

8.0 OPPORTUNITY ANALYSIS

8.1 ANALYSIS OF TOP TEN PRODUCTS EXPORTED TO AUSTRALIA

1. TEA (HS 09.02) (Tea whether or not flavored)

Tea has continuously been the highest revenue earner for Sri Lanka in Australian Market. Sri Lanka's exports to Australia increased from US \$ 13 million to US \$ 16 million in 2002.

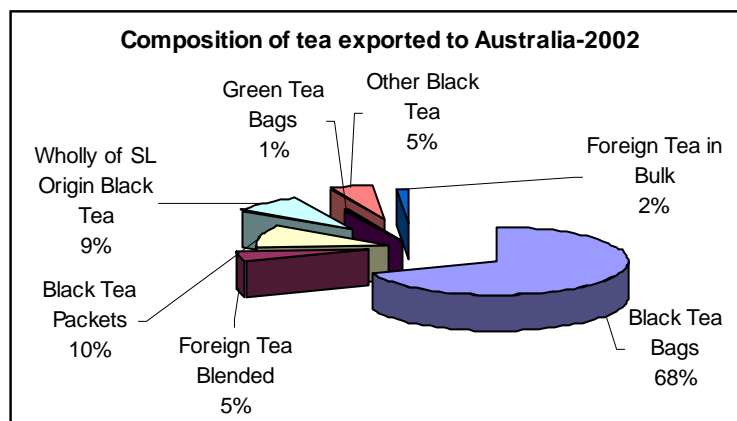
Export figures shows that more than 20% of share has been maintained over the previous years.

Value in US \$ '000

	1998	1999	2000	2001	2002
Black Tea Bags	10,458	10,602	10,533	9,080	11,108
Black Tea Packets	1,980	2,356	1,903	1,391	1,637
Wholly of SL Origin Black Tea	1,600	1,558	1,776	1,393	1,373
Foreign Tea Blended with SL Black Tea in Bulk	1,363	879	1,058	801	802
Other Black Tea	21	292	281	265	834
Foreign Tea in Bulk	637	871	680	372	245
Green Tea Bags	63	131	70	52	81
Total	16,122	16,689	18,301	13,355	16,080

The major portion of tea exports that has penetrated the Australian market during the period under review consist of "Black tea bags" and packets, Wholly of Sri Lanka origin black tea.

The Composition of tea exports to Australia based on 2002 is as follows.



Imports of tea to Australian market

According to the Australian Bureau of Statistics the composition of tea imports to Australia is as follows.

Based on 98/99 value A \$

Category	Value	%
Green Tea Bags	593,462	0.73
Green Tea Packets	1,674,793	2.07
Green Tea Bulk	685,593	0.3
Black Tea Bags	41,721,723	51
Black Tea Packets	5,468,637	6.75
Black Tea Bulk	30,851,847	38.7
Total	80,996,055	100

The above statistics shows that their major demand is for Black tea bags.

In terms of the value of imports, Sri Lanka continued to maintain the number one position in the Australian market, having a share of 35% of the total value of imports in 98/99.

Other significant suppliers were UK (19%), Indonesia (13%), PNG (8%), India (8%) and Kenya (4%).

However, in terms of the volume of imports, Indonesia was far ahead of Sri Lanka having a share of nearly 30% against Sri Lanka's share of 20%.

Values of major suppliers are included in annex 8.1

Black Tea Bags (HS 09.02.30.03)

During the past 5 years “Black Tea Bags (4 Grams) have been the biggest foreign exchange earner in this market for Sri Lanka bringing in earnings totaling Rs. 1059.68 million in year 2002.

Black Tea Bags Value in (US \$)

Year	Total exports to the world	Total exports to Australia	% share to total exports to the world	% share to product total exports to Australia
1998	70,550,821	10,458,353	14.82	21.94
1999	60,647,114	10,602,839	17.48	21.91
2000	64,006,345	10,532,675	16.46	20.96
2001	68,637,791	9,080,239	13.23	20.18
2002	72,793,514	114,107,806	15.26	23.54

Trade statistics shows that tea, specially “black tea bags” is the major revenue earner to Sri Lanka in Australian market (24% in 2002). Also it is a considerable portion of the total exports to the world (15% in 2002).

The Australian market for black tea bags consists of two segments. i.e. imported and locally packed.

Australia, being the number one buyer of Sri Lankan tea bags, this segment of tea market is of utmost importance to Sri Lanka. Any change in the Australian market for Black Tea bags would have a significant impact on our exporters.

Import value of black tea bags account for more than 50 % of total value of imported tea in Australia, and Sri Lanka continues to be the largest exporter, having a share of over 50 % in 98/99.

The UK has become the closest competitor of Sri Lanka in black tea bags.(36%) The main reason for UK’s success is identified, as it’s aggressive propaganda campaigns in the Australian market.

