) infrastructure (for example, roads and bridges) and sustainable resource management (for ex. – water). In addition, the aid programme provides substantial humanitarian and emergency assistance and manages an extensive overseas student scholarship programme.

Environment international agreements

Party to: Antarctic-Environmental Protocol, Antarctic-Marine Living Resource, Antarctic Seals, Antarctic Treaty, Biodiversity, Climate Change, Desertification Endangered Species, Environmental Modification, Hazardous Wastes, Law of the Sea, Marine Dumping, Marine Life Conservation, Ozone Layer Protection, Ship Pollution, Tropical timber 83, Tropical Timber 94, Wetlands, Whaling signed, but not ratified: Climate Change – Kyoto Protocol.

Transportation

Inland transportation

Despite its small population and vast land mass, the country has well developed, nationwide air road, rail, port and telecommunications infrastructure networks comparable to those in other industrialized countries.

Roads

Australia's extensive road system is well maintained, with federal highways linking state capitals and major cities. Most interstate goods are transported by road. Total lengths of roads is approximately 913,000 km, with about 13,630 km of expressways.

Sea transport

Australia is a trade-dependent country, with the fifth largest shipping task (work load) in the world.

Australia is serviced by major shipping lines that transport goods worldwide to and from the major ports of Melbourne, Sydney, Brisbane Adelaide and Fremantle.

Waterways

There are 8,368 km of inland waterways, which are used primarily by small, shallow – draft craft.

Railways

A 33,819 km network of railroads competes with road transport. Rail transport is used extensively to connect Perth, in western, Australia, with the eastern ports and also to transport Australia's mineral exports.

Work began in April 2002 on the new 1410 km north-south railway connecting the Central Town of Alice Springs to Darwin in the North. This connection, which is projected to be completed in early 2004, will finally complete a transport corridor from Adelaide on the Southern Ocean to the Timor Sea.

Airports

Australia has about 250 licensed airports, including the major international airports in Sydney, Melbourne, Brisbane, Perth. Other major international airports are located in Adelaide, Canberra, Darwin, Gold Coast, Hobart, Lancelton, and Toowoomba. Most airports have been privatized under long term leases.

Patents and Trademark policy

Patents – Inventions in all fields of technology (except for human beings and biological processes for their reproduction) are eligible for patents. Protection is offered under the Patents Act, 1990 (amended in 1994) which offers coverage for 20 years from filing subject to renewal.

Trademarks

Major copyright protection is provided under the Copyright Act 1968. Copyright Act 1968.

Imports

The minimum documentation required to be submitted with customs import entries of informal clearance documents includes an air waybill or bill of lading, invoices, and any other papers (including packing lists, insurance documents, etc.) relating to the shipment. The Customs Act of 1901 requires importers to retain commercial

documents relating to a transaction for five years from the date of entry. These documents may be required for custom purposes.

The prescribed markings for goods entering Australia include the country of origin and the composition of goods.

The quantity of a packaged product must be accurately stated on the main display panel of the package in metric units, in letters of minimum print height, clear of other copy and with good colour contrast.

Certain articles must be package in metric units, in letters of minimum print height, clear of other copy and with good colour contrast.

Quality Standards

Australia became a signatory to the WTO standards code on March 1, 1992, and has now acceded to the WTO agreement on Technical Barriers to Trade; however, it still maintains some restrictive standards requirements, particularly quarantine and health restrictions, that have an impact on the free flow of goods. Revisions to standards are currently under consideration to bring them in the with commitments made under international trade agreements.

Marking, labeling and packaging

Australian legislation regulates certain types of product packaging, labeling, ingredients, marketing and sale, as well as general weights and measures. Imported products that are packaged and labeled overseas may need modification to be legally acceptable. Exporters should consult with their Australian importer to ensure that products comply with Australian federal and state government labeling regulations.

On Jan 1, 1997, new labeling regulations took effect for a number of products, including foodstuffs, cosmetics, garments, construction materials and some electrical equipment. The regulations specify consumer information that must be included on product labels including product name, date of manufacture, manufacturer's name and date. The regulations also address voluntary label information, as well as the use of foreign languages for labeling products for sale in Australia.

