

7. CHAPTER 7 AUSTRALIA'S IMMIGRATION FROM NORTH EAST ASIA 1980-1995

7.1 Introduction

Throughout the 1980s and 1990s, Australia continued to depend on immigration for its growth and development. Australia's defensive immigration position changed considerably over time, mostly influenced by extensive foreign policy considerations. The removal of Australia's racially based policies and the significant increases in Asian immigration can be partly explained by the removal of those policies which were perceived offensive to Asian states and were impeding Australia's intra-regional trade. Up to the late 1980s, Australia had sought to promote itself as a society of migrants. The Australian Government formulated a *National Agenda for a Multicultural Australia* - without the force of law. At the same time, the geopolitical context of Australia's society led the country to major differences in how it has framed its immigration policies.

During the period 1980-1996, Australia's Immigration policies were impeded with problems. In their relatively short periods of tenure, ten Immigration Ministers pursued conservative agendas. Bureaucratic agencies further complicated matters. They continued to develop particular value-orientations towards their mission, and in having an interest in maintaining and enhancing their spheres of influence.

Shifts in the countries of origin ensured that immigration to Australia was increasingly from non-English speaking countries. Opportunities became available for new regional sources to supply immigrants, at a time when European development and growth was reducing the numbers of Europeans seeking to emigrate. More migrants were sourced from the Asia region, especially from Hong Kong, China and Taiwan. The impact of increasing numbers of immigrants from non-traditional sources has meant that long-established patterns of ethnic diversity and dominance in Australia are changing. The 1980-1996 period saw intensified debates over Australian immigration; with some arguing that extensive immigration was no longer desirable.

The Australian Government led the way and cautiously brought the public along with it. But outdated and disparaging views of many non-traditional immigration countries as 'Third World' continued to be held.

Since 1984, Australia's immigration program mix has changed substantially. In particular, the economic/skill component in Australia has increased at the expense of the refugee component. Schemes, such as the Business Migration Program (BMP) were developed to attract the most qualified and wealthy business people to Australia. The BMP was aggressively marketed in the Asian region, resulting in substantial increases in the share of Hong Kong and Taiwanese business settlers intake as a proportion of the BMP total admission. But lack of monitoring brought the scheme under the scrutiny of the Auditor-General which recommended its demise. By the late 1980s, Australia's plans for high levels of immigration intake in the 1990s had been abandoned in the face of extensive criticism of the social problems and costs of maintaining high levels of immigration in a recession, joined with vocal opposition to the impact of high level of immigration on the environment.

The theses put forth in this chapter are that long established traditions and entrenched attitudes have influenced Australia's immigration policies, with emphasis on short-term planning having long-term implications on Australia's social, political and economic performance. Decision and strategic theory are both variants of instrumental goal-seeking theory. The difference is that the former calculates the pay-offs as a function of alternative decisions regardless of what the other players do while the latter determines the costs and benefits as interdependent products of the decisions of several actors. The costs and benefits that accumulated out of Australia's experience would be evaluated within the context of immigration - both in general and with respect to Asian immigration, especially the North-East Asian countries of China, Hong Kong and Taiwan.

This chapter examines Australia's immigration policies' changes over the 1980 to 1996 period and how these affected the immigrants inflow from North East Asia, especially from Hong Kong, China and Taiwan. This chapter is composed of six sections: Section 7.1 comprises the introduction; Section 7.2 presents Australian attitudes, legislation and policies, and the impacts of external factors on Australia's migration programmes over the 1980 to 1996 period; Section 7.3 puts analyses Australia's immigration flows and established trends: from a global, regional, and on a by country basis with respect to Hong Kong, China and Taiwan as to the reasons and implications; Section 7.4 deals with the immigrants' occupations and their economic conditions; Section 7.5 considers the socio, political, and economic impacts that the North East Asian immigrants intake had, on their natural as well as adopted country; and Section 7.6 is the conclusion.

7.2 Attitudes, Legislation and Policies, and Impacts of External Factors on Australia's Migration Programmes

7.2.1 Attitudes

On assuming office, the Hawke Labor Government seemed set to maintain the core features of the Fraser multiculturalism policy (Bennett, 1990). But the Hawke administration's views in support of multiculturalism and its redefinition of multiculturalism fluctuated over time. In 1986, the Government proposed budget cuts which would have reduced support for English language training programs, absorbed the SBS into the ABC, and dissolved the Migrant Education Program (MEP). The community's reaction was sufficient to indicate that this would be achieved at the Government's electoral peril.

A multicultural policy was formulated which directly addressed the alleged tension between the acceptance of the multicultural views and a desire to maintain social cohesion. Subsequently an Office of Multicultural Affairs (OMA) was established within the Department of the Prime Minister and Cabinet, with OMA representatives located in all the States to liaise with the state structures, the Ethnic Affairs Commissions (Castles, 1988).

The *National Agenda on a Multicultural Australia* concerned the cultural and ethnic diversity of Australia, without the force of law (OMA, 1989). It stated authoritatively that multicultural policy had three major dimensions: cultural identity, social justice and economic efficiency (OMA, 1990). The latter was evidenced in the sharper economic focus of the immigration policy and prominence being given to skilled and entrepreneurial immigrants. The agenda reflected the evolution of the Hawke position on the multicultural concept and differentiated it from the Fraser orientation, e.g., the considerable emphasis on access and equity. There was also a shift from individualism to a reassertion of the rights of the nation-state; at first, in a cultural sense and subsequently, in an all-defining 'economic unit' sense. Since 1989, the official Australian government policy on multiculturalism became clearer in that loyalty to the nation is to have primacy.

However, on taking office in 1992, Prime Minister Keating began to signal that the view on multiculturalism was to be modified in the face of a severe economic recession, particularly reflected in double digit unemployment figures. This orientation was not only confined to policy on multiculturalism.

Australia continued in search of its own identity. The ethnic position continued to be persistently challenged by immigration and multicultural policies, and by the politicisation of the call for a republic.

The rationale for a planned immigration program has been based on the balancing of humanitarian, family reunion, skilled and business consideration. The report of the Committee to Advise on Australia's Immigration Policies, for example, emphasised immigration skills, while acknowledging Australia's needs to enhance its social, economic, environmental objectives and international obligations (CAAIP, 1988). It re-emphasised a global non-discriminatory immigration policy with respect to nationality, religion and gender. Experience has shown that refugees and family reunion settlers were more likely to remain in Australia and develop an active involvement with the broader community.

7.2.1.1 Asian Immigration and Public Opinion

Over the last two decades, a significant component of the immigrant intake into Australia has been of Asian origin. In Australia, much debate has taken place in relation to the significant increase in 'Asian' migration and the increase in negative attitudes to immigration. Recent polls' evidence suggests a growing divergence of popular opinion between attitudes to immigrants in general, and to Asian immigrants in particular.

Few Australians have had a clear conception of the demographic implications of particular migration targets or what annual levels could be considered 'large' or 'small.' However, policy makers have been aware of public opinion as a possible constraint on their actions.

Table 7.1 shows 19 similar polls conducted over a period of 35 years. The precise wording of the questionnaire (Table 7.1) has varied, but it has taken the general form of telling respondents the size of the immigration intake.

The data in Table 7.1 suggest strong support for immigration in 1961 and that this support eroded during the 1970s until, by 1988, over 68% were opposed. During the 1960s, most Australians supported current immigration policy. This support is demonstrated both by the low proportions saying that the intake is 'too many' and the relatively high proportions, well over a third for most of the decade, saying it is 'too few;' indicating not just that current numbers suit them, but that they want more. In the early 1970s this situation was reversed and, by the early 1990s, active opponents amounted to around 73% of respondents, and active supporters were fewer than ten per cent (Morgan Poll, May 1990; Saulwick Poll, October 1991). These figures were significantly higher than the 46-58% favouring reduction as recorded by polls during the 1980s.

Table 7.1 Whether the Number of Immigrants Entering Australia is Too Many, Too Few or About Right: Comparable Opinion Polls, 1961-1996 (Percentages)

No.	Year	Poll	Too Many	About Right	Too Few	Don't Know	Total
1	1961	Aust. Gallup Survey	16	37	43	4	100
2	1964	Aust. Gallup Survey	21	41	30	8	100
3	1967	Morgan	18	36	36	10	100
4	1968	Morgan	26	45	19	10	100
5	1970	Morganl	38	45	12	5	100
6	1971	Age Poll	53	34	11	2	100
7	1977	McNair Anderson	43	40	14	2	100
8	1981	ANOP, National Times	45	37	11	7	100
9	1984 (May)	Morgan	59	28	5	8	100
10	1984 (June)	Morgan	62	27	4	6	100
11	1988	Age Poll	68	22	8	2	100
12	1990	Saulwick	65	24	8	4	100
13	1991 (Oct)	Saulwick	73	16	9	2	100
14	1993 (March-June)	AES	67	24	6	4	100
15	1996 (June)	AES	63	28	8	1	100
16	1996 (June)	AGB: McNair	65	30	3	2	100
17	1996 (September)	Newspoll	71	20	2	7	100
18	1996 (October)	Morgan	66			4	100
19	1996 (November)	AGB: McNair	62			32	100

Notes: Polls No 18-19 were excluded from the analysis as the questions raised were quite different from previous surveys in that they inexplicably brought a response to the views of Ms Pauline Hanson.

Sources:

Poll No. 1 Australia Gallup Survey No. 154, Dec. 1961, 'Do you feel that the total number of immigrants coming to Australia should be increased, kept the same as at present, or reduced?'

Poll No. 2 Australian Gallup Survey No. 171, August 1964, 'Do you feel that the number of immigrants coming to Australia should be increased, kept the same as at present, or reduced?'

Poll No. 3 Morgan Gallup Poll No. 195, 23 December 1967, 'Last year about 140,000 migrants came to Australia. Do you think the number should be increased, maintained, or reduced?'

Poll No. 4 Morgan Gallup Poll No. 200, 19 October 1968, 'Last year about 137,000 migrants came... and this year 160,000 may come... are 160,000 migrants a year too many - too few - or about right?'

Poll No. 5 Morgan Gallup Poll No. 212, August 1970, 'Last year about 180,000 migrants came ... in your opinion are 180,000 migrants a year too many - too few - or about right?'

Poll No. 6 Age Poll 12 July 1971. The exact wording of the question for the 1971 Age Poll No. 7 was not published, but the Age reports that: People were told that over the past four years Australia's intake of migrants had averaged about 160,000 per year and the target for the next financial year was 140,000. They were asked whether they thought this was: far too many; somewhat too many; about right; somewhat too few; far too few.

Poll No. 7 McNair Anderson, March 1977, 'Should the rate of immigration be increased, decreased, kept at the present level...?'

Poll No. 8 ANOP, *National Times*, 13-19 September 1981, 'Thinking about immigration as a whole, do you believe the Federal Government is letting too many people into Australia or too few, or about the right number?'

Poll No. 9 & 10 Morgan Gallup Poll, No. 589, May-June, 1984, 'In the next 12 months...about 72,000 people will come...In your opinion, is 72,000 people too few, too many or about right?'

Poll No. 11 Age Poll, 9 February 1988, 'Over the past four years Australia's intake of immigrants has averaged just under 100,000 a year. The target for the current financial year is 120,000. Do you think that Australia should take: more than 120,000 immigrants this year; about 120,000...; fewer than 120,000...; or take no immigrants this year?'

Poll No. 12, is an Irving Saulwick Poll, *The Age*, 14 May 1990, p. 5. The sample was 1,000 voters interviewed nation-wide by telephone. The question was: 'Over the past four years Australia's intake of immigrants has averaged 120,000 a year. The target for this financial year is 140,000. Do you think Australia should take more than 140,000 immigrants this year, about 140,000 immigrants, fewer than 140,000 immigrants, or take no immigrants this year?' The 'fewer than 140,000' response (46%) and the 'take none' response (19%) have been combined to constitute the 'too many' response in the above Table.

Poll No. 13 is also a Saulwick Poll published in *The Age*, 4 November 1991, p. 3. The sample was 1,000 voters interviewed nation-wide by telephone. The question read: 'Over the past four years Australia's intake of immigrants has averaged 132,000 a year. The target for this financial year is 111,000. Do you think that Australia should take: more than 111,000 immigrants this year, about 111,000 immigrants, fewer than 111,000 immigrants, or take no immigrants this year?' Again the 'take fewer' (46%) and 'take none' (27%) have been combined for the 'too many' response.

Poll No. 14, AES March-June 1996, 'Do you think the number of immigrants allowed into Australia nowadays should be reduced or increased?'

Poll No. 15, AES June 1996, 'This year about 100,000 migrants will immigrate to Australia. Do you feel that the current level of immigration to Australia is too high, too low or about right?'

Poll No. 16 is an AGB: McNair Poll conducted by telephone 14-16 June 1996. It drew on a nationwide sample of 2,063 people aged 18 plus. It included people who were not enrolled to vote as well as those who were. In order to maintain comparability with polls 12 and 13, the data for No. 16 only refer to enrolled voters (n=1,937). The question was: 'I would now like to ask you some questions on immigration to Australia. This year about 100,000 migrants will immigrate to Australia. Do you feel that the current level of immigration to Australia is too high, too low or about right?' (Pattern for persons not enrolled to vote [n = 123]; too high 54%, about right 35%, too low 3%, and don't know 8%).

Poll No. 17, Newspoll September 1996, 'Thinking now about immigration. Do you personally think that the total number of migrants coming to Australia each year is too high, too low or about right? If too high - is that a lot too high, or a little too high? If too low - is that a lot too low, or a little too low?'

Poll No. 18, Morgan Gallup Poll October 1996, 'Thinking of Independent MP Pauline Hanson. In her maiden speech to Parliament, Pauline Hanson called for immigration to be stopped in the short term so that Australia's immigration is not added to. Do you agree or disagree with stopping immigration in the short term?'

Poll No. 19, AGB: McNair for the *Sydney Morning Herald*, November 5, 1996, 'In her maiden speech to Parliament, Pauline Hanson set out her policies on a number of topics. I am now going to read out a number of the policies Pauline Hanson outlined in her speech. Could you please tell me whether you agree or disagree with each of them? Do you agree or disagree that... there should be a short term freeze in immigration?'

The June 1996 AGB McNair poll shows some softening among the active opponents. The proportion saying the intake is ‘too many’ dropped by eight percentage points, from 73 to 65 per cent, but this softening in opposition was offset by a fall in the enthusiastic supporters. In June 1996, the proportion saying that the numbers are ‘too few’ was at its lowest recorded level, three per cent. The same poll confirms that the results of the late 1980s and early 1990s did not diverge. Despite official efforts to promote immigration as good policy, public opinion now seems firmly settled in a pattern of widespread scepticism.

Table 7.2 Attitudes to ‘Current Level of Immigration’ [circa 100,000] By Voting Intention & Residence [City/Country]: Percentages 1996						
Attitude:	Total	Voting Intention			Residence	
		Coalition	ALP	Other	City	Country
Too High	65	71	59	59	59	73
About Right	30	25	33	35	34	23
Too Low	3	2	5	2	4	2
Don't Know	3	2	3	4	3	2
Total	100 ¹	100	100	100	100	100
Number	2063	946	699	418	1409	654
Note: ¹ Percentages may not add up to 100 due to rounding error. Source: AGB McNair Poll, 14 June 1996, national telephone sample, persons aged 18 and over.						

Table 7.2 shows that, while Coalition voters were more opposed to the current intake than supporters of other parties, immigration is hardly a vote-winner for the ALP: 59% of Labor voters thought that the migration intake was too high.

In June 1996, there continued to be a strong link between immigration and unemployment in the comments of those surveyed. They believed, like other poll participants from the early 1990s, that the migration intake was too high and that there were not enough jobs for Australians. Other frequent references were made to immigrants’ skill levels, with frequent comments such as “limit those with qualifications or trade.”

In Australia, the most preferred migrant category remains the economic immigrant. Immigrants with skills were consistently preferred by over half of respondents (56%), while those with ‘money to invest’ were also favoured by 15% (Saulwick Poll, October 1991). By contrast, in June 1996, the intake selected on the grounds of the work skills enjoyed a fair level of active support (49%) (AGB McNair Poll, June 1996).

Over the last decade, polls have indicated that opposition to Asian immigration has become greater than to immigration, as a whole, by a margin of around 10 percentage points (Morgan Poll, February 1990). This margin certainly widened between 1990 and 1992. In the Saulwick Poll (April 1992), only 6 per cent of respondents favoured Asia as a source of first-choice, in comparison to 41 and 25 per cent of those who choose Britain and Europe, respectively. A further 18 per cent were prepared, however, to accept immigrants from wherever they come, a significant element of non-discriminatory pragmatism, especially among university-educated and younger respondents.

The Roy Morgan Immigration Poll (June 1992) found that nearly three quarters of the Australian population (71%, an increase of 24% since 1990) believed that there are too many immigrants coming to Australia, while almost as many (68%, an increase of 13%) believed that there were too many Asian immigrants coming to Australia. By June 1996, the AGB McNair Poll found that 88% of the respondents felt that too many migrants were coming from Asia (an increase of 17% since 1992). These are by far the highest levels of concern expressed by Australians in the last decade, but may in part be influenced by the controversies over the view of Ms Pauline Hanson. Previously, the highest level of concern was in May 1983, during the last recession, when 58% of Australians said there were too many immigrants and 57% said there were too many Asian immigrants.

In Australia, preferences for refugees show some fluctuation. There has been a marked decline, from the 23% of Australians who preferred this group in 1981, in the context of an increased intake of Indochinese refugees, to a low of only 10% in 1991. General public opinion concerning refugees seems to have hardened. By June 1996, it was the family reunion intake that was the most unpopular (61%), followed by the humanitarian intake (41%) (AGB McNair, June 1996). This might be due to the fact that family reunion has dominated the migrant intake and many immigrants coming in under this stream were experiencing difficulties in the labour market and have high rates of welfare dependence. These outcomes may have influenced respondents, but it is also possible that concerns about the contribution of family reunion migrants to cultural diversity have also played a part.

Since the mid 1970s, the official policy of multiculturalism has blossomed in Australia. Access and equity aspects of this policy have received community support. However, when multiculturalism is presented as 'cultural maintenance,' that is, as a strategy to institutionalise ethnic differences, the situation changes. A large national survey commissioned by OMA, in 1988, found that the majority of respondents, including both old Australians and first- and second- generation migrants, were opposed to multiculturalism in this sense of the term (Betts, 1991). A general pattern

of opposition to the cultural maintenance form of multiculturalism became evident from the Irving Saulwick poll, which found that 61 per cent of respondents agreed with the statement that 'migrants should learn to live and behave like the majority of Australians do' (Irving Saulwick, 1994). The AGB McNair poll did ask a question about multiculturalism (AGB McNair, 1996). Most respondents (61%) agreed, but the gentle emphasis on immigrants becoming Australians may have meant that many respondents did not perceive this question to be about institutionalised differences.

Overall, it becomes evident that since the early 1980s, opposition to immigration has remained high in Australia. In 1996, nearly 67% of Australians thought that the intake is too high while 88% thought that Asia's share of total intake was highly significant. One sub-group, however, continues to stand apart from this trend: people with a tertiary education, especially those university-educated people who have a migrant background themselves. This means that Australian opinions and attitudes towards immigration diverged (as will be seen in Sec. 7.2.2) from the approaches adopted by politicians in their formulation of Australia's immigration policies.