The other important suppliers are India (4%), Indonesia (3%) and PNG (2%)

Suppliers of black tea bags to Australia are indicated in annex 8.1

Major Sri Lankan exporters of Black Tea Bags – 2002

Company	Value (US\$)
Ceylon Tea Services Ltd	9,134,726
Lanka Organics Pvt Ltd	473,942
Dilmah Fine Teas & Herba Pvt Ltd	325,228
Quick Tea Pvt Ltd	218,127
Stassen International Ltd	202,192
Other	753,591
Total	11,107,806

Black Tea Packets not exceeding 1 Kg (HS 09.02.30.01)

Value in US \$

Year	Total exports to the world	Exports to Australia	% share to total exports to the world	% share to total exports to Australia
1998	235,109,901	1,980,028	0.84	4.15
1999	161,493,445	2,355,792	1.46	4.87
2000	179,338,517	1,903,202	1.06	3.79
2001	193,409,864	1,390,799	0.72	3.09
2002	159,640,712	1,636,512	1.03	3.47

According to the above statistics total tea packets exports to Australia has followed a decreasing trend during the past 5 years. At the same time the importance of Australian market as a percentage of total exports to world is very small (1.03 in 2001). And it has fluctuated during that period.

But, like in black tea bags, Sri Lanka enjoys a dominant position in import share of tea packets recording a 75% of total imports in 98/99.

The other important suppliers include China, UK (2%), Germany (2%), Indonesia (2%) and India (2%).

Major Sri Lankan exporters of Black Tea Packets – 2002

Company	Value (US\$)
Ceylon Tea Services Ltd	1,267,313
James Finley & Co.	72,569

Tea Tang Ltd	69,347
Dilmah Fine Teas & Herba Ltd	60,759
Ceylon Tea Marketing Ltd	46,275
Other	120,248
Total	1,636,512

Wholly of Sri Lanka Origin Black Tea in Bulk (HS 09.02.40.01)

Indonesia continued to be the principal supplier of black tea to Australia, recording a market share of 39% in 98/99. Other major suppliers were PNG (28%), Kenya (10%) India (10%), Sri Lanka (6%), and China (3%). Australia is switching to cheaper sources of supply.

Value in US \$

Year	Total exports to world	Total exports to Australia	% share to total exports to the world	% share to total exports to Australia
1998	400,983,457	1,600,401	0.4	3.36
1999	340,449,247	1,557,596	0.46	3.22
2000	384,069,642	1,776,524	0.46	3.53
2001	340,274,214	1,392,895	0.41	3.1
2002	345,430,671	1,372,726	0.4	2.91

Black tea in bulk exports to Australia has been maintained a constant portion of the total tea bulk exports to the world.

The volume and value of exports from Sri Lanka has continued a declining trend during this period.

Our market share also has been declining over the years. As Australian consumers of tea seem to be more price conscious, there is a trend in importing more tea from low cost producers such as PNG, India, Indonesia and Kenya countries.

Major Sri Lankan exporters of Black Tea in Bulk – 2002

Company	Value (US\$)
Mebroc Teas Private Ltd	433,734
Unilever Ceylon Ltd	265,430
Jones Exporters Ceylon Ltd	240,756
Vanrees Ceylon NV	133,416
Akbar Brothers	63,486
Other	235,904
Total	1,372,726

Green Tea Bags (HS 09.02.10.03)

Year	Total exported to the world	Total Exported to Australia	% share to total exports to the world	% share to total products exports to Aus.
1998	707,196	62,721	8.87	0.13
1999	1,128,935	130,736	11.58	0.27
2000	1,486,543	70,463	4.74	0.14
2001	1,510,811	51,835	3.43	0.12
2002	1,474,955	81,342	5.51	0.17

The value has increased by 36% in 2002 than the year 2001. and a considerable amount of Green tea export goes to Australian market.

Sri Lanka's share in Green Tea – bulk market is negligible.

Since there is a considerable demand for Green Tea in Australia, there is a potential to increase exports to this market.

As a whole, we can further increase present tea exports to this market.

Some of the steps taken by Sri Lanka to promote tea in Australia include Focus Lanka promotional Drive and Fine Food Exhibition held in Sydney and Melbourne.

Source: Tea Annual Report / Department of Commerce.

1. READYMADE GARMENTS

Brassieres, Girdles, Corsets, Garters and similar articles and parts (H.62.12.10)

Sri Lankan exports to Australia (Value in Millions)

Year	Value (US\$.)	Value (Rs.)	Total exports to world (Rs.)	% share to total exports to the world	% share to total products exports to Aus.
1998	3.492	226.55	4557.68	4.97	7.33
1999	4.110	290.11	6001.26	4.83	8.49
2000	5.919	448.6	9122.18	4.92	11.78
2001	4.619	412.73	9391.8	4.39	10.26
2002	3.799	362.51	11,747.35	3.09	8.05

This product has continuously been the 2nd highest revenue earner for Sri Lanka in Australian market, during the period under consideration.

But, export figures shows that only a small percentage of total world export of this product goes to Australian market and the percentage has come down over the past 5 year period. Now it has become only 3 percent of total brassiere exports to the world.

On the other hand it has contributed more than 8 percent of total product exported to Australia.

Therefore this product is concerned, Australia is becoming an important trading partner for Sri Lanka and there may be further scope to increase the production and exports of this product.