Trade Concessions

Eligible developing countries are enjoying a tariff margin of preference up to five percentage points below the General Rate. This means that with the general rate now at 5% the developing country rate for most products is 0%. Papua New Guinea, New Zealand and the forum Island countries (Pacific Islands) are allowed duty free entry to Australia provided they satisfy the 50% local content rules of origin.

The Australian government has undertaken a wide ranging tariff programme that has resulted in substantial reductions in import protection. In 1991 the government announced further reductions in import duties from a general rate of 15% and 10% to only 5% by 1, July 1996.

Foreign Exchange Controls Affecting Trade

Australia does not restrict the flow of currency into or out of the country. There are however, cash reporting obligations under the Cash Transaction Reports Act (CTRA) International currency transfers of A\$10,000 or more must be reported to the Australian Consignments valued at or below these amounts may be cleared on an approved form which is available at customs offices.

Documentation

The minimum documentation required to be submitted with customs import entries or informal clearance documents includes an air way bill or bill of lading, invoices, and any other papers (including packing lists, insurance documents, etc.) relating to the shipment.

The customs Act 1901 requires importers to retain commercial documents relating to a transaction for five years from the date of entry. These documents may be required for customs audit purposes failure to meet the requirement may attract a penalty of \$ 2000.

Duty Rates

Rates of duty payable by an importer are determined by the classification of goods within the Australian customs tariff. As the tariff contains more than five thousand headings and sub headings it is impossible to list specific rates here.

Trade barriers

Tariffs

The tariff reduction program has reduced 41% of Australia's tariff lines to zero and 35% of tariff lines to 5%.

The remainder of tariff lines above 5% apply almost entirely to Passenger Motor Vehicles (PMV) and textiles, clothing and footwear.

The Tariff Concession Scheme (TCS) allows eligible goods to be imported duty free or at a concessional rate under certain circumstances. Importers can claim tariff relief for goods imported into Australia for which there is no substitute produced domestically.

The project by the law scheme (PBS) allows eligible capital equipment for major resources, agriculture and infrastructure projects to be imported free of import duty in the absence of Australian produced equipment of similar technological sophistication. The total value of equipment imported should exceed A\$ 10 million.

Import entry costs

A customs import entry must be lodged for goods above the following values:

- Postal : \$ 100 per consignment
- Non-postal: \$ 250 per consignment

Market Access

Import policy

1. Special import provisions

There are no special import provisions in Australia.

Prohibited imports

Drugs, steroids, weapons/firearms, heritage items, food, plants and animals, and protected wildlife.

Phytosanitary Restrictions Affecting Imports of fresh fruit and vegetables.

Australia has stringent sanitary and phytosanitary restrictions affecting imports of fresh fruit and vegetables and imports of fresh fruit and vegetables and imports of meat and poultry products.

All products should have an Australian import products.

All produce should have an Australian import permit.

US, poultry, fresh and frozen, cannot be imported due to sanitary restrictions.

Import taxes and sales taxes

Indirect taxes

Imported goods may be subjected to one or more indirect taxes comprise the goods and services tax, the wine equalization tax and the luxury car tax.

Goods and services tax (GST)

On July 1, 2000, the Australian Government introduced a 10% General Services Tax (GST) to replace various wholesale sales taxes, which was applied at varying rates on a select range of products.

Economy

Australia has a enviable Western-style capitalist economy, with a per capita GDP on par with the four dominant West European economies. Rising output in the domestic economy has been offsetting the global slump, and business and consumer confidence remains robust. Australia's emphasis on reforms, low inflation, and growing ties with China are other key factors behind the economy strength. The impact of drought, weak foreign demand, and strong import demand pushed the trade deficit up to \$18 billion in 2003 and to \$20 billion in 2004 from \$8 billion in 2002. One other concern is the domestic housing bubble.

Australia has one of the most stable economic, political and social environments in the region, which has led to increased investment from overseas in recent years. As a result of major diversification in Australia's export base, Australia is now not only a commodity exporter, it also has sophisticated manufacturing and service industries.