7.2.2 Legislative and Policy

7.2.2.1 Overview

The major policy changes which occurred between 1975 and 1996 included (for details of 1975-83 period, refer to ch. 4) the transfer of voluntary settlement responsibilities from mainstream to ethno-specific agencies as recommended by the Galbally report of 1978; the official approval of multiculturalism and publicly funded support for communication and education in languages other than English; the universalisation of the intake policy so as to end preference for the British or for any birthplace group, other than the New Zealanders; the ending of assisted passages and government-to-government agreements; liberalisation of citizenship requirements; the maintenance of a historically high level of intake, even in conditions of relatively high unemployment; a shift from Europe to Asia as the major continental source of immigrants and the creation of several categories under which skilled migrants can attain entry into Australia.

Simultaneously, continuity in policy included an official stress on the need to maintain social harmony; the selection of immigrants on the three criteria of employability, family reunion and refugee status; a large English-speaking intake, including rising numbers of New Zealanders; continued opposition to guest-worker immigration and settlement policies which aimed at equalising the life-chances of immigrants, without interfering with market processes.

The change of government from Liberal to Labor in 1983 did not significantly alter policy development. Multiculturalism, ethnic-specific services and refugee intake were all vigorously pursued by the Fraser government during 1975-83 (refer to ch. 4). Only after the Coalition was in opposition did significant numbers of Australian conservatives start to question the changes which had begun in the 1970s.

Critical in Australia's diversification of the immigration sources was its abandonment of restrictions on non-European immigration embodied in the White Australia policy. New regional sources of immigrant emerged at a time when European development and economic growth was reducing the number of Europeans seeking to emigrate. The impact of increasing numbers of immigrants from non-traditional sources has meant that long-established patterns of uniformity in Australia were changing.

The advent of the Hawke Labor government in 1983 saw a quick cut to the immigration intake, as a response to the recession of 1982-83. In deference to trade union concerns about job competition, the cuts were particularly severe in the 'economic' categories. On the other hand, family reunion rules were liberalised, for example, by less weight being given to English language ability in order, as explicitly explained by the Minister, to make the process 'more acceptable to the ethnic communities of Australia' (Parkin & Hardcastle, 1990).

The situation became so complicated and without direction, that an Australian journalist described the Australian Immigration Ministry as 'the killer portfolio' (O'Reilly, 1988). Between 1980 and 1996, there have been ten ministers for immigration - three Liberal and seven Labor. That is, there were ten incumbents over a period of 16 years, with each minister having different views on important areas of policy.

The ministry became a difficult and liable position for two major reasons: the growth of the ethnic lobby, and an increase in immigration appeals which the minister had to personally monitor. From the mid-1980s, it also became less than attractive because of the recurring public debate about immigration in general, and Asian immigration in particular. Ministers, as elected politicians, found themselves defending policies which they believed to be increasingly unpopular with many of their voters.

Labor ministers have found themselves oscillating between policies dictated by certain parts of the bureaucracy: on the one hand, Immigration Department approach in favour of relatively large intakes based on economic selection criteria and OMA's view of large intakes based on generous family reunion criteria, while on the other, the economic 'rationalists' (prominent, e.g., in the Department of Finance) who see

immigration mainly in terms of improving the calibre and numbers of the skilled work force and appear somewhat unconvinced by both arguments, being sceptical of traditional 'nation-building' justification for state intervention (Pusey, 1991). Pressure also came from within the ethnic lobby which was anxious to maintain family reunion and multiculturalism. The success of the ethnic minority interests in defending the family reunion opportunities has been frequently highlighted, though events in the past few years suggested that countervailing forces in the bureaucracy, trade unions, and amongst intellectuals were also able to exert pressure when immigration levels seem to be getting too high.

The Department of Immigration, Local Government and Ethnic Affairs (DILGEA) did not only become defensive in the face of active public debate, but also in its policy makers' inaptness in prioritising and agreeing as to what should be done. There have been important shifts of responsibility away from the Department of Immigration. Essentially, the Department of Immigration and Multicultural Affairs (DIMA) has been redefining its role as confined to the intake and initial settlement policies.

Many of DIMA's previous responsibilities for multiculturalism or for long-term settlement were passed to other federal agencies, to the states or even to local governments. At the same time, it had tried to move away from a patron-client relationship with the ethnic lobby. At the political level, the Australian government remained committed to multiculturalism, to universal intake and to access and equity in service delivery. But within this broad framework there is considerable fluidity.

Throughout the 1980s, the Australian community and its external concerns underwent further modifications. The Asian component of new immigrants grew appreciably larger (Figure 7.3) and ethnic minorities sought to influence Australian foreign policy on specific issues linked with their former homelands. Constitutional ties with Britain were terminated by the *Australian Act* of 1986, but the flow of British immigrants remained steady.

Australia, in selecting immigrants on the basis of job skills, had been following a long tradition. In showing an increasing preference for workers on permits, and in selecting immigrants on the basis of high technology and entrepreneurial criteria, Australia has been adapting long-standing concerns regarding the economic impacts of immigration. The concern with, and the importance of family reunification and refugee issues in Australian context may be viewed as the humanitarian response to the way in which globalisation creates enormous family strains and the potential for political conflict and economic turmoil in migrant-sending countries. Migration patterns are not static, but dynamic. Therefore, they are in continued states of development and change - both in the source and receiving countries.

7.2.2.2 Immigration Inquiries

The immigration domain was the focus of major *ad hoc* inquiries over various immigration policy matters; with the Borrie (1975), Galbally (1978), Jupp (1986), FitzGerald (1988), and Joint Committee of Public Accounts (1991) Reports becoming landmarks in the policy debate, even if their recommendations have not always been implemented. Of the above mentioned enquiries, it was the Galbally Report which was the most influential in shaping subsequent developments in the establishment of multicultural services and policies.

The FitzGerald Report was severely critical of administrative and professional aspects of the department. Furthermore, the Report warned that ‘without swift remedial action, current selection mechanisms will deliver many tens of thousands of immigrants more than the planned immigration program.’ Since the FitzGerald Report warnings, important changes in categorical definitions and managerial controls have brought the Australian immigration program under tighter control.

After announcing its Inquiry, the Joint Committee of Public Accounts found that there was widespread concern about the operation of the BMP. In examining the BMP, the Committee examined the ability of the Program to achieve its economic objectives. The Committee was critical of administrative and professional aspects of the program. It recommended, *inter alia*, that clear articulation of goals and operational objectives of this category of entry had to be implemented, such that their achievements could be readily monitored, by means of mandatory surveys, and evaluated (Joint Committee of Public Accounts, 1991).

More permanent and influential have been investigations carried out through the National Population Council (NPC) and, since its creation in 1989, the Bureau of Immigration Research, which was restructured and amalgamated with the Department of Immigration and Multicultural Affairs (DIMA), Canberra, in September 1996, as part of the austerity measures adopted to meet the 1996 Budget saving targets.

7.2.2.3 Business, Independent and Economic Criteria

Until 1986, Australia had no residual Independent category¹: economic immigrants had to qualify under one of the specific sub-programs - Employer Nominated or Business Migration. However, the Independent and Concessional category was introduced in July 1986 (DIEA, 1987). Beyond these specific business and labour-related categories, Australia has had a significantly open and economic-related admission category which it labelled 'Independent.' A points test was used, with the pass mark varied in order to control the intake numbers.

Australia's migration program first provided an entry category for migrants with business skills, with the Entrepreneur category, in November 1976 (Joint Committee of Public Accounts, 1991). The entrepreneur category existed until 1981 when it was replaced by the Business Migration Program (BMP). The new BMP continued to provide for admission under the same criteria as the previous entrepreneurial category but added self-employed people, that is, successful professionals and trades-people with their own firms, who could show that they had sufficient capital to establish a business. At the beginning of 1983 these two elements were amalgamated into a separate stream (Inglis & Wu, 1991).

Between 1987 and 1991, the BMP selection criteria required that applicants had a successful business record, intended to settle permanently in Australia and owned assets which were available for transfer to Australia, both for business and settlement purposes. The amounts required for business purposes varied and were dependent on the age of the principal applicant and the location of their settlement.

In January 1988, as part of a progressive process of deregulating the BMP, which had begun in 1985, the Federal Government introduced the Accredited Agents Scheme (AAS). The AAS allowed agents to play an active role in assessing migrants under the BMP. In effect, the government was transferring substantial responsibility and control over the program to the AAS, in receiving and verifying applications from DILGEA officers based overseas, to private agents who also marketed the program (Lever-Tracy *et al.*, 1991).

On 25 July 1991, the Federal Government announced its decision to replace the BMP as a separate migration category, with no further applications to be accepted under the BMP after 2 August 1991. Until it ceased operating, in 1991, the BMP formed part of the migration economic stream to Australia. At the beginning of 1992, the BMP was replaced by a new Independent-Business Skills category, a sub-category within the Independent category of the migration program.

¹ Until 1986, the Skill category was composed of two sub-categories: the Employer Nominated and Business Migration. It was in 1986 that the Independent sub-category was introduced within the Skill Category.

The new selection criteria were based on an applicant’s skills and experience rather than a specific business proposal or an available sum of money for transfer to Australia. Like the other ‘Independent’ applicants, business skills applicants were now subject to a points test, at which they had to attain a score of 105 points.

In July 1994, further changes were implemented to the Business Skills category (BSC), namely: that all time periods for threshold criteria and the Points Test for all BSC classes were amended to two out of four years immediately preceding the date of application, and facility was given to temporary residents legally in Australia to change their status on business skills grounds and be assessed against BSC criteria.

When the Coalition came into office in 1996, further changes were implemented. From August 1996, the pass mark for the Independent category rose from its previous 110 points to 115 points. Furthermore, a Temporary Business Entry Sponsorship class was introduced to expedite businesses’ requests for overseas people, with periods of stay ranging from three months to four years.

7.2.2.4 Concessional and Preferential Criteria

Table 7.3 Eligibility Category of Settler Arrivals (Percentage) ¹ in Australia, 1983 to 1996						
Category	1983/84	1988/89	1990/91	1992/93	1994/95	1995/96
Family Migration						
Preferential	30.9	21.6	25.9	47.0	41.0	38.7
Concessional	17.7	19.4	18.5	9.7	8.6	8.2
Total (%)	48.6	41.0	44.3	56.7	49.6	46.9
Skill Migration						
Employer Nominees	5.1	5.6	5.5	6.0	3.7	2.5
Business Migration	2.1	6.9	6.7	4.1	2.7	4.3
Independent ²	9.5	17.5	27.5	17.9	18.5	13.3
Other	0.1	0.1	0.1	0.3	10.8	0.6
Total (%)	16.7	30.1	39.8	28.3	35.7	20.7
Refugees/Humanitarian						
Refugees/Humanitarian	21.2	7.5	6.4	8.1	8.5	13.9
Other	13.5	21.4	9.9	6.8	6.2	18.5
Total (%)	34.7	28.9	16.3	14.9	14.7	32.4
Total (No.)	69,808	145,316	121,168	79,772	87,428	99,139
Note: ¹ Percentages' totals do not add up to 100.0 due to rounding errors. ² In 1983-84 and 1988-89, Independent includes those admitted under the Occupational Shares Scheme. Sources: Department of Immigration, Local government and Ethnic Affairs (DILGEA) 1992, <i>Population Flows: Immigration Aspects</i> , Canberra; Bureau of Immigration, Multicultural And Population Research (BIMPR), <i>Settler Arrivals 1995-96</i> , unpublished data.						

The changes which took place after 1981 had allocated extra points to people applying under the ‘Independent’ and ‘Special Humanitarian’ schemes if they had relations in Australia. Controls were further loosened by removing any advantages for English speakers or for people with needed skills. Labor’s new immigration programme after 1983 was not only smaller, it was also more heavily oriented to family reunion. Indirectly, this favoured a greater intake of Asian migrants as these were more disposed to sponsor relatives. At the same time, the ‘Independent’ category was cut back.

The selection process was held in check by changing the rules as they applied to 'Concessional family' applicants which effected the share of the other categories as a proportion of Australian total migrant intake (Table 7.3). From the same table it becomes evident that the percentage share of the Concessional category fluctuated considerably over the 1983-96 period, from 17.7% in 1983/84 to 8.2% in 1995/96. In the early 1990s, with Australia under the influence of an economic recession, the immigration planning levels were reduced, with the 'economic' intake being the most affected by the reductions as a result of a decrease in demand (Table 7.3). The demand-driven preferential family intake has been relatively unaffected while the Refugees/Humanitarian category contracted significantly over the same period, especially from 1988/89 onwards. This was mainly due to the introduction of stricter regulations for the Refugees/Humanitarian category, which resulted in its share decreasing from a high of 21.2% in 1983/84 to a low of 6.4% in 1990/91.

From 1984/85 to 1990/91, the projected annual migrant intake levels were regularly exceeded. This resulted in the forecasted intake levels to be annually increased, by creating an allowance for grants of resident status, from 32,000 in 1984/85 to 44,000 in 1990/91. The overall upward trend was adjusted by the introduction of the 'balance of family' rule for parental applications.

Managerial controls were more pronounced with respect to the 'Concessional family' class, with settler arrivals increasing from 12,356 in 1983/84 to 28,191 in 1988/89 (Table 7.3). By the mid-1980s, planning levels were consistently exceeded, mainly due to the proportional increases in the large numbers of sponsored siblings (Birrell, 1990). In response to the increasing numbers and to concerns about their 'quality,' some of the rules were tightened, and the pass mark in the points test increased. Since 1989/90, the 'Concessional family' class was designated as a residual buffer, to be used only when demand has been satisfied under 'preferential family,' and only to the extent that latitude was left under the announced target. Since that time, 'Concessional family' numbers have fallen significantly (Table 7.3).

While the decline, in part, reflected falling demands during the recession, the government has decided, on several occasions, not to lower the pass mark in the points test in order to meet the 'Concessional family' targets; indeed, the set pass mark of 85 points, in December 1989, was increased to 90 points, in January 1992. It was increased again to 100 points, in May 1992. At the same time, greater selectivity on the basis of English language proficiency was incorporated, requiring principal applicants to be 'vocationally proficient' in English.

In 1996, with the Coalition coming into power, the newly named Minister for Immigration and Multicultural Affairs, Mr Philip Ruddock, stated that the migration program was going to be revamped, with focus being directed on to Australia's social

and economic needs (Ruddock, 1996a). An ongoing commitment to family reunion was to be maintained, even though the projected overall total was to be further reduced, with a significant shift towards skilled migration. In November 1996, further changes were implemented, when for the first time, additional points for English language and multilingual skills were included in the points test (Ruddock, 1996b). The pass mark for the Concessional Family category was raised to 115 points, on par with the Independent category score, while the pool mark rose to 110 points. The number of sub-classes within the non-points tested Preferential Family category was capped for 1996/97.

It was also projected that the total immigrant intake for 1996/97 to be 74,000 (Ruddock, 1996a). In reducing the planned numbers, it was found necessary to balance the demands of supporters for the social, humanitarian and economic elements in the immigration program. This was done primarily by reducing the two-points-tested categories for the Concessional Family and Independent categories by 68% and 55%, each respectively.

7.2.3 Impacts of External Factors

7.2.3.1 Diplomatic Credibility and International Relations

Australia's ongoing identity dilemma in trying to define its politico-cultural relationship with the Asian region predominated over the 1980s and 1990s. National governmental institutions not only legitimate a framework for domestic political decisions but also represent the interests of the nation in dealings with other nations. Immigration and refugee policies, by definition, have international implications which have an impact on Australia's national government policies.

Historically, Australia adopted a defensive immigration attitude by means of its White Policy (refer ch. 4). Australia's restrictive immigration and tariffs policies were part of the main compromise between labour and capital, which shaped the country for over 50 years (Castles, 1988). Australia's uncertainty about its regional location was a major factor in its implementation of the 'White Australia Policy,' and in its mass European migration program in the post-war period (refer to ch. 4). More recently, however, defensive postures have been tempered considerably by broader foreign policy considerations. The removal of Australia's racially based policies and the marked increase in Asian immigration can, in part, be explained by the perception that these policies were offensive to Asian states and, more recently, an impediment to intra-regional trade.

7.2.3.2 Instability in Indochina

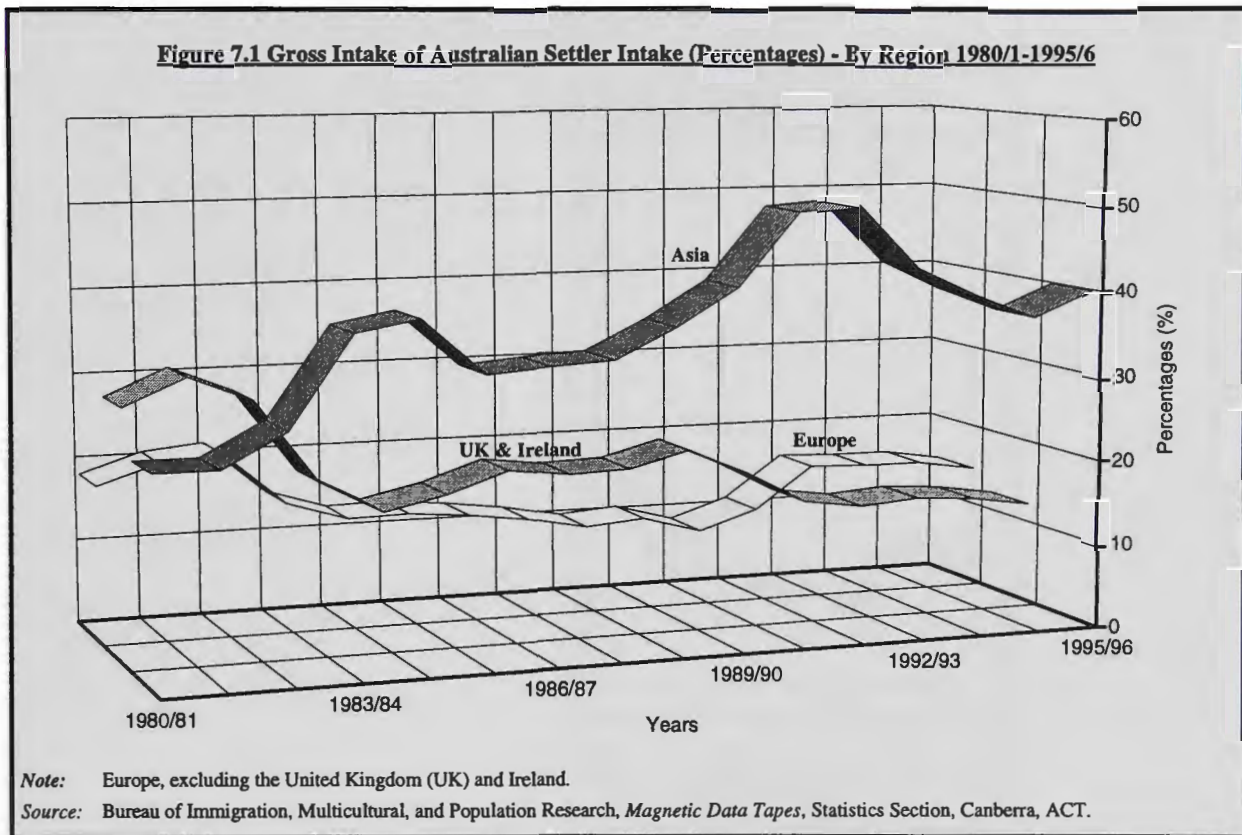
The 1970s Communist victories in Cambodia, Laos and Vietnam precipitated an exodus of over two million Indochinese asylum seekers, 25% of whom were ethnic Chinese. This exodus, which began as a trickle, immediately after the fall of Saigon in 1975, grew to a flood by late-1977. The Australian Government was taken by surprise and was completely at a loss (Viviani, 1984). The central principle of control had been breached and there was no pre-arranged strategy for handling the situation. By implementing a series of manoeuvres, the Australian government was able to respond to its need to reassert control. Nonetheless, the domestic situation was serious enough to warrant an increase in the official refugee intake.