As well as the general requirements for the products, it can be noted that the Australian consumers are more concerned about the quality, style, price and fashionable products rather than the country of origin.

Major Sri lankan exporters -2002

Company	Value (US\$)
Perfect Fit Int. Pvt. Ltd.	3,370,304
Bodyline Pvt Ltd.	424,939
Bratex Pvt. Ltd.	3,586
Unichela (pvt) Ltd.	1,026
Non regular exporter	95
Total	3,799,949

There are about five major companies that have been exporting this product to Australia. Perfect Fit International Ltd continues to be the main exporter of the product to Australia during the period.

2. TILES, CUBES AND SIMILAR ARTICLES (H. 69.08.10)
Floor Tiles (H.69.08.10.01)

Sri Lankan exports of Tiles to Australia

Year	Value (US\$.) H69.08.10.01	Value (Rs.)	Total exports to world (Rs.)	% share to total exports to the world	% Share to total product exports to Australia
1998	762,124	49,567,848	282,235,961	17.56	1.6
1999	603,249	42,577,313	130,844,606	32.54	1.25
2000	416,528	37,676,010	208,810,225	18.04	0.99
2001	510,610	127,090,393	570,064,663	22.29	3.16
2002	860,693	194,958,456	724,130,370	26.92	4.33

Major suppliers of tiles to Australia and their volumes and shares are included in annex 8.1.

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Lanka Tiles Ltd	592,746
Royal Ceramics Lanka Ltd	419,667
Lanka Walltiles Ltd	151,569
Sunfrost Limited	12,088
Not specified	6,826
Total	1,182,897

3. ACTIVATED CARBON (H.38.02.10)
Granular (H.38.02.10.01)

Sri Lankan exports of Activated carbon to Australia

Year	Value (US\$.) H38021001	Value (Rs.)	Total exports to the world (Rs.)	% share to total exports to the world	% Share to total products to Australia
1998	2,153,813	140,478,617	1,235,955,232	11.37	4.54
1999	1,188,279	78,861,234	1,110,826,495	7.1	2.31
2000	1,234,853	94,397,416	1,334,316,126	7.07	2.48
2001	1,450,000	131,088,901	1,413,463,241	9.27	3.26
2002	1,306,846	134,682,052	1,697,404,682	7.93	2.99

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Haycarb Limited	983,161
Tajit & Co (pvt)Ltd	389,889
Bienco Link Carbons Pte Ltd	11,221
Pelacco Ltd	2,576
Total	1,386,846

Major suppliers of Activated carbon to Australia and their volumes and shares are included in annex 8.1.

4. REGISTERS, ACCOUNT BOOKS, NOTE BOOKS, MEMO PADS

Albums for Samples or for collections (H.48.20.50)

Sri Lankan exports of Albums to Australia

Year	Value (US\$.)	Value (Rs.)	Total exports to world (Rs.)	% share to total exports to the world	% Share to total product exports to Australia
1998	286,561	13,401,660	497,673,028	2.69	0.43
1999	461,280	32,557,140	561,430,125	5.8	0.95
2000	381,403	28,902,698	663,123,018	4.36	0.76
2001	531,822	47,523,595	521,919,491	9.11	1.18
2002	1,843,521	99,551,915	426,801,748	23.33	2.21

Major suppliers of this product to Australia and their volumes and shares are included in annex 8.1.

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Sansu Lanka Pvt Ltd	1,043,485
Non Regular Exporter	21
Jones Carriers Ltd	5
Private Individual	7
Total	1,043,485

6. FLOOR COVERINGS OF COCONUT FIBRE (H.57.02.20)

Mats and Rugs (H.57.02.20.01)

Sri Lankan exports of Floor coverings to Australia

Year	Value (US\$.) H57022001	Value (Rs.)	Total exports to world (Rs.)	% share to total exports to the world	% Share to total product exports to Australia.
1998	760,895	49,872,903	447,123,770	11.15	1.61
1999	894,924	66,704,116	438,251,419	15.22	1.95
2000	1,859,007	82,773,209	625,123,738	13.24	2.17
2001	987,090	88,506,161	713,272,597	12.41	2.2
2002	987,184	91,441,178	704,045,760	12.99	2.03

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Haymat Ltd	753,575
Coirtex Ltd	153,930
Rileys Limited	29,163
Lanka exports	376
Sri Lanka Handicraft Board	120
Total	937,164

7. GLOVES, MITTENS AND MITTS, KNITTED OR CROCHETED (H.61.61.10)

-Gloves Impregnated, Coated or covered with Plastics or Rubber Sri Lankan exports of Gloves to Australia

Year	Value (US\$.)	Value (Rs.)	Total exports to world (Rs.)	% share to total exports to the world	% Share to total product exports to Australia.
1998	919,294	59,643,778	3,200,642,327	1.86	1.93
1999	868,342	61,287,548	3,480,077,573	1.76	1.79
2000	649,405	49,211,909	4,426,886,543	1.11	1.29
2001	1,084,515	96,912,302	4,114,752,331	2.3	2.41
2002	1,332,006	127,073,389	4,316,173,550	2.94	2.82