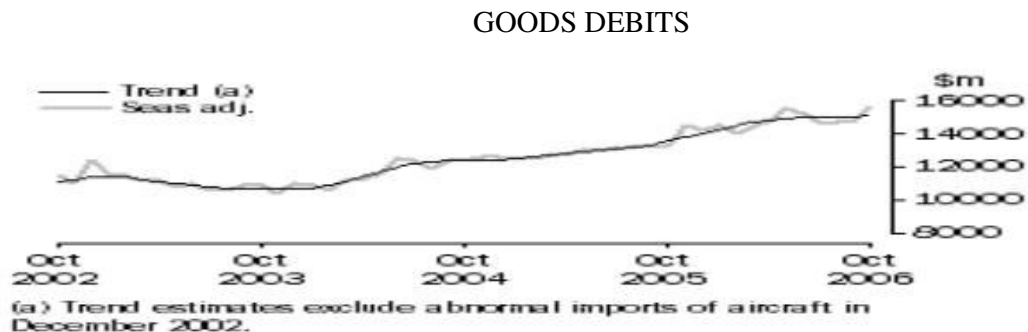
Australia has one of the world's most open and innovative economies and the Australian Government is committed to maintaining this direction. Strong growth over the past decade has been accompanied by low inflation and interest rates, and a strong productivity performance.

The Australian economy performed solidly in 2002-03. In contrast with weaker global conditions, Australia's economy was one of the strongest in the developed world, recording 2.7 per cent growth. The outlook remains positive for increased growth in future.

Australia's strengths are not only in its traditional commodities sectors – a recent OECD (Organization for Economic Co-operation and Development) study suggests that Australia is ranked as one of the six fastest-growing successful new economy traders – meaning that Australia is strong in information and communications technology (ICT) infrastructure, innovation systems, business environment and human resource development.

Australian investment in ICT as a percentage of Gross Domestic Product (GDP) is the third highest of OECD countries. The Reserve Bank of Australia has found a direct link between expenditure on ICT and the Australia's strong productivity growth. The take-up of e-commerce is projected to add 2.7 per cent to Australian GDP growth over the next ten years.

Imports of goods



CONSUMPTION OF GOODS

The trend estimate of imports of consumption goods rose \$23m (1%) to \$4,506m. In seasonally adjusted terms, imports of consumption goods rose \$240m (5%) to \$4,635m.

The main components contributing to the rise in the seasonally adjusted estimates were:

- non-industrial transport equipment, up \$133m (11%)
- household electrical items, up \$53m (14%)
- consumption goods n.e.s., up \$50m (4%).

In original terms, imports of consumption goods rose \$458m (10%) to \$5,270m.
International Merchandise Imports, Australia, Nov 2006

KEY FIGURES

	September 2006 \$m	October 2006 \$m	November 2006 \$m
Food and live animals	543	602	695
Beverages and tobacco	131	132	157
Crude materials, inedible, except fuels	167	253	196
Mineral fuels, lubricants and related materials	1784	1845	1628
Animal and vegetable oils, fats and waxes	46	45	47
Chemicals and related products, nes	1619	1734	1729
Manufactured goods classified chiefly by material	1750	1844	1881
Machinery and transport equipment	6383	6955	6891
Miscellaneous manufactured articles	2159	2277	2188
Commodities and transactions not classified elsewhere in the SITC	395	669	346
TOTAL	14 977	16 356	15 758

Economic Indicators

INDICATORS	2002	2003	2004
GDP (US\$ BILLION)	409.2	522.4	631.3
REAL GDP GROWTH (CONSTANT PRICES)	2.8%	3.8%	3.0%
GDP PER CAPITA (US\$)	21126	21688	22074
INFLATION RATE	3.0%	2.8%	2.3%
UNEMPLOYMENT RATE	6.1%	5.7%	5.4%
EXTERNAL DEBT (US\$ BILLION)	-	-	-
AUSTRALIAN DOLLAR RATE ON 12/31 (1 US\$)	1.7711	1.3351	1.2803
Sources : IMF – 2005 data, World bank, Oanda			