In the 1980s, Australia had to face other challenges with respect to immigration from the Asian region. The Cambodian crisis led to Australia taking a significant number of refugees. The ensuing uncertainties which resulted from the Sino-British talks about the future of Hong Kong precipitated significant increases in the outflow of Hong Kong migrants throughout the world, including Australia. Australia, in competition with Canada and the United States, took advantage of the situation by targeting its BMP program to North East Asia, especially to Hong Kong, and later Taiwan and China, in luring the professionals and the well-to-do.

Consecutively, Australia continued with its preoccupation on China; envisioning China as an opportune market in which to sell its educational services. Australia's marketing efforts resulted in the number of China-born private overseas students in Australia to increase from 38 persons in 1983 to a peak of 16,642 in 1990 (Andressan, 1994). However, Australia was strategically unprepared to face any political fallout in China, after the Tiananmen incident in 1989, and the ensuing flood of applications from Chinese students in Australia for permanent residency.

7.3 Immigration Flows, Trends and Analysis 1980-1996

7.3.1 Globally

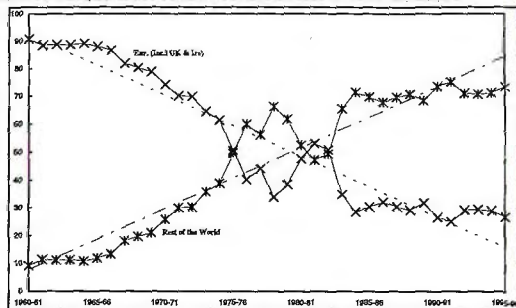


During the 1980s and 1990s, the level of immigration into Australia fluctuated considerably, especially during the 1982-84 and 1989-93 recession periods (Figure 7.1). Not only were Australia's intakes smaller, when compared to the 1960-75 period, but there were also shifts within the sources - by region and country. It must be noted that the emerging patterns of 1980-96 period were continuations of trends already established by the mid-1960s (Figure 7.2, *Panels i, ii, iii, and iv*).

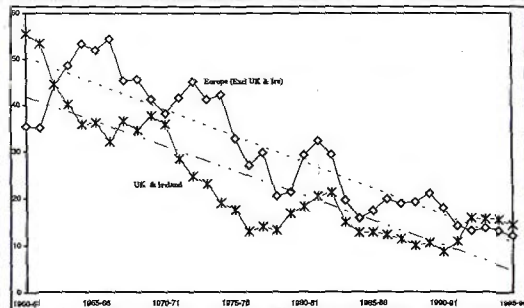
A key trend was Australia's reorientation of its migrants intake away from European countries, including the United Kingdom and Ireland, towards other countries (Figure 7.2, *Panel i*). In 1960/61, Europe, including the United Kingdom and Ireland, made up 91% of Australia's total migrant intake, while the remainder was made up from the rest of the world. Europe's share, as a percentage of Australia's total intake, continued to decrease over the decades, contracting to 70% in 1971/72, to 48% by 1980/81 and to 32% in 1989/90. Between 1990/91 and 1995/96, the European share of total migration was stable at around 27% of the Australian total.

Figure 7.2 Australia's Immigration Intakes (Percentages) By Regions: 1960/61 to 1995/96

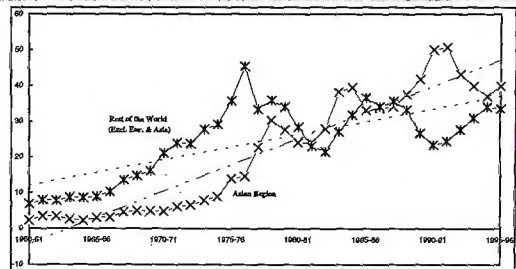
Panel i Australia's Immigration Intake: Europe & Rest of the World (%) - 1960 - 1995



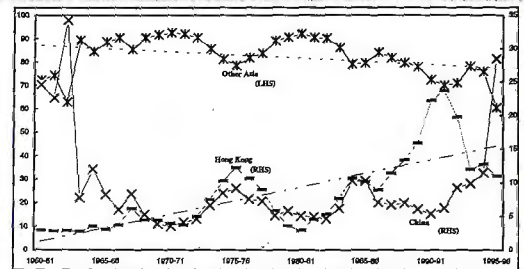
Panel ii Australia's Immigration Intake: Europe (Excl. UK & Ire) & UK & Ireland (%) - 1960 - 1995



Panel iii Australia's Immigration Intake: Asia & Rest of the World (%) - 1960 - 1995



Panel iv Australia's Immigration Intake: Share of HK, PRC, & Other Asia of Total from Asia (%) 1960 - 1995



Notes: Panel i: Rest of the world is the difference between the total percentage share of intake and the percentage share for Europe (including UK and Ireland).

Panel ii: Europe percentage share of total with the exclusion of UK and Ireland combined percentage share.

Panel iii: Asia percentage share refers to the combined total of all countries within that region, while Other is the residual percentage share after Europe (including UK and Ireland) and Asia percentages are deducted from the total.

Panel iv: Other Asia is the difference between Asia total share minus the percentages of Hong Kong and China. China's trendline was omitted due to the significant fluctuations at the beginning and end of series.

Source: Bureau of Immigration, Multicultural, and Population Research, Magnetic Data Tapes, Statistical Section, Canberra, ACT.

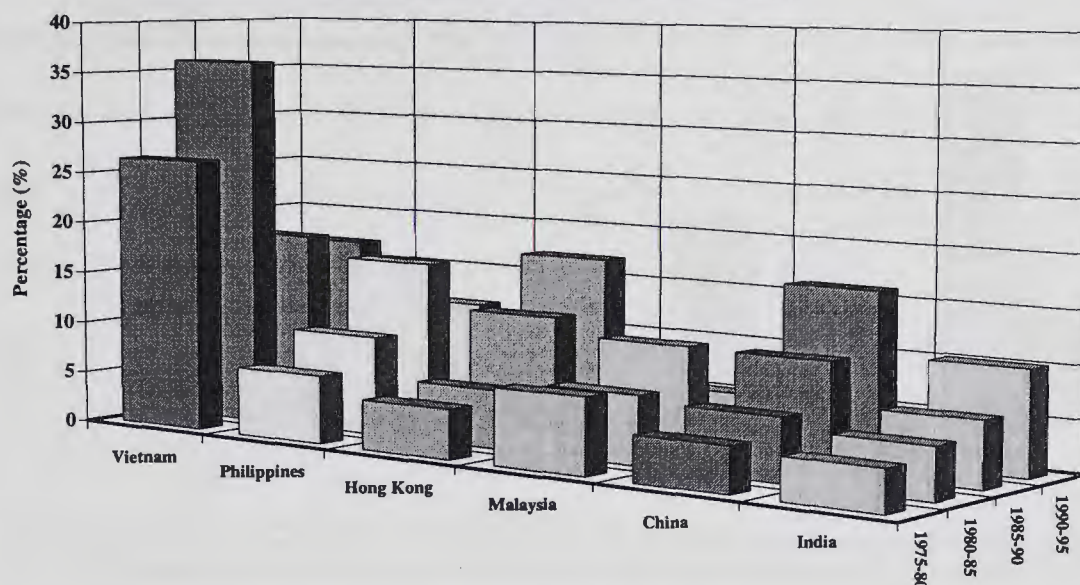
When European total intakes are disaggregated into Europe and the United Kingdom and Ireland (Figure 7.2, *Panel ii*), it becomes evident that the European share decreased more sharply than the United Kingdom and Ireland share. Over the 1960-95 period, while Europe's share of Australia's total migrant intake decreased at the annual rate of 3.9%, the United Kingdom and Ireland share decreased at the average annual rate of 3.1%. This resulted in the United Kingdom and Ireland share of Australian total migrant intake to contract from 55.5% 1960/61 to 14.5% over the 1990s period. Consecutively, Europe's share also exhibited a similar pattern: decreasing from 35.4% of Australia's total intake in 1960/61 to 14% in the 1990s period. It is also apparent from Figure 7.2, *Panel ii* that the trendlines for both Europe and the United Kingdom and Ireland were both negative and almost parallel (Figure 7.2, *Panel ii*). This means that corresponding factors were involved, which resulted in both Europe's and the United Kingdom and Ireland's shares sustaining contractions as a percentage of Australia's total migrant intake.

Figure 7.2, *Panel iii*, depicts changes in the shares of the Asian region and other countries over the same period. The Asian region share of Australia's total intake increased from 2.3% in 1960/61 to 50.7% in 1991/92, when it stabilised at 40% during 1992-95 period. The share of migrants from countries outside Europe and Asia rose in a similar fashion, from a low of 6.8% in 1960/61 to a high of 45.4% in 1976/77. By 1995/96, migrants from these other countries comprised 33.4% of Australia's total migrant intake. Thus, by the mid-1990s almost three quarters of Australia's migrants came from countries outside Europe, with a little more than half of these coming from Asia.

In Figure 7.2, *Panel iv*, the Asian percentage share is disaggregated into three main components: Hong Kong, China, and Other Asian countries. It is clear that Hong Kong's share of Asia's total intake grew from the mid-1960s onwards: from 3.0% in 1965/66 to 12.3% in 1975/76, then to 23.7% in 1991/92 and then contracted to 11.0% in 1995/96. China share as a percentage of Asia total migrants intake fluctuated considerably over the 1960-95 period: initially at 24.6% in 1960/61 to a low of 3.5% in 1970/71, then to 10.3% in 1985/86 and then to 28.5% in 1995/96. Three significant themes emerge from *Panel iv*, namely, that over time, Hong Kong percentage share continued to increase, especially from mid-1980s onwards; that China's share of Asia's total intake became significant from the early- to the mid-1960s and then re-emerged from the early 1990s onwards; and that the tendency for the share of other Asian countries to decrease, linearly and in parallel with China's share. (refer to Sec. 7.3.3).

7.3.2 Asian Region

**Figure 7.3 Australian Immigration Intake from the Asian Region, By Country: Five Year Average
% Shares of Total Asian Intake 1975/76-1995/96**



Notes: From July 1975, settlers of Taiwan origin are aggregated with the People's Republic of China (PRC) figures.

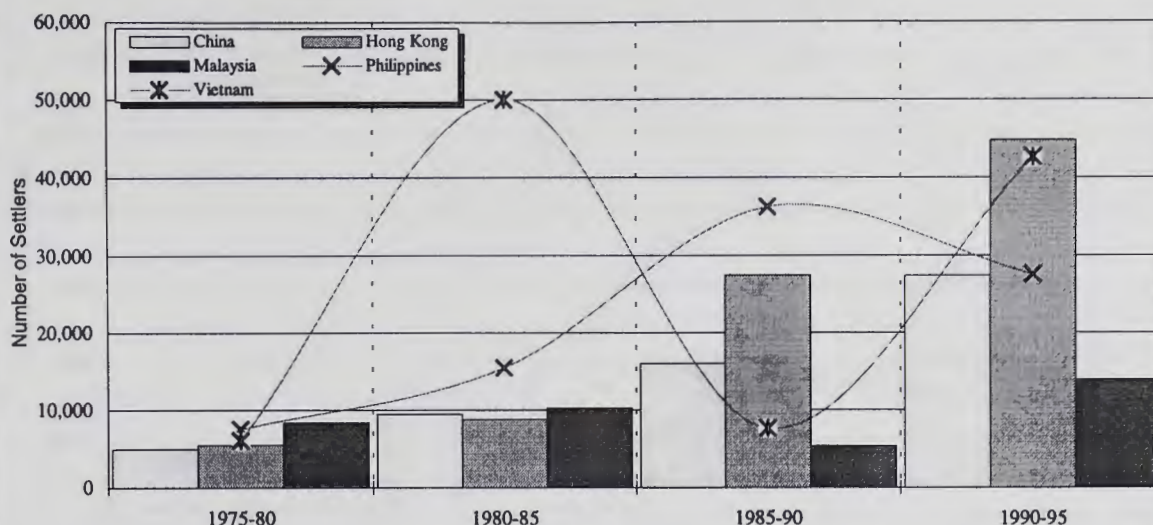
Year refers to financial year, that is, from 1 July to 30 June.

Sources: Bureau of Immigration, Multicultural and Population Research (BIMPR), *Statistical Focus*, BIMPR, Canberra, ACT, various issues; BIMPR, Magnetic Tape Data, Statistical Section, Canberra, ACT.

As has been outlined in the previous section, while Australia continued with its migrants intake programmes, it reoriented its intakes towards the Asian region as its previous reliable sources were closing up, e.g., Europe and the United Kingdom and Ireland. Furthermore, Asian residents' propensity to sponsor their relatives resulted in a greater number of settlers coming from Asia (refer to Sec. 7.3.3).

During the 1980-90 period, Asian immigration averaged 34.6% of Australia's total intake, although increasing during the period, and stabilised at 43.4% over the 1990-95 period (Figure 7.3). During the 1975-85 period, political instability in the Asian region, especially in Vietnam, resulted in a larger component of Australia's total migrants intake being allocated to Vietnamese refugees. The Vietnamese average percentage share of Australia's total intake which was very low before the Vietnam War, increased to 26.5% over the 1975-80 period and to 36.0% over the 1980-85 period. (Figure 7.3 and Figure 7.4). Political instability and uncertainty within the North East Asian region, during the 1980s, exerted pressure on the levels of Australia's migrants intake. This was mainly due to the political instability which was precipitated by the Tiananmen Incident in 1989, the anticipated political uncertainty which resulted from the Sino-British talks of 1982/83, and the associated political risks on Hong Kong being ceded to China in 1997. More detailed discussion is provided below.

Figure 7.4 Australian Settler Arrivals: By Country of Birth of Selected Asian Countries, Five Year Totals (Numbers) 1975-1995¹



Notes: ¹Year refers to financial year, that is, July to June of each consecutive year.

The figures for Taiwan's settlers arrivals have been aggregated with those of the People's Republic of China (PRC). This was done so that (a) continuity is maintained for comparison purposes (with ch. 3) and (b) the figures were insignificant up to the late 1980s.

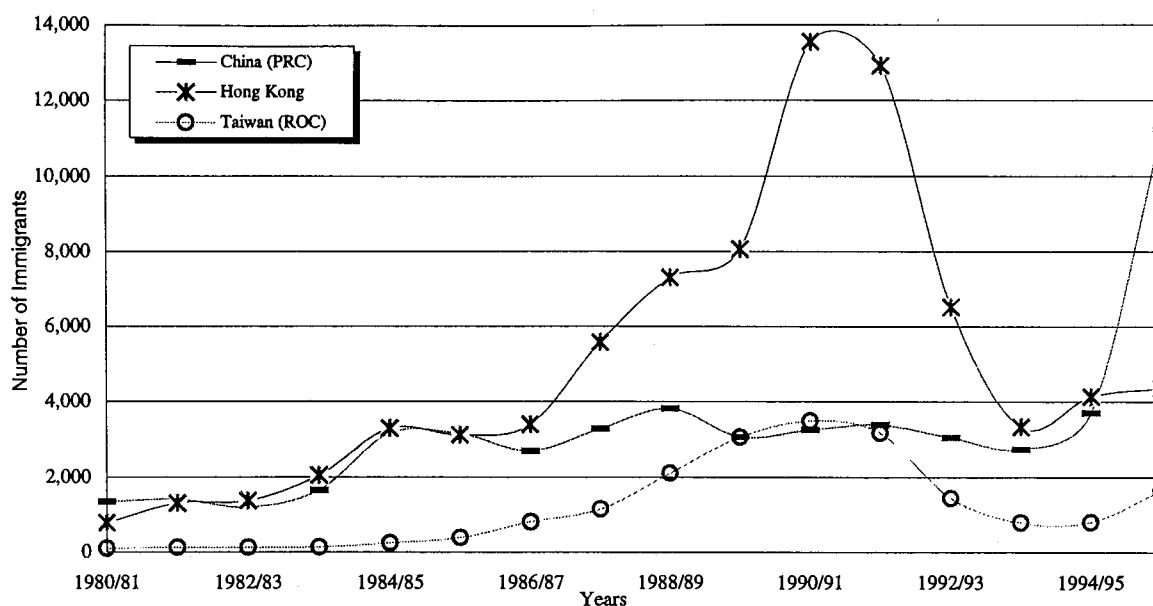
Source: Bureau of Immigration, Multicultural, Population Research, *Magnetic Tape Data*, Statistics Section Canberra, ACT.

Throughout the 1980-85 period, the composition of Asian immigration consisted of the following major source countries (in descending order): Vietnam 36.0%, Philippines 9.6%, Malaysia 6.6%, China 6.0% and Hong Kong 5.7% (Figure 7.3 & Figure 7.4). Significant shifts in the Asian intake occurred over the 1985-90 period, with Vietnam's decreasing share mainly due to Australia's tighter refugee control, being offset by increases in the shares of the Philippines, Hong Kong, China and Malaysia. The 1990s produced another modification in Australia's immigrants intake from the Asia region (in descending order): Hong Kong, China, and India increasing their share at the detriment of the Philippines, Malaysia and Vietnam (Figure 7.3 and Figure 7.4).

7.3.2.1 Hong Kong

Over the past decade, one of the major factors contributing to the steep rise in emigration from Hong Kong has been the high anxiety generated by the impending reversion of the territory to China in 1997. A survey undertaken in Hong Kong in 1991 reported that one-third of respondents were 'not very confident' or 'not at all confident' in Hong Kong's political future (Wong, 1994). Furthermore, this lack of confidence was found to be 'more prevalent among the younger inhabitants, the unmarried, the local born, the more educated, and those earning a higher income' and it was these groups who were also 'more sceptical of the trustworthiness of the administrative authorities in Hong Kong, Britain and China' (Wong, 1994).

Figure 7.5 Settler Arrivals By Country of Birth - China, Hong Kong and Taiwan 1980/81-1995/6



Sources: Bureau of Immigration, Multicultural and Population Research, Statistics Focus, 1960 - 1993, Statistics Section, Canberra, ACT; BIMPR, *Magnetic Tapes*, 1980-1996, Statistical Section, Canberra, ACT.

In the period 1985-91, a total of 278,281 persons emigrated from Hong Kong to the three major receiving countries - Canada, the United States and Australia. Of this total, 46.2% went to Canada, 27.2% to the United States and 26.6% to Australia (Wong, 1994). In effect, the reasons for such high levels of Hong Kong migrants going to Canada were that they had kinship connection and had greater familiarity with the Canadian environment (Castells, Goh & Kwok, 1990). Kinship connection also served as a means of attaining Canadian residency by applying under Canada's Family criteria.

Australia's intake of migrants from Hong Kong during the 1970s decade averaged an annual rate of 798 (Figure 7.5). However, in the 1980s and 1990s decades, the average annual rates stood at 3,624 and 7,467, each respectively. These increases were due to several factors. Australia's recent policy directions, which include a closer identification with the Asia-Pacific region, a non-discriminatory immigration program that encourages skilled and qualified settlers and support for a multicultural society, were attractive to many considering emigration from Hong Kong. In addition, Australian immigration regulations and procedures, which 'neither impose area quotas nor demand residency requirements for landed immigrants' and offer a multiple re-entry visa valid for three years on entry, provide greater flexibility than those of Canada and the United States (Kee & Sheldon, 1994; Wong, 1994).

