

Australia: Market Profile

🕒 23 March 2021

📄 Fitch Solutions



* Others include Vietnamese, Italian, Greek. English is not Australia's official language, it is effectively the de facto national language and is almost universally spoken.
Source: CIA World Factbook, Encyclopædia Britannica, IATA, IMF, Pew Research Center, United Nations, World Bank

www.hktdc.com/Research

1. Overview

While the mining industry is a key contributor to economic growth in Australia, the economy has been diversified and is dominated by the services sector, which comprises more than 60% of its GDP and about 80% of its labour force. Australia is a significant exporter of agricultural products and other natural resources. Since 2010, information, media and telecoms, accommodation and food services, and finance and insurance have been the standout industry performers. The Australian government recently conducted a performance review of Australia's innovation, science and research system, developing a strategic plan called Australia 2030: Prosperity through Innovation. The strategy provides a vision of the innovation, science and research system aspired to by 2030, sets goals, outlines the actions required and advocates for reforms on key issues, such as investment, innovation, collaboration and skills, delivering and operating research infrastructure, and how better to plan and use Australia's investment in research and development. Australia's favourable economic outlook has been negatively impacted by the Covid-19 pandemic, which has created a volatile external backdrop and a significant economic slowdown in many key trade partners, especially Mainland China. However, Australia has been less severely affected than most other countries, and the economy is likely to return to positive growth in 2021 as Covid-19 containment measures ease.

Sources: OECD, [Department of Industry, Innovation and Science](#), Fitch Solutions

2. Major Economic/Political Events and Upcoming Elections

May 2019

Scott Morrison, Prime Minister of a minority conservative Liberal-National coalition government, achieved a shock general election victory after opinion polls and exit polls had predicted a win for the opposition Labor Party. Morrison secured an outright parliamentary majority, winning 76 seats in Australia's 151-seat parliament. The result sent Australian banking, property and health-related stocks to an 11-year high on May 20, 2019.

Electric vehicle start-up ACE-EV (Australian Clean Energy Electric Vehicle Group), in partnership with Aldom Motor Body Builders, announced that it was in the process of signing an agreement to manufacture electric vans and a pickup, and eventually passenger vehicles in Southern Australia by 2020. The company also noted that it hoped to have an eventual production capacity of around 15,000 units annually, the majority of which would be exported. This marked the first time a large-scale vehicle manufacturer had opted to operate in the Australian market over its lower-cost Asian neighbours since the end of General Motors' operations in the country in 2017.

June 2019

India's Adani Enterprises was given permission to begin constructing a coalmine in Queensland's Galilee basin after the state government approved a permit on groundwater management. The site was first acquired in 2010 but delayed by opposition from environmental groups. The approval means several thermal coalmines might come online once the remote basin connected by rail infrastructure to the coast at Abbot Point a couple of hundred miles away.

During the first five months of 2019, Australia supplied over 53% of Mainland China's liquefied natural gas imports (LNG) – up from around 40% in 2016 – because Mainland China's appetite for the fuel surged as it tried to shift away from dirtier fuels such as coal. Satisfying Chinese demand puts Australia on track to surpass Qatar as the world's top exporter of LNG.

Meat & Livestock Australia reported that the air trade in sheep carcasses to Persian Gulf ports had overtaken sea-freighted sheep for the first time. In 2018 the Middle East and North Africa market for sheep meat was worth AUD859 million to Australian exporters, ahead of the United States (AUD823 million) and Mainland China (AUD678 million).

July 2019

Having cut interest rates in June for the first time in three years, the Reserve Bank of Australia (RBA) again cut the rate by 25 basis points (bps) to a historic low of 1% to boost the economy and steady the housing market. Governor Philip Lowe hinted there might be further cuts because uncertainties arising out of trade and technology disputes were affecting investment, causing the economy to grow at its slowest pace since 2009.

November 2019

The RBA cut its policy cash rate by 25bps to 0.75% during its monetary policy meeting on October 1. The RBA held its policy cash rate at 0.75% during its monetary policy meeting on November 5.

December 2019

Griffith University's Institute for Glycomics signed an agreement with China Grand Pharma to develop the world's first small molecule drug to treat diseases caused by Human parainfluenza virus.

January 2020

After a prolonged heatwave, bushfires burned through more than 10.3 million hectares, killed millions of animals, dozens of people and destroyed thousands of homes in the southeast of the country.

The new Adelaide China Biotech Investment Fund, backed by a group in Nanjing, had invested AUD45 million to enable researchers from the University of Adelaide, University of South Australia, the state's hospitals and other institutions to bring new drugs and clinical diagnostics technologies to the global market.

February 2020

The Spanish energy utility Iberdrola, partnered with DP Energy, an Irish renewables developer, to commence phase two in mid-2020 of the AUD500 million hybrid wind-solar project at Port Augusta in South Australia.

Abu Dhabi-based Masdar announced that it was acquiring a 40% stake in Australia's second, major waste-to-energy facility, the East Rockingham Resource Recovery Facility (ERRRF) in Western Australia. Construction of the AUD495 million ERRRF project began in January 2020.

The multinational pharmaceutical company AstraZeneca expanded its operations by investing AUD200 million in an existing Sydney facility.

April 2020

Virgin Australia airline appointed administrators after failing to secure federal government bailout. A number of potential buyers came forward.

The RBA left rates on hold at the record low of 0.25%.

Australia began negotiations to lease capacity in the United States' Strategic Petroleum Reserve to take advantage of record low oil prices and bolster fuel security.

Australia's treasurer said that he has asked the country's competition watchdog to draft a code to ensure that Facebook, Google and other digital tech giants to pay for content they use and as a result share advertising revenue with local media firms.

May 2020

Australia's trade surplus swelled to a record as export prices of commodities such as iron ore soared.

French company Neon secured a power purchase agreement with Queensland's state renewables company that would mean work can commence on building Australia's biggest solar farm, with an investment of AUD570 million.

The Australian government announced that it would manage the AUD300 million Advancing Hydrogen Fund to try to become a world leader in clean energy by building domestic demand and exporting to growing markets such as Japan and South Korea.

French energy company Total, which is building a 256 megawatt solar farm in Australia, applied to Australia's energy regulator to become a supplier of green electricity to large customers in the eastern part of the country.

August 2020

Australia and Singapore signed a digital economy pact to facilitate the digitalisation of trade processes between the two countries.

Melbourne reinstated stage four restrictions including a curfew while stage three restrictions were reinstated for the state of Victoria in order to lower the second wave of Covid-19 transmissions.

October 2020

The delayed FY2020/21 budget was released in the beginning of October, extending Covid-19 stimulus programmes which were released earlier in the year, geared towards helping businesses and preserving jobs. Additional funds were also allocated towards ensuring access to the Covid-19 vaccines and job creation efforts for new graduates. The budget for the current fiscal year was delayed from May because the country was at the peak of its first wave of the Covid-19 outbreak during that time.

Australia's three economic stimulus packages to help the economy in response to the Covid-19 pandemic, in place at the Commonwealth level, were increased in October, with total expenditure and revenue measures of AUD272.3 billion (14% of GDP) through FY2023/24, the majority of which are to be executed through FY2020/21. Measures include sizeable wage subsidies, income support to households, cash flow support to businesses, investment incentives, and targeted measures for affected regions and industries. In mid-July, the government announced extensions of the JobKeeper wage subsidies through to March 2021 and of the additional income support to households through to December 2020, with payment reductions to facilitate a gradual transition to a recovery.

The 26GW Asian Renewable Energy Hub (AREH) project in Western Australia was granted Major Project Status by the federal government. The AUD36 billion AREH would include a wind and solar electricity plant, producing hydrogen and ammonia for export and for use by local industries.

French independent power producer Neoen achieved financial close on Australia's largest solar farm, the 460MW Western Downs Green Power Hub in Queensland. Construction is expected to start in 2021.

November 2020

On November 6, Mainland China imposed a deadline to halt the import of products including coal, barley, copper ore and concentrate, sugar, timber, wine and lobster from Australia, in relation to a number of anti-dumping and anti-subsidy investigations into Chinese products launched by Australia.

December 2020

Australia launched a formal appeal against Mainland China's trade actions with the World Trade Organization (WTO).

January 2021

The government announced that AUD1.9 billion was being committed to the country's Covid-19 vaccine rollout. Mass vaccinations are scheduled to begin at the end of February 2021.

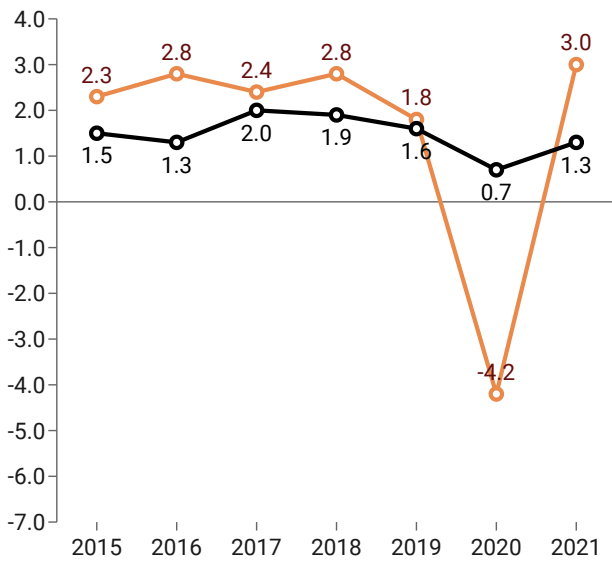
Sources: BBC Country Profile – Timeline, [AuManufacturing](#), [Reuters](#), [Al Jazeera](#), [Financial Times](#), Bloomberg, [IMF](#), Fitch Solutions

3. Major Economic Indicators

Real GDP and Inflation

GDP by Sector (2019)

% share

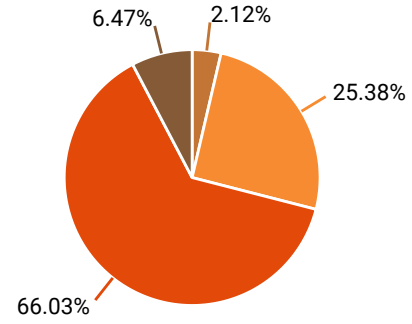


—○— Real GDP —●— Inflation

2020 (estimate); 2021 (forecast)