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Ansel Lanka Pvt Ltd	996,208
John Ward Ceylon Pvt Ltd	255,210
Hands International Pvt Ltd	80,588
Total	1,332,006

**8. Gloves, mittens and mitts (H.40.15.11)
(Surgical)**

Sri Lankan exports of Gloves to Australia

Year	Value (US\$.)	Value (Rs..)	Total exports to the world (Rs.)	% share to total exports to the world	% Share to total product exports to Australia.
1998	1,920,006	124,570,011	1,390,650,394	8.96	4.03
1999	405,189	28,598,271	1,009,251,799	2.83	0.84
2000	1,243,560	94,236,982	872,990,201	10.79	2.47
2001	906,972	81,047,022	861,659,155	9.41	2.02
2002	929,335	88,658,553	1,392,700,432	6.37	1.97

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Ansel Lanka Pvt Ltd	926,335

9. MAN –MADE TEXTILE MATERIALS (H.63.05.33)

**Sacks and Bags, of a kind used for the packing of goods.
Of Polyethylene or Polypropylene Strip or the like**

Sri Lankan exports to Australia

Year	Value (US\$.)	Value (Rs.)	Total exports to world (Rs.)	% share to total exports to the world	% Share to total product exports to Australia.
1998	568,846	36,906,743	262,887,219	14.04	1.19
1999	672,024	47,431,463	646,004,478	7.34	1.39
2000	822,957	62,363,716	1,106,053,911	5.64	1.64
2001	421,914	37,702,252	927,721,672	4.06	0.94
2002	810,364	77,308,729	344,311,207	22.45	1.72

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Plastipak Lanka Ltd	810,364

10.Of the products of chapter H.11.06.30

Flour, Meal and powder of the Dried Leguminous Vegetables (Specially Coconut milk powder H.11.06.30.01)

Sri Lankan exports of this category to Australia

Year	Value (US\$ Mn.) H11063001	Value (Rs.Mn.)	Total exports to world (Rs. Mn)	% share to total exports to the world	% Share to total product exports to Australia.
1998	526,099	53,917,574	448,017,723	12.03	1.74
1999	829,557	53,614,071	475,641,630	12.32	1.72
2000	820,738	62,275,709	538,914,071	11.56	1.64
2001	700,566	62,602,565	522,689,962	11.98	1.56
2002	745,929	71,192,221	755,490,009	9.42	1.58

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Eastern Food Specialities Pvt Ltd	674,712
Damayanathi Exports Pvt Ltd	28,889
Leela Exports & Imports	11,927
Lanka Trades & Commodities Pvt Ltd	8,458
Pan AM Foods Ltd	8,162
Other	13,781
Total	745,929

11. Other textile material (H.62.08.99)

Women's or Girls' Singlets and other Vests, Slips, Petticoats, Briefs, Panties, Nightdresses, etc

Sri Lankan exports of this category to Australia

Year	Value (US\$.)	Value (Rs.)	Total exports to world (Rs.)	% share to total exports to the world	% Share to total product exports to Australia.
1998	185,984	12,066,634	148,651,635	8.12	0.39
1999	782,672	55,240,968	292,524,230	18.88	1.62
2000	1,440,361	109,150,522	486,822,060	22.42	2.87
2001	1,310,992	117,150,232	409,385,416	28.62	2.91
2002	643,535	61,393,196	448,956,487	13.67	1.36

Major Sri Lankan exporters to the market. 2002

Company	Value (US \$)
Perfect Fit Int Pvt Ltd	643,531
Dart Express Lanka Pvt Ltd	4
Total	643,535

8.2 POTENTIAL PRODUCTS TO AUSTRALIAN MARKET

1.CLOTHING

There are around 5000 textile, clothing and footwear manufacturers in Australia, employing over 86,000 people. Australian clothing manufacturers supply a diminishing share of the market's requirement and are increasingly concentrating on the fashion end of the market where they have a competitive edge over the cheaper imported lines.

Principle clothing imports in 2000/01

- Males' Clothing , not knitted A\$649 million
- Females' Clothing, not knitted A\$653 million
- Clothing of textile fabrics A\$ 986 million

China dominates as the main overseas supplier of clothing imports to Australia. It supplies around three-quarter of the value of total imports. In recent years, China has doubled its exports. The other major overseas suppliers are **Fiji, New Zealand, India, Hong Kong and Italy.**

Developing countries supplied A\$ 2.058 billion worth of clothing to Australia in 2000/01.

The Australian market for clothing is **very competitive** and new overseas suppliers may find it difficult to secure interest from the Australian importers. The removal of the import quotas and the reduction in the import duties means the main competition will come from low cost overseas suppliers such as China.

Because of the relatively small size of the market, Australian clothing importers usually require lower minimums than US or European importers.

The large importers and retailers may place orders up to 12,000 pieces over two or three styles for the bigger selling lines at the lower end of the market, but the usual order volumes are in the range of 2,400-3,600 pieces per style over three to four color ways. Smaller importers may only require 500 pieces per style over two to three-color ways.