While different selection criteria certainly target different types of migrants, the Hong Kong immigrants' strategies emphasise that, in their case, they often have a real choice as to which entry category to utilise. Their ultimate choice between categories

becomes dependent on considerations such as, the time delay involved in gaining approval and entry. This is further echoed by Hong Kong immigrants' preferential use of family categories for residency in Canada (Table 7.4), and skill categories for permanent residency in Australia (Table 7.5). Their decision to emigrate reflects less the differential economic attractiveness of traditional receiving countries, than the importance of more diverse considerations, such as the quality of life-style, future prospects for their children and immediate political concerns (Wai-wah *et al.*, 1991).

Table 7.4 Hong Kong Immigration to Canada: By Category 1983-1996 (Selected Years) ^{1,2}								
Category ³	1983	1985	1989	1990	1993	1994	1995	1996 ⁴
Family Class	4,166	2,932	3,240	5,606	9,272	9,487	8,048	2,424
Assisted Relatives	154	376	835	2,495	3,595	10,017	11,945	4,294
Refugees	4	0	3	3	11	9	3	1
Designated Class	62	1	106	19	53	1	3	1
Entrepreneurs	618	2,724	4,135	4,282	7,697	5,758	3,623	1,795
Investors	0	0	956	2,289	5,246	5,437	2,046	1,096
Self-Employed	566	101	194	212	897	730	629	433
Retired	349	617	1,495	1,577		6,399	237	51
Independent Class	802	642	8,897	12,778	9,805	6,336	5,213	2,549
Total from Hong Kong	6,721	7,393	19,861	29,261	36,576	44,174	31,744	12,952
% of Total Intake	7.5	8.7	10.44	13.6	14.3	19.7	14.9	12.4
Notes: ¹ Years are calendar years. ² Data is compiled on country of last residence. ³ Categories' data is composed of principal applicants and their dependants. ⁴ Year is from 1 January to 9 August 1996.								
Source: Employment and Immigration Canada, <i>Unpublished Data, Mainframe run Betch 01/H-1/V-001;P-002</i> , Ottawa, Canada.								

The main reason for Hong Kong people leaving the Territories is to find a new home before Hong Kong reverts to China. This is a form of pre-emptive migration as they perceive the future as threatening (Wai-wah *et al.*, 1991). For other people, the process of emigration is an act of insurance. The move is not intended to be permanent; they seek only the protection of a foreign passport so that they can live in Hong Kong with greater security than they would if they were Chinese citizens (which Hong Kong citizens will become after 1997). The foreign passport gives them the promise of immediate departure. For others, the emigration of individuals is a form of family risk-spreading.

The category or class under which a potential immigrant applies for entry may be influenced by a range of factors, including the perceived chance of approval, the time delays associated with different categories, understanding of the various categories of entry, personal preferences, and government quotas and management of various categories of visas. The last factor, in particular, can have a significant impact on the mix of entries and may change from year to year as government readjusts its quotas and the administration of the various entry programs. The trend in Australia, over the past decade, has been towards significant numbers arriving under the categories of Independent and Business Migration (Table 7.5). Despite the importance of the Family Reunion Category in Australia's total immigration program, from the mid-

1980s onwards, less than 25% of Hong Kong immigrants to Australia made use of family ties as a basis for entry. Once established in Australia, these individuals are well placed to sponsor a ‘second wave’ of family members.

Table 7.5 Hong Kong Arrivals in Australia by Eligibility Criteria 1982/83-1995/6 (Selected Years)							
Category ³	1982/83	1985/86	1989/90	1990/91	1993/94	1994/5	1995/6
Family Class							
Preferential							
Concessional	416	1,868	642	608	916	914	986
}			1,252	2,502	945	739	610
Skilled							
Employer's Nomination ^a	603	760	1,088	1,128	140	139	173
Business Skills (BMP) ^b	56	335	2,292	1,802	253	258	887
Special Talents	10	9	43	28	8	2	6
Independent	144	19	2,323	7,227	965	1,917	1,557
Humanitarian	41	47	231	147	31	42	29
Other	103	79	183	99	75	124	113
TOTAL	1,373	3,117	8,054	13,541	3,333	4,135	4,361
<p><i>Notes:</i> Year refers to financial year. Prior to 1982, there was no classification by Country of Birth Eligibility Criteria. Categories' data is composed of principal applicants and their dependants. For financial year 1995/96, the Department of Immigration and Multicultural Affairs introduced a Special Eligibility criteria which previously used to be aggregated with Special Talents category. As the numbers involved were small, and to establish a continuum in the data, the Special Eligibility figures were aggregated with those for Special Talents.</p> <p><i>Sources:</i> Bureau of Immigration, Multicultural and Population Research, <i>Magnetic Data Tapes</i>, BIMPR, Statistics Section, Canberra, ACT; Bureau of Immigration, Multicultural and Population Research, <i>Settler Arrivals by Region/Country of Birth By Eligibility Category</i>, Statistical Section, Canberra, ACT, various issues.</p>							

The ultimate choice of the destination country and region is necessarily complex and personal, taking in a whole variety of reasons, some of which may be common to other individuals, although the individual weighting may be quite different. The common reasons for choosing Australia may include previous knowledge gained through education, tourism (refer to ch. 6), business associations (refer to ch. 8), family and friends, perceived economic opportunities for their particular set of skills or background, and government programs such as the business migration programs (refer to Sec. 7.3.3). Australia is seen as more relaxed and in providing a safe environment for raising a family. Its climate is also seen as a major advantage.

Until the mid-1980s, when the impending return of Hong Kong to China became a dominant concern to many Hong Kong Chinese, migration to Australia was largely due to pull factors: many immigrants from the colony were attracted by the economic gains likely to be had in Australia. During this period, among the Hong Kong migrants were the less skilled, who found employment in the restaurant trade, people arriving under the family reunion program, and former students who had studied in Australian universities. In 1990/91, the majority of Hong Kong migrants to Australia were independent migrants, who were admitted on the grounds of professional qualifications, skills, or wealth (Table 7.5).

Australia has most recently been attracting the most highly qualified migrants. For example, in 1991, 31% of all Hong Kong migrants settling in Australia were degree holders, compared to 14% who were emigrating to Canada, and just 8.4% of those going to the United States (Hong Kong Government, unpub.). Over half of the emigrants to Australia fell into the “managers, administrators, professional and associate professional” categories, compared to 34% of emigrants to Canada and 20% of emigrants to the United States (Hong Kong Government, unpub.). This is partly explained by the recent arrivals of Hong Kong migrants in Australia. As migration develops, there is an increasing demand for, and sponsorship of, family members as the initial skilled migrants “pull” family members through chain migration. This can be seen most clearly in the relative, but not absolute, decline of the professionals importance in their flow to Canada between 1987 and 1990.

From studies of intentions to emigrate, it becomes clearly evident that the pressure to migrate is concentrated among the professional and wealthier groups in Hong Kong. The results of a random Hong Kong-wide migration survey, which was taken in mid-1991, revealed that only 5.6% of the respondents would “definitely migrate” before 1997 (*Hong Kong Survey*, 1991). This survey’s results differ from other professionals’ surveys which have shown that close to one-half of respondents will migrate (Kwong, 1990; Lam & Lee, 1991).

Hence, for the vast majority of people in Hong Kong, emigration is not seen as an option; their destiny is in Hong Kong, irrespective of the directions of the coming political changes.

7.3.2.2 People’s Republic of China (PRC)

During the 1970s, immigration from mainland China stood at an annual average of 723 persons (ch. 4). However, over the 1980s decade, there were significant increases, with the average yearly intake increasing to 2,475 persons (Figure 7.5). During the 1990/91 to 1995/96, there continued to be a growth trend in Chinese immigration, with the average annual rate increasing to 4,564 persons. It should be noted that these figures do not take into account those students, and their dependents, which had their status changed from 4 year temporary visas to permanent residencies, in 1996. If these on-shore applicants are also taken into consideration, over the 1990/91-1995/96 period, the average yearly intake of mainland Chinese would increase to 12,830 persons (refer to Section 7.3.3.6).

7.3.2.3 Republic of China (ROC)

In the 1970s, on the assumption of power from his father, Chiang Ching-kuo began a liberalisation process, which culminated at the end of his presidency. Taiwan's turning point in its affairs came in 1987, when Marshall Law was lifted, the controls on the press were relaxed, approvals were granted to Taiwanese to be able to visit mainland China, and authorisation given for the formation of an opposition party. This period has been characterised by rapid, often turbulent, changes.

The political uncertainty in Asia, including the hostility between the Chinese Communist Government on mainland China and the Nationalist Chinese regime in Taiwan, as well as the return of Hong Kong to China in 1997, created a level of uncertainty in Taiwan. The wider questions of Taiwan's relationship with China and its national identity are highly charged political issues, with no clear political direction.

This uncertainty and heightening of tensions in China-Taiwan relations became more pronounced as Taiwan gained international status, which is tantamount in Taiwan's seeking independence. In an effort to reinforce this point, Beijing broke all ongoing talks with Taiwan and embarked upon a series of military exercises close to Taiwan.

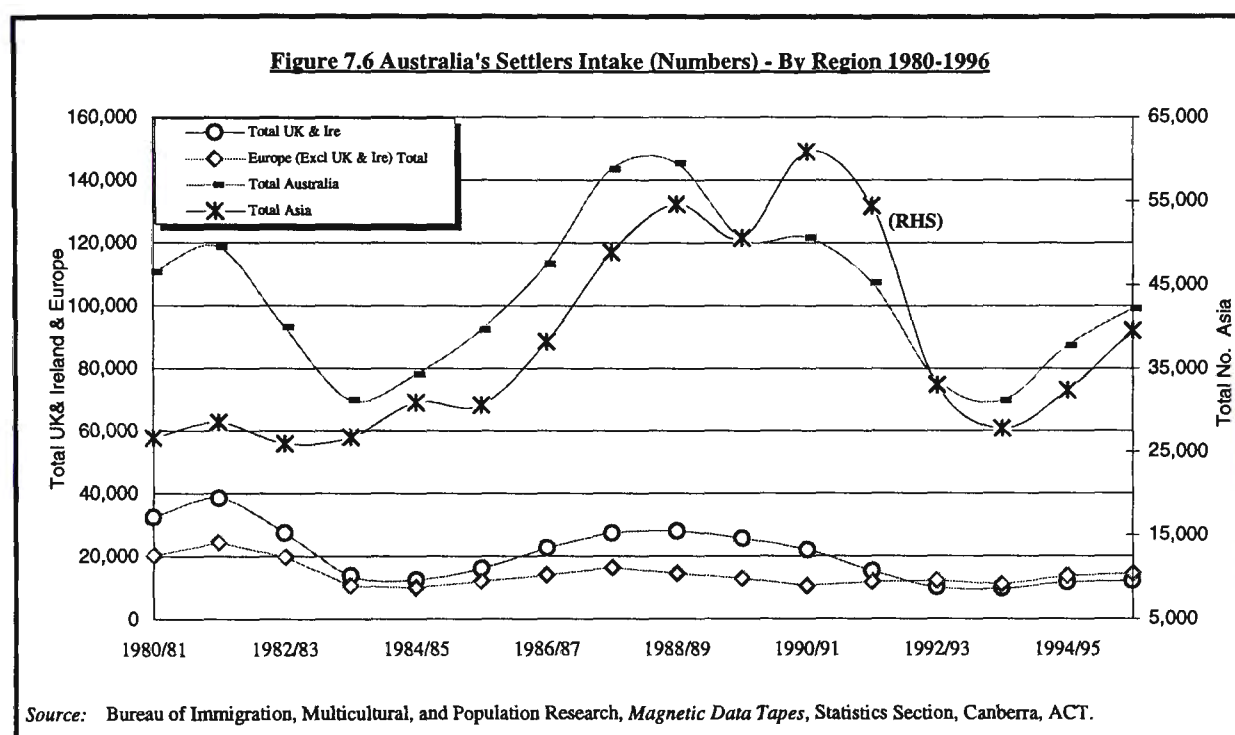
While Taiwan is much less affected by events on mainland China than Hong Kong, the pattern of migration is similar. Taiwanese migrants have been mostly composed of the highly educated, skilled and professional groups. Among those leaving Taiwan are the middle-class financiers, educators, scientists, and engineers, as well as some poorer migrants. The main factors driving those seeking alternative residencies are improvements in their economic well-being and in securing a future and an education for their children (Khoo, Kee, Dang & Shu, 1994).

In the 1980s, the Taiwanese-born community showed the most dramatic growth in the number of settlers in Australia - increasing by 1,484 per cent. Thus, the Taiwanese-born population in Australia increased from 878 settlers in 1982/83 to 13,025 in 1989/90. This was mainly the result of an increase in the average annual intake of Taiwanese-born settlers in Australia from 820 migrants over the 1980s decade to 1,986 settlers during the 1990s period (Figure 7.5).

A relatively high proportion of Taiwanese have entered as independent, skilled or business immigrants (Inglis & Wu, 1994). In 1991, more than 85% of Taiwanese population living in Australia arrived during the years 1986-91.

The two main forces that will continue to affect Taiwan's migration are clearly what will happen in China and what will happen to the international economy, with the latter being less difficult to deal with than the former.

7.3.3 Trends and Analysis



As noted above, from 1980/81 to 1995/96, the relatively large percentage increase in Asian immigration coincided with the big drop in the proportions of immigrants from the United Kingdom and the rest of Europe (Figure 7.2, *Panels i and ii*; Figure 7.6). After 1983, Labor's immigration programmes were not only smaller, but also heavily oriented to family reunion. The new family reunion regulations allowed more Australian residents from Asian countries to sponsor their relatives, and at the same time the Independent category, which had brought many Britons and people of European origin, was cut back.

Asian countries, especially Vietnam, Philippines, Hong Kong and Malaysia, were far more likely to sponsor relatives than southern Europeans (Birrell and Birrell, 1987). With the increase in the Family Reunion category and the reduction in the Independent category, Asians made up a larger proportion of a smaller intake (Figure 7.1, Figure 7.3, Figure 7.5 & Figure 7.6.). In addition, as Asian migrants were less likely to return home than people from the United Kingdom, Europe and North America, their proportion in Australia's net intake was higher than their share in the gross figures. This resulted in the number of Asian migrants to increase substantially,

as will be elaborated upon later. Thus, Asian migration to Australia has been mainly influenced by three main programs: the Family Reunion Program, Humanitarian (Refugee) Program and the Business Migration Program (BMP).

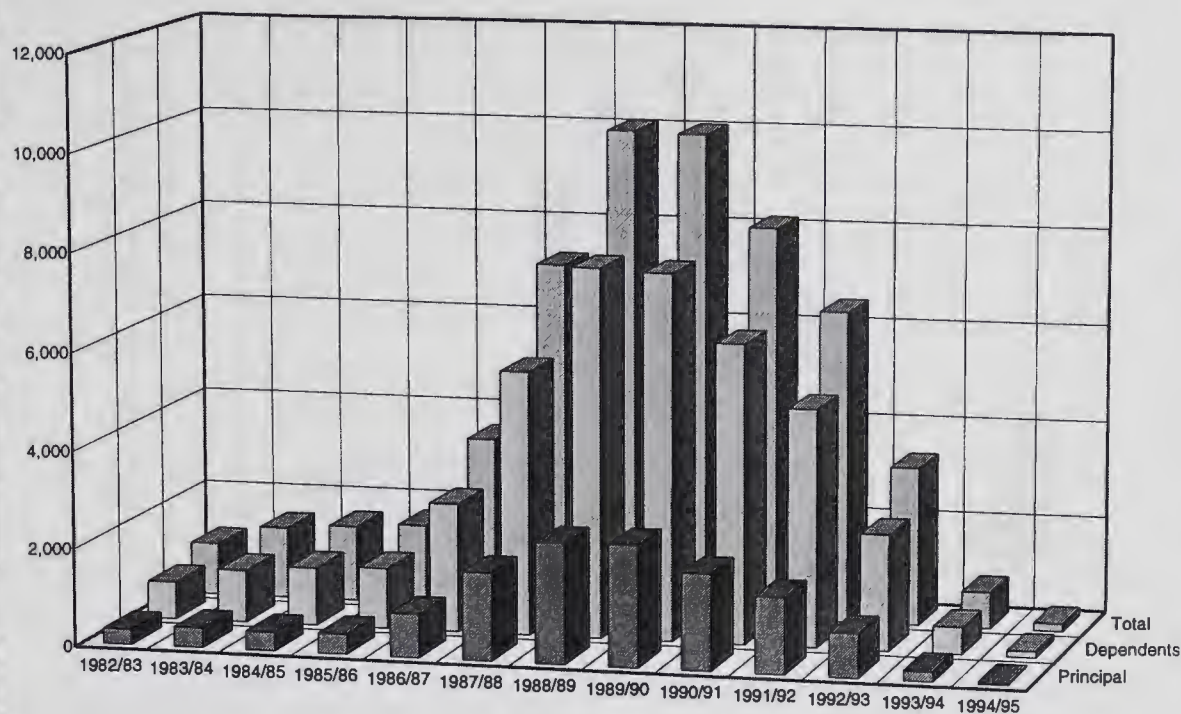
In 1981, the Australian Immigration Department introduced the Business Migrating Program (BMP). The BMP experienced modest growth in the early 1980s. From 1982/83 to 1985/86, an annual average of 375 principal applicants arrived in Australia. By far, the largest intake under the BMP category occurred over the 1986/87 to 1990/91, with an average annual intake of 1,917 principal applicants (Figure 7.7). BMP total settler intake peaked in 1988/89 when 10,039 principal and their dependents settled in Australia. Over the 1991/92 to 1994/95 period, under the business scheme, the average annual intake of principal applicants fell to 672 settlers while the total (principal and dependents) averaged 2,658 settlers.

During 1990/91, 8,118 principal applicants and their families arrived in Australia, several thousands below the initial planned levels, which reflected a reduced demand, given Australia's declining economy and the effect of competition from other countries, particularly Canada. The planned visa allocation for business migrants, in 1991/92 was 5,000, out of the total planned immigrant intake of 111,000, or 4.5 per cent (BIR, 1991; DILGEA, 1991; Joint Committee of Public Accounts, 1991). Indeed, notwithstanding the numbers during the late 1980s, the principal applicants and their families have never represented more than a small proportion of Australia's annual migrant intake. However, the BMP served as an important means for the Hong Kong people who wished to settle in Australia.

In 1982/83, Asian settler arrivals accounted for the overwhelming majority (76%) of the total refugee intake. By 1991/92, this proportion had fallen to 44 per cent of the total intake. The largest growth by eligibility criteria has been the business migration category, as the Asian-born accounted for 92.0% of the program in 1991/92, compared to 24% in 1982/83 (Figure 7.8).

This marked growth was largely due to increases in business migration from Hong Kong and Taiwan (Figure 7.9). Other categories which have also experienced significant growth from applicants from Asian countries included the Family, Independent, and Employer Nominated categories. There appears to have been no substantial evidence to support the claim that Asian immigrants, especially business migrants, were using New Zealand as a back-door to enter into Australia. During 1982/83-1995/96, the proportion of migrants from China, Hong Kong and Taiwan who were New Zealand citizens remained relatively stable at around 2 per cent of Australia's total settler arrivals, was it not for Taiwan's quite significant 15.6% in 1995/96 (Table 7.9).