Source: IMF

Date last reviewed: January 11, 2021

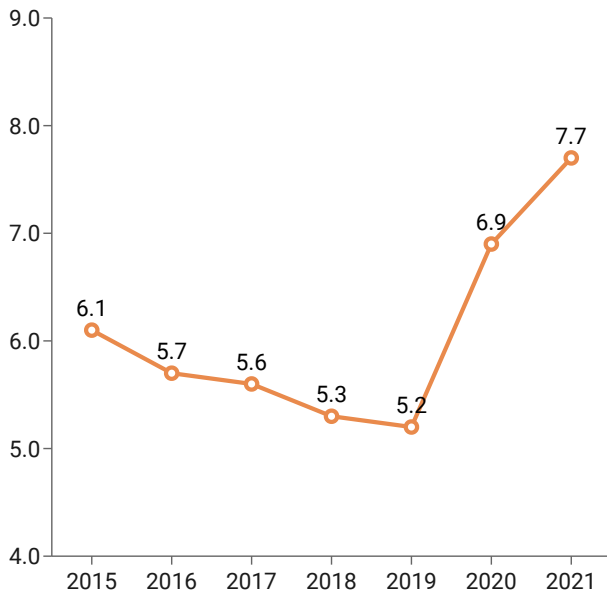


■ Agriculture ■ Industry ■ Services ■ Other

Source: World Bank

Date last reviewed: January 21, 2021

Unemployment Rate

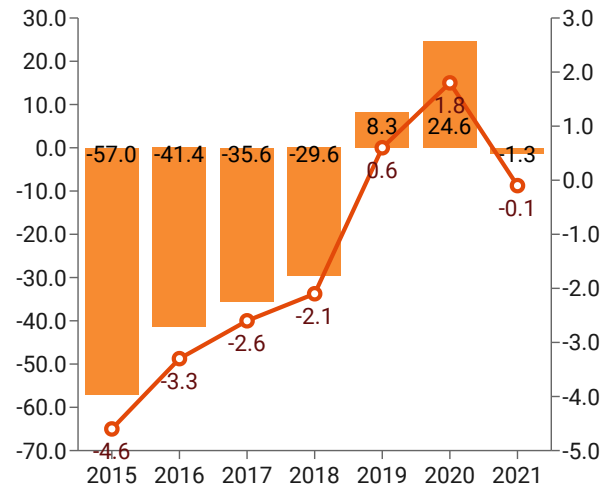


2020 (estimate); 2021 (forecast)

Source: IMF

Date last reviewed: January 11, 2021

Current Account Balance



■ US\$ billion —○— % of GDP

2020 (estimate); 2021 (forecast)

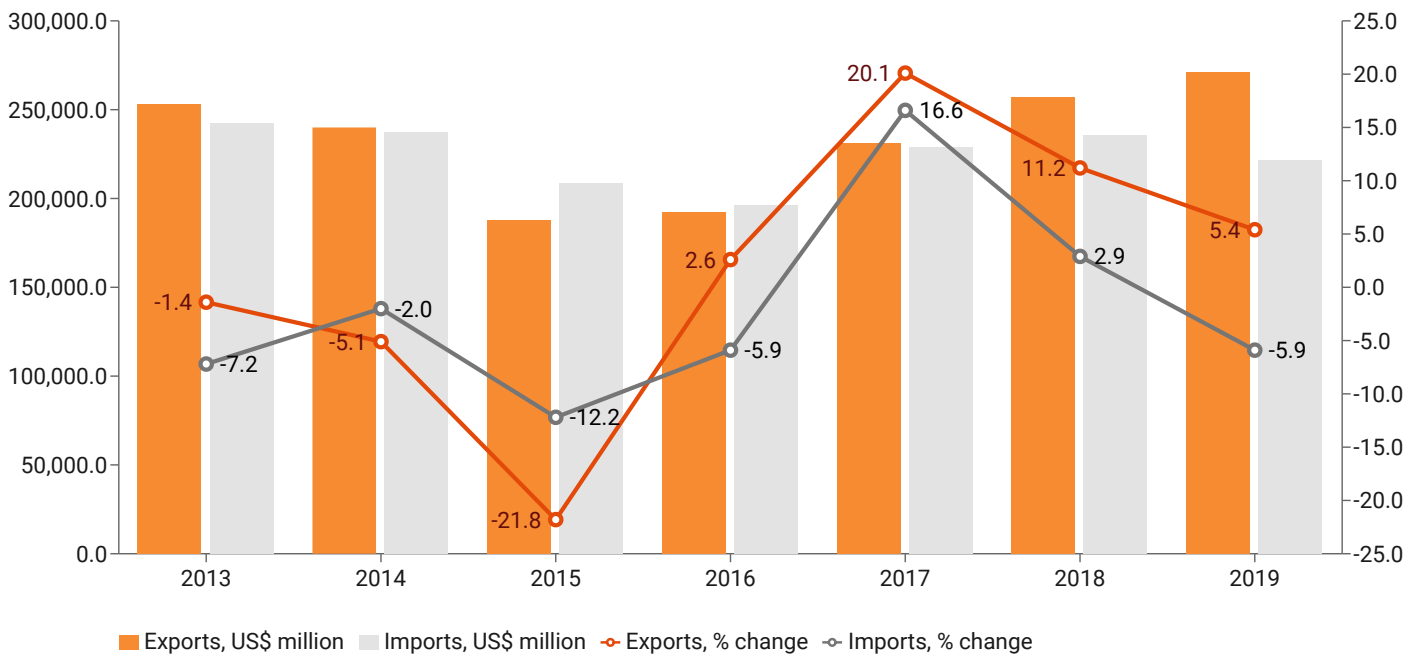
Source: IMF

Date last reviewed: January 11, 2021

4. External Trade

4.1 Merchandise Trade

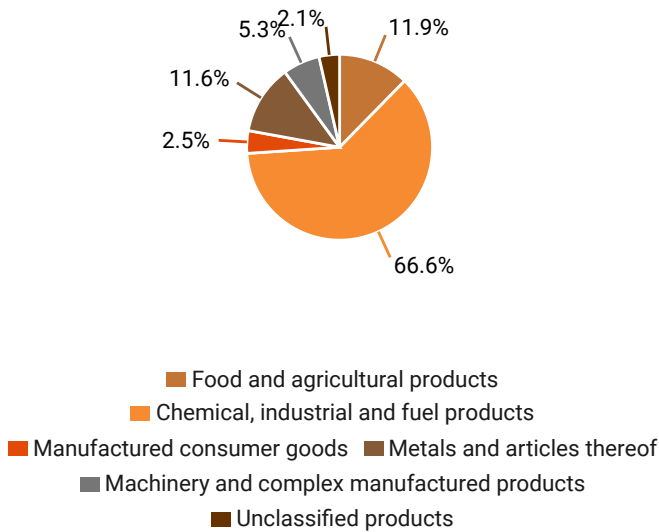
Merchandise Trade



Source: WTO
Date last reviewed: January 11, 2021

Major Export Commodities (2020)

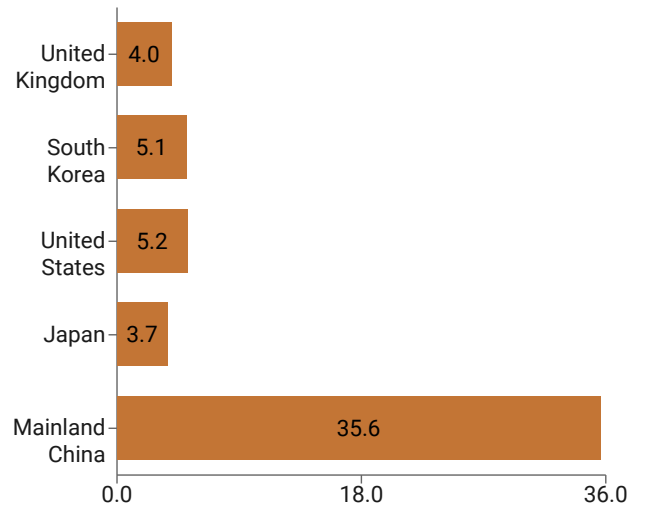
% share



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: March 8, 2021

Major Export Markets (2020)

% share



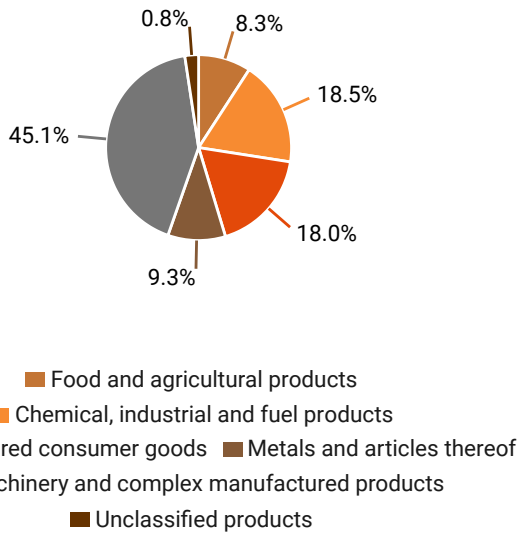
Note: Areas NES accounts for 16.8% of total product export
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: March 8, 2021

Major Import Commodities (2020)

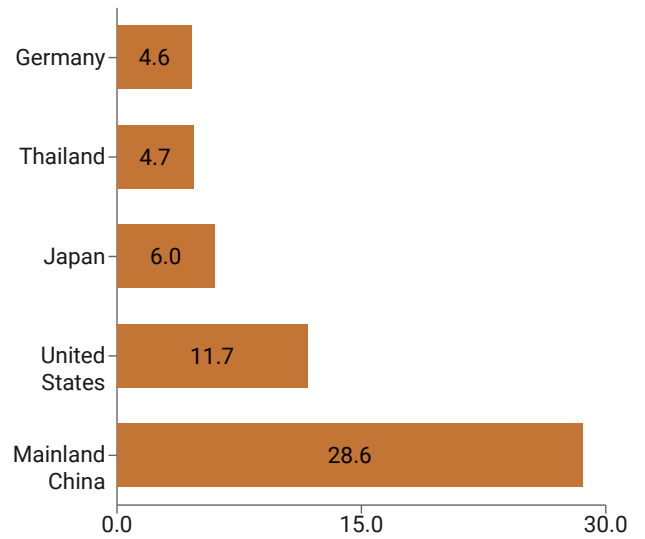
% share

Major Import Markets (2020)

