

COUNTRY PROFILE:**COMMONWEALTH OF AUSTRALIA****DATED:****SEPTEMBER 2009****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

Recent Political Highlights

- ❑ Queen Elizabeth II has been chief of state of Australia since February 1952. She is represented by Governor General Quentin Bryce. Prime Minister Kevin Rudd has been head of Government since December 2007. The next election is due no later than November 2010.
- ❑ A UN envoy has described the Australian Government's handling of indigenous affairs as racist and in breach of international obligations. He called on Canberra to reinstate race discrimination laws, which were suspended to allow new policies in Aboriginal communities facing dire social problems. He noted that the policies of the last decade or so have done little or nothing to address the entrenched problems.
- ❑ The nation's worst trade scandal – the \$300m in kickbacks paid to the regime of Saddam Hussein just before the 2003 Iraq war – involved wheat exporter AWB. AWB was found to have been funding the Iraqi regime, which is in breach of UN sanctions. The Australian Federal Police dropped the investigation after they declared that the prospect of convictions was limited and not in the public interest.

Recent Economic Highlights

- ❑ Australia's central bank flagged the start of an economic recovery this year, predicting growth of 0.5% up from an earlier forecast of a 1% contraction. This is based on the recent overall economic conditions which have been stronger than expected and growth is expected to firm through 2010. Australia is the best-performing major western economy after it dodged a technical recession. Growth is dependent on the full implementation of the country's massive stimulus plan worth \$42bn (A\$50bn). The bank also predicted that the economy would expand 1% over the year to June 2010.
- ❑ The number of companies forced into liquidation soared 20% in the twelve months to May 2009, driven by the end of mining and property booms in Queensland and Western Australia. In Queensland there were 421 court-ordered liquidations in the year to May, a 36.25% jump from the previous year. Voluntary administration appointments rose 42.7% in Western Australia and 17.2% in Queensland. New South Wales, Tasmania and South Australia also recorded significant increases in liquidations.
- ❑ A severe drought has hit the once-mighty Murray-Darling river system, which irrigates Australia's food bowl, the vast south-east corner responsible for 40% of agricultural output. The eight-year drought has devastated the region which is an area covering 1.06m square kilometers – the size of France and Spain combined. Under the hot Australian sun that baked most of the fruit, some farmers had no option but to turn the fruit into jam. Prime Minister Rudd has described the decline of the Murray River as the most practical impact of climate change across the country. With another El Nino event predicted to bring dry conditions, the overall outlook for the 2009-2010 water year, remains very poor.
- ❑ The Australian Government implemented a scheme to provide funding for car dealerships in the country from September 2009. The special purpose vehicle, known as the OzCar, was needed so that remaining dealerships that received previous financing from General Electric dealerships will have more time to secure ongoing financing.
- ❑ Southeast Queensland, Australia's fastest-growing region, is at risk of losing at least A\$3bn a year in lost business unless Government overhauls its plans and invests in transport. A report from the Urban Transport Challenge: Planning for Growth in Southeast Queensland warns that congestion will cost the economy of Brisbane \$3bn a year by 2020. Cost will escalate to A\$9bn a year in the long term if improvements in the transport system are not delivered. The state and local Governments said that they already have long-term infrastructure plans, including the state's A\$124bn southeast Queensland Regional Plan.
- ❑ Western Australia-based explorer and producer Aquila Resources has reached a strategic cooperation agreement with Chinese steel giant Baosteel to develop its iron ore, coal and manganese projects. Under the deal, Baosteel will acquire 15% of Aquila, investing up to \$286m in return for 43.95m shares in Aquila. Baosteel will work with Aquila to develop the Australian company's steel raw materials projects, including iron ore, coal and manganese.

Latest Trade Developments

- ❑ Main export commodities: coal, iron ore, gold, meat, wool, wheat, machinery and transport equipment.
- ❑ Major trading partners: Japan, China, South Korea, US, New Zealand, India, UK, Singapore, Germany and Thailand.
- ❑ Australia approved an energy project that will supply natural gas worth tens of billions of dollars to China and India. Australia laid down 28 conditions to protect wildlife but saw no reason to block the Gorgon liquefied natural gas (LNG) plant off Western Australia. The project is a joint venture by Chevron, Shell and Exxonmobil, which has signed a record \$41bn contract with Chinese giant PetroChina and another worth \$21bn with India's Petronet. The Gorgon project is Australia's single largest resources project and is set to deliver significant economic benefits and create 100,000 direct and indirect jobs. The Gorgon field holds more than 40 trillion cubic feet of gas.
- ❑ China is supplying an increasing quantity of food to Australian consumers, raising concerns about food safety and the capacity of local farmers to compete with cheaper imports. Between January 2008 and May 2009, 4,200 tonnes of prawns were imported from China. Imports from China rose 35% from 2007 making it the second largest import source behind New Zealand.
- ❑ SA's exports to Australia totaled R10bn in 2007, R12bn in 2008 and R2.8bn in the year to June 2009.

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