Figure 7.7 Business Migrant Program Settler Arrivals - Total^{1,2}; 1982/83 - 1995/96³



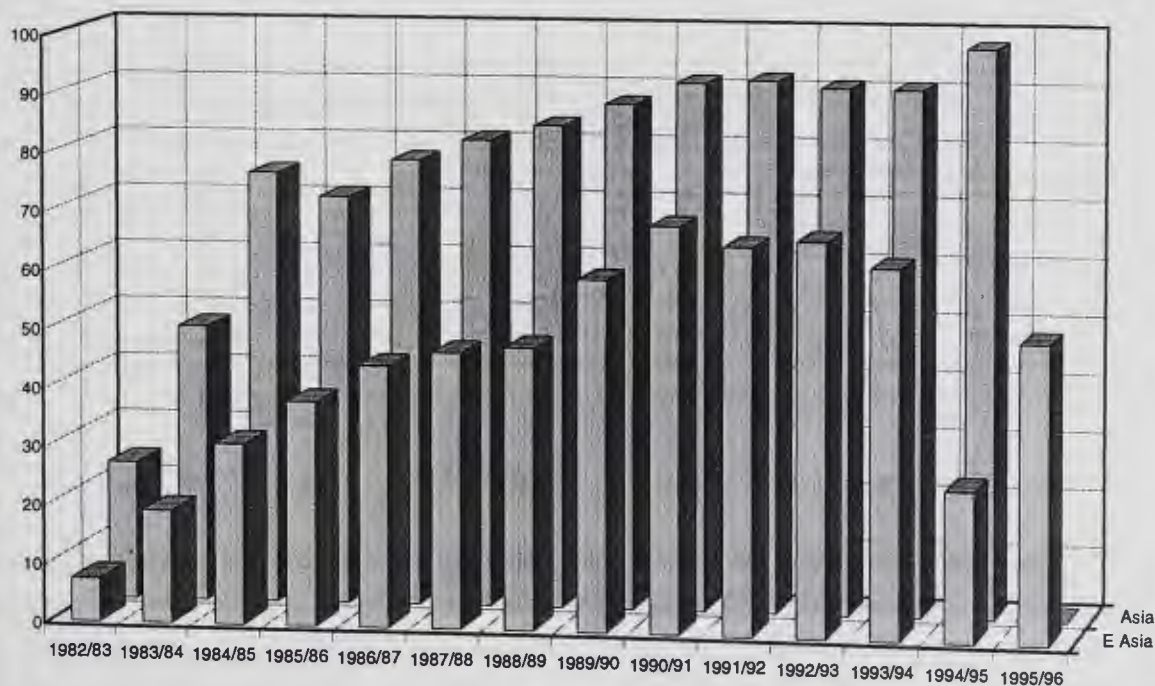
Notes: ¹ Includes principal applicants and accompanying dependants.

² BMP Scheme was re-organised and data compiled as Skill Migration Category as of February 1992.

³ 1995-96 shows the Business component of the Skill Migration Category.

Source: BIMPR, Statistics Section 1996, *Magnetic Tape Data*, Department of Immigration, Canberra, ACT.

Figure 7.8 BMP Settler Arrivals Comparison: Asia¹ and East Asia² - Percentage Shares of Total^{3,4}
1982/83 - 1995/96



Notes: ¹ Asia refers to all countries within the Asian region.

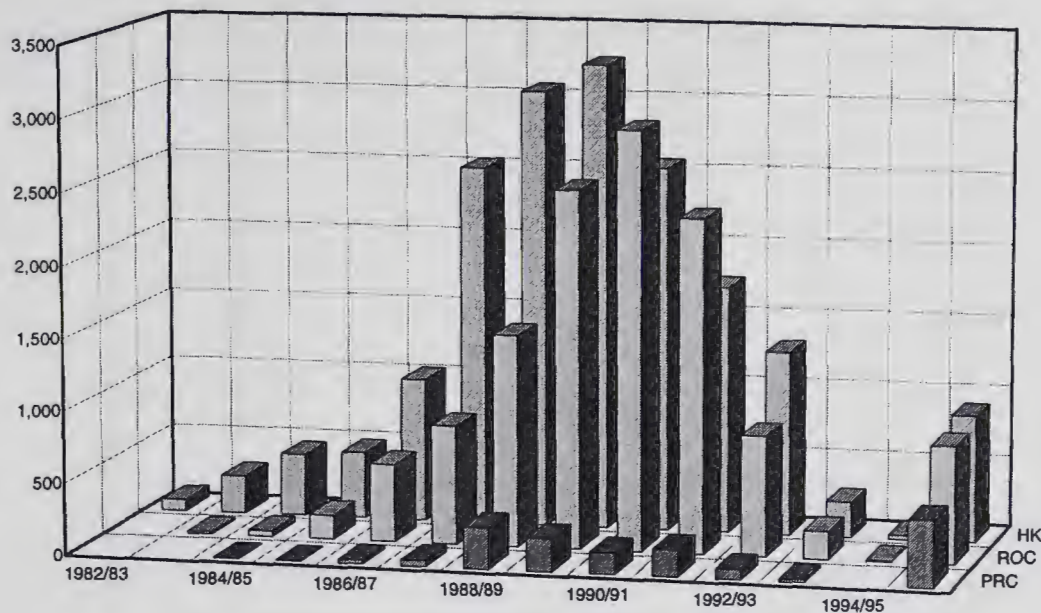
² East Asia refers to Hong Kong, the Republic of China (ROC), Taiwan, and The People's Republic of China (PRC).

³ Includes principal applicants and accompanying dependants.

⁴ BMP Scheme was re-organised as of February 1992 and data compiled as Skill Migration Category; 1995-96 shows the Business component of the Skill Migration Category.

Source: BIMPR, Statistics Section 1996, *Magnetic Tape Data*, Department of Immigration, Canberra, ACT.

Figure 7.9 BMP Settlers Arrivals^{1,2}, HK, ROC, and PRC: 1982/83 - 1995/96^{3,4}



Notes: ¹ Includes principal applicants and accompanying dependants.

² BMP Scheme was re-organised and data compiled as Skill Migration.

³ 1995-96 shows the Business component of the Skill Migration Category.

⁴ BMP Scheme was re-organised in February 1992 and data compiled as Skill Migration; 1995-96 shows the Business component of the Skill Migration Category.

Source: BIMPR, Statistics Section 1996, *Magnetic Tape Data*, Department of Immigration, Canberra, ACT.

7.3.3.1 Australian Migrant Intake from Hong Kong

Table 7.6 Comparison: HK-Born and HK as Place of Last Residence Statistics, Settlers to Australia, 1959 - 1995 (Total 5 Yr Period)

Year	Place of birth HK	Place of Last Residence HK
1959-65	520	1,860
1965-70	1,470	3,540
1970-75	2,510	4,890
1975-80	5,470	9,370
1980-85	8,750	15,890
1985-90	27,470	39,530
1990-95	44,803	55,915

Source: Bureau of Immigration, Multicultural and Population Research, 1993, *Australian Immigration: Consolidated Statistics No. 17, 1991-92*. Canberra: Australian Government Publishing Service, ACT, various issues.

The differences between the number of new settlers who were Hong Kong-born and the number whose last place of residence was Hong Kong continued to increase over the 1959-1995 period (Table 7.6). In this chapter (as set in ch. 4), migration statistical information is based on 'place of birth' rather than 'place of last residence,' as this gives an accurate representation of the numbers of the Hong Kong-born migrants, as opposed to those who use Hong Kong as a transient place, for example, refugees, Taiwanese nationals, and political asylum seekers - before being accepted to migrate to their chosen destination.

Table 7.7 Hong Kong Government Estimates of Emigration 1980 - 1996	
Year	Number of Emigrants
1980	22,400
1981	18,300
1982	20,300
1983	19,800
1984	22,400
1985	22,300
1986	19,000
1987	30,000
1988	45,800
1989	42,000
1990	62,000
1991	60,000
1992	66,200
1993	53,400
1994	61,600
1995	43,100
1996	40,300

Note: Year refers to calendar year, that is, January to December of each year.
Sources: Hong Kong Government Secretariat, Hong Kong Government Publishing Service, Hong Kong; Hong Kong Government Information Service, *Hong Kong Immigration Data*, Hong Kong Government, unpublished data.

Apprehension on the part of the residents of Hong Kong have led to a steep increase in emigration from Hong Kong. In 1980, an estimated 22,400 persons left Hong Kong for residence overseas (Table 7.7). Hong Kong Government figures on its residents' worldwide emigration indicate that throughout the 1980s decade, there was an average annual outflow of 26,230 persons, which subsequently increased to a yearly average of 55,229 persons over the 1990-1996 period.

Table 7.8 United States, Canada & Australia: Average Annual Settler Intake¹ For Periods Shown 1970-1996				
Country	1970s	1980s		1990s
	1970-79	1980-84	1985-89	1990-1996
United States	11,935	12,241	10,749	11,019
Canada	8,211	6,742	14,544	31,704
Australia	1,250	2,714	6,626	8,489
Total of the 3 Countries	21,396	21,697	31,919	51,212
Country Share				
United States	55.8	56.4	33.7	21.5
Canada	38.4	31.1	45.6	61.9
Australia	5.8	12.5	20.7	16.6
Total:	100.0	100.0	100.0	100.0

Note: Data is compiled on the basis of Hong Kong as the last place of residence.
Sources: Dept of Immigration and Multicultural Affairs, *Magnetic Tape Data*, Canberra, ACT; Employment and Immigration Canada, *Unpublished Data, Mainframe Batch 01/H-1/V-001; P-002*, Ottawa, Canada; United States Department of Justice, *Statistical Yearbooks of the Immigration and Naturalization Service*, Washington, DC, various issues.

During the 1970s decade, the main destinations for Hong Kong migrants had been the United States, Canada and Australia, these countries taking 11,935, 8,211 and 1,250 persons, each respectively (Table 7.8). Though, during 1980-84, the United States and Australia continued to increase their Hong Kong settler intake to 12,241 and 2,714 persons respectively, Canada average annual intake decreased to 6,742 settlers. However, as a result of the outcome of the Sino-British talks in 1983, there was a significant increase in the number of Hong Kong immigrants as well as a shift in their destination of choice which resulted in a decrease in the number of those going to the United States with concurrent increases being registered by Canada and Australia, with 14,544 and 6,626 settlers respectively.

During 1990-96, there continued to be an increase in the annual average intake of Hong Kong settlers by (in descending order) Canada (31,704), the United States (11,019) and Australia (8,489). As has been elaborated upon earlier, Canada became the prime destination with Hong Kong settlers due to family and kin connections. Over the 1970-1984 period, the United States continued to take the major share of Hong Kong settlers, followed by Canada (Table 7.8). However, from 1985 onwards, Canada overtook the United States as the prime destination with Hong Kong settlers. In effect, Australian share of Hong Kong settlers continued to increase over the 1970-1989 period and only contracted during the 1990-96 period. This will be elaborated upon later but it is suffice to say that this was related to Australian economic conditions.

While substantial changes took place within Australian Immigration over the 1980/81-1995/96 period, Hong Kong immigrants continued to utilise the Skill rather than the Family category (Table 7.9). In 1982/83, the four preferred categories of entry were (in descending order) Employer Nominated, Preferential, Independent and BMP categories. An exception occurred in 1985/86 when the Preferential category was the most used form of entry. Over the 1988/89-1995/96 period, there was another divergence, with the BMP, Independent, Employer Nominated, Concessional and Preferential categories being the most preferred categories of entry into Australia by Hong Kong migrants.

While there were only 813 Hong Kong-born (principal and dependents) settlers who utilised the Skill category as a means to attain Australian permanent residents in 1982/83, this number increased significantly to 1,123 by 1985/86 and to 5,746 in 1989/90, before decreasing. In 1994/95, the level of Hong Kong-born settlers arriving under the Skill Migration stood at 2,623 (Figure 7.9). It must be realised that the overall performance of Skill Migration was influenced by fluctuations within the

Employer Nominated and the Business Skills (previously BMP) categories which increased from 1982/83 to 1989/90 and then contracted from 1990/91 onwards (Table 7.9). However, Skill Migration category performance was ameliorated by increases within the independent category which increased from 144 settlers in 1982/83 to 2,323 in 1989/90 and to 7,227 in 1990/91.

Table 7.9 Settler Arrivals By Country of Birth and Eligibility Category, Selected Years: 1982/83-1995/96

Region/Country of Birth	Family		Skill				Humnt ^{ac}	Oth Visa	Non-Visaed		
	Preferential	Concessional	ER Nom ^a	Business Skills BMP ^b	Special Talents	Independent	Refugee, SHP ^d & Sp Ass ^e		NZ Citizens	Other	Total
	1982/83										
China	790		209	22	6	26	122	---	14	4	1,193
Hong Kong	416		603	56	10	144	41	83	5	15	1,373
Taiwan	41		60	4	---	6	4	3	1	3	122
	1985/86										
China	2,185		150	166	16	6	593	---	19	3	3,138
Hong Kong	1,868		760	335	9	19	47	54	11	14	3,117
Taiwan	192		25	153	---	---	6	---	3	2	381
	1989/90										
China	1,034	263	316	1,056	14	276	9	88	11	2	3,069
Hong Kong	642	1,252	1,088	2,292	43	2,323	231	162	12	9	8,054
Taiwan	106	45	66	2,620	---	130	---	83	2	2	3,055 ^f
	1990/91										
China	1,004	549	343	710	7	582	9	6	7	39	3,256
Hong Kong	608	2,502	1,128	1,802	28	7,227	147	11	1	87	13,541
Taiwan	114	70	47	3,097	4	143	---	2	---	14	3,491
	1995/96										
China	9,400	530	134	460	21	573	5		111	13	11,247
Hong Kong	986	610	173	887	6	1,557	29		61	52	4,361
Taiwan	252	162	43	814	3	102			255	7	1,638

Note: Prior to 1982, there was no classification by Country of Birth Eligibility Criteria.

For financial year 1995-96, the Department of Immigration and Multicultural Affairs introduced a Special Eligibility criteria which previously used to be aggregated with Special Talents category. As the numbers involved were small, and to establish a continuum in the data, the Special Eligibility figures were aggregated with those for Special Talents.

^a Employer Nominated.

^b BMP - Business Migration Program

^c Humnt^a - Humanitarian.

^d SHP - Special Humanitarian Program.

^e Sp Ass - Special Assistance.

^f Number does not add to total in original source.

Sources: Bureau of Immigration, Multicultural and Population Research, *Magnetic Data Tapes*, BIMPR, Statistics Section, Canberra, ACT; Bureau of Immigration, Multicultural and Population Research, *Settler Arrivals by Region/Country of Birth By Eligibility Category*, Statistical Section, Canberra, ACT, various issues.

In comparison, PRC migrants to Australia preferred to utilise the Family category as a means of attaining permanent residency in Australia which increased from 790 in 1982/83 to 2,185 in 1985/86 and to 9,930 in 1995/96 (Table 7.9). The second most important category with PRC applicants has been the Business and Skills (BMP) category whose number increased from 22 in 1982/83 to 166 in 1985/86 and to 1,056 in 1989/90, before decreasing to 710 settlers in 1990/91 and to 460 in 1995/96.

On the other hand, Taiwanese nationals preferred means for attaining permanent residency in Australia has been the Business Skills (BMP) category which increased from 4 in 1982/83 to 153 in 1985/86, then to 2,620 in 1989/90 and then to 3,097 in 1990/91, before decreasing to 814 in 1995/96.

Josephine Smart (1994) puts forth that the logic of migration, in the sense of immigration as perceived by destination countries and the logic of business and entrepreneurship can be quite different. In the late 20th century, business requires mobility in the sense of quickly shifting assets from one sector to another, but also mobility in terms of the individual entrepreneur. The idea that business interests can be associated with settlement is contradictory. Business people need to be able to oversee their investments no matter where they are, and these investments are unlikely to be concentrated in one city or even one country.

The migration out of Hong Kong is not simply defensive; it is part of the expansion of a global system whereby areas that, within the context of the world system paradigm, were once on the periphery are now expanding into the core. The Hong Kong business immigrants' experience in Australia calls into question the logic of the business immigration program. On the surface, the program is a perfect marriage of capital, labour, and migration. Smart (1994) argued that this observed behaviour is to be expected, given that the relationship between migration and business, as envisaged within the objectives of the business immigration program, has inherent contradictions. The greatest contradiction is embedded in the assumption that migration and business go hand in hand. Business is an economic endeavour governed by profits and opportunities with few geographical boundaries. Migration is a complex social phenomenon governed by historical, economic, political, and cultural forces.

Hong Kong settlers in Australia would be closer, in Hong Kong, to the expanding South East Asian and China markets and more able to capitalise on any opportunities that become available. The assumption that immigration is conditional upon an immigrant's commitment to run or invest in a business in Australia is short of being exploitative because it runs contrary to the wisdom of good business practice. Immigrants cannot be expected to go into investments that local Australians avoid for reasons of high risk. Immigration, in the sense of settlement, and business are separate issues, each with its own logic, and they should be respected as such. Forcing these two incompatible issues into a marriage of convenience, as they are in the business immigration program, creates a structural flaw that abuses both the program objectives and the immigrants' best economic interests in Australia.

7.3.3.2 People's Republic of China

During the 1970s, immigration from mainland China stood at an annual average of 723 persons. However, over the 1980s, there were significant increases, with the yearly average intake increasing to 2,475 persons (Figure 7.5). Over the 1990-95 period, there continued to be a growth trend in Chinese immigration, with the average annual rate increasing to 4,564 persons. It should be noted that these figures do not take into account those students, and their dependents, which had their status changed from 4 year temporary visas to permanent residencies in 1996. If student on-shore applications for permanent residency are also taken into consideration, over the 1990-95 period, the average yearly intake of mainland Chinese would increase to 12,830 persons.

This derives from the decision of the Hawke Government to grant four year temporary entry permits to 10,000 Chinese nationals who were in Australia on 20 June 1989. On 1 November 1993, the Australian Government, by establishing the Immigration Category Class 815, bestowed Australian permanent residency to all PRC nationals who qualified. Two other categories were also established: Class 816 and Class 818. As a result, by August 1996, the number of permanent residencies granted to Chinese nationals in Australia were: Class 815² - 26,981; Class 816 -12,777 and Class 818 - 1,574; cumulating to a total of 41,332 permanent residencies.

Substantial changes took place in all of the immigration eligibility criteria. For mainland Chinese migrants, the main categories were: 1982/83 to 1985/86, Family, Humanitarian and Employer Nominated categories; and from 1987/88 to 1995/96, Family, Business Skills and Independent categories (Table 7.9).

As previously elaborated above, over the 1982/83 to 1987/88 period, the number of mainland Chinese business migrants who came to Australia has been low: from 22 settlers, principals and dependents, in 1982/83 to 42 settlers in 1987/88 (Table 7.6 and Figure 7.9). However, in 1988/89, the level of Chinese business settlers increased abruptly to 284 - a 576% increase on the previous year's intake. Subsequently, there was a contraction in the levels of Chinese business migrants intake so that in 1994/95 it was nil (Figure 7.9).

² Classes 815, 816 and 818 are Australian Department of Immigration categories for attaining permanent residency status in Australia. These classes were specifically implemented as part of the 1 November 1993 Task-force to deal mainly with Chinese citizens who were temporary residents in Australia.

7.3.3.3 Republic of China

Until 1979/80, Taiwanese immigrant figures were aggregated with those for mainland China. The explanation provided by the Australian Immigration Department was that the Taiwanese intake was so insignificant that it did not warrant a separate category.

The substantial changes which occurred over the 1980-1995 period precipitated responses under which increasing numbers of Taiwan nationals applied for entry into Australia. During the 1980s, Australia's average annual intake of Taiwanese migrants stood at 820 persons (Figure 7.5). Significant increases took place over the 1990-95 period, so that the average annual intake increased to 1,886 persons.