% share



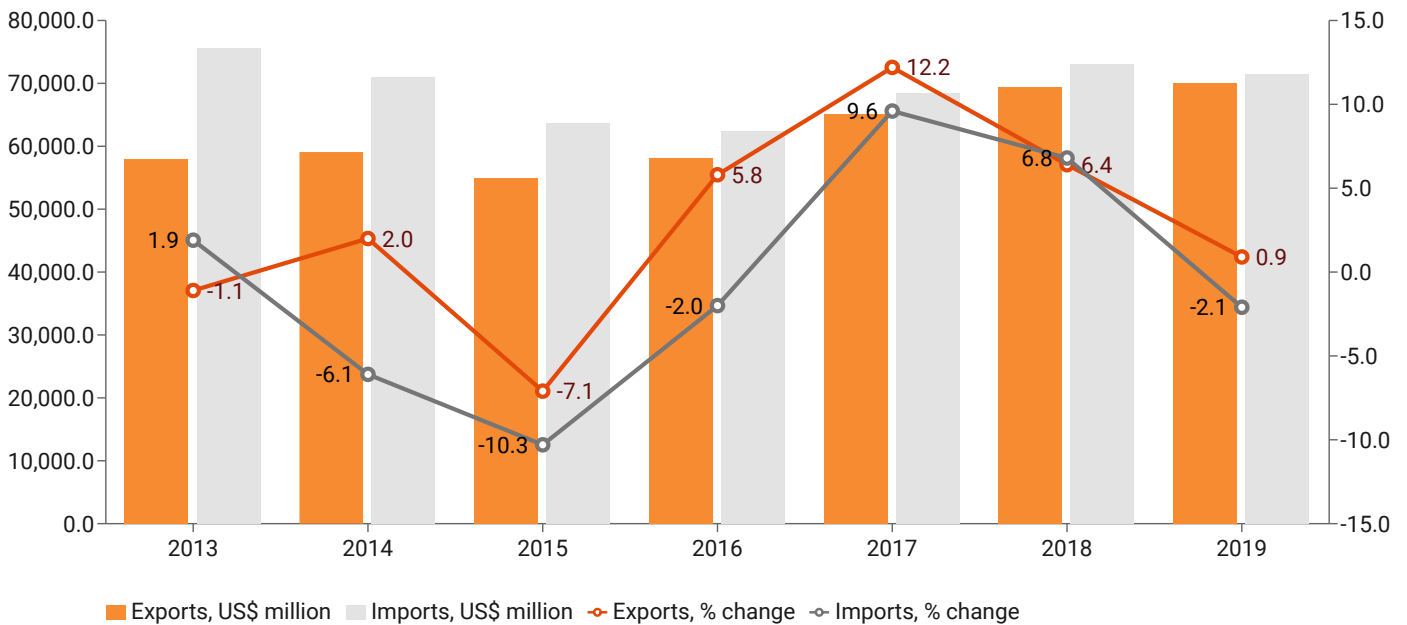
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: March 8, 2021



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: March 8, 2021

4.2 Trade in Services

Trade in Services



2019 (estimate)
Source: WTO
Date last reviewed: January 11, 2021

5. Trade Policies

- Australia has been a WTO member since January 1, 1995, and a member of the General Agreement on Tariffs and Trade since October 11, 1967. Goods are classified according to the Harmonised System for the purposes of tariff categorisation.
- Australia is a signatory to the WTO Agreement on the Application of Sanitary and Phytosanitary Measures'. Foreign exporters, however, may find it difficult to comply with Australia's import quarantine requirements. Aside from issues relating to the importation of fresh food and animals, Australia's quarantine measures cover a number of other imported products such as farm, mining and construction machinery, some packaged foods and other products that may pose a contamination risk to Australia's agricultural industry or natural environment. The Australian government enforces its quarantine measures very strictly. Importers have little recourse once a shipment encounters quarantine issues.
- Imports into Australia are subject to duties under the Australian Customs Tariff Act of 1995. The top duty rate is 5%.

- Machinery imports may require an import permit – especially used machinery. It is a condition of entry that motor vehicles, motorcycles, machinery (or their parts) and tyres are clean and free of contamination of biosecurity concern before they arrive in Australia. Biosecurity concerns include live insects, seeds, soil, mud, clay, animal faeces, animal material and plant material (such as straw, twigs, leaves, roots and bark). For quarantine purposes, new field-tested equipment is classified as 'used machinery' and will require an import permit. The Department of Agriculture has the power to re-export machinery.
- The Department of Agriculture is the federal body responsible for enforcing Australia's quarantine regulations, including issuing permits and inspecting shipments. Packaging of imported goods can present a challenge to exporters, particularly where the packing materials include wood or other natural products.
- Australia and New Zealand trade through Closer Economic Relations, which is a free trade agreement (FTA) eliminating all tariffs between the two countries. This allows for close collaboration across biosecurity, customs, transport, regulatory and product standards and business law issues.
- Australia became the first of the Association of Southeast Nations' 10 dialogue partners in 1974, and in 1989 it was a founding member of the Asia-Pacific Economic Cooperation forum. Australia recently signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the regional development-centred Pacific Agreement on Closer Economic Relations Plus.
- Australia's position had improved by one place in the most recent IMD World Competitiveness Rankings, which rated the country consistently high but noted the need for better value for money from government services and programmes, and building public infrastructure projects that have the highest net benefit.
- Rising geopolitical tensions between Australia and its largest export market, Mainland China, have resulted in Mainland China rolling out a number of direct and indirect trade barriers on Australian exports, including banning beef imports from four of Australia's largest abattoirs, imposing 80% tariffs on barley imports, restricting coal imports and increasing import taxes on wine to 212.1%.

Sources: WTO – Trade Policy Review, [Department of Foreign Affairs and Trade](#), [IMD World Competitiveness](#), Fitch Solutions

6. Trade Agreements

6.1 Trade Updates

- On November 15, 2020, Asia-Pacific countries including Australia, Japan, Mainland China and the 10 members of ASEAN signed the Regional Comprehensive Economic Partnership (RCEP) deal covering nearly one third of the global economy. The agreement is aimed at cutting tariffs and establishing common rules in areas such as e-commerce and intellectual property.
- Australia has entered into 14 FTAs, with both groups of countries and individual countries, including seven of its top eight export markets. FTA negotiations are currently underway with the EU, the the Gulf Cooperation Council (GCC) and India. FTA negotiations with the United Kingdom (UK), Australia's eighth-largest trading partner and the second-largest source of total foreign investment in Australia, launched in June 2020.

6.2 Multinational Trade Agreements

Active

1. The Mainland China-Australia FTA (ChAFTA): ChAFTA, which covers goods and services, was signed on June 17, 2015 and entered into force on December 20, 2015. The agreement opens significant opportunities for Australia. As the world's second-largest economy, Mainland China is Australia's largest export market for goods and services and a growing source of foreign investment. In 2019 Mainland China bought over 30% of Australia's exports and supplied 25.5% of imports. The agreement enhances a growing trade and investment relationship between two complementary economies. ChAFTA has delivered two tariff cuts to date: the elimination of tariffs on 85% of goods exported to Mainland China from Australia in 2015, and another which eliminated a further 8% of tariffs (including those on wine), which came into force on January 1, 2019. The agreement provides significant opportunities for Australia's agriculture, food, fishery and forestry products by eliminating tariffs progressively on a wide range of exports including beef, sheep's meat, livestock, dairy, wine, seafood, horticulture, hides and skins, barley and sorghum and some other grains. ChAFTA improves market access in Mainland China for Australian banks, insurers, securities and futures companies, law firms and professional services suppliers, education services exporters, as well as health, construction, manufacturing and telecommunications services businesses. The agreement also makes commitments on the movement of people to support increased trade and investment between the two countries, reduce barriers to labour mobility and improve temporary entry access within the context of each country's immigration and employment frameworks. Specifically, ChAFTA provides mutual guaranteed access to: intra-corporate transferees (including executives, managers and specialists) for up to three years in Mainland China and four years in Australia; contractual service suppliers, in certain sectors, for one year (or longer if stipulated under the relevant contract) in Mainland China and up to four years in Australia; installers and maintainers for up to 180 days in Mainland China and up to three months in Australia; and business visitors for up to 180 days in Mainland China and up to 90 days, or six months for business visitors who are service sellers, in Australia.

2. Australia-United States FTA (AUSFTA): AUSFTA came into force on January 1, 2005, covering both goods and services. The agreement provides increased market access for most Australian agricultural products. All tariffs have been eliminated for products imported into Australia from the United States, whereas most tariffs have been eliminated for products exported from Australia to the United States. Australia's biosecurity and food safety regulations remain unchanged under the agreement. Both Australia and the United States reaffirmed that decisions on matters affecting biosecurity and food safety will be based only on science. The United States is an important trading partner for Australia, accounting for 11.7% of goods imported into Australia in 2019 and purchasing almost 4% of Australia's exports.
3. Japan-Australia Economic Partnership Agreement (JAEPA): JAEPA was signed on July 8, 2014, and entered into force on January 15, 2015. Japan is Australia's second-largest export market and fourth-largest source of foreign investment. Once JAEPA is fully implemented on April 1, 2034, around 98% of Australia's merchandise exports to Japan will be able to receive preferential access or enter the country duty free. JAEPA has delivered three tariff cuts to date – the first on entry into force on January 15, 2015; the second on April 1, 2015; and the third on April 1, 2016 – along with increased preferential quotas for Australian agricultural exports. Japan has a heavily protected agriculture market and Australia is the first significant agricultural producer to have a meaningful trade agreement with Japan, providing Australian exporters with a competitive advantage. The agreement provides valuable preferential access for Australia's agricultural exports by eliminating or significantly reducing tariffs on a wide range of Australian exports including beef, wine, horticulture, seafood, grains and sugar over timeframes of up to 18 years. As this agreement may be superseded by the CPTPP and an FTA Portal has been created so that importers and exporters can browse goods and services outcomes under each FTA.
4. Korea-Australia FTA (KAFTA): KAFTA was signed on April 8, 2014 and entered into force on December 12, 2014. South Korea is Australia's fourth-largest trading partner. KAFTA has delivered three tariff cuts in quick succession: the first on entry into force in 2014; the second on January 1, 2015; and the third on January 1, 2016. Under KAFTA more than 99% of Australia's goods exports to Korea are eligible to enter the country duty free or with preferential access. KAFTA is particularly beneficial to agriculture because it secures improved market access for Australia's exports through the elimination of very high tariffs on a wide range of exports including beef, wheat, sugar, dairy, wine, horticulture and seafood. Tariffs on 88% of Australia's manufactures, resources and energy exports entered Korea duty free from entry into force, with all remaining tariffs being phased out by January 1, 2023. Australian services exporters also have better access to the market under KAFTA and investment commitments in the agreement protect and enhance investment in both directions.
5. Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA): ANZCERTA is an FTA eliminating all tariffs between the Australia and New Zealand. ANZCERTA came into force in January 1983. All tariffs and quotas were eliminated by 1990, five years ahead of schedule. New Zealanders and Australians are free to visit, live and work in each other's country under the Trans-Tasman Travel Arrangement. Furthermore, New Zealand and Australia have committed to creating a seamless trans-Tasman economic environment, which will make it as easy for New Zealanders to do business in Australia as it is to do business in and around New Zealand. This initiative will build on the foundation of ANZCERTA. Although superseded by the CPTPP, the effect is likely to be minimal given the already-low barriers to cross-border business.
6. ASEAN-Australia-New Zealand FTA (AANZFTA): AANZFTA came into force on January 1, 2010, for eight countries (Australia, Brunei Darussalam, Burma, Malaysia, New Zealand, the Philippines, Singapore and Vietnam), joined later by four more – Thailand (March 12, 2010), Laos (January 1, 2011), Cambodia (January 4, 2011) and Indonesia (January 10, 2012). AANZFTA is a comprehensive and single-undertaking FTA that opens up and creates new opportunities for the almost 700 million people of the ASEAN, Australia and New Zealand. Through AANZFTA, tariffs will be progressively reduced and eliminated for at least 90% of all tariff lines by 2020. The movement of goods will be facilitated via simplified customs procedures and barriers to trade in services will be liberalised. AANZFTA will eliminate tariffs on 96% of Australia's current exports to ASEAN nations by 2020 (only 67% of Australia's exports to the region were tariff-free before the AANZFTA). On September 1, 2018, AANZFTA ministers endorsed recommendations to upgrade the agreement, in keeping with Australia's commitment to have its FTAs remain up-to-date and relevant for business. AANZFTA is complemented by bilateral FTAs with Malaysia, Singapore, Thailand and New Zealand.
7. The CPTPP: Following the withdrawal of the United States from the original Trans-Pacific Partnership (TPP) a broad agreement on the TPP's core elements was reached between the remaining 11 countries, comprising Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. These countries represent 13.4% of global GDP, making this the third-largest trade agreement after the NAFTA and the EU. By October 2018 six countries (Australia, Canada, Japan, Mexico, New Zealand and Singapore) had ratified the CPTPP agreement, which meant it automatically came into force on December 30, 2018. The agreement aims to cut tariffs, improve access to markets and set common ground on labour and environmental standards and intellectual property protections. Vietnam came on board in January 2019 and the remaining countries are expected to follow in accordance with the terms of the treaty.
8. Australia-Hong Kong FTA (A-HKFTA): Hong Kong and Australia announced the conclusion of negotiations on the A-HKFTA on November 15, 2018. The agreement and an associated Investment Agreement were signed on March 26, 2019 and entered into force on January 17, 2020. Overall, Hong Kong is Australia's 12th-largest trade partner, with total trade valued at USD18.8 billion in goods and services in 2017. The FTA will govern the trade and investment relationship between the two countries going forward and all tariffs are bound at zero. Hong Kong is also Australia's fifth-largest source of inward investment. A strong relationship with Hong Kong is in Australia's long-term strategic interests. The A-HKFTA will strengthen Australia's relationship with one of its most significant trading partners, and the conclusion of the FTA means that Australia now has FTAs with seven of its top eight export markets for goods and services.

9. Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA): Australia and Indonesia signed the IA-CEPA on March 4, 2019 and it entered into force on July 5, 2020. In 2019 the two-way trade in goods and services made Indonesia Australia's 13th-largest trading partner and IA-CEPA provides Australian and Indonesian businesses with an opportunity to expand and diversify this economic partnership. In addition to reducing non-tariff barriers to trade and simplifying paperwork, IA-CEPA will allow 99% of Australia's goods exports to enter Indonesia duty free or with significantly improved preferential arrangements. All Indonesia's goods exports will enter Australia duty free. IA-CEPA will improve conditions for services suppliers and the climate for two-way investment. Australian services suppliers and investors will have greater certainty when they enter and operate in the Indonesian market, helping to facilitate more Australian investment in Indonesia. Australia's agreement with Indonesia under AANZFTA will remain unchanged.
10. Pacific Agreement on Closer Economic Relations (PACER) Plus: The PACER Plus regional development-centred trade agreement was signed on June 14, 2017 and entered into force on December 13, 2020. Australia, Cook Islands, Kiribati, New Zealand, Niue, Samoa, Solomon Islands and Tonga are parties to the agreement. PACER Plus covers trade in goods and services as well as investment and development and economic cooperation. The agreement forms an important part of Australia's engagement with the Pacific islands and will provide opportunities for Australian exporters and investors.

Awaiting Ratification

RCEP: On November 15, 2020, the agreement was signed by 15 countries. The partnership is a regional economic agreement between the 10 ASEAN member states and their five FTA partners: Australia, Mainland China, Japan, New Zealand and South Korea. India pulled out of the agreement on November 4, 2019, but it is allowed to re-join the pact at a later stage. The RCEP will create Asia's biggest free trade zone encompassing about 3.0 billion people that contributes around one third of the world's GDP. The RCEP is envisioned to be a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement that aims to advance economic cooperation and to broaden and deepen integration in the region, building on existing economic links. The RCEP will lower tariffs and other barriers to the trade of goods among the 15 countries that are in ASEAN or have existing trade deals with ASEAN. The agreement will also establish common rules in areas such as e-commerce and intellectual property. The deal still has to be ratified by all signatories and is expected to come into force in 2022.

Under Negotiation

1. EU-Australia: The EU is Australia's second-largest trade partner and third-largest export destination and has launched negotiations for a comprehensive trade agreement with Australia. Bilateral trade in goods between the two partners has risen steadily in recent years, reaching almost EUR66 billion in 2018, while bilateral trade in services added an additional EUR32 billion for the same time period. The negotiations aim to remove trade barriers, streamline standards and put European companies exporting to or doing business in Australia on an equal footing with those from countries that have signed up to the CPTPP or other trade agreements with Australia. The Council of the EU authorised opening negotiations for a trade agreement between the EU and Australia on May 22, 2018, and on June 18, 2018, negotiations began. On February 10-14, 2020, Negotiating Round Six was held in Canberra. A seventh round was held from May 4-20, 2020. Australia is seeking an ambitious and comprehensive FTA to drive Australian exports, economic growth and job creation.
2. Australia-India Comprehensive Economic Cooperation Agreement (CECA): This agreement is aimed at cementing the growing relationship between the two economies, where the two-way trade in goods and services has grown from USD13.6 billion in 2007 to USD30.4 billion in 2018. Negotiations were launched in May 2011 and there have since been nine rounds of negotiations. In November 2018 Australia endorsed the independent India Economic Strategy and its ambitious vision for bilateral trade and investment by 2035.
3. Australia-UK FTA: Australia and the UK launched negotiations for an FTA on June 17, 2020. The UK is Australia's seventh-largest trading partner, its second-largest source of foreign investment and its third-largest services trading partner. The third round of negotiations was held virtually from November 23 to December 4, 2020.

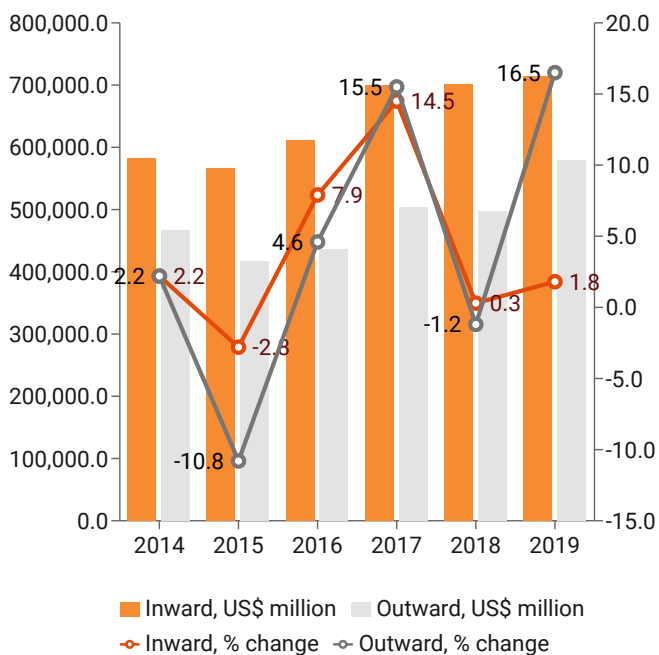
Sources: [WTO Regional Trade Agreements database](#), [Department of Foreign Affairs and Trade](#), [Free Trade Agreement Portal](#), Fitch Solutions

7. Investment Policy

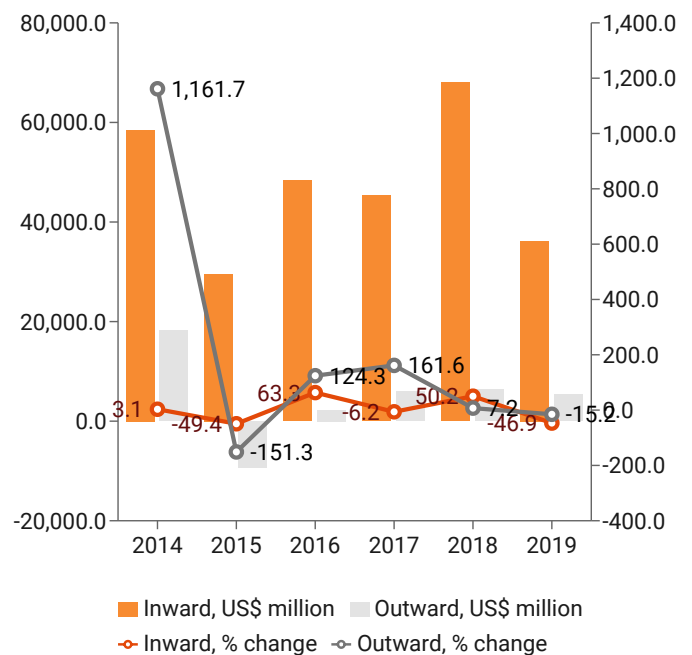
7.1 Foreign Direct Investment

Foreign Direct Investment Stock

Foreign Direct Investment Flow



Source: UNCTAD
Date last reviewed: March 8, 2021



Source: UNCTAD
Date last reviewed: March 8, 2021

7.2 Foreign Direct Investment Policy

1. Austrade, the investment promotion agency formally known as the Australian Trade and Investment Commission, provides coordinated government assistance to attracting foreign direct investment (FDI) and serves as the national point of contact for investment inquiries. State and territory governments similarly offer a suite of financial and non-financial incentives. National, state and territory governments provide selected grants to businesses for establishing or expanding a business, or for specific activities – such as research.
2. More than one third of foreign direct investment goes into the mining and quarrying industry (AUD365.5 million out of AUD967.5 million in 2018).
3. Australia is generally welcoming to foreign investment, considering it to be an essential contributor to its economic growth and productivity. Within Australia, the right exists for foreign and domestic private entities to establish and own business enterprises and engage in all forms of remunerative activity in accordance with national legislative and regulatory practices. Australian accounting, legal, and regulatory procedures are transparent and consistent with international standards. Accounting standards are formulated by the Australian Accounting Standards Board, an Australian government agency under the Australian Securities and Investments Commission Act 2001.
4. Certain foreign investment proposals require prior government approval, as set out by the Foreign Acquisitions and Takeovers Act 1975. These include investments in Australian land corporations or trusts, acquisitions in Australian businesses where it is substantial (upwards of 15%) or the value of gross assets exceeds AUD252 million, and direct investments by foreign governments and their agencies. For investors from New Zealand or the United States the financial threshold only applies to certain sensitive sectors, otherwise a threshold of AU1.07 billion applies. On March 29, 2020, the Australian government announced temporary changes to the foreign investment review framework in order to protect the country's national interests while dealing with the economic implications of the Covid-19 pandemic. Effective from the date of the announcement, all proposed foreign investments into Australia subject to the Foreign Acquisitions and Takeovers Act 1975 (the Act) will require approval, regardless of the value of the investment or the nature of the foreign investor. The temporary change will be achieved by reducing to zero the monetary screening thresholds for all foreign investments under the Act. The temporary elimination of the thresholds is to ensure the government has appropriate oversight over all proposed foreign investment during this time. The temporary changes to regulations will apply to all new overseas investment proposals as well as those currently in progress. The government also extended the time frame for reviewing deals from 30 days to six months.
5. Australian state investment promotion agencies support international investment at the state level and in key sectors. The Australian government uses transparent policies and effective laws to foster national competition and develop competition policy, and is consultative in its policymaking process. The government generally allows for public comment on draft legislation and publishes and makes available laws once they enter into force.
6. Foreign entities intending to conduct business in Australia as a foreign company must be registered with the Australian Securities & Investments Commission.
7. Australia subscribes to the 1976 declaration of the Organisation for Economic Co-operation 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 liberalisation, one covering capital movements and the other covering invisible transactions.