The Australian market for clothing should not be considered as an extension of the US market. It is smaller, more competitive market and the **styles and colors are not generally as bright or complex as the US market**. The winters in Australia are also relatively mild and of a short duration and there is not the demand for heavy clothing in dark colors that exist in Europe.

Despite the reduction in import protection, the market will remain very competitive and new overseas suppliers will still have to satisfy the Australian importers demands for **low FOB prices, delivery on time, low minimum orders and consistent quality** if they are to achieve some success.

2. FOOTWEAR

Australia's footwear industry has reduced in size since 92/93 when it employed only slightly over 8000 people. Most **manufacturers concentrate on better quality** leather footwear and industrial footwear. There is no substantial production of sports shoes in Australia.

Total imports of footwear in 2000/2001 were valued at A\$932 million FOB, compared with imports of A\$ 384 million in 1990/91. **The main imports in this category were leather footwear followed by sports shoes.**

The major overseas suppliers **were China (56.8% of imports), Italy, Indonesia, Vietnam and New Zealand.**

Developing countries supplied A\$ 747.9 million worth of footwear to Australia in 2000/01 or over 80% of the total.

It will be difficult for new overseas suppliers of footwear to penetrate the Australian market. In the **women's leather footwear** area, the consumer regards **Italian shoes as being fashionable and of reasonable quality**. In the **men's leather footwear** area, most imports are at the cheap end of the market and in this segment **the Chinese shoes** are regarded as fashionable and of high quality.

In the sports shoes segment of the market the **cheaper products** are imported mainly from China and Indonesia. The more expensive brand name joggers and

aerobic footwear are imported through the Australia based offices of companies such as Nike and Puma from a variety of contracted offshore manufacturers.

The volumes required by Australian footwear importers and retailers are not large by world standards particularly in the more expensive end of the market. The usual order for sports shoes would be 10,000 pairs over three colors.

The best prospects for new overseas suppliers are likely to be in the cheaper end of the market. In this segment the prices out of China will be a major obstacle and it would be necessary to offer **flexible volumes, quick delivery and excellent quality** to compete.

There are also reasonable prospects to supply footwear parts to Australian manufacturers.

The import duty on these items is relatively low and the Australian manufacturers are increasingly interested in sourcing complex uppers from competitive overseas suppliers.

There are limited prospects to supply safety footwear to Australia. **There are strict standards** on such footwear and most developing countries have not been able to satisfy these requirements.

3. YARNS, TEXTILES AND TEXTILE PRODUCTS

In 2000/01 Australia imported about A\$ 1.472 billion worth of yarns, textiles and made-up textile articles. The major imports were **textile yarns, woven man –made fabrics and woven cotton fabrics.**

The leading overseas suppliers of yarns are **China, Hong Kong, Indonesia and New Zealand.** In the special yarns and textile fabrics segment the major overseas supplier is USA, followed by China, Germany and Taiwan. Household textiles, such as bed linen, are imported from around the world but China, India, Fiji, Pakistan and USA remain the leading suppliers.

There are good opportunities for new overseas suppliers of yarns and textiles in Australia. The local industry is relatively small and the market has traditionally imported most of its requirements.

The market is, on the other hand, very competitive. A large number of **low cost** overseas suppliers are prepared to quote very low for the Australian market and importers commonly add on their orders to large orders for the North American or European markets. The prices that new overseas suppliers can obtain in the Australian market are generally 10-15% lower order volumes, particularly for fabrics-many importers will require only 3,000 meters over three color ways.

New overseas suppliers who can offer **good quality yarn and textiles at competitive prices** can develop reasonable business in Australia, but to start business low volumes and consistent quality would have to be combined with FOB prices competitive with those from countries such as China and Indonesia.

The prospects for new overseas suppliers in the household textiles market are as follows:

- **Made-up Bed Linen:**

There is strong competition from Australian industry at the more expensive end of the market. There are prospects to sell cheaper bed linen sets.

- **Sheeting:**

Very good prospects in all market areas, although the market is very small. Most of Australia's requirements are imported from low cost suppliers such as China so the competition is tough.

- **Furnishings and Cushion Covers:**

There is little potential for fine silk furnishing fabrics but increasing potential for rough weave silk cushion covers.

There are relatively poor prospects for hand loomed furnishing fabrics but good prospects for printed polycotton cushion covers.

4. FURNITURE

There are approximately 1,500 furniture – manufacturing operations in Australia. The majority of those operations are small-scale ventures employing fewer than 10 people. As a result and because of the **high freight costs in Australia**, the majority of manufacturers concentrate their selling programs and distribution system within

their region or city. There are fewer than 10 large- scale-manufacturing operations that distribute their brand-name furniture on a nation wide basis.

Australian manufacturers produce virtually the full range of **domestic timber, metal and plastic furniture**, but there is **very limited assembly of rattan furniture**. A small percentage of companies specialize in a particular type of furniture and most produce at least three varieties of timber furniture. The increasing import competition at the lower price end of the market has seen more and more local manufacturers concentrate on the middle and upper price segments.

