

Just as trade policy instruments were used to promote the establishment of a domestic industrial base, the foreign investment guidelines detailed in Appendix (I) are being used to ensure that the industrial base remains under the control of Australian nationals. The principal aim of Australian foreign investment policy is to encourage overseas capital inflows on a basis that recognizes Australian needs and operations. Apart from certain limited areas of the economy where investment is restricted (banking, insurance, broadcasting, television, newspapers, civil aviation and real estate) proposals, whether takeovers or new projects, are considered against broad criteria that take into account economic, social and other national interest considerations. It is believed that, wherever practical, Australians should have an opportunity to participate with foreign investors in major projects. Such participation is, therefore, sought to the extent appropriate to the particular circumstances of each proposal. Specific guidelines have been laid down for Australian involvement in new natural resource projects.

Foreign investment remains strong in spite of those restrictions. In 1979-80 the net inflow of foreign investment, exclusive of undistributed income, was \$1 billion, of which \$758 million was in direct investment and loans. In the nine months up to March 1980, the Foreign Investment Review Board approved proposals involving \$5.7 billion. Those short-term figures compare with a total net inflow of foreign investment of \$22.9 billion from 1947 to 1978. \$9.4 billion, or 41 per cent, of that amount was new direct investment and loans. Foreign direct investment has been concentrated in the manufacturing sector (35.5 per cent of 1964-1977 direct investment), mining and quarrying (18.2 per cent), and banking and finance (11.8 per cent). In 1978-79, 38 per cent of total foreign investment came from the U.S., 42 per cent from Britain, and 20 per cent from other countries (Table 4). Canadian investment in Australia amounts to about three per cent of the total.

##### 5. Trade Characteristics and Balance of Payments

Australia's balance of payments position is strong and the outlook encouraging. Over the 12 months ending June 1980, performance improved remarkably. Total imports amounted to \$20.9 billion, an increase of 17 per cent over the previous year. Total exports were \$24.3 billion, up 32.6 per cent over 1978/79. The increased export revenue was the principal factor in the diminished current account deficit of \$1.2 billion, well down from the \$2.2 billion deficit of the previous year. During 1981-82, however, the deficit will probably be \$5 billion in the current account due to the increasingly strong demand for imports. Export growth for