Overseas Market Information

Hong Kong

Hong Kong is a major trading centre with annual imports of over US$ 2.25 billion. It is one of the 10 largest importers in the world.

Hong Kong imports substantial quantity of wrist watches. The imports of wrist watches during the January-March 2004 are given below :

(i) Wrist watches, battery or accumulator powered, with case not made of or clad with precious metal US$ 340 million

(ii) Wrist watches, not battery or accumulator powered, with case not made of or clad with precious metal : US$ 151 million

(iii) Other than and parts like watch movements, etc. : US$ 297 million

China, Switzerland are major suppliers. Imports from India are negligible at US$ 4.95 million for both these items.

Member-exporters, who are interested to export wrist watches in Hong Kong, are requested to contact Consulate General of India, Hong Kong with their product details as well as company profile, so that CGI can circulate the interest of the exporters among the potential importers in Hong Kong. The contact address of the Consulate General of India, Hong Kong is given below :

Mr. K. Govindan
Consul (Com. & HOC)
Consulate General of India
16-D, United Centre
95 Queensway
Hong Kong
Tel. : 852-28664027
Fax : 852-28664124
E-mail : commerce1@indianconsulate.org.hk
Website : www.indianconsulate.org.hk

(Source : Consulate General of India, Hong Kong)

Syria

Major Economic/Trade related policy changes

Syrian government has announced that there will be no expansion of the public sector. This was announced by Syrian Prime Minister and Head of the State Planning Commission. The leaders announced that the government's efforts would be to consolidate and reorganise the public sector to enable it to compete in a liberalised economy. At the same time, the government would support an environment suitable for development of private sector. The leaders however did not commit disengagement of the state from the industrial sector and privatisation of government companies.

There are reports that the government is involving private sector in drafting the 10th five year plan. The authorities are also in favour of engaging NGOs in the social field of the plan. The 10th five year plan will have three broad objectives :

- To integrate Syrian economy to the world economy through structural changes;
- Achieve long term high rate of growth by increasing investments, development of human resources and alleviation of poverty through fair distribution of wealth;
- Strengthen partnership amongst the government, the private sector and the NGOs.

The private sector and NGOs will be present at different levels of preparation and execution of all these programmes. A higher guidance council will be set up that would include heads of various chambers of commerce, industry and agriculture.

(Source : Embassy of India, Damascus)

Vietnam

Ministry opens road for auto investors

The Ministry of Industry has asked the Government to free investment in the automobile industry and has lifted a two-year-old ban on applications for fresh investment.

According to the Ministry's Institute of Industry Policy and Strategy, they wanted to allow every type of business to invest in the auto industry and help the investor to forecast market demand and their business decision process. If approved, it would encourage investment in production of vital auto parts and components like engine and chassis.

The proposal, which was first made in the Ministry's auto industry development strategy for the decade, is set to be submitted very soon to the Government for approval.

The industry strategy was first submitted to the Government for approval in 2002, pending which the Ministry had temporarily banned fresh investments in the auto industry. The Government referred the strategy back to the Ministry for changes which have been made and is now ready for resubmission.

The Ministry forecasts demand for cars in Vietnam to reach 120,000 units in 2005 before doubling to 240,000 in 2010.

There are 11 foreign invested auto-makers in the country with a total investment of US$ 540 million and an installed production capacity of over 140,000 vehicles per year. Besides, there are 160 domestic automobile and parts companies, making mainly commercial and agriculture vehicles.

(Source : EEPC Singapore Office)

Australia – A guide for Exporters to Australia

(Continued from previous issue)

International Trade and Balance of Payments

Australia has traditionally been a capital importing country and has therefore usually run current account deficits. Foreign savings have helped Australia's economy to finance the development of its major export industries and economic infrastructure.

Current account deficits have been largely financed by foreign debt, but in recent years financing of current account deficits has also relied on foreign equity.

The current account deficit widened significantly in 2002-03 from 3.2% of GDP in 2001-02 to 5.5% of GDP in 2002-03. The increase in the current account deficit was due to a sharp increase in the trade deficit.

Overall, the deficit on the current account increased to A$ 41.1 billion in 2002-03, 85% higher than the deficit recorded in 2001-02.