In 2000/01 Australia imported A\$ 1130 million FOB worth of furniture and furniture parts. The main import categories were **timber chairs, timber dining tables/units, metal furniture other than chairs, parts for chairs and metal chairs**. Only around A\$ 20 million worth of rattan furniture is imported each year.

The major overseas suppliers are **China, Malaysia, Italy, Indonesia and Taiwan**. **Indonesia and the Philippines** are the leading overseas suppliers of rattan furniture.

The Australian market for furniture has **traditionally favored timber furniture** but over recent years there has been a move away from the use of solid timber. Heavily carved furniture is not very popular and ornate styles are not generally used except where credenzas, settees, side tables and dining room tables demand a quality grain finish to compliment the chairs and environment of the room. **Reproduction antique furniture is reasonably popular** and is imported from numerous countries.

Like most other markets the demand for rattan furniture in Australia has moved to better designs incorporating timber and metal components. The outdoor market has also moved to more stylish items with the **English garden style furniture settings in teak or other suitable hardwoods becoming very popular**.

The import duties on furniture were reduced to zero for Developing countries in mid 1996. This has offered increase opportunities but the market continues to demand competitive prices and consistent quality. New overseas suppliers of

furniture will find that the local manufacturers will provide strong competition in most segments.

One of the areas restricting the expansion of imports, particularly in component parts, is a history of poor quality imports of knockdown furniture. Products imported in the past have not been properly finished and sanded and as a result have ended up costing more than production in Australia to finish. As well, the lack of care with joints drilled holes and poor kiln drying has meant that many units are wasted.

5. LEATHER AND LEATHER PRODUCTS

In 2000/01 imports of travel goods, handbags and the like were valued at A\$ 472 million FOB. Imports of leather products in this category included **handbags, vanity cases, trucks, and wallets/purses etc.**

There is large number of overseas suppliers of leather to Australia including **China, Italy, France, Hong Kong, New Zealand, USA, UK, Thailand, Brazil, Indonesia and India. Australia is an exporter of processed leather**, normally up to the wet blue stage, but also finished leather for use in furniture and automotive seating. However, imports of fine quality leather are used for the manufacturer of such items as clothing while cheaper buffalo leather is used for furniture coverings.

The major suppliers of travel goods, wallets etc. are China, France, Hong Kong, Italy and India. Most travel goods, attache cases etc. are made of PVC, PU or nylon and the Australian market for these items in full grain leather is quite small. Most wallets, however, are made of leather and leather handbags make up almost 50% of the total market.

New overseas suppliers of leather will find that the Australian market requires basically two varieties- the more expensive very fine quality leather which is not always available from the local tanneries and the cheaper grades for use in furniture coverings, footwear etc. In all categories the competition from existing overseas

suppliers and the local tanneries will be very strong and new suppliers will have to offer a competitive price for leather with no scratch or tick marks.

Overseas suppliers of leather attache cases and travel goods will find their market in Australia is relatively small.

There are several local manufacturers producing leather attache cases and these companies strongly support their brand names.

There are better prospects to sell leather wallets, key rings, and handbags etc., but once again the competition, especially from countries such as China, India and Thailand, will be very strong and to succeed in the market. It will be important to beat the prices offered by these suppliers and to also **offer attractive and fashionable designs.**

6. FOODSTUFFS AND BEVERAGES

Australia is a major producer of a wide range of foodstuffs and has a high degree of self-sufficiency. Nonetheless, Australia is also a significant importer of processed food with seafood, vegetables and fruits, coffee, tea, cocoa and spices as the largest.

In 2000/01 Australia imported over A\$ 4.2 billion worth of food and over A\$ 907 million of beverages and tobacco, of which A\$ 598 was alcoholic beverages.

The major overseas suppliers of **processed foodstuffs** to the market **are Ireland, Brazil, New Zealand, USA, UK, Italy** and a range of European and Asian countries, in particular **China, Thailand, India, Malaysia and Singapore.**

Principal sources of alcoholic beverages were United Kingdom, France, USA, New Zealand, Ireland and Italy.

Australian manufacturers provide the bulk of the market's requirements for processed foodstuffs. A wide range of crops is grown in Australia. However, most coffee, tea and Spices are imported.

Over the last 20 years, Australian tastes in foodstuffs have undergone important changes. Over 20 % of Australians were actually born overseas and the **tastes in foodstuffs have therefore moved away from the English style meals** that were traditional before the 1970's. **These changing tastes have opened up opportunities for overseas suppliers of Asian style ingredients and foodstuffs in particular.**

The Australian market for **processed foodstuffs is sophisticated and extremely quality conscious.** Not only should overseas suppliers be in a position to provide **attractive packaging**, they must also adhere to the **Government packaging and labeling regulations.** There are also **strict quarantine and health standards** and overseas suppliers must take these factors in to account when considering the Australian market.

It will be difficult for new overseas suppliers to penetrate the Australian market for retail packaged foodstuffs.