8. The Protocol on Investment to Australia-New Zealand Closer Economic Relations Trade Agreement entered into force on March 1, 2013. Investors in both countries benefit from the protocol through lower compliance costs and greater legal certainty when investing in their trans-Tasman neighbour.
9. The Mainland China-Australia FTA (ChAFTA) includes a Memorandum of Understanding for Investment Facilitation Arrangements (IFAs) that will allow Chinese-owned companies registered in Australia and undertaking large infrastructure development projects (above AUD150 million) to negotiate increased labour flexibilities for specific projects. IFAs reflect the government's aim to strengthen infrastructure development and attract investment to create jobs and increase economic prosperity for all Australians. IFAs will operate within the framework of Australia's existing 457 visa system and will not allow Australian employment laws or wages and conditions to be undermined.
10. ChAFTA improves the opportunities for investors in both countries. Mainland China's commitments on investment in ChAFTA protect the competitive position of Australian businesses in Mainland China into the future. Increasing numbers of Australian businesses are entering the Mainland Chinese market with great success, with banking and wealth management the leading sector of Australian direct investment. At the end of 2017, Australian investments in Mainland China totalled AUD77.1 billion while Mainland Chinese investment in Australia had increased to around AUD65 billion from AUD6 billion a decade earlier. Investment obligations in ChAFTA can be enforced directly by Australian and Chinese investors through an Investor-State Dispute Settlement mechanism, which includes safeguards to protect governments' ability to regulate in the public interest and pursue legitimate public welfare objectives such as public health, safety and the environment. ChAFTA promotes further growth of Chinese investment into Australia by liberalising the Foreign Investment Review Board screening threshold for private Chinese investors in non-sensitive sectors from AUD252 million to AUD1.09 billion. The government will continue to screen Chinese investments at lower thresholds for agricultural land and agribusiness, and in sensitive sectors, including media, telecommunications and defence-related industries.
11. Australia-United States FTA (AUSFTA) provides the basis for the two-way investment relationship between Australia and the United States. The United States is the largest investor in Australia, accounting for around 27% of Australia's total foreign investment stock as of December 2016. The United States is also by far Australia's largest foreign investment destination, accounting for 28.4% of Australia's total overseas investment stock as of December 2016. Two-way investment has almost tripled since AUSFTA came into force.
12. On February 1, 2018, the Treasury of Australia announced the establishment of new conditions for future bidding for projects related to electricity infrastructure and farmland. Foreign investors are now subject to a new restriction as these areas are considered critical national assets. According to the new conditions, the government now sets the level of ownership and control of a single asset or within a sector on a case-by-case basis, which encourages companies to engage with the Foreign Investment Review Board at an early stage to identify the conditions that may apply to the selling or buying of one of these assets.
13. From July 1, 2019, changes to federal agency procurement policy mean that all new tenders for contracts worth AUD4 million or more will have to include a statement from the Australian Taxation Office confirming that the bidder's tax affairs are in order.
14. In February 2016, the government announced its intention to establish a Register of Foreign Ownership of Water Entitlements, administered by the Australian Taxation Office, which is intended to enhance transparency and assist in informing the government and the community about emerging investment trends. In March 2019 the first report was released, revealing that 10.4% of water entitlement is foreign owned, mostly for agriculture and mining, with the largest sources of foreign investment the United States and Mainland China at 1.9% each.
15. Foreign firms establishing themselves in Australia are not subject to local employment or forced localisation requirements, performance requirements and incentives.
16. Private property can be expropriated for public purposes in accordance with Australia's constitution and established principles of international law. Property owners are entitled to compensation based on 'just terms' for expropriated property. That said, there is little history of expropriation in Australia.
17. Australia is party to 18 active bilateral investment treaties (BITs) with countries or economic unions, including one with Mainland China.
18. Australia is party to 19 treaties with investment provisions (including an investment agreement with Hong Kong that entered into force in January 2020). An additional three treaties have been signed but are not yet in force.
19. According to the 2019 FDI Confidence Index compiled by A.T. Kearney, despite falling one place, to ninth out of 25, Australia had maintained its top-10 position for a decade and, with a quarter century of uninterrupted economic growth, the country remained a large, stable investment destination.

Sources: WTO – Trade Policy Review, ITA, US Department of Commerce, [Australian Trade and Investment Commission](#), [Parliament of Australia](#), [Department of Foreign Affairs and Trade](#), [Department of Immigration and Border Protection](#), [The Mandarin](#), [Treasury](#), [Foreign Investment Review Board](#), [A.T. Kearney](#), Fitch Solutions

7.3 Free Trade Zones and Investment Incentives

Free Trade Zone/Incentive Programme	Main Incentives Available
Free Trade Zones (FTZs)	Australia does not have any FTZs or free ports; however, the Australian government and state and territory governments provide a range of measures to assist investors with setting up and running a business and undertaking investment. The types of assistance available vary by location, industry and the nature of the business activity.
R&D tax incentives	<p>The Australian government provides incentives for companies engaging in R&D in Australia. The R&D tax incentive provides eligible companies with a tax offset for expenditure on eligible R&D activities undertaken during the year. The programme is jointly administered by AusIndustry (an Australian government agency) and the Australian Taxation Office (ATO). Businesses must register R&D activities each year with AusIndustry prior to making a claim towards the tax offset with the ATO.</p> <p>In 2019, for companies with an annual turnover of less than AUD20 million, a 43.5% refundable R&D tax credit applies.</p> <p>Companies with a turnover of at least AUD20 million have access to a non-refundable 38.5% tax credit.</p> <p>- The amount of the concessional R&D tax credit is limited to eligible R&D expenditure of up to AUD100 million with any excess amount subject to 30% credit.</p> <p>Generally, only genuine R&D activities undertaken in Australia qualify for the R&D tax incentive. However, R&D activities conducted overseas might qualify in limited circumstances where the activities cannot be undertaken in Australia.</p> <p>Special grant programmes may be available to assist corporations in the conduct of certain R&D activities in Australia. These grants are awarded on a discretionary basis.</p>
Early Stage Innovation Company (ESIC) tax incentives	<p>The Australian government is encouraging innovation, entrepreneurship and risk-taking. The tax incentives for early stage investors are designed to connect ESICs with investors who have funds and business experience. Investors in ESICs are eligible for the following:</p> <p>- A 20% non-refundable carry-forward tax offset on amounts invested in qualifying ESICs, with the offset capped at AUD200,000 per investor per year.</p> <p>- A modified capital gains tax treatment for investments in qualifying shares in an ESIC held for between 12 months and 10 years, provided that the shares held do not constitute more than a 30% interest in the ESIC. Capital losses on shares held less than 10 years are disregarded.</p>
Other incentives	Various other incentives exist, depending on the sector. Local governments offer a range of incentives to local and foreign investors, including limited financial assistance, state tax holidays and concessional land rentals.

Sources: US Department of Commerce, [Australian Taxation Office](#), Fitch Solutions

8. Taxation – 2021

- Goods and Services Tax: 10%
- Corporate Income Tax: 30%

Source: [Australian Taxation Office](#)

8.1 Important Updates to Taxation Information

- A corporate tax rate of 26% applies to corporate tax entities, small- and medium-sized companies, with a turnover of less than AUD50 million. The rate will reduce progressively to 26% for the 2020/21 income year and to 25% for the 2021/22 income year. Under currently enacted law, the corporate tax rate for all other corporate entities will remain at 30% (a proposal to progressively reduce the corporate tax rate for all entities, not just those noted above, was not proceeded with).
- From July 1, 2018, the Australian goods and services tax (GST) is payable on certain supplies of low value goods (valued at AUD1,000 or less) that are purchased and imported by Australian consumers. The federal government levies the GST, including on cross-border supplies of digital products and services imported by Australian consumers, and distributes the revenue to state governments.
- Australia has income tax treaties with 46 other countries, including Mainland China.

8.2 Business Taxes

Type of Tax	Tax Rate and Base
Corporate Income Tax	- 30% - 26% applies to certain small- and medium-sized business corporate tax entities with an aggregated turnover of AUD50 million or less. The 26% rate will be reduced to 25% for 2021/22 and later income years
Capital Gains Tax	30%
GST	10%
Branch Tax	30%
Withholding Tax (WHT)	Franked dividends (those paid out of profits and subject to Australian tax) paid to non-residents are exempt (0%); unfranked dividends (from profits not subject to Australian tax) are taxed at 30%, but when paid to non-residents are exempt from dividend WHT to the extent that the dividends are declared by the company to be conduit foreign income. The rate on interest is limited to 10%, through a double taxation agreement (DTA) may make this higher. Royalties are generally taxed at 30%, but a DTA may reduce this – for example, the DTA with Mainland China makes this 10%.
Social security contributions	Australia does not have a system of social security contributions, but to cover some of the cost of the public health system taxpayers pay a Medicare levy of 1%, 1.25% or 1.5% on taxable income, as well as a variable Medicare levy surcharge.
Construction and related activities	5%
Fund payments from managed investment trusts	15%
Land Tax	All states and territories except for Northern Territory levy a tax on the unimproved capital value of land but a principal place of residence and land used in primary production are both exempt from land tax. Some states subject foreign or absentee owners to a surcharge. Victoria levies an annual land tax of 1% on the capital improved value of vacant residential land.
Stamp duty	Most states and territories levy a stamp duty of up to 6% on the transfer of real property and some other business property. Stamp duty is also charged on the indirect transfer of real property held by certain companies, and in some states and territories there may be a surcharge for high-value residential property or that is applicable only to foreign buyers of residential property.

Source: [Australian Taxation Office](#)

Date last reviewed: March 8, 2021

9. Foreign Worker Requirements

9.1 Visa/Travel Restrictions

All visitors to Australia require a visa to enter the country. An individual wishing to enter Australia for employment reasons may apply for a short stay activity visa, long stay activity visa or temporary work visa. Citizens of New Zealand are eligible to be granted a special category visa (permitting indefinite temporary stay with full work rights) on arrival, subject to meeting health and character requirements.

Temporary residence visas are granted to people whose activities are considered to benefit Australia, including people entering for business, skilled employment, cultural or social activities.