GDP PER ACTIVITY SECTOR	2002	2003	2004
Agriculture and fishing	2.9%	-	-
Industry and mining	25.9%	-	-
Services	71.1%	-	-
Sources: World Bank			

Investments

FDI INFLOWS (US\$ MILLION)	2002	2003	2004	WORLD BANK
Foreign Direct Investments (F.D.I.)	15632	6955	42594	5 / 197

Source: UNCTAD “World Investment Report

2005”

Free Trade Zones – Australia’s only free trade zone is the Darwin. Trade development zone in Northern Territory. Incentive packages are tailored for individual companies and include subsidies for many up-front property, plant and equipment costs. Relocation assistance may also be offered. This free trade zone primarily benefits Australia’s north and west Asian neighbours.

Trade in goods/services by major category

2003	Imports	Exports
Total Trade in Goods (US\$ billion)	85.9	70.5
Agricultural raw materials	1%	5%
Food products	5%	19%
Hydrocarbons	8%	21%
Manufactured products (chemicals, machines...)	84%	30%
Ores and metals	1%	16%
Other goods	1%	9%

2003	Imports	Exports
Total Trade in Services (US\$ billion):	21	21
Transport	34%	23%
Tourism	35%	50%
Other services (insurance, financial services, telecommunications,..)	31%	27%

Trade by partner countries

Main clients (% of exports)	2004
Japan	15.8%
Special Categories	11.7%
USA	7.9%
New Zealand	7.2%
China	7.1%

Source: COMTRADE

Main suppliers (% of imports)	2004
USA	15.9%
Japan	12.3%
China	10.9%
Germany	6%
United Kingdom	4.2%

Source: COMTRADE

Trade between Sri Lanka and Australia

Australian economy is highly dependent on exports of raw material and agricultural products which are very vulnerable to price fluctuations in commodity market. As such Australia is now turning more towards Asian rather than developed western countries. Sri Lanka is therefore now a major attraction due to this new policy.

Links between Australia and Sri Lanka can be traced back to the early 1950s both being long standing members of the British Commonwealth. Trade, business, tourism and investment ties between the two countries have developed steadily over the past three decades, a trend that has continued to increase. Sri Lankans migrating to Australia in the early 1970s have also played an active and contributory role in the economic and social development activities in Australia, which has further strengthened these links.

Trade, business investment and tourism links between Sri Lanka and Australia have developed steadily over the past three decades. There has been a significant increase in the total trade turnover between the two countries over the past few years while the balance of trade continues to be in favour of Australia.

Australia is ranked seventeenth amongst Sri Lanka's trading partners, accounting for 1.96% of total trade in 2001. Trade between Sri Lanka and Australia has increased significantly over the past few years and the balance of trade between the two countries continues to be in favour of Australia.

Australia has turned out to be one of Sri Lanka's best sources for Foreign Direct Investment (FDI); with the entry of Ansell International (a subsidiary of Pacific Dunlop) in 1988, there has been a marked increase of investments.

At present, there are thirty Australian companies with an investment of Australian Dollars 580 million (actual/estimated), which are under the purview of the BOI. These include some of Australia's leading blue chip multinationals, including P & O Nedlloyd, Pacific Dunlop (Ansell), Burns Philp, Australian Dyeing Company, MGT Sa moor Knitting Mills, BHP, Forbes /fashion, and O.E. & D.R. Pope & Co. These companies are engaged in a wide range of activities manufacturing gloves, steel roofing products, rubber flooring tiles, apparel products (including lingerie), wooden place mats, polythene bags, integrated textile mills and dyeing houses, shrimp culture, processing scrap material, and service oriented projects such as retail trading activities, restaurants, barter trade exchanges, software development and management consultancies.