Over the 1980-1995 period, the Taiwanese, unlike mainland Chinese and Hong Kong migrants, continued to mostly rely on the Skill category, mainly the BMP and Employer Nominated categories, as a means of attaining permanent residency in Australia (Table 7.9). A small number qualified for entry under the Family and Independent categories. The insignificant use of the Family Category by Taiwanese migrants signify that the Taiwanese community is a recent settler in Australia; thus, one lacking long-term family and kinship ties.

While in 1983/84, there were only 17 Taiwanese business settlers (principals and dependents), the number of Taiwanese settlers utilising the BMP program continued to increase, rising to 539 in 1986/87, 2,490 in 1989/90 and 2,909 in 1990/91. However, from 1991/92, the level of Taiwanese business intake contracted again, so that by 1994/95, there were only 11 Taiwanese who arrived under this category (Figure 7.9).

The parallel increases in the eligibility criteria categories, especially the BMP program for Hong Kong, China and Taiwan, not only show their emerging importance as sources of immigrants, but also that applicants were using organised systems to take advantage of the immigration process (Hardie, 1994). It seems that it is highly improbable that there would have been such increases, especially in the BMP category, where increases of between 4,000% and 17,000% were recorded, when the overall total increase in Asian intake, for the 1980-1995 period was only 149%.

7.3.3.4 Business Migration Program

During its ten-year life, the BMP program was not subjected to close scrutiny. Two surveys were conducted by DILGEA in 1982 and 1985, as a means of monitoring the program (DIEA 1982, 1985). Another survey, though limited, was undertaken by the SA Department of State Development and Technology in 1988 (Joint Committee of Public Accounts, 1991). Others have examined particular aspects of the program, including the phenomenon of split family migration (Dang & Borowski, 1991; Slocombe & Lachish, 1990). However, the first major study regarding the BMP was undertaken by MSJ Keys Young Planners (1990).

7.3.3.4.1 The MSJ Keys Young Planners study

This study was primarily concerned with assessing the extent to which the economic aims of the BMP were being met. It was based on a small sample of 160 BMP principal applicants.

This study found that the respondents had transferred an average of \$A840,000 to Australia, substantially more than the sum required by the program at the time (refer to Appendix A). In effect, during 1989/90, the economic category, of which the BMP formed an integral part, accounted for over 60% of the \$A4.3 billion of potential funds transferred (Table 7.10).

Table 7.10 Migrants' Transfers and The Current Account 1981/82-1995/96				
Year	Migrant Transfers Credits \$Am	Migrant Transfers Debits \$Am	Net Transfers \$Am	Net Transfers As % of Current Account Credits %
1981-82	548	-220	328	1.30
1982-83	633	-261	372	1.40
1983-84	977	-291	686	2.20
1984-85	1,052	-296	756	2.00
1985-86	1,348	-296	1,052	2.50
1986-87	1,657	-306	1,351	2.70
1987-88	2,074	-319	1,755	3.10
1988-89	2,626	-342	2,284	3.70
1989-90	2,663	-408	2,255	3.20
1990-91	2,802	-453	2,349	3.10
1991-92	2,878	-477	2,401	3.00
1992-93	1,463	-460	1,003	1.20
1993-94	1,186	-476	710	0.80
1994-95	1,495	-524	971	1.00
1995-96	2,140	-567	1,573	2.00

Sources: Australian Bureau of Statistics, *Balance of Payments Australia, Quarterly*, ABS Cat. No: 5302.0, Australian Government Publishing Service, Canberra, ACT, various issues; Australian Bureau of Statistics, *Balance of Payments and International Investment Position Australia*, ABS Cat. No: 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues.

The amount of funds brought in differed significantly across eligibility categories. This is shown in (Table 7.11), which records the potential funds transferred by immigrants who were issued visas during 1983/84 to 1996/97. The aggregated amounts are significantly higher than the aggregate of migrant transfer credits recorded in the balance of payments statistics.³

Table 7.11 Potential Funds transferred to Australia By Immigrants, By Eligibility Criteria 1983/84-1996/97 (\$Am)

Year	Economic \$Am	Family \$Am	Humanitarian \$Am	Special \$Am	Total ¹ \$Am
1983/84	267.64	410.44	6.94	4.87	689.89
1984/85	304.22	474.59	5.73	4.29	788.84
1985/86	505.44	776.10	6.63	14.52	1,302.69
1986/87	1,078.20	1,013.30	3.58	21.24	2,116.32
1987/88	1,967.43	1,276.38	3.19	25.73	3,272.73
1988/89	2,790.17	1,329.55	6.80	136.49	4,263.01
1989/90	2,808.71	1,114.52	6.86	22.75	3,952.84
1990/91	3,477.54	2,723.35	41.07	114.01	6,355.97
1991/92	8,082.83	4,037.89	6.79	32.14	12,159.65
1992/93	5,657.11	3,805.12	1.21	160.33	9,623.77
1993/94	5,030.32	3,874.94	10.26	31.91	8,947.43
1994/95	4,694.87	6,345.91	9.16	21.95	11,071.89
1995/96	4,034.77	4,019.60	3.50	141.68	8,199.55
1996/97*	2,380.89	2,580.97	0.19	11.11	4,973.16

Notes: 1996-97 is from 01 July 1996 to 30 November 1996.

* Total do not add up due to rounding error in the five migration stream categories.

Source: Department of Immigration and Multicultural Affairs (DIMA), Application for Migration Offshore, DIMA, Canberra, ACT, unpublished data.

While the figures in (Table 7.11) refer to funds available for transfer and not funds actually transferred, a recent follow-up survey by DILGEA (1993)⁴ showed a close relationship between what immigrants stated they intended to transfer at the time of being issued a visa and what they actually transferred.

It also reported that business migrants were maintaining and, in some cases creating, employment opportunities in Australia. A number of principal businesses were involved in exporting goods and services, albeit on a small scale. The data generated by the MSJ Keys Young Planners study did not permit the researchers to reach any conclusions concerning the objectives relating to import replacement or the introduction of new technology. However, the report concluded that the '...flow of capital and entrepreneurial skill and energy into Australia under the BMP is evidently substantial...and in this broader sense the survey confirms the economic value of the program' (MSJ Keys Young Planners, 1990).

³ There are several possible explanations for the discrepancy between ABS and DILGEA estimates. First, ABS figures refer to actual funds transferred in that year, whereas DILGEA figures refer to potential funds transfer by migrants receiving visas in that year but who might actually travel the following year. Second, in the ABS figures, transfers by migrants some time after migration may be recorded under the heading 'proceeds of sales of overseas assets.' When an immigrant settles in Australia, his or her assets become part of the assets of Australian residents and are no longer migrants' assets. Third, the ABS debit item does not capture fully the flow of funds attributable to migrants. The debit item is emigrants' funds only, while remittances out by migrants remaining in Australia would appear in the *Balance of Payments* statistics under the Other Private Transfers item.

⁴ According to the Department of Immigration and Multicultural Affairs spokesperson, the most recent thirty-six months Skill Category survey is still being analysed (as of May 1997) and will be available by mid-1997.

A 1991 general study of Chinese and Indian businesses in Brisbane and Sydney has illustrated the considerable success achieved by the Chinese, especially Hong Kong settlers, in establishing businesses (Lever-Tracy *et al.*, 1991). However, the same study also pointed out that the way businesses were set up can be construed to be a means in overcoming difficulties in getting appropriate work in the general labour market.

7.3.3.4.2 DILGEA's BMP monitoring survey

On 1 July 1988, DILGEA introduced a new mechanism for monitoring the experience of BMP principal applicants as to the set program objectives, on a voluntary basis. The most recent monitoring survey findings were based on a response rate of 52 per cent and 50 per cent of business migrants who had been in Australia for 12 months and two years, respectively, as of April 1992. The survey found that 44 per cent had established a business in Australia after 12 months and 58 per cent had done so after two years. The businesses employed an average of six people. About a half of all businesses were established in the services industry and over one-quarter in the export sector. Just under 30 per cent of all businesses were export-earners (DILGEA, 1992).

Like the MSJ Keys Young Planners study, the findings of the BMP monitoring survey suggest that the BMP had been reasonably successful. However, in the view of the Joint Committee of Public Accounts (1991), the data generated by the monitoring scheme was inadequate for the purposes of evaluating the extent to which the BMP was achieving its objectives, principally because the monitoring scheme was a voluntary one. It is important to note that at the time of the Committee's deliberations, only data based on the experiences of business migrants who had been in Australia for one year was available.

From the limited empirical evidence on the effectiveness of the program, it emerges that the program operated satisfactorily. Indeed, in Lever-Tracy's (1991) view, evaluation of the BMP was premature for at least two reasons. First, the BMP grew to sizeable numbers only in the last years of its life. Second, given the difficulties faced by the Australian economy during this period, establishing a new business would have been both more difficult and have taken considerably longer than in a more favourable economic climate.

This does not mean that the BMP program did not have problems. From the conception stages, problems appeared, which evolved and complicated the program through ineffective administrative and procedural mechanisms which hindered the program in achieving its potential to Australia's benefit. Nash (1988) suggested that there were major difficulties associated with the BMP. There was considerable regional disparity in the destinations of Australia's business migrants. Much to the disappointment of the Governments of Australia's less economically developed states and territories, South Australia, Tasmania and the Northern Territories, most business migrants had settled in the more prosperous States and major population centres, most notably Sydney.

Another difficulty concerned the industries in which business migrants created their businesses. The MSJ Keys Young Planners (1990) found that, of the respondents who were in business at the time of the survey, about one-third were in an industry different from the industry they had planned to enter when applying to come to Australia as a business immigrant. This was problematic to the extent that the industries entered were not those desired by the Federal or State Governments. These migrants not only left their BMP requirements unsatisfied, but also raised the possibility that the provisions of the BMP were intentionally circumvented.

The BMP program was also challenged by those concerned that it had succumbed to a range of abuses. For example, concerns were expressed that some sub-agents had been involved in supplying BMP applicants with forged documents, including policy clearances (Lever-Tracy, 1991). The fact that the Australian Migration Consultants Association, now known as the Migration Institute of Australia, called for the licensing of agents to protect clients and the public may imply that at least some agents were, in fact, engaged in unethical practices (Lague, 1991). This is clearly depicted in Figure 7.9, which exhibit simultaneous fluctuations in the levels of Business Migration movements from Hong Kong, Taiwan and China. There were further allegations of abuse of the BMP involving some principal applicants who, after their arrival, had either returned overseas the money they had brought into Australia or, worse still, allowed others to use the monies sent off-shore to establish eligibility for the BMP. Still other allegations of abuse included claims that the BMP had fostered tax rorts and facilitated the spread of Asian criminal Triads to the West.

Not only was the BMP criticised for serving as a means for the rich to buy permanent residence in Australia, but also, that many principal applicants had no intention of residing in Australia at all or only in the long term, e.g., post-1997 for Hong Kong settlers, of setting up a business (*Border Morning Mail*, 1990). The phenomenon of the commuting 'astronaut,' applicants who settle their families in Australia but continue to conduct their businesses in their home country and periodically fly back to

Australia for brief visits, was seen as an indication that the BMP was not reaching its objectives (Ellingsen, 1990). In fact, DILGEA came in for criticism for failing to closely follow up and monitor the scheme.

Little evidence appears to support the contentions of abuse. Thus, during 1990/91, 51 cases of alleged BMP fraud were referred to the compliance arm of DILGEA. Thirty-eight investigations were launched and 19 were resolved during 1990/91. As a result, two business migrants and their families had their resident re-entry visas cancelled for recycling funds or submitting forged documents with the BMP visa application; two BMP agents were referred for cancellation, and three business migrants were declared illegal entrants. In twelve cases, no evidence of illegality was found (DILGEA, 1991). In the subsequent year, sixteen additional staff were allocated, with priority, to DILGEA's intelligence and investigation unit, in a coherent effort to identify those attempting to circumvent the BMP (DILGEA, 1991).

In Australia, in the wake of the FitzGerald Report of 1988, immigrant selection had become increasingly focused on those who would bring the greatest economic benefits. This consideration, plus the legitimization crisis referred above, played an important part in the replacement of the BMP with a much more delimited approach to business migration. Indeed, during the first nine months of the new Independent-Business Skills migration category there resulted a virtual collapse of business migration to Australia, with only 100 potential immigrants applying from around the world, in 1993/94 (BIMPR, unpub.). However, in the Canadian case, where immigrant selection became economically focused, the response to business migration challenges was essentially to ignore them and provide continued support for the existing program.

7.3.3.5 Net Settler Gains

It is worth noting that census data has a significant limitation when used to examine immigrant settlement and adjustment. Census data include people in Australia, both temporary residents, such as students and temporary workers, as well as permanent residents. There is no means of distinguishing between temporary residents and permanent immigrants in the data. Therefore, in interpreting the following statistics, it is useful to bear in mind that some birthplace groups may have a sizeable proportion of temporary residents as well as permanent residents.


Asians have been the fastest growing overseas-born population group in Australia, over the past 15 years. The number of people in Australia who were born in Asia showed an 85 per cent increase between the censuses of 1981 and 1991: from 371,588 to 687,850. This compares with an increase of 25 per cent for the overseas-born population and 16 per cent for the total Australian population. The Asian-born comprised 4 per cent of the total population in Australia in 1991, up from 2.5 per cent in 1981.

The Asian population in Australia incurred significant growth rates in the late 1980s. This was mainly due to significant increases in Asia's share of Australia's yearly intake of immigrants, which, during the late 1980s, stood at around 100,000. Between 1985 and 1990, the number of settler arrivals from Asian countries increased from around 30,000 to over 50,000 per year, and its proportion of all settler arrivals increased from 33 per cent to over 40 per cent. At the beginning of the 1990s decade, seven of the top ten source countries of settler arrivals were Asians; with Hong Kong replacing New Zealand as the second most important source country of immigrants to Australia.

At 97.7 per cent, the Asian-born immigration is extremely effective when considered in terms of attribution rate, as a ratio of 100 per cent indicates that net gain is the same as the number of arrivals (Table 7.12). However, among the economically active immigrants, there was a higher proportion in the professional, technical and skilled occupations among those Asian-born leaving Australia than among those arriving. From the human resource planning point of view, it is important to know the immigrants' and emigrants' skills profile. Between 1982/83 and 1989/90, e.g., 40% of the permanent departures were in the professional and technical occupations, compared to 25% of permanent arrivals who described their occupations as professional or technical. In the 1990s, there was an increased loss of highly trained Asian-born people, especially from Hong Kong, as the Australian economy continued to experience a depression.

Since 1983/84, Hong Kong has been among the five major source countries of migrants to Australia. However, from 1990/91, Hong Kong ranked second only to the United Kingdom as a migrant source country to Australia. The full magnitude of Hong Kong's immigration to Australia becomes evident when figures are analysed on net settler gains, that is, settler arrivals minus settler departures (Table 7.13). On the basis of net permanent gain, Hong Kong emerged as the main area of migrants' birth in 1991 and 1992, with 12,619 and 6,180 persons, each respectively; surpassing the United Kingdom net permanent gain figures of 9,925 and 5,583 persons (Table 7.13).

Table 7.12 Recorded Permanent Departures By Country of Birth: Australia 1984 to 1995¹

Country of Birth	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 ²
China, P. R.	78 (0.4) ³	82 (0.5)	98 (0.5)	92 (0.5)	133 (0.6)	163 (0.6)	234 (0.8)	303 (1.0)	388 (1.4)	351 (1.3)	416 (1.5)	760 (2.7)
Hong Kong & Macau	97 (0.5)	70 (0.4)	71 (0.4)	130 (0.6)	181 (0.8)	171 (0.6)	211 (0.7)	294 (1.0)	340 (1.2)	574 (2.1)	1545 (5.7)	804 (2.8)
Taiwan	2 (0.0)	14 (0.0)	17 (0.1)	28 (0.1)	33 (0.2)	54 (0.2)	99 (0.3)	178 (0.6)	162 (0.6)	183 (0.7)	202 (0.8)	219 (0.8)
ASIA (Total)	784 (3.9)	739 (4.1)	873 (4.4)	813 (4.0)	1131 (5.2)	1415 (5.1)	1831 (5.9)	2406 (8.3)	2613 (9.4)	2534 (9.3)	2918 (10.8)	3,196 (11.2)
 UK & Ireland (Total)	4,849 (23.8)	3,571 (19.7)	3,626 (18.2)	3,895 (19.0)	4,625 (21.4)	5,322 (19.1)	5,553 (17.8)	5,262 (18.1)	4,462 (16.0)	3,978 (14.6)	3,726 (13.8)	3,965 (13.8)
GRAND TOTAL⁴:	20,378	18,100	19,928	20,471	21,647	27,857	31,130	29,122	27,905	27,280	26,948	28,670

Notes: ¹Year refer to financial year, that is 1 July to 30 June of consecutive year.

²The individual countries' data is "draft standard" and susceptible to change.

³Data in parenthesis refers to the percentage share of Grand Total. Percentages may not add up due to rounding error.

Source: Bureau of Immigration, Multicultural, Population Research, *Magnetic Tape Data*, BIMPR, Statistics Section, Canberra, ACT.

Table 7.13 Comparison of Australia's Net Settler Gain: Hong Kong, UK And Ireland 1984 to 1995¹

Country of Birth	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 ²
Hong Kong												
Arrivals	3,296	3,117	3,398	5,577	7,307	8,054	13,541	12,913	6,520	3,333	4,135	3,587
Departures	97	70	71	131	181	171	211	294	340	574	1,545	804
Net Settler Gains	3,199	3,047	3,327	5,447	7,126	7,883	13,330	12,619	6,180	2,759	2,590	2,783
Retention Ratio (%)	97.1	97.8	97.9	97.7	97.5	97.9	98.4	97.7	94.8	82.8	62.6	77.6
UK and Ireland												
Arrivals	12,376	16,119	22,523	27,250	27,978	25,591	21,861	15,187	10,045	9,563	11,593	12,081
Departures	4,849	3,571	3,626	3,895	4,625	5,322	5,553	5,262	4,462	3,978	3,726	3,965
Net Settler Gains	7,527	12,548	18,897	23,355	23,353	20,269	16,308	9,925	5,583	5,585	7,867	8,116
Retention Ratio (%)	60.8	77.9	83.9	85.7	83.5	79.2	74.6	65.4	55.6	58.4	67.9	67.1

Notes: ¹Year refer to financial year, that is 1 July to 30 June of consecutive year.

²The individual countries' data is "draft standard" and susceptible to change.

³Retention ratio is net settler gains as a proportion of total arrivals.

Source: Bureau of Immigration, Multicultural, Population Research, *Magnetic Tape Data*, BIMPR, Statistics Section, Canberra, ACT.

Australia Census 1981 indicates that the numbers of first generation mainland Chinese, Hong Kong and Macau and Taiwan residents in Australia stood at 25,883, 15,716 and 878, each respectively. By the time of *Australia Census 1986*, mainland China and Hong Kong and Macau born residents were enumerated at 36,495 and 27,779, each respectively. This means that over the 1981-1986 period, the percentage rate at which Australian residents from mainland China and Hong Kong and Macau were leaving Australia stood at 10.3% and 20.4%, each respectively.

