

Main Points

The Board recommends particular caution in the use of the following statistics as they reflect only proposed investment into Australia and not necessarily actual investment.¹ For a full discussion on the limitations of this data see Chapter 2.

2003-04 foreign investment proposals in summary

- In 2003-04 a total of 4,447 proposals received foreign investment approval under Australia's foreign investment policy and the *Foreign Acquisitions and Takeovers Act 1975*. This compares with 4,667 the previous year, representing a fall of 5 per cent. Of these, 4,059 were in the real estate sector compared with 4,256 in 2002-03, a reduction of 5 per cent. There were 64 proposals rejected compared with 80 in 2002-03, all in the real estate sector.
- This year 49 final orders were made prohibiting proposals and six divestment orders, compared with 68 and 14 the previous year. There were 70 interim orders (71 last year), which extend the 30-day statutory decision-making period by up to 90 days.
- Approvals in 2003-04 involved total proposed investment of \$102 billion. This represented a 19 per cent increase on the previous year's approvals of \$86 billion.
- Services again represented the largest industry sector by value, with investment approvals increasing from \$23.3 billion in 2002-03 to \$34.8 billion in 2003-04. The other major sectors were: real estate, increasing from \$21.9 billion in 2002-03 to \$28.7 billion in 2003-04; manufacturing, which rose from \$21.7 billion to \$23.1 billion; and mineral exploration and development, with approved investment proposals involving \$10.4 billion compared with \$11.5 billion in 2002-03.
- The United States was again the largest source country of foreign investment approved in 2003-04, involving proposed investment of \$29.8 billion or 29 per cent of the total approved. Singapore, the United Kingdom and Germany were the other major sources of proposed investment approved during 2003-04, accounting for 9 per cent, 7 per cent and 6 per cent respectively.

¹ Not all the proposals that are approved will result in investments while those that do proceed may be undertaken in a subsequent year. Approvals may also be sought from several parties in relation to a single target company or a bid/tender for a single asset, only one of which is utilised. Approvals may also be sought to allow a possible future increase in foreign investment levels in an existing investment (company) beyond the present level held by the applicant.

International investment issues

- In 2003-04, Australia made progress on the international liberalisation of trade and investment through its engagement in bilateral, regional and multilateral forums. A Free Trade Agreement (FTA) between Australia and Singapore entered into force on 28 July 2003. FTA negotiations with the United States and Thailand were also completed and Trade and Economic Framework Agreements (TEFs) were signed with Japan and China.
- The main activities of the Australian National Contact Point for the OECD Guidelines this year have built on last year's progress in refining procedures for handling 'specific instances', promoting the Guidelines to business groups and strengthening the consultation process with government agencies, non-government organisations (NGOs), business, and other social partners.
- Foreign Direct Investment (FDI) flows into OECD countries continued to fall in 2003. Despite the contraction of FDI since its peak in 2000, FDI activity is not low by historic standards and OECD area inflows compare favourably with the early and mid-1990s. Australian FDI trends have not followed those of the OECD as a whole. Our economy has performed strongly in recent years, despite the global slowdown. Furthermore, Australia continues to be a net importer of FDI, while the OECD as a whole is a net exporter.