Australia's balance on goods and services returned to a deficit of A$ 18.8 billion in 2002-03 after recording a deficit of A$ 1.2 billion achieved in 2001-02.

Merchandise exports (goods credits) fell by A$ 5.2 billion or 4.3%. This fall coincided with an increase in merchandise imports (goods debits) of A$ 12.3 billion or 10.1%.

Exports of services (services credits) increased marginally by 0.7% in 2002-03 while imports of services (services debits) increased by 0.9% over the same period.

Growth in net income deficit has continued to be modest in recent years, reflecting both the generally low level of world and Australian interest rates, and the narrowing of the differential between Australian and world interest rates. As a result, the net income deficit remained relatively stable at 3.0% of GDP in 2002-03.

Australia's current account deficit is expected to widen further in 2003-04, to around 5.75% of GDP, driven by a record high trade deficit. However, the current account deficit is expected to moderate over the course of 2003-04 and throughout 2004-05 as exports pick up and imports moderate, thereby helping narrow the trade deficit.

Economic Outlook

The Australian economy continued to grow strongly in 2002-03 despite the effects of a weaker external sector as exports were buffeted by sluggish global demand, the drought and SARS, while a higher Australian dollar and strong domestic demand stimulated imports. With the domestic economy likely to remain strong and with an improved export performance, this should see the emergence of stronger and more balanced economic growth in 2003-04.

The Commonwealth Government's 2003-04 Mid-Year Fiscal and Economic Outlook presented a positive outlook for the Australian economy against a background of improving sentiment about domestic and external growth prospects.

Overall real Gross Domestic Product in Australia is forecast to grow by 3.75% in year average terms in 2003-04, significantly higher than the 2.8% growth rate achieved in 2002-03.

Private consumption growth is expected to be around 4.5% in 2003-04 following growth of 4.1% in 2002-03. Robust growth in household disposable income, stronger than expected gains in household wealth and low interest rates are expected to support consumer spending.

Private business investment is expected to remain strong underpinned by supportive financial conditions, strong growth in corporate profits and low interest rates. An increase of 7% in private new business investment is forecast for 2003-04.

Exports are forecast to grow by 3% in 2003-04 while imports are expected to jump by 9% over the same period.

Taken together, the trade forecasts imply that the external sector is likely to subtract around 1½ percentage points from GDP growth in 2003-04 after detracting 3.0 percentage points from GDP in 2002-03.

In terms of the Commonwealth's fiscal outlook, the fiscal balance, in accrual terms, is expected to record a surplus of A$ 4.0 billion (0.5% of GDP) in 2003-04 while in cash terms, an underlying surplus of A$ 4.6 billion (0.6% of GDP) is forecast. In addition, the Commonwealth Government is forecasting strong surpluses over the forward estimates period in both cash and accrual terms.

One of the important objectives of the Government's economic reforms is to increase the competitiveness of Australia's goods and services in world markets.

The Government's microeconomic reform agenda has also resulted in productivity dividends for Australian exporters.

Under a new taxation system, the arbitrary wholesale sales tax has been replaced by a goods and services tax and lower taxes, including a reduction in the company tax rate from 36% to 30%, one of the lowest in the region.

In addition, Australian exports are exempt from GST providing exporters with the same advantages as their overseas competitors.

Recent business tax reforms, which include the lower company tax rate, an internationally competitive tax regime, as well as incentives for venture capital investment, will make Australia more attractive to foreign investors.

Competition in the domestic economy, commitment to microeconomic reform, an efficient labour force, a sound fiscal position and a competitive financial sector have allowed for a stable, broad-based economy to be achieved. Australia's favourable economic fundamentals have also made it less susceptible to external shocks.

The following table contains selected official forecasts for 2003-04 and actual outcomes for 2002-03 :

Percentage Movements in GDP Components

Percentage Movements (Year Average)

	2002-03	*2003-04*
Private Consumption	4.1	4.5
Private Investment Dwellings	16.0	3
Business Investment	16.9	7
Public Final Demand	4.2	2.75
Exports of Goods and Services	-0.6	3
Imports of Goods and Services	13.5	9
Gross Domestic Products	2.8	3.75

(Source : Mid-Year Economic and Fiscal Outlook - 2003-04)

Australian Imports and Overseas Suppliers

Despite its relatively small population, Australia is a substantial importer of a wide range of products. Since 1997-98, imports have increased at an average rate of 7% per annum.