Table 7.14 HK Born Population by Year of Arrival in Australia 1986-1996			
Year of Arrival ¹	Census ²	Settler Arrivals ³	Attrition ⁴
1986 to 1987	6,981	7,520	7.2
1988 to 1989	13,696	14,412	5.0
1990 to 1991	12,104	17,560	31.1
1992 to 1993	8,772	13,645	35.7
1994 to 1995	9,898	13,078	24.3
1996 ⁵	2,242	2,617	16.7
1986 to 1991	32,781	39,492	17.0
1990 to 1996	33,016	46,900	29.6
1986 to 1996	53,693	68,832	22.0
<p>Notes: ¹Refers to the year of arrival within the broad periods specified.</p> <p>²Census refers to <i>Census 1991</i> and <i>Census 1996</i> data.</p> <p>³Settler arrivals are the total number of Hong Kong born migrants which arrived in Australia within the specified periods.</p> <p>⁴This is the difference between the settler arrivals and data from <i>Census 1991</i> and <i>Census 1996</i> for the specific periods as a percentage of settler arrivals for Hong Kong (over the same time frame).</p> <p>⁵Refers to period January to August 1996.</p> <p>Sources: Australian Bureau of Statistics, <i>Expanded Community Profile - Census 1991</i>, ABS, Canberra, unpublished data; Australian Bureau of Statistics, <i>1996 Census of Population and Housing</i>, unpublished data; Australian Bureau of Statistics, <i>Overseas Arrivals and Departures</i>, ABS, Australian Government Publishing Service, Canberra, ACT, unpublished data.</p>			

Comparatively, over the 1986-1991 period, the same data reveals that the Hong Kong resident population in Australia contracted by 17%, either through death or return migration.

The most probable assumption is that the majority have returned to Hong Kong. Examination of Hong Kong arrivals over the eighteen month period, 1990-91, it was found that the turnover was 31% of all Hong Kong arrivals to Australia. However, the highest level of turnover in Hong Kong settlers occurred during the 1992-1993 period - 35.7%. This indicate that many are just establishing credentials before returning to Hong Kong. Many were returning immediately to Hong Kong, to continue to benefit from the booming economy rather than absenting themselves for the two years, in the case of Australia, to obtain a foreign passport.

Hong Kong Government's estimates suggest that 12% of those who emigrated between 1986 and 1996 had returned back, with the number increasing significantly over the 1990-96 period. As emigrants qualified for Australian, Canadian and

American citizenship after 2, 3, and 5 years, each respectively, migrants continued to return to Hong Kong's booming economy in increasing numbers. Those returning migrants, together with those "emigrants-who-never-were" - the astronauts, make any real assessment of the impact of emigration problematic.

7.3.3.6 Category Jumping

The growth in short-term and long-term movements has also had a major impact on immigration policy. One aspect has been 'category jumping.' Temporary visitors may, for example, change their status from short-term to long-term or permanent residency. This also includes illegal immigrants and people who obtain a Permanent Entry Permit After Entry (PEPAE). There were three significant increases in the number of category jumpers, 26,400 in 1988/89, 16,000 in 1989/90 and 41,332 in 1996. The 1988 and 1989 category jumping were the result of large numbers of over stayers from the People's Republic of China, as well as from those who visited Australia during the bicentennial celebrations and the Expo. Most of these PRC nationals arrived as full-fee paying private students enrolled in the controversial English Language Intensive Courses for Overseas Students (ELICOS) programs. The third significant increase in category jumping occurred in 1996 when 41,332 PRC nationals had their status changed from long-term to permanent residents. This was due to the deliberate establishment of a special Class 815 to process Chinese nationals who, prior to November 1993, applied for permanent residency.

The overall effects of 'Criteria Jumping' on the data are not only that the locus of control transferred from Government to private control, resulting in promoting self-interest objectives which bypass the intake forecasts, but also that this category's data lag behind. This usually results in overrunning targets, with the consequence of distorting yearly intakes.

The criteria for granting Australian permanent residency have been slightly different with respect to those who apply for admission from abroad and those already in Australia.⁵ In 1990/91, 111,000 visas were granted to applicants abroad while some 12,700 persons who were already in Australia were granted permanent residency. The official immigration program, logically, covers both streams, though it is also logical to regard them as analytically separate, especially in view of the locus of control over immigration decisions. The system for granting permanent residency to those already in Australia is termed Permanent Entry Permits After Entry (PEPAE), though there are still cases being processed under the pre-1990 system known as Grant of Resident's Status (GORS).

⁵ Normally, they would have entered on some temporary visa.

Over the 1979/80 to 1990/91 period, the number of applications on humanitarian grounds increased significantly, though less than half of them were approved. Relatively few of these cases were classified as 'refugees.' For example, in 1988/89, only 529 of the 8,704 applications and 51 of the 3,664 approvals pertained to refugee status; the remainder of the 'humanitarian' cases were simply classified as 'compassionate' (BIR, 1992; DILGEA, 1992).

During 1989/90 there was a very large surge in applications: 17,048 new applicants sought resident status on humanitarian grounds, 3,370 of them as refugees. This surge prompted the government to institute significant changes in its rules. Since the end of June 1990, no new applications for resident status on humanitarian grounds have been permitted (DILGEA, 1992). Applications may be lodged for refugee status but, if granted, refugee status now results in a four-year temporary visa and not permanent residency, with approval subject to proof of ongoing need for refugee or humanitarian protection, and to the availability of places in the annual immigration program. The success rate for applicants is quite low: only 16 per cent of the 403 cases finalised in 1990/91 resulted in the recognition of refugee status (DILGEA, 1992).

During 1990/91, the number of applications under the refugee category increased in a very startling way; the 13,954 applications represented a 537 per cent increase on 1989/90 figures. This increase in refugee applications was mainly attributed to nationals of the People's Republic of China, following the Tiananmen Square incident, in June 1989 (DILGEA, 1992). Chinese nationals who were in Australia as of 20 June 1989 were in fact automatically awarded a four-year temporary visa.

7.4 Immigrants Occupations and Economic Conditions 1980 - 1995

7.4.1 Overview

The Australian labour market is highly segmented. Immigrants, both men and women from Non-English Speaking (NES) backgrounds, appear to be concentrated into lower paid jobs with the worst conditions, in the semi-skilled and unskilled segments of the labour market (Collins, 1978; Lever-Tracy & Quinlan, 1988). Moreover, once in these jobs, it is difficult for them to escape, irrespective of whether their qualifications are recognised or further education is achieved. Chapman and Iredale (1990) noted that earnings studies showed that those who had their qualifications recognised did not earn more than those whose qualifications remained unrecognised, and that employers appeared to treat all immigrants, qualified or not, as homogeneous.

There have been numerous anecdotal accounts of immigrants' experiences of racism in the workplace (Foster *et al.*, 1991). One immigrant response to racism in the workplace has been to leave paid employment to enter small business as self-employed or as an employer. Studies of ethnic small businesses in Australia point to racism as one factor blocking the mobility of immigrants in the workforce and leading to the disproportionately high rate of immigrant small businesses in Australia (Castles *et al.*, 1991).

According to Lever-Tracy and Quinlan (1988) and Castles *et al.* (1991), the political economy of migration, together with racism in sections of the Australian population, led to ethnic segmentation in certain industries, especially in manufacturing and construction, to the concentration of immigrant people, especially those from NES background, in selected suburbs of the large cities and to the development of ethnic networks and, as a result, strong pressures towards the retention of ethnicity and resistance to assimilation. As a consequence, political parties were forced to recognise the increasing importance of ethnicity - socially and politically.

The type of jobs occupied by immigrants provide an indication of their status in the labour force. New immigrants have been observed to concentrate in unskilled or lower skilled occupations that may have been less preferred by the native-born work force. On the other hand, the skill composition of Australia's immigrant intake has undergone a gradual change in the 1980s, mainly due to the recent re-emphasis on Skill Migration. A significant number of recent immigrants, particularly those from Hong Kong, Taiwan, Malaysia and Singapore, have professional or business skills.

A disproportionately large number of men and women born in Hong Kong, Malaysia and Singapore were employed as professionals, compared to the Australian-born work force. Correspondingly, the proportion of these countries' men and women who are factory workers or labourers is much smaller than among the Australian-born.

Occupational segregation is more significant among Asian women than men. When compared to the occupational structure of Australian-born population, the difference is more significant among women than among men. It was found that PRC women were more concentrated in the low skilled jobs.

In contrast, the occupational structure of employment of women born in Hong Kong and the South Asian countries showed the smallest deviation from that of Australian-born women. This would suggest that Hong Kong people appear to have been more successful than other Asian immigrants in assimilating into the Australian labour market.

Industries in which the Asian-born working population tend to cluster are finance and business services, for people born in Hong Kong, Korea and Malaysia, and personal and recreational services, which include the restaurant and tourist industries, for the Chinese, Japanese and Thais.

Persons born in China who arrived more than 10 years ago showed less industry segregation than more recent arrivals, suggesting that there might be some differences in the occupational skills and type of immigrants who arrived before and after 1980.

For most of the birthplace groups, the proportion with income greater than \$A16,000 increases with duration of residence, as one would expect, since the more recent arrivals have lower labour force participation rates and higher unemployment rates than individuals who have been resident for longer periods of time. The low rate of labour force participation among Taiwanese-born people is reflected in their relatively low proportion with income greater than \$A16,000.

Only a small proportion of the recently arrived, usually less than 20 per cent, owned or were purchasing their houses (*Census Australia 1991*). Exceptions were recent arrivals from Taiwan, 59%; Hong Kong, 40%; other Northeast Asian countries, mainly from Macau, 47%; and from Malaysia, 31%. This suggests that the recently arrived migrants from these countries are relatively affluent. Home purchase or ownership was particularly high among Taiwanese-born people who arrived within the last five years of the census.

Taiwanese born people also have a distinctive occupational profile. Approximately, 30% of employed Taiwanese men are classified as managers or administrators, compared to 16% of employed Australian-born men. There is also a relatively large number of professionals among Taiwanese-born men.

7.4.1.1 People’s Republic of China-born

Table 7.15 China (PRC) Residents - Highest Qualification Obtained Census 1991						
Level of Qualification	Males		Females		Persons	
	No ^a	%	No ^a	%	No ^a	%
Higher Degree	1,724	4.3	584	1.6	2,308	3.1
Post Graduate Diploma	270	0.7	240	0.7	510	0.7
Bachelor Degree	4,756	12.0	2,832	8.0	7,588	10.1
Undergraduate Diploma	1,230	3.1	1,781	5.0	3,011	4.0
Associate Diploma	403	1.0	409	1.2	812	1.1
Skilled Vocational	1,927	4.8	403	1.1	2,330	3.1
Basic Vocational	831	2.1	791	2.2	1,622	2.2
Other ^a	7,389	18.6	5,936	16.7	13,325	17.7
Total Qualified	18,530	46.6	12,976	36.5	31,506	41.9
No Qualification ^b	21,216	53.4	22,559	63.5	43,775	58.1
TOTAL	39,746	100.0	35,535	100.0	75,281	100.0
Notes: ^a Comprises level of attainment inadequately described and level of attainment not stated.						
^b Includes persons still at school and not stated.						
Source: BIMPR 1994, <i>Community Profiles 1991 Census: China Born</i> , Australian Government Publishing Service, Canberra, ACT.						

Education proved to be the main factor that changed the economic status of the Chinese community. In the 1980s and 1990s, the Chinese immigrants were more inclined to have bachelor degrees (refer to ch. 4, Table 4.2; Table 7.15). Chinese students have achieved a high success rate at the HSC Examination and a high rate of admittance to universities. The proportion of the China-born with post-secondary qualifications (18.9%) was substantially above that for the total Australian population (12.8%).

A much lower proportion of the China-born had received skilled or basic vocational training (5.2%) when compared to that for the Australia-born population (13.9%) and the total overseas-born from NES countries (11.9%).

Overall, males were more likely to have attained some form of qualification than females (46.6% compared to 36.5%). The difference, however, is marginally less than the difference between males and females in the total Australian population (44.9% compared to 32.9%).

The most noticeable difference in gender terms was in the skilled vocational area, where 4.8% of China-born males compared to only 1.1% of females had attained this level of qualification. Altogether, males were also more likely to hold post-secondary qualifications than females (21.1% of males compared to 16.5% of females). However, a more detailed breakdown shows that a large proportion of females held an undergraduate diploma (5.0% of females compared to 3.1% of males) or associate diploma (1.2% of females compared to 1.0% of males).

Over the last decade, as a consequence of the changing nature of Chinese migration to Australia, there was a rapid increase of the China-born population, which not only rejuvenated the community in Australia, but also contributed to fluctuations in the labour force participation rates. In 1981, the participation rate of the China-born labour force was around 60.0% (*1981 Census Australia*; refer to ch. 4). In 1986, this rate had decreased to 55.2% (*1986 Census Australia*). However, at the same time of the Australia Census 1991, the participation rate had increased considerably to 63.3%, higher than that for immigrants from all NES countries (59.8%) (*1991 Census Australia*).

Among the States and Territories, in 1991, the labour force participation rate for the China-born was highest in New South Wales (66.4%) and lowest in the Northern Territory (50.9%). The unemployment rate for the China-born population in Australia was 16.3%. This was much higher than the rate for the total Australian population (11.6%), though marginally less than that for all immigrants from NES countries (16.8%). Comparing the States and Territories, the unemployment rate for the China-born was lowest in Queensland (12.5%) and highest in South Australia (26.4%).

The unemployment rate for females who were not married (19.5%) was considerably higher than the rate for males (14.9%), but only slightly above the rate for married females (18.1%). The overall unemployment rate for all China-born females (18.6%) was also much higher than the comparative rate for females in the total Australian population (10.6%).

7.4.1.1.1 PRC-born Occupations

A large proportion of mainland Chinese, of both sexes, are concentrated in the lower skilled or unskilled occupations, such as plant and machine operators (factory workers) and labourers. Many of these people were likely to have migrated under the Preferential Family or Humanitarian categories, as these were two visa categories under which immigrants were not tested for English language proficiency and skills (refer to Sec. 7.3.3.1, Table 7.9). These immigrants were therefore more likely to be lower skilled and less proficient in English.

Compared to *Australia Census 1986*, in 1991, there was a noticeably higher proportion of the China-born classified within the categories of labourers and related workers 24.4%, plant and machine operators and drivers 12.2% and trades persons 18.3% (Table 7.16).

Over 60% of China-born males were employed in the occupation categories of trades persons (25.3%), labourers (24.5) and machine operators and drivers (10.5%) (Table 7.16). PRC females were also prevalent in the labourers and related workers (24.3%) and plant machine operators and drivers (15.3%) occupation groups, as well as salespersons and personal service workers (15.0%) category.

Between the gender groups, noticeable differences were evident in the following main occupations:

Categories:	Males	Females
Clerical	2.4%	10.6%
Trades persons	25.3%	6.1%
Sales persons & personal service workers	6.2%	15.0%

Overall, 7.0% of all working Chinese-born were managers and administrators. Similarly, the proportion of China-born workers in the Professional and Para-Professional groups was 12.4% Australia-wide, compared to 28.2% in the Australian Capital Territory.

There was a highly significant Chinese participation in the recreation, personal and other services industry (19.1%) when compared to the total Australian population (7.0%) (Table 7.16). This is not unexpected, given that the China-born are prevalent in the hospitality industry. The Chinese were significantly represented in the manufacturing industry (23.8%) when compared to the total Australian population (13.1%). Males were predominantly represented in the manufacturing 23.2%; recreation, personal and other services 20.7%; and the wholesale and retail trade 15.6%. Among females, a significant proportion worked in manufacturing 24.9%; and recreation, personal and other services 16.5%, as well as wholesale and retail trade 15.7%, and community services (14.5%).

In the more populous States, a relatively high proportion of all employed Chinese worked in manufacturing: Victoria, 33.1%; South Australia, 26.8%; New South Wales 22.7%; and in wholesale and retail trade: Queensland, 19.7%; and New South Wales, 16.4%. In the Northern Territory, 18.1% of the Chinese population were engaged in the wholesale and retail trade industry. In the Australian Capital Territory, a significantly high proportion of Chinese were employed in the Public Administration and Defence sector (14.6%).

Table 7.16 China-Born Residents Occupations¹: By State and Persons- Australia Census 1991

State/Persons	Mgrrs & Admins		Professionals		Para-Professionals		Tradespersons		Clerks		Sales/Personal Serv ²		Plant & Mach/Oper ² & Drivers		Labourers & Related Workers		Inadequately Described & Not Stated		TOTAL	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
New South Wales Persons	1,695	7.1	1,961	8.2	763	3.2	6,581	12.1	1,399	5.9	2,303	9.6	2,361	12.4	3,038	22.2	2,566	10.7	23,872	100.0
Victoria Persons	570	5.6	998	9.9	252	2.5	1,601	10.1	450	4.4	815	8.1	1,712	11.7	2,731	22.0	1,095	10.8	10,119	100.0
Queensland Persons	280	10.3	334	12.3	74	2.7	32	1.9	146	5.4	323	11.9	37	1.3	131	3.6	265	9.8	2,712	100.0
South Australia Persons	72	6.9	113	10.9	15	1.4	1	0.1	49	4.7	97	9.4	13	0.8	1	0.1	143	13.8	1,036	100.0
Western Australia Persons	88	7.3	174	14.4	32	2.6	2	0.2	53	4.4	130	10.8	5	0.4	26	2.2	132	10.9	1,208	100.0
Tasmania Persons	33	23.4	30	21.3	3	2.1	1	0.7	---	---	14	9.9	2	1.4	22	15.6	15	10.6	141	100.0
Northern Territory Persons	15	10.4	12	8.3	3	2.1	1	0.6	18	12.5	21	14.6	20	13.8	18	11.9	18	12.5	144	100.0
ACT Persons	51	8.0	146	23.0	33	5.2	10	1.6	44	6.9	62	9.8	3	0.5	129	20.4	61	9.6	634	100.0
AUSTRALIA Males	2,042	8.1	2,537	10.1	577	2.3	6,384	25.3	605	2.4	1,564	6.2	2,640	11.5	6,191	27.5	2,681	10.6	25,221	100.0
Females	762	5.2	1,231	8.4	598	4.1	894	6.1	1,554	10.6	2,201	15.0	2,238	15.3	3,553	24.3	1,614	11.0	14,645	100.0
Persons	2,804	7.0	3,768	9.5	1,175	2.9	7,278	18.3	2,159	5.4	3,765	9.4	4,878	12.2	9,744	24.4	4,295	10.8	39,866	100.0

Note: ¹ Occupation defined as employed persons aged 15 years and over.

Source: Australian Bureau of Statistics, 1991 *Census Australia*, ABS Cat. No. 2701.0, Australian Government Publishing Service, Canberra, ACT, Customised Matrix Table CSC6029.

7.4.1.2 From Hong Kong (HK)

In 1991, the proportion of Hong Kong-born persons aged 15 years and above who held an educational or occupational qualification was 39.7%, slightly higher than that of the total Australian population (38.8%) and lower than that of the total overseas-born population (41.2%).

Hong Kong-born males (41.9%) were more likely to have educational or vocational qualifications than females (37.7%) (Table 7.17). Persons with post-secondary qualifications accounted for 24.3% of the Hong Kong-born population, compared to 12.8% of the total Australian population. A higher proportion of Hong Kong-born males than females had attained post-secondary qualifications - 26.9% compared to 21.9%. By comparison, as a percentage of Australian total population, 13.3% of females attained a post-secondary qualification, compared to 12.2% of males.