The great majority of the volume selling lines is locally made and the **cost of entry in to the major supermarkets will make it very difficult for overseas suppliers to compete.** There are, however, quite good **prospects** at present for competitive overseas suppliers in the following areas:

- **Seafood:** particularly for whole prawns, head-on (it should be noted that prices in Australia are considerably lower than those paid in Japan);
- **IQF and puree tropical fruits:** for the food industry;
- **Coffee, tea, spices:** almost all the market's requirements are imported;
- **IQF baby corn, water chestnuts, snow peas, campignons etc:** although Australia has a large local industry, competitive overseas suppliers will have opportunities;
- **Asian sauces and specialty foods:** and
- **Processed tropical foodstuffs:** such as coconut cream, canned fruits.

7. RUBBER PRODUCTS

Australia does not produce natural rubber but it does have reasonably large rubber products manufacturing industry.

The major category of imports of rubber products in 2000/01 was **rubber tyres and tubes** valued at A\$ 910 million.

The major overseas suppliers of rubber manufacturers are **Japan, Korea, USA, China and Spain**. The main suppliers of natural and synthetic rubber are Malaysia, Indonesia, Japan and USA.

The prospects for new overseas suppliers in the major segments of the rubber market are as follows:

- **Natural rubber:** there is a limited number of importers / wholesalers who sell to manufacturers in the hard baled form. There are good prospects in this area but would new suppliers need to compete with Malaysia.
- **Tyres:** most international brands are sold in Australia and success would depend on establishing a recognized brand name-There is a poor market for cheap “no names” tyres. There is also need to meet **Australian Standards**.
- **Rubber automotive parts:** limited number of importers and the OE segment is controlled by one or two companies; reasonable prospects for competitive, good quality products for the after market;
- **Rubber hygienic and pharmaceutical products:** potential to supply in several market niche areas (surgical gloves, for example); poor prospects for household gloves as the market is dominated by well established national brands;
- **Industrial and mining products:** quite good prospects for a wide range of products not produced in Australia.

The Australian market offers prospects for suppliers of crude rubber (provided the price from Malaysia can be matched and the quality is high) as well as rubber manufacturers. There are also market niche opportunities (mining industry rubber pipes, rubber hoses for exhaust systems on marine diesel engines etc) but the competition in most product areas will be very strong.

8. MACHINERY AND EQUIPMENT

The Australian engineering, automotive, food processing and mining industries are well developed and have become internationally competitive. They do, however, rely on specialized imported machinery and equipment for most of their needs- the relatively small size of the Australian market means that local production of specialized machinery is not feasible.

The main imports of machinery and equipment in 2000/01 were:

Passenger Motor Cars	8578
Telecommunication Equipment, nes	6049
Computers	5240
Aircraft and Associated Equipment	2876
Computers and Office Machine Parts	2577
Motor Vehicle Parts	2421
Motor Vehicle for Transporting Goods	2192
Electrical Machinery	1801
Measuring and controlling Instruments	1747
Internal Combustion Piston Engines	1400
Heating and cooling Equipment	1115
Pumps for Gas	1062
Civil Engineering Equipment	974
Specialized Machinery	923

Australian manufacturers of metal working and other types of commonly used machinery will provide strong competition to new overseas suppliers.

The major overseas suppliers of the more sophisticated **machinery and equipment** are **Japan, USA, Germany, Italy, Britain, Sweden, Korea, Finland and Taiwan.** **Office machines** are imported mainly from **Japan, China, USA, UK and Malaysia.** Countries such as Malaysia are making increasing inroads in to this segment of the market. Principal suppliers of **computers** are **USA, Malaysia, Singapore, Japan and Taiwan.** New overseas suppliers of industrial machinery will find that the **Australian end-user will be most concerned about quality, the effective life span of the machinery, and the availability of spare parts rather**

than the price. Several low cost overseas suppliers have tried to enter the market with inexpensive machinery but Australian companies now feel it is better to go for “value for money” as a long- term investment.

There is also considerable brand loyalty in the office machine segment of the market although there is an increasing acceptance of “cloned” computer hardware items.

Success in the Australian market for machinery and equipment will depend on identifying market niche opportunities. A key element of the restructuring of Australia’s industrial sector has been improved productivity and lower labor inputs and this usually means substantial investment in the most up-to-date machinery. Nonetheless **there are opportunities for manufacturers in developing countries to supply cost effective machinery and equipment to Australia.** This will require detailed research and visit to the market to identify these particular opportunities.

9.MOTOR VEHICLES AND PARTS

Although general motors, Ford, Mitsubishi and Toyota manufacture cars in Australia, imports of passenger motor vehicles rose 24% to \$8.6 billion in 2000/01. The major sources of passenger car imports were **Japan** (\$4.9 billion), **Germany** (\$1.2 billion), **Korea** (\$804 million), **USA** (\$303 million) and **UK** (\$293 million).

Imports of motor vehicles for **transporting goods decreased** 11% to \$2.2 billion in 2000/01 and were dominated by import from Japan and Thailand with other important sources being USA and Germany.

Imports of **auto parts increased** by 6% to \$2.4 billion in 2000/01 with major sources being Japan, USA, Germany, Sweden and Taiwan.