Developing countries supply 39.6% of the total value of imports and new suppliers have an opportunity to secure a share of the market. The competition from countries such as China and other low cost suppliers will, however, be very strong. The East Asian economic crisis of the late 1990's has resulted in particularly strong growth in Australia imports from that region.

The major suppliers over the last few years have been, in descending order, the USA, Japan, China, Germany, United Kingdom, New Zealand, Korea, Indonesia, Singapore, Malaysia, Italy, France, Thailand, Taiwan, Vietnam, Sweden, Canada, Ireland, Papua New Guinea, Saudi Arabia, Netherlands, Hong Kong, Switzerland, Belgium, South Africa, Spain, India, Philippines, Denmark, Austria, United Arab Emirates, Brunei, Finland, Mexico, Brazil and Israel.

The major engineering imports during the 12 months ending June 2002 were as follows :

Major import items	*A$ Million (FOB)*
Machinery & Transport Equipment	63,640
Other Manufactured Goods & Articles	34,790

(Source : DFAT Composition of Trade, Australia 2002-2003)

Australia's merchandise imports over the last six years were as follows :

Year	*A$ Million (FOB)*
1997-98	90,684
1998-99	97,611
1999-00	110,078
2000-01	118,281
2001-02	119,654
2002-03	133,131

(Source : DFAT Composition of Trade, Australia 2002-2003)

The growth in the value of imports of the following product of particular interest to Developing Countries over the last five years was as follows :

Import Trends and Future Developments

Since 1997-98, imports have increased at a trend rate of 8.0% per annum. The major commodities contributing to import growth were aircraft and parts, passenger motor vehicles and crude petroleum. Merchandise imports were valued at A$ 133.1 billion in 2002-03, up 9 per cent from A$ 119.649 billion in 2001-02.

Australia's imports are dominated by Elaborately Transformed Manufactured Goods (ETMs). In 2002-03, imports comprised 14 per cent "primary products", 9 per cent "simply transformed manufactures", 74 per cent ETM's, 3 per cent "other imports" and 20.2% services. This structure has changed relatively little in the last five years and is not expected to change significantly in the future.

Australia's total two-way trade has, in recent years, increasingly focussed on the developing Asian economies. Imports of a wide range of industrial and consumer goods from these countries have increased strongly following the East Asian economic crisis and these suppliers will provide strong competition to new entrants in the market.

China will probably continue to offer the strongest competition for a wide range of consumer goods.

Taiwan and Korea have already moved into more sophisticated exports to Australia (including motor vehicles from Korea) and for many basic consumer products these countries are no longer competitive in the Australian market.

New Zealand has enjoyed duty free access to the Australian market for several years as a result of the free trade agreement between the two countries. With the reductions in the global tariff protection levels, New Zealand's competitive edge is being reduced but suppliers from this country will continue to compete strongly in a wide range of product areas.

Item	*1997-98*	*1998-99*	*1999-2000*	*2000-2001*	*2001-02*	*2002-03*
Motor Vehicle Parts	1,899	2,227	2,276	2,421	2,217	2,311

(Source : DFAT Composition of Trade, Australia 2002-03)

The **USA, Japan** and the **European Union** countries will remain important sources of Australia's machinery and transport equipment, but their exports of less sophisticated equipment to this market will be increasingly challenged by the developing Asian economies.

The key message for new overseas suppliers is that Australia will remain an important import market for a wide range of industry inputs, machinery etc. and in the consumer products area there are opportunities to fill gaps left by the now relatively "expensive" suppliers such as Taiwan and Korea.

There will, on the other hand, be strong competition from countries such as China and new suppliers will have to adopt an effective marketing strategy to capture a share of the Australian market.