Australia World Priority Import Items	Recent Priority Export Products to Australia from Sri Lanka
Electrical, electronic equipment	Tea
Rubber and articles there of	Textiles and garments
Articles of apparel accessories, not knit or crochet	Ceramic and porcelain
Food preparation nes	Gems & Jewellery
Beverages, sprit its and vinegar	Spices

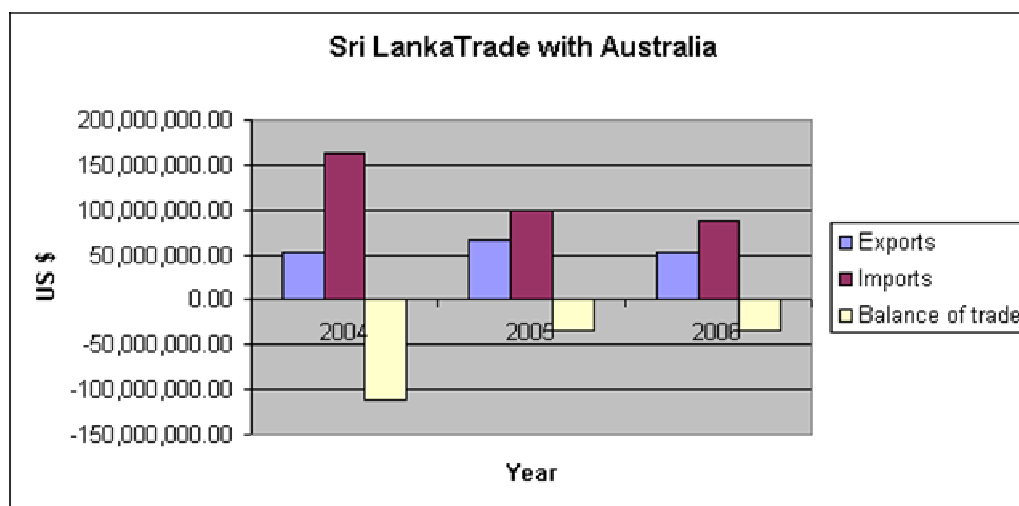
Pneumatic tire new of rubber motor car incl. Station wagon	Food and beverages
Pneumatic tires new of rubber for buses or lorries	Fresh fruits and vegetables
Fish	Fisheries products/prawns, crabs etc. [
Jewellery	<u>Electrical and mechanical products</u>
Tea	.

Potential Products from Sri Lanka to Australia

Tea, textiles and garments, ceramic and porcelain, gems & jewellery, spices, food and beverages, fresh fruits and vegetables, fisheries products/prawns, crabs etc., electrical and mechanical products.

Trade with Sri Lanka

YEAR	TOTAL EXPORT VALUE - US\$	TOTAL IMPORT VALUE - US\$	BALANCE OF TRADE
2004	52,130,367.01	162,964,670.01	-110,834,303.51
2005	65,673,936.10	100,161,470.12	-34,487,534.03
2006	53,916,170.56	88,589,879.36	-34,673,708.80



Major export products and their volumes and values from Sri Lanka

Tea, rubber, readymade garments, activated carbon, ceramic products, coir products, brushes and brooms etc.

Major import items

Milk food items and dairy products, Dried leguminous vegetables. Durum wheat, Cotton and fabric, Tallow, electrical parts and machinery, sugar, fresh fruit juices, food products (fruit, cereal, pasta, sauces), jams and cordials).

Opportunities for Sri Lankan exporters

One of the most important factors behind greater efficiency in Australia's economy has been the sharp, reduction in Australia's average tariff rates on imports rates on imports. Australia's average applied tariff rate has halved in the last decade, contributing to lower business input costs and raising the efficiency of local producers.

Exporters have benefited considerably from Australia's wide economic structural reform agenda. Barriers to domestic competition have fallen, along with business input costs, in turn generating a more favourable commercial, operating environment. Having recognized early the benefits of strong competition, Australia ranks increasingly highly as a successful global trader.

The popularization of the ethnic groups in Australia is also an opportunity to promote Sri Lankan exportable products, specially the Sri Lankan foods/consumer products can be promoted among this ethnic groups and other nations living in Australia.

With the influx of many Asian cultures into Australia, the Asian foods and life styles have become popular and also with the increasing number of food outlets and restaurants catering to the ethnic population, there is a big demand for Sri Lankan products. This is a very good opportunity for Sri Lankan exporters, particularly of processed food items.

ASJ/gs.
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