10.TELECOMMUNICATIONS EQUIPMENT

In 2000/01, imports of telecommunications equipment **increased** by 14% to \$6.0 billion. Between 1995/96 and 2000/01, imports increased by 22% per year.

Major sources of telecommunications equipment imports included **USA** (\$1.4 billion), **Korea** (\$981 million), **Japan** (\$622 million), **UK** (\$554 million) and **Malaysia** (\$318 million).

11.COMPUTERS AND COMPUTER PARTS

Imports of computers rose 7% to \$5.2 billion in 2000/01. Principal sources were **USA** (\$901 million), **Malaysia** (\$853 million), **Singapore** (\$693 million), **Japan** (\$635 million) and **Taiwan** (\$610 million).

Computer parts imports increased 14 percent to \$2.6 billion in 2000/01 with the principal sources being **USA, Japan, Taiwan, Singapore and China.**

Source: Australia- Guide to the Market (Chamber of Commerce)

8.3 THE AUSTRALIAN CONSUMERS' TASTES AND PREFERENCES

The average Australian consumer could be described as reasonably conservative and very conscious of “value for money”. **There has been a noticeable trend over recent years to consider consumer products more on a “ value for money” basis rather than simply on price.** In several market segments, the cheap end of the market has declined as the consumer is prepared to pay more money for a product that will last. This is not to say the Australian consumer is prepared to pay high prices; in fact most consumers will compare prices from different retailers before making important purchase decisions.

The average Australian also has a reasonably open attitude towards imported products. When locally made products are considered to offer good value for money consumers will often purchase the Australian – made products. **They are, however, familiar with a wide range of imported products and will usually make their final decision on issues such as quality, style and price rather than the country of origin.**

On the other hand, there is a preference for certain imported products in the more expensive and fashionable segments of the market. **Women’s fashion- wear shoes from Italy and France, for example, retail at relatively high prices and motor vehicles from Europe also sell at premium price.**

One final point relates to the quality expected by Australian consumers. **Many retailers in the country operate on a money back or exchange policy, even if the consumer has simply changed their mind about the purchase.**

The Australian consumer therefore has very high quality standards that are supported by a wide range of **consumer protection legislation** in all states. **The**

importers and retailers reflect this attitude and will not accept products that do not pass their quality control standards.

8.4 OPPORTUNITIES FOR ATTRACTION OF FOREIGN INVESTORS TO SRI LANKA

Australia – Sri Lanka Investment Promotion Agreement

Australia has signed an agreement with Sri Lanka for the promotion and protection of investment in both countries in November 2002. The agreement is intended to **encourage and facilitate investment in Australia and Sri Lanka** by citizens, permanent residents and companies by providing a clear set of obligations relating to the promotion and protection of investments. The two-government look forward to the positive contribution. This will have on **the further development of Australia – Sri Lanka economic relations.**

Australia’s Investment in Sri Lanka.

Australia has become the second largest foreign investor in Sri Lanka with the entry of Ansell Lanka, a subsidiary of Australia’s Pacific Dunlop, in 1988. Ansell operates the single largest industrial plant in Sri Lanka.

At present, there are around 30 Australian companies operating under the purview of the BOI with a total investment valued at Australian Dollars 590 million. These include blue chip companies such as following companies.

- | | |
|--------------------------------|--|
| 1. Ansell International | - Manufacturer of surgical and industrial gloves |
| 2. P& O Ports - Australia | - Development of Queen Elizabeth Quay |
| 3. Pacific Dunlop Cables Group | - Manufacturer of telecom and power cables |
| 4. Burns Philip | - Retail Trading |
| 5. Telstra | - Provider of cellular service |
| 6. BHP | - Manufacturing of Steel Roofing |
| 7. Kenbrook Flooring | - Manufacturer of rubber flooring |
| 8. O.E. & D.R. Pope and Co. | - Manufacturer of woven polypropylene bags |
| 9. Australian Dyeing co. | - Manufacturing fabric and dyeing |

- | | |
|------------------------------------|---|
| 10. Cricket Club Café | - Hospitality Industry |
| 11. Australian Dairy Corp.
Milk | - Processing and packaging of UHT Liquid Milk |
| 12. Barter Card | - Barter and trade exchange |
| 13. Jetaround Holidays | - Water Sports facility |
| 14. Otukumpu Technology | - Integrated water supply in Ampara |
| 15. Lantor Australia | - Manufacturer of interlinings |

Other medium and small sized companies namely, MGT Samoor Knitting Mills, Forbes Fashions, Logical Tech, etc.

The Northern Territory University of Australia has also signed a letter of intent with the Ceylon Hotel School and School of Tourism in November 1999, for academic co-operation between the two institutions.

Target Sectors

While the BOI promotes FDI in almost all sectors, the following niche sectors have been specifically identified for promotion of investment from Australia.

- Light Engineering / metal working
- Agriculture and food processing
- IT and software development
- Tourism and recreation projects
- Mineral and mining activities
- Textiles and accessories
- Infrastructure projects