Major Overseas Suppliers

The major overseas suppliers to the Australian market in 2001-02 were as follows :

Country	*% of Total Merchandise Imports*	*Trend % Growth Over Last Five Years*
USA	16.9	2.0
Japan	12.2	5.1
China	10.3	21.8
Germany	5.9	7.4
United Kingdom	4.3	1.4
New Zealand	3.7	6.1
Korea	3.5	5.4
Indonesia	3.4	9.5
Singapore	3.2	9.9
Malaysia	3.2	11.7
Italy	3.1	7.9

(Source : DFAT Composition of Trade, Australia 2002-03)

Australia's imports from Developing Countries over the last five years were as follows :

1998-99		*1999-00*		*2000-01*		*2001-02*		*2002-03*	
A$m	%	A$m	%	A$m	%	A$m	%	A$m	%
31,842	32.6	39,085	35.5	45,708	38.7	46,050	38.5	52,713	39.5

(Source : DFAT Composition of Trade, Australia 2002-03)

The major imports from Developing Countries in 2002-03 on the engineering sector were machinery and transport equipment (A$ 1.306 billion), sporting goods and related items (A$ 1.143 billion), general industrial machinery (A$ 0.884 billion), and passenger motor cars (A$ 0.592 billion).

The overseas suppliers that offer the strongest competition to new suppliers from Developing Countries are as follows :

Country	*2002-03 Exports to Australia A$ Billion*	*Trend % Growth in Exports to Australia Over the Last Five Years*
China	13.791	21.8
New Zealand	5.019	6.1
Korea	4.753	5.4
Indonesia	4.600	9.5
Singapore	4.369	9.9
Malaysia	4.261	11.7
Thailand	3.469	17.5
Taiwan	3.401	3.3
Vietnam	2.503	29.0
Papua New Guinea	1.501	13.8
Saudi Arabia	1.283	18.2
Hong Kong	1.233	4.0
South Africa	1.059	14.1
India	0.978	7.8
Philippines	0.814	14.5
United Arab Emirates	0.753	22.5

(Source : DFAT Composition of Trade, Australia 2002-03)

Australia's Import Regime

The business environment for trading has never been better with all governments active in reducing regulations and improving business infrastructure, including a reduction in tariff levels to a general rate of 5% on 1st July, 1996, with the exception of motor vehicles.

Customs Duties

Import duties in Australia are levied on the FOB price of goods - that is, the price of the goods packed into the container and delivered on board ship at the export port or to the airport of final export. Internal freight and insurance to the final place of export is included in the value for duty. To determine the Australian dollar value of imports quoted in foreign currency, Australian Customs use the applicable exchange rate on the day of export.

Australia operates a General Rate of tariffs for imports from the more developed economies (Japan, USA, United Kingdom etc.). In addition to this rate, certain concessions are offered to many countries either as a group (for example, to eligible developing countries and the Forum Island Countries) or under bilateral trade agreements with Papua New Guinea, New Zealand and Singapore. A bilateral trade agreement has also been signed with Thailand but has yet to come into force.

Papua New Guinea, New Zealand, Singapore and the Forum Island Countries (Pacific Islands) are allowed duty free entry to Australia provided they satisfy the 50% local content rules of origin (30% for certain specified product categories from Singapore).

Since the 1980's the Australian Government has undertaken a wide-ranging tariff reform programme that has resulted in substantial reductions in protection of Australian industry.

Since 1st July, 1996 the General Rate of import duty has been 5% of FOB value. The only product categories that are subject to higher rates than the General Rate include motor vehicles with other non-engineering items.

From 1st July, 2003, all goods that originate in Least Developed Countries (LDCs) and in East Timor are eligible for duty-free entry.

Countries eligible for the Least Developed Country Duty-free Preference

Asia
Afghanistan
Bangladesh
Bhutan
Burma (Myanmar)
Cambodia
Laos
Maldives
Nepal

Africa
Angola
Benin
Burkina Faso
Burundi
Cape Verde
Chad
Central African Rep
Comoros
Congo, Dem. Rep
Djibouti
Equatorial Guinea
Ethiopia
Eritrea
Gambia
Guinea
Guinea Bisseau
Lesotho
Liberia
Madagascar
Malawi
Mali
Kiribati
Mauritania
Mozambique
Niger
Rwanda
Sao Tome & Principe
Senegal
Sierra Leone
Somalia
Sudan
Tanzania
Togo
Uganda
Zambia

Others
Haiti
Yemen
East Timor

Pacific Island Countries
Solomon Islands
Tuvalu
Vanuatu
Samoa

[Source : Australia – A Guide to the Market, 2004 Edition published by Chamber of Commerce and Industry of Western Australia (Inc)]

(To be continued)