

increased from \$2.5 billion in 1984-85 to \$3.3 billion in 1987-88.

Even so, Australian R&D remains a small percentage of its GNP. In 1987-88, the country spent only about 1.2% of its GDP on R&D, while Japan spent 2.9%. The country is attempting to get a better return on its investment in R&D by encouraging collaborative research with partners abroad. Given the structural similarities in the Canadian and Australian economies, and their common interests in extractive and advanced technologies, there are significant opportunities for technological cooperation between the two countries.

### Technological Focus

In its efforts to enhance the technological base, Australia is building on its existing technological achievements and is paying special attention to the following sectors:

- steel production, specialty steels
- motor vehicles and transport equipment
- fabricated metal products
- heavy engineering
- chemicals
- paper, printing and publishing
- textiles, clothing, and footwear
- biotechnology
- information systems
- waste management
- medical equipment
- advanced manufacturing
- aerospace

## II. Investment Behavior

### Players

The economic boom of the mid 1980s was accompanied by a surge in Australian direct investment abroad. With interest rates low, banks liberalized their rules and companies looked for opportunities abroad. Much of this investment was driv-

en by Australia's larger corporations and tended to be focused on bigger projects. As Australia's economic situation worsened, some of these companies found themselves in difficulties at home and less able to pursue overseas opportunities.

It is likely, however, that Australian interest in foreign investment will continue. In the light of the country's concerns about foreign debt, income from overseas investment may be seen as one way of reducing current account deficits. In addition, Australia needs both foreign technology and market access if it is to improve its export performance. Because of this, the future may also see a larger proportion of smaller Australian firms actively seeking partners abroad.

### Motives

Many Australian companies decided to invest abroad because of limited business opportunities at home. The large companies that did much of the foreign investing in the mid 1980s already dominated the domestic marketplace. For them, growth could only come by accessing new markets overseas and many did so by acquiring corporate footholds in other countries. The largest companies saw themselves as emergent multinational enterprises committed to a strategy of globalization.

For other Australian companies, the primary motive behind overseas investment is the acquisition of technology. Some of these investors seek technology that will enable them to restructure Australia's mature industries such as mining and agriculture. Others need technology to develop new industries such as aerospace, biotechnology, and environmental protection. Encouraged by the Australian government's efforts to promote R&D cooperation and strategic alliances, technology-seeking companies are less interested in foreign acquisitions and more on the lookout for foreign partners.