The types of temporary residence visas, and the conditions that must be fulfilled prior to such visas being issued, are described below. Holders of temporary residence visas are generally not eligible for public health benefits in Australia, unless Australia has a reciprocal health care agreement with the country of the visa holder.

The government sets quotas and planning levels for spots in state sponsorship and skilled migration, as well as visa fee increases, annually on July 1.

9.2 Foreign Worker Rules

Individuals who need to enter Australia to perform short-term, highly specialised work that is not ongoing or to assist in a national emergency can apply for a Temporary Work (Short Stay Specialist) visa (subclass 400). The subclass 400 visa can be granted for a period of up to six months. If the maximum period of six months is requested, a strong business case must be demonstrated. After being granted, applicants have

up to six months to make their first entry into Australia on this visa.

If a business wants to employ foreign nationals to work in the country for a long term, it must first be approved as a sponsor by the Australian Department of Immigration and Border Protection. Sponsors must comply with a number of obligations, including paying visa holders at market salary rates. Positions must be formally nominated and must meet minimum salary and skill thresholds. Visa applicants must meet English language, health and character requirements.

9.3 Temporary Skill Shortage Visas

Individuals intending to work in Australia may apply for a subclass 482 Temporary Skill Shortage (TSS) visa. The TSS visa may be granted for up to two years if the occupation is listed on the Short-term Skilled Occupation List (STSOL), subject to international trade obligations, or up to four years if the occupation is on the Medium and Long-term Strategic Skills List (MLTSSL) or Regional Occupation List (ROL). A TSS visa may be renewed, provided that the application criteria are met each time. TSS visa holders in occupations on the STSOL may only renew their visa once in Australia with very limited options to renew again from outside Australia. The visa application process involves the following three steps:

- The employer must be approved as a sponsor
- The employer nominates the visa holder to fill a specific position
- The individual completes the visa application

Each step has separate eligibility criteria that must be met. These include business operational requirements, minimum skill, salary and experience levels, and health, character and English language criteria. Requirements for employers include the following:

- Paying a training levy
- Attesting to a strong record or commitment to employing local labour
- Following non-discriminatory employment practices
- Paying market salary rates
- Conducting labour market testing unless exempt
- Paying foreign nationals at market salary rates or higher

Business sponsors must also meet several sponsorship obligations with respect to all sponsored TSS visa holders and any accompanying family members. The Department of Home Affairs monitors all sponsors, and sanctions are imposed on sponsors that do not meet their sponsorship obligations. Visa applicants must meet skill, English language, health and character requirements and have at least two years relevant work experience.

9.4 Employer Nomination Scheme

Under the Employer Nomination Scheme (subclass 186), Australian employers may nominate highly skilled individuals from overseas for permanent residence. Applicants for a permanent residence visa under this Scheme must be nominated in an occupation on the MLTSSL or ROL and satisfy one of the following criteria:

- They have worked in their nominated position in Australia for their nominating employer while on a subclass 457 visa or TSS visa for at least three of the last four years immediately before applying.
- They have three years post-training experience in the nominated occupation and have their skills formally assessed by a specified skills-assessing body in Australia.
- They hold a subclass 444 (Special Category) visa or subclass 461 (New Zealand Citizen Family Relationship) visa and have worked in their nominated occupation for their nominated employer for at least three of the last four years immediately before applying.

Permanent residence applications may also be filed under the Regional Sponsored Migration Scheme (subclass 187), which has more flexible eligibility requirements (but work must be in a regional area whereas subclass 186 has no geographical restrictions). Some concessions are available for individuals who held or had applied for a subclass 457 visa on or before April 18, 2017. The subclass 457 visa was replaced by the TSS visa on March 18, 2018.

9.5 General Skilled-Points Test

Individuals may apply for permanent residence on the basis of their skills for an occupation specified in the MLTSSL. Individuals intending to apply must first lodge an expression of interest outlining their claims for points for employability factors, including qualifications, age, employment experience and language capabilities. Sponsorship from eligible relatives (who are Australian citizens or Australian permanent residents) or state governments attracts additional points. Only those scoring the most points are invited to submit a visa application. The number of invitations issued in each occupation is limited by quotas. Citizens of New Zealand may also be eligible for streamlined permanent residence visa arrangements.

9.6 Social Security

A Medicare Levy of 2% of taxable income is payable by resident individuals for health services (provided that they qualify for Medicare services). This is the only levy imposed in Australia that is equivalent to a social security levy. An exemption from the Medicare Levy may apply if the individual is from a country that has not entered into a reciprocal health care agreement with Australia.

9.7 Skilled Workers

Skilled foreign workers can be sponsored under the Employer Nomination Scheme or the Regional Sponsored Migration Scheme. Workers can also be sponsored on a temporary basis under the Temporary Work (Skilled) visa (subclass 457), allowing them to work in Australia for up to four years.

9.8 Business Innovation and Investment Visas

The Business Innovation and Investment visa (subclass 188) is intended for entrepreneurs, investors and business owners who wish to manage their own business or make substantial investments in Australia. Individuals must file an expression of interest and their business skills and other attributes are then assessed under a points test. Only the highest-scoring individuals are invited to submit a visa application. Most Business Innovation and Investment visa holders enter Australia initially on a provisional/temporary visa for four years. If they provide satisfactory evidence of a specified level of ongoing business activity for two years or investment for four years, they may apply for permanent residence.

There are several types of investor stream: an Investor must hold a subclass 188 visa and have held a designated investment of AUD1.5 million for four years; a Significant Investor must hold a subclass 188 visa and have held an eligible investment of AUD5 million for four years; a Premium Investor must have held a subclass 188 visa for 12 months and have held an eligible investment of AUD15 million for the duration of that visa; and an Entrepreneur must have held a subclass 188 visa for four years, have lived in Australia for at least two years on that visa and be able to demonstrate a successful record of entrepreneurial activity in Australia while holding the subclass 188 visa.

Applicants for the Investor stream must secure state or territory nomination, meet the innovation points test and provide evidence of skill and experience in managing a qualifying investment.

The Significant Investor visa does not attract a points test or have maximum age requirements; it also allows the dependent children or partner of the primary visa holder to work or study in Australia. Individuals applying for this stream may also maintain business interests overseas. As a result, visa holders are required to remain in Australia for only an average of 40 days per year over a four-year period to meet residency criterion for permanent residence.

Individuals in the Premium Investor stream must be invited by Austrade.

9.9 Partner Programme

Spouses (including de facto and same-sex spouses) of Australian citizens or Australian permanent residents may apply for permanent residence through sponsorship by their Australian spouse. In most cases, applicants are issued a two-year temporary visa that converts to permanent residence if the partner relationship is ongoing after the two-year period.

9.10 Designated Area Migration Agreement (DAMA)

DAMA provides flexibility for states, territories or regions to respond to their unique economic and labour market conditions through an agreement-based framework that allows employers from those areas to sponsor people who are not necessarily on the Australian occupations list. The temporary visas given to such migrants could potentially lead to permanent residency. The following regions are eligible for DAMA: the far north of Queensland, Goldfields, Northern Territory, Orana, Pilbara, Warnambool and South Australia. Under DAMA the concessions or exemptions include a lower English Language skills score, no requirement for a skills assessment or work experience.

Sources: [Department of Home Affairs](#), Fitch Solutions

10. Risks

10.1 Sovereign Credit Ratings

	Rating (Outlook)	Rating Date
Moody's	Aaa (Stable)	23/06/2020
Standard & Poor's	AAA (Negative)	07/04/2020
Fitch Ratings	AAA (Negative)	21/02/2021

Sources: Moody's, Standard & Poor's, Fitch Ratings

10.2 Competitiveness and Efficiency Indicators

	World Ranking		
	2018	2019	2020
Ease of Doing Business Index	14/190	18/190	14/190

Ease of Paying Taxes Index	26/190	26/190	28/190
Logistics Performance Index	18/160	N/A	N/A
Corruption Perception Index	13/180	12/180	11/180
IMD World Competitiveness	19/63	18/63	18/63

Sources: World Bank, IMD, Transparency International

10.3 Fitch Solutions Risk Indices

	Scores & Ranking		
	2019	2020	2021
Economic Risk Index	25/201	27/201	25/201
Short-Term Economic Risk Score	69.8	62.3	70.4
Long-Term Economic Risk Score	73.7	70.5	72.0
Political Risk Index	11/201	17/201	21/201
Short-Term Political Risk Score	71.5	72.4	72.4
Long-Term Political Risk Score	88.4	84.4	83.4
Operational Risk Index	19/201	18/201	17/201
Operational Risk Score	72.0	72.2	72.8

Source: Fitch Solutions

Date last reviewed: March 8, 2021

10.4 Fitch Solutions Risk Summary

ECONOMIC RISK

A key strength of Australia's economic profile is its liberal financial sector and freely floating exchange rate. Prolonged lockdowns and a wave of business closures and job losses due to Covid-19 are expected to weigh heavily on domestic demand over the coming quarters. Meanwhile, enduring extreme weather conditions including drought and bushfires will limit the production of most of Australia's main agricultural commodities over the coming years. However, government consumption will continue to act as a cushion for growth as the administration continues to expand stimulus measures. Commodity prices will continue to rally over the medium term as economies recover from the Covid-19 crisis, which will provide a lift to overall goods exports from Australia. On the other hand, rising regional tensions, particularly with Mainland China, could result in reduced goods demand and even lead to weaker demand for Australian services in the short term. The Liberal-National coalition government's ability to support a healthy recovery of the Australian economy in 2021 will ultimately determine the fate of both Scott Morrison and the Liberal National government in the 2022 elections.

OPERATIONAL RISK

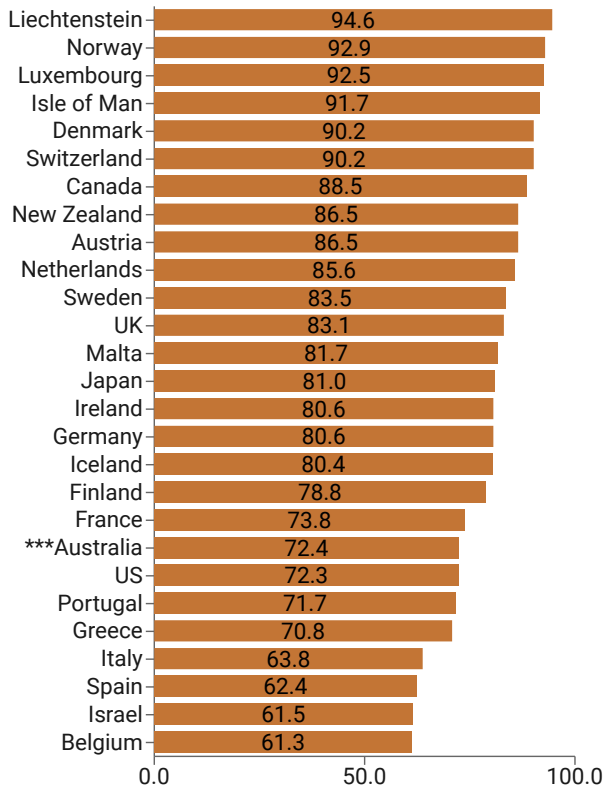
Australia is a free market economy with a stable political environment. The country is low risk in terms of logistics, the labour market, and trade and investment. Strong national institutions and relatively good quality of infrastructure are major advantages. In view of its relative economic openness to foreign investment, Australia will continue to benefit from increased investment inflows from countries such as Mainland China and Japan, aiding it to develop its resources sector, while reaping the benefits from increasing resource demand. However, Australia is particularly susceptible to an economic slowdown in Mainland China, which would have a detrimental effect on Australian mineral demand and undermine the country's terms of trade. Australia's export basket is highly concentrated in commodities, and consequently exposes the economy and currency to fluctuations in world prices for metals, coal and agricultural goods. The rapid expansion of Asian economies in recent years offers new opportunities for diversifying trade ties from core European markets. As part of its Covid-19 economic recovery plan, the government has prioritised accelerating reforms to help businesses adopt digital technologies, increasing infrastructure investments and creating an environment more conducive to doing business. Tensions between the federal government's focus on bringing the economy back on track and the state governments' efforts to keep the Covid-19 outbreak in check, will hamper policymaking over the short term.

Source: Fitch Solutions

Data last reviewed: February 4, 2021

10.5 Fitch Solutions Political and Economic Risk Indices

Short Term Political Risk Index

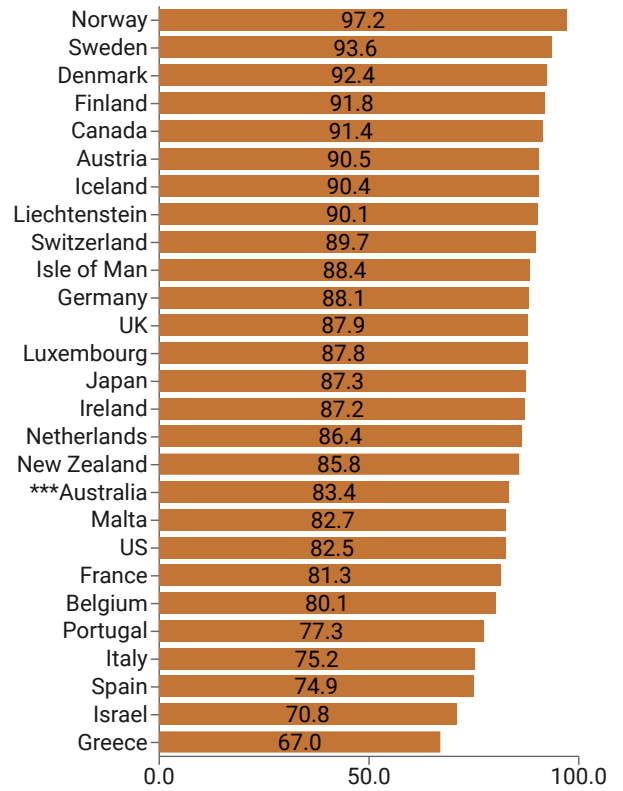


100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Political and Economic Risk Indices

Date last reviewed: March 8, 2021

Long Term Political Risk Index



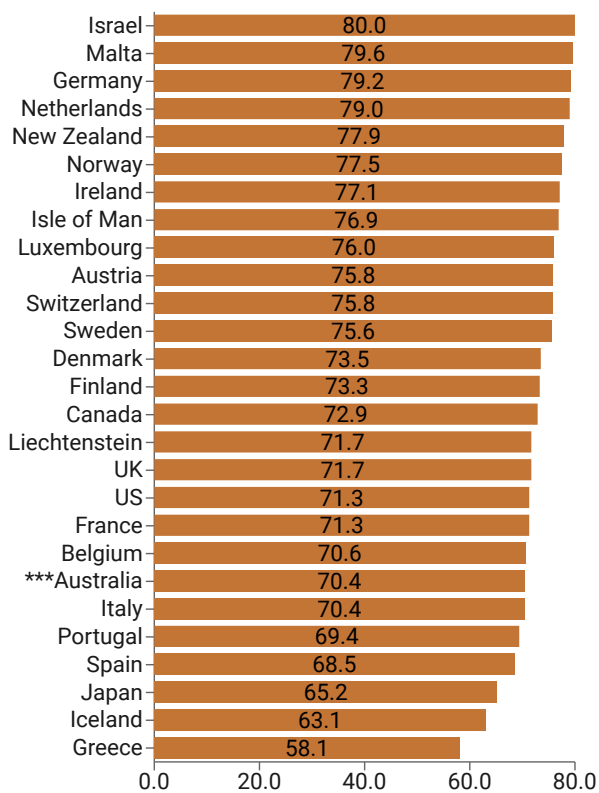
100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Political and Economic Risk Indices

Date last reviewed: March 8, 2021

Short Term Economic Risk Index

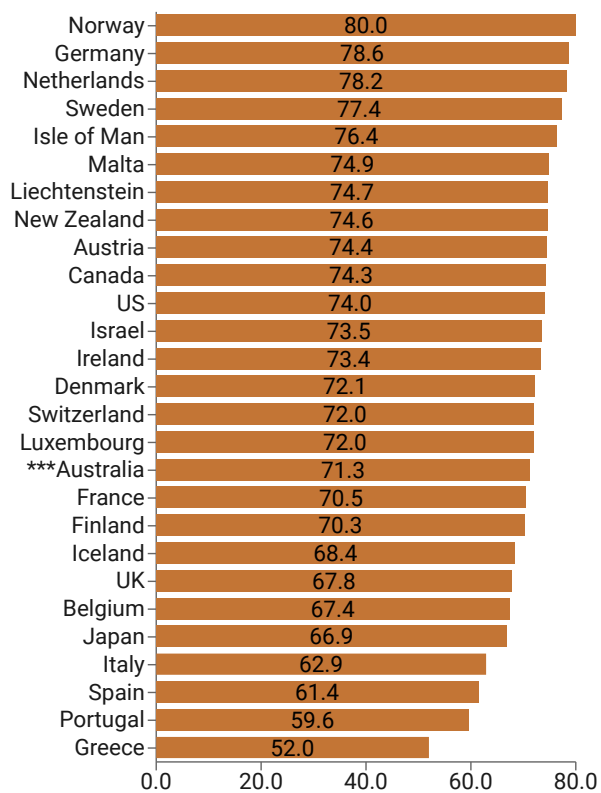
Long Term Economic Risk Index



100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Political and Economic Risk Indices

Date last reviewed: March 8, 2021



100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Political and Economic Risk Indices

Date last reviewed: March 8, 2021

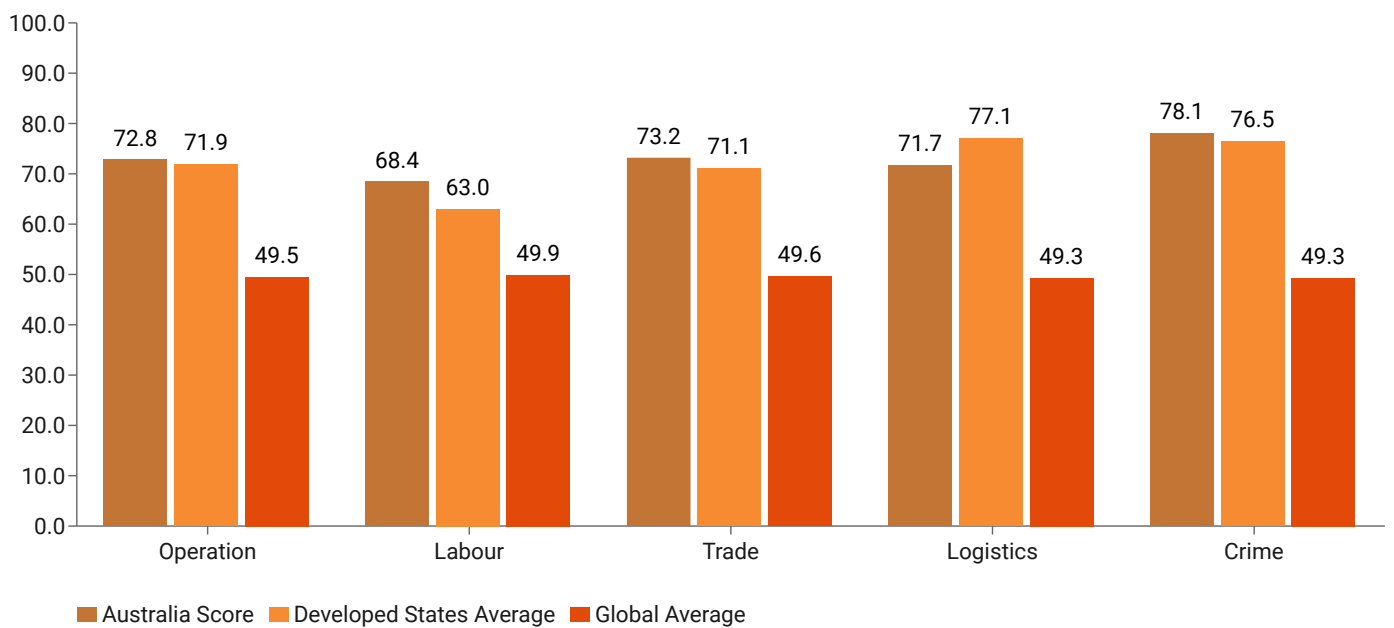
10.6 Fitch Solutions Operational Risk Index

	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
Australia Score	72.8	68.4	73.2	71.7	78.1
Developed States Average	71.9	63.0	71.1	77.1	76.5
Developed States Position (out of 27)	14	8	13	20	15
Global Average	49.5	49.9	49.6	49.3	49.3
Global Position (out of 201)	17	12	21	32	18

100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Operational Risk Index

Australia vs Global and Regional Operational Risk Averages



Note: 100 = Lowest Risk, 0 = Highest Risk

Source: Fitch Solutions Operational Risk Index

Date last reviewed: March 8, 2021

Country/Region	Operational Risk	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk	Crime and Security Risk Index
Denmark	79.2	71.8	77.5	84.9	82.4
Switzerland	78.6	75.3	77.7	78.4	83.1
Netherlands	77.9	66.4	78.5	86.4	80.4
United States	77.2	79.7	76.1	85.4	67.4
New Zealand	77.2	71.6	74.7	74.6	87.7
Sweden	76.8	67.5	77.7	83.3	78.5
Norway	75.9	63.5	72.3	79.7	88.3
Canada	75.9	73.2	74.0	78.5	78.0
United Kingdom	75.3	71.0	77.9	77.8	74.7
Austria	74.8	61.0	72.7	84.8	80.8
Luxembourg	74.4	55.9	78.2	83.9	79.6
Finland	74.1	54.1	73.2	85.4	83.7
Ireland	73.7	65.9	79.3	70.5	79.0
Australia	72.8	68.4	73.2	71.7	78.1
Spain	72.4	60.5	71.0	79.7	78.4
Japan	71.7	68.3	66.0	80.3	72.2
Belgium	71.4	56.6	76.1	79.9	72.9

Germany	71.2	64.1	68.5	80.5	71.8
France	71.1	60.2	71.1	81.4	71.9
Iceland	70.2	59.3	67.1	67.0	87.4
Portugal	69.7	52.3	67.5	80.1	78.9
Israel	68.2	72.2	68.2	69.9	62.5
Liechtenstein	64.8	48.9	63.2	69.9	77.1
Malta	63.9	55.2	68.9	62.3	69.3
Isle of Man	63.8	53.0	60.3	61.3	80.6
Italy	63.3	53.5	60.0	75.2	64.5
Greece	57.0	52.8	49.4	69.7	55.9
Developed Markets Averages	71.9	63.0	71.1	77.1	76.5
Global Markets Averages	49.5	49.9	49.6	49.3	49.3

100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Operational Risk Index

Date last reviewed: March 8, 2021

100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Operational Risk Index

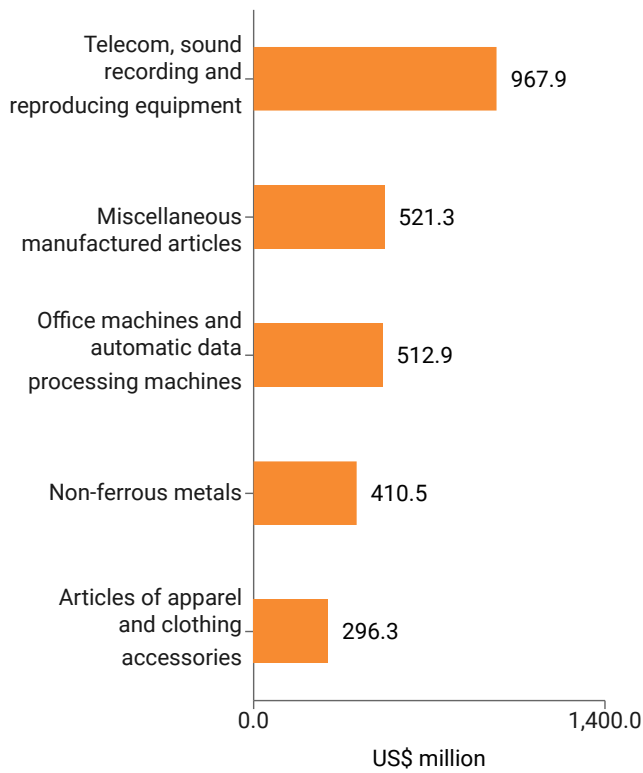
Date last reviewed: August 7, 2020

11. Hong Kong Connection

11.1 Hong Kong's Trade with Australia

Major Export Commodities to Australia (2020)

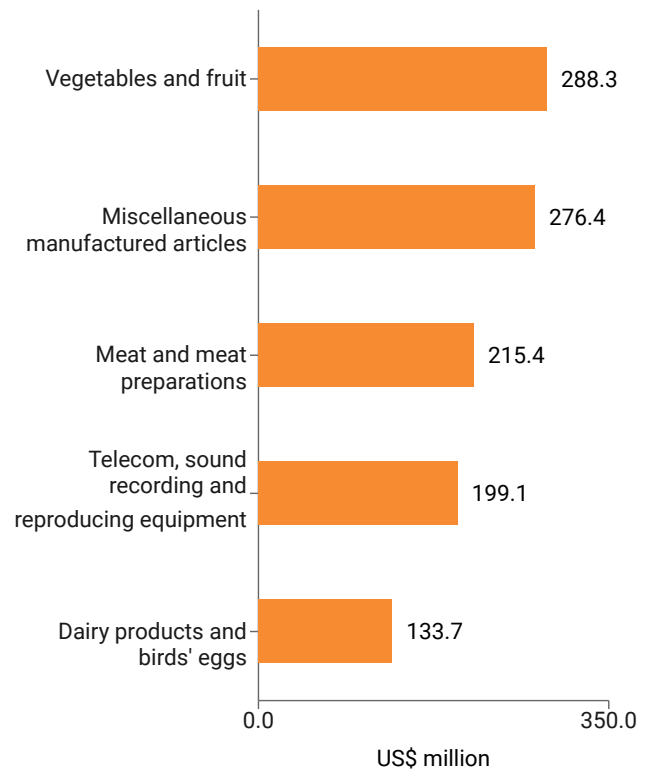
Major Import Commodities from Australia (2020)



Note: Graph shows the main Hong Kong exports to Australia (by consignment)

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

Date last reviewed: February 4, 2021

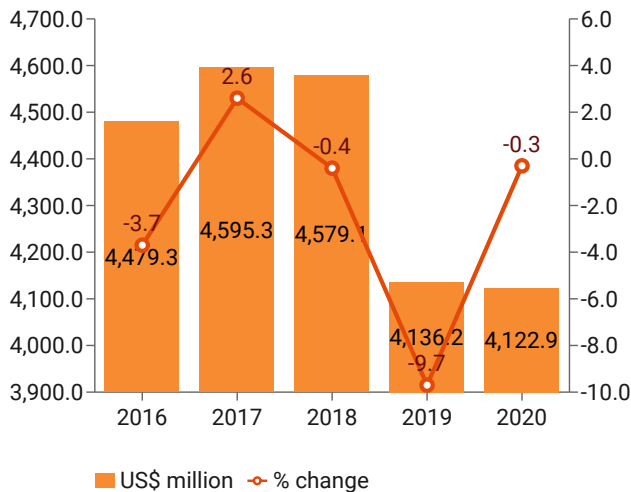


Note: Graph shows the main Hong Kong imports from Australia (by consignment)

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

Date last reviewed: March 8, 2021

Merchandise Exports to Australia

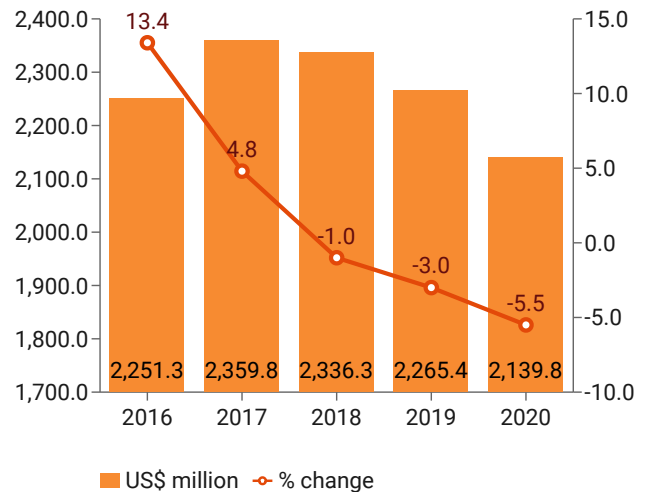


Note: Graph shows Hong Kong exports to Australia (by consignment)

Sources: Hong Kong Trade Statistics, Census & Statistics Department

Date last reviewed: March 8, 2021

Merchandise Imports from Australia



Note: Graph shows Hong Kong imports from Australia (by consignment)

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

Date last reviewed: March 8, 2021

Exchange Rate HK\$/US\$, average

7.76 (2016)

7.79 (2017)

7.84 (2018)

7.84 (2019)

7.76 (2020)

2019

Growth rate (%)

Number of Australian residents visiting Hong Kong	505,253	-12.9
Number of Asia Pacific residents visiting Hong Kong	52,326,248	-14.3

Source: Hong Kong Tourism Board

	2019	Growth rate (%)
Number of Australians residing in Hong Kong	11,778	29.6
Number of developed state citizens residing in Hong Kong	83,786	29.6

Note: Growth rate for resident data is from 2015 to 2019. No UN data available for intermediate years.

Sources: United Nations Department of Economic and Social Affairs – Population Division, Fitch Solutions

Date last reviewed: March 8, 2021

11.2 Commercial Presence in Hong Kong

	2019	Growth rate (%)
Number of Australians companies in Hong Kong	185	7.6
- Regional headquarters	35	0.0
- Regional offices	54	8.0
- Local offices	96	10.3

Source: [Business Expectation Statistics Section of the Hong Kong Census and Statistics Department](#)

11.3 Treaties and Agreements between Hong Kong and Australia

- Hong Kong and Australia have an investment promotion and protection agreement that entered into force on October 15, 1993.
- Australia has a BIT with Hong Kong that entered into force on October 15, 1993, and a BIT with Mainland China that entered into force on July 11, 1988.
- Australia has a tax treaty with Mainland China that has been applicable since January 1, 1991. The treaty does not extend to cover Hong Kong.

Sources: [Inland Revenue Department](#), [Trade and Industry Department](#), [UNCTAD](#), [State Administration of Taxation of The People's Republic of China](#)

11.4 Chamber of Commerce or Related Organisations

The Australian Chamber of Commerce in Hong Kong

Address: Room 301-2, 3/F, Lucky Building, 39 Wellington Street, Central, Hong Kong

Email: austcham@austcham.com.hk

Tel: (852) 2522 5054

Fax: (852) 2877 0860

Source: [The Australian Chamber of Commerce Hong Kong](#)

Hong Kong Australia Business Association Limited

Chapter	Tel	Email	Website
National (more information)	(612) 9267 3158	hkaba@hktdc.org	www.hkaba.com.au
New South Wales Chapter (more information)		hkaba_nsw@hktdc.org	www.hkaba.com.au www.hkaba-nsw.com.au
Queensland Chapter (more information)		hkaba@hktdc.org	www.hkaba.com.au
South Australia Chapter (more information)		hkaba@hktdc.org	www.hkaba.com.au

Victoria Chapter (more information)	hkaba@hktdc.org	www.hkaba.com.au
Western Australia Chapter (more information)	hkaba@hktdc.org	www.hkaba.com.au www.hkaba-wa.com

Source: [Federation of Hong Kong Business Associations Worldwide](#)

[Australian Consulate-General Hong Kong](#)

Address: 23/F, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong

Email: enquiries.hongkong@dfat.gov.au

Tel: (852) 2827 8881

Fax: (852) 2585 4457

Source: [Visa on Demad](#)

11.5 Visa Requirements for Hong Kong Residents

HKSAR passport holders are allowed to stay in Australia for 90 days, but they need to apply for a document called an Electronic Travel Authority (ETA, subclass 601) beforehand. This can be done online. With an ETA, the holder can visit Australia as often as they wish in a 12-month period and stay for up to three months each time. To stay for more than three months requires a different visa, such as the Visitor visa (subclass 600), under which might a stay might be granted of three, six or 12 months.

Sources: [Australian Consulate-General Hong Kong](#), [Australia Government Department of Home Affairs](#), [Visa on Demand](#)

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