Table 7.17 Hong Kong Residents, Highest Qualification Obtained Australia Census 1991						
Level of Qualification	Males		Females		Persons	
	No ^a	%	No ^a	%	No ^a	%
Higher Degree	1,132	4.9	293	1.2	1,425	3.0
Post Graduate Diploma	263	1.1	285	1.2	548	1.2
Bachelor Degree	3,442	15.0	2,271	9.4	5,713	12.1
Undergraduate Diploma	906	3.9	2,036	8.4	2,942	6.2
Associate Diploma	430	1.9	428	1.8	858	1.8
Skilled Vocational	885	3.9	153	0.6	1,038	2.2
Basic Vocational	444	1.9	1,255	5.2	1,699	3.6
Other ^a	2,121	9.2	2,416	10.0	4,537	9.6
Total Qualified	9,623	41.9	9,137	37.7	18,760	39.7
No Qualification ^b	13,343	58.1	15,100	62.3	28,443	60.3
TOTAL	22,966	100.0	24,237	100.0	47,203	100.0
<i>Notes:</i> ^a Comprises level of attainment inadequately described and level of attainment not stated. ^b includes persons still at school and not stated.						
<i>Source:</i> BIMPR 1994, <i>Community Profiles 1991 Census: Hong Kong Born</i> , Australian Government Publishing Service, Canberra, ACT.						

The proportion of Hong Kong-born persons with skill or basic vocational qualifications was 5.8%, compared to 13.6% of the total Australian population and 11.9% of those from a Non English Speaking background. Among the Hong Kong-born, an equal proportion of males and females had a skill or basic qualification (5.8%). However, a large difference occurred in the skilled and vocational category, with 3.9% of males having such a qualification, compared to 0.6% of females.

Many of Hong Kong recent arrivals are young, educated professionals and as a group they represent a large component of the 'skill migration' visa category, which includes immigrants classified under the criteria 'employer nominees, business migrants, distinguished talents and independent.' In 1991/92, skill migration visas were the entry basis for 37.6% of all settler arrivals to Australia, but 75% of the Hong Kong-born immigrants entered under this category.

There is evidence that immigration from Hong Kong has had economic benefits for Australia. Recent Hong Kong arrivals have brought with them considerable financial and human capital. They include many with an entrepreneurial orientation, keen to establish a small business. As a group, Hong Kong migrants remain geographically mobile, with their return rate, post-1990, having been estimated at around 33%. However, benefits still accrue, by increasing the tendency to create ‘transnational business networks which bind Australia with other parts of Asia,’ and through the application of their business experience and cultural affinity to ‘facilitate Australian investment into Southern China’ (Wong, 1994).

Table 7.18 Hong Kong Born: Comparison Between <i>Australia Censuses</i>:^a 1986 & 1991					
	1986 ^b		1991		% Change
	No.	% of Popul ^a	No.	% of Popul ^a	1986 - 1991
POPULATION					
Males	13,904	50.2	28,237	49.1	103.1
Females	13,815	49.8	29,273	50.9	111.9
Persons	27,719	100.0	57,510	100.0	107.5
LABOUR FORCE STATUS^c					
Employed	13,394	60.1	23,471	48.4	75.2
Unemployed	1,096	4.9	3,698	7.6	237.4
Not in Labour Force	7,616	34.2	20,932	43.2	174.8
Total^d	22,280	100.0	48,505	100.0	117.7
<p>Notes: ^aAll figures in this table exclude overseas visitors.</p> <p>^b1986 figures include Macau, as separate figures for Hong Kong are not available. Note that in 1991 there were 1,634 persons born in Macau, that is, 2.8% of the total Hong Kong and Macau-born in Australia.</p> <p>^cLabour Force Status is defined in relation to the population 15 years and over.</p> <p>^dIncludes not stated.</p> <p>Sources: Australian Bureau of Statistics, <i>1986 Census Australia</i>, ABS Cat. No. 2171.0, Australian Government Publishing Service, Canberra, ACT, various tables; Australian Bureau of Statistics, <i>1991 Census Australia</i>, ABS Cat. No. 2701.1, Australian Government Publishing Service, Canberra, ACT, various tables.</p>					

In *Australia Census 1991*, the labour force participation rate among the Hong Kong-born was 56.5% (Table 7.18). This was lower than the 65.5% share shown in *Australia Census 1986*. The large increase in numbers of Hong Kong-born students and a high number of female households, with their principal breadwinners in Hong Kong, may explain why there has been a decrease in the labour force participation rate. The Hong Kong-born labour force participation rate was, in 1991, significantly lower than the rate for Australia’s total population, 63.0%. This figure was also lower than the rates for the overseas-born: the Mainly English-Speaking (MES), 64.6%; and Non-English Speaking (NES), 59.8%.

In areas with over 1,000 HK-born persons, the highest labour force participation rate occurred in the Australian Capital Territory, 59.7%; and New South Wales, 58.4%. The lowest labour force participation rate occurred in Queensland, 50.9%. The labour force participation rate for all Hong Kong-born males, 63.4%, was somewhat higher than that for married females, 59.9%, and significantly higher than the rate for other Hong Kong-born females, 38.5%.

At the time of Australia Census 1991, the unemployment rate for the Hong Kong-born was 13.6%, which was higher than that for the Australian total population which was 11.6%. There was a higher rate of unemployment among unmarried females (16.6%) than married females (12.3%) and males (13.4%). The Hong Kong-born, including the Macau-born, unemployment rate rose from 7.6% in 1986 to 13.6% in 1991. In areas with over 1,000 Hong Kong-born, the highest proportion of those unemployed was in South Australia, 17.5%.

7.4.1.2.1 Hong Kong Born Occupations

In *Australia Census 1991*, the occupations most frequently specified among the Hong Kong-born were those of professionals (24.5%), salespersons and personal service workers (15.8%) and clerks (14.3%) (Table 7.19). In comparison, the proportion of Australia's total population in the respective occupations stood at: professionals (12.5%), salespersons and personal service workers (13.9%) and clerks (15.1%). The significant divergence shown within the professionals category can be attributed to the large numbers of Hong Kong-born immigrants entering Australia under the skilled and business migration eligibility category.

Hong Kong-born females were most likely to be employed as clerks (23.6%), salespersons and personal service workers (20.5%) and professionals (17.5%) (Table 7.19). On the other hand, males were more disposed to be employed as professionals (30.4%), trades persons (17.1%) and managers and administrators (12.0%).

There was a clear under representation by the Hong Kong population in occupations such as plant and machine operators and drivers; and labourers and related workers, corresponding to 5.7% and 7.4% each respectively (Table 7.19). The percentage share of the total Australian population for plant and machine and operators and drivers, and labourers and related workers was 7.1% and 12.4%, each respectively.

The industry with the highest proportion of Hong Kong persons was recreational, personal and other services (18.8%) and community services (18.0%) (Table 7.19). Other industries with a high representation included finance, property and business (17.0%), and wholesale and retail trade (15.8%). For comparison, the proportional shares of Australia's total population were recreational, personal and other services (7.0%), community services (17.7%), finance, property and business (11.1%) and wholesale and retail trade (18.8%).

Table 7.19 Hong Kong-Born Residents Occupation¹: By State and Persons - Australia Census 1991

State/Persons	Mgns & Admins		Professionals		Para-Professionals		Tradespersons		Clerks		Sales/Personal Serv ¹		Plant & Mach/Oper ¹ & Drivers		Labourers & Related Workers		Inadequately Described & Not Stated		TOTAL	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
New South Wales Persons	1,277	9.7	1,159	26.6	887	6.7	1,006	2.9	2,255	16.2	3,922	14.6	509	3.9	897	6.8	962	7.3	13,154	100.0
Victoria Persons	435	8.7	1,275	25.2	353	7.1	1,070	9.8	625	2.7	348	14.1	230	4.6	343	6.9	380	7.7	4,957	100.0
Queensland Persons	208	11.3	362	16.7	75	4.1	269	16.7	26	1.3	356	14.4	40	2.2	168	9.2	158	8.6	1,834	100.0
South Australia Persons	88	3.7	136	23.7	37	5.7	61	9.8	136	23.0	82	12.9	15	2.3	51	7.9	51	7.9	644	100.0
Western Australia Persons	75	5.9	24	1.8	122	9.8	130	14.7	26	2.3	201	20.1	36	2.9	148	11.9	103	8.3	1,241	100.0
Tasmania Persons	6	3.1	24	24.4	3	2.8	16	24.3	1	1.5	21	21.7	---	---	12	11.3	9	8.5	106	100.0
Northern Territory Persons	9	5.6	1	2.1	12	7.5	34	21.9	1	1.3	13	13.3	3	1.9	15	9.4	12	7.5	160	100.0
ACT Persons	58	10.8	135	34.5	29	5.4	50	9.3	68	10.4	83	15.5	3	0.6	31	5.8	30	5.6	537	100.0
AUSTRALIA Males	1,475	12.0	3,740	30.4	501	4.1	2,099	17.0	791	6.4	1,462	11.9	377	3.1	960	7.8	888	7.2	12,293	100.0
Females	677	6.5	1,805	17.5	1,017	9.8	297	2.9	2,444	24.1	2,119	20.2	459	4.4	705	6.8	817	7.9	10,340	100.0
Persons	2,152	9.5	5,545	24.5	1,518	6.7	2,396	10.6	3,235	14.3	3,581	15.8	836	3.7	1,665	7.4	1,705	7.5	22,633	100.0

Note: ¹ Occupation defined as employed persons aged 15 years and over.

Source: Australian Bureau of Statistics, 1991 *Census Australia*, ABS Cat. No. 2701.0, Australian Government Publishing Service, Canberra, ACT, Customised Matrix Table CSC6029.

Males were predominantly represented in the recreation, personal and other services, (21.4%), finance, property and business (16.9%), and wholesale and retail trade (14.0%) (Table 7.19). On the other hand, more than 67% of females worked in community services, 22.8% in finance, property and business, 17.2% in recreation, personal and other services, 15.6%; and wholesale and retail trade, 15.4%.

Significant differences were evident when occupations were classified by industries and State or Territory of residence, with New South Wales having a significant proportion of Hong Kong-born settlers in finance, property and business (20.4%) compared to the Australia-wide figure of 17.0%. Recreation, personal and other services industry was dominant among the Hong Kong-born of Western Australia (32.3%) and Queensland (26.0%) compared to the Australia-wide average of 18.8%. In the Australian Capital Territory, 31.5% of the Hong Kong-born occupations were within the public administration and defence sector, compared to the Australia-wide average of 4.7%. Overall, the Hong Kong-born were under-represented in agriculture, forestry, fishing and hunting (0.3%), construction (1.2%) and manufacturing (9.5%).

7.4.1.3 Taiwanese-born Migrants Occupations

The late 1980s were years of relatively high immigration, with the proportion of Asian immigrants, especially the Taiwanese, increasing considerably. As the BMP program became renowned, the Asian region share of the program total intake increased from 25% in 1982/83 to 93% in 1991/92. This marked growth was mainly due to an increase in business migration from Hong Kong and Taiwan.

In 1991, more than 85% of Taiwanese-born people living in Australia arrived during 1986-91 period. Asian groups with more than 50% arriving after 1985 were, among others, the Chinese and Hong Kong-born.

Taiwanese-born people have a distinctive occupational profile. Approximately, 30% of employed Taiwanese men are classified as managers or administrators, compared to 16% of employed Australian-born men. There is also a relatively large number of professionals among Taiwanese-born men, although not as large as among the Malaysian-born.

Persons born in Taiwan had exceptionally low levels of labour force participation in all age groups, among both men and women. Only 33% of Taiwanese-born men and 25% of the women were in the labour force, the lowest among all the birthplace groups examined. Even at the prime working age of 35-44 years, only 54% of

Taiwanese men were in the labour force, compared to about 90% of males from other Asian countries. This low level of participation cannot be attributed to their more recent arrival in this country. Their participation rates according to duration of residence were consistently lower than those for other birthplace groups with similar duration of residence, suggesting a slower adjustment to the labour market than other Asian birthplace groups.

7.5 Impacts

7.5.1 Social Impact

7.5.1.1 Mainland Chinese

In 1991, there were 77,799 mainland Chinese in Australia, representing 2.1% of the total overseas-born population (Table 7.20). There were also a further 28,680 Australia-born persons who reported that one or both of their parents had been born in China, that is, second generation Chinese. Of the first generation, that is, those born in China, 69.3% settled in Australia since the beginning of 1981. In 1991, 11.8% were aged less than 25 years, while 25.1% were 55 years or older.

During 1991, 56.4% of the China-born community had arrived in Australia in the previous 5 years. By comparison, only 20.2% of the total overseas-born had arrived in the same period. Among the China-born, 7.9% had settled in Australia between 1976 and 1980, that is, having between 11 and 15 years of residence; 3.6% had settled in Australia between 1971 and 1975, that is, about 16 to 20 years of residence; while only 17.1% were long-term residents of more than 20 years who settled in Australia before 1971. When compared to data for all overseas-born, it becomes evident that the majority, 56.4%, of the China-born population were recent settlers, less than 5 years, to 47.7% of all overseas-born who have been residents for more than 20 years.

Most of the mainland Chinese live in New South Wales, 57.0%, or Victoria, 25.7%. Between 1986 and 1991, the proportion of Chinese residing in New South Wales has remained fairly constant, at around 56.4%, while that for Victoria had increased from 21.3% to 25.7%. However, during the same period, the Chinese proportion in Queensland has decreased from 9.3% in 1986 to 7.3% in 1991, as has their proportion in South Australia, from 4.4% to 3.4%.

Table 7.20 PRC Chinese: Comparison Between *Australia Censuses^a: 1986 & 1991*

	1986		1991		% Change
	No.	%	No.	%	1986 - 1991
POPULATION					
Males	17,892	48.9	41,294	53.1	130.8
Females	18,662	51.1	36,505	46.9	95.6
Persons	36,554	100.0	77,799	100.0	112.8
GEOGRAPHICAL DISTRIBUTION					
NSW	20,399	55.8	44,320	57.0	117.3
VIC	8,362	22.9	19,972	25.7	138.8
Queensland	3,409	9.3	5,666	7.3	66.2
South Australia	1,621	4.4	2,650	3.4	63.5
Western Australia	1,535	4.2	3,108	4.0	102.5
Tasmania	274	0.7	391	0.5	42.7
Northern Territory	238	0.7	373	0.5	56.7
Aust Capital Territory	716	2.0	1,319	1.7	84.2
Total:	36,554	100.0	77,799	100.0	112.8
AGE					
0-4 Years	156	0.4	440	0.6	182.1
5-14 Years	1,361	3.7	1,963	2.5	44.2
15-24 Years	2,065	5.6	6,765	8.7	227.6
25-34 Years	4,788	13.1	23,151	29.8	383.5
35-44 Years	8,627	23.6	16,426	21.1	90.4
45-54 Years	6,304	17.2	9,524	12.2	51.1
55-64 Years	6,232	17.0	8,391	10.8	34.6
65+ Years	7,021	19.2	11,139	14.3	58.7
Total:	36,554	100.0	77,799	100.0	112.8
CITIZENSHIP					
Australian	25,960	71.0	36,960	47.4	42.4
Other	10,177	27.8	37,762	48.4	271.1
Total ^b	36,495	99.8	78,017	100.0	113.8
LABOUR FORCE STATUS^c					
Employed	16,940	48.3	39,976	53.0	136.0
Unemployed	2,410	6.9	7,775	10.3	222.6
Not in Labour Force	15,305	43.7	26,145	34.7	70.8
Total ^b	35,037	100.0	75,362	100.0	115.1
<p><i>Notes:</i> ^aAll figures in this table exclude overseas visitors.</p> <p> ^bIncludes not stated.</p> <p> ^cLabour Force Status is defined as persons 15 years and over.</p> <p><i>Sources:</i> Australian Bureau of Statistics, <i>1986 Census Australia</i>, ABS Cat. No. 2171.0, Australian Government Publishing Service, Canberra, ACT, various tables; Australian Bureau of Statistics, <i>1991 Census Australia</i>, ABS Cat. No. 2701.1, Australian Government Publishing Service, Canberra, ACT, various tables.</p>					

A high proportion, 93.4%, of the Chinese population in Australia resides in the capital cities of a State or Territory; exhibiting the same pattern of high urbanisation found among the most recent immigrant groups (Table 7.21). In Sydney, a relatively high proportion of the China-born live in the middle to outer Western suburbs within the municipalities. However, in Melbourne the preferred areas of settlement are more diverse, ranging from the suburbs within the inner city of Melbourne to the middle-ring northern municipalities.

Citizenship is not necessarily a measure of social adjustment, since many people who may feel to be socially integrated into Australian society do not become citizens, for example, the British. On the other hand, displaced people and refugees are more likely to apply for citizenship when they become eligible for it, so as to establish a new nationality status and obtain the necessary passport for international travel. For

other immigrants, the issue of whether to become citizens may be related to a variety of factors, including: employment and access to services, or other benefits associated with citizenship, ownership of property overseas and differential tax rates. Generally, immigrants who are unable or unlikely to return to their country of origin because of political, social, or economic conditions are most likely to become citizens.

Table 7.21 Australia's Non-English Speaking Residents by Country of Birth - Australia's Census 1991

Country of Birth	STATE									AUSTRALIA	
	NSW No.	VIC No.	QLD No.	SA No.	WA No.	Tas No.	NT No.	ACT No.	Other No.	ALL STATES No.	%
China	42857	19598	4712	2542	2942	274	345	1365	3382	78,017	2.1
Hong Kong & Macau	30606	13215	4521	1656	3085	208	291	1176	2738	57,496	1.6
Total (NES) ^a	1,460,775	920,983	331,211	266,865	381,757	22,093	17,756	69,764	517,762	3,689,596	100.0

Notes: ¹This table is based on place of usual residence.
²Capital cities are 'Statistical Divisions,' Gold Coast-Tweed and Canberra-Queanbeyan are 'Statistical Districts,' and other locations are 'Statistical Sub-divisions' as defined by the *Australian Standard Geographical Classification*.
^aNES - Non-English Speaking, that is countries other than Main English-speaking countries (MES). MES comprises the United Kingdom, Ireland, S. Africa, Canada, the United States of America, and New Zealand), as defined by the *Australian Standard Classification of Countries for Social Statistics*.
China and Hong Kong and Macau data is sourced from Customised Matrix Table USC6348.
NES data is sourced from Customised Matrix Table USC6013.

Sources *The Australian Census of Population and Housing 1991*, Australian Government, Australian Government Publishing Service, ACT, May 1995, Customised Matrix Table USC6348; BIMPR, Statistics Section January 1996, *Community Profile 1991 Census - Overseas Born*, Australian Government Publishing Service, Canberra, ACT; Australian Bureau of Statistics (ABS) *1991 Census Directory of Classifications*, ABS Cat. No. 2904.0, AGPS, Canberra, ACT.

Compared to the overseas-born, the China-born had a below-average rate (49.5%) of Australian citizenship. The Chinese relative low rate of Australian citizenship is consistent with their relative high percentage of recent arrivals. A considerable proportion of these immigrants were ineligible for Australian citizenship because of their temporary resident status or have not attained the time required to be eligible. Overall, the proportion of China-born holding Australian citizenship shows a strong positive relationship to their period of residence in Australia.

7.5.1.2 Hong Kong

At the time of the Australian Census 1991, of a total of 57,510 Hong Kong-born persons residing in Australia, 75% had arrived within the previous decade, while their population more than doubled in the period 1986-91, an increase of 107.5% (Table 7.22). The majority preferred to settle in New South Wales, with over 55% residing in this State, in 1991. More than half of Australia's Hong Kong-born population were living in Sydney (51.8%), while a further 22.6% were residing in Melbourne. Their geographic distribution in Australia reflects a strong preference for urban life, with 93.3% residing in cities of 100,000 or more and only 4.8% located outside a major urban centre (Table 7.21 and Table 7.22).

Table 7.22 Hong Kong Born: Comparison Between Australian Censuses:^a 1986 & 1991

	1986 ^b		1991		% Change
	No.	%	No.	%	1986 - 1991
POPULATION					
Males	13,904	50.2	28,237	49.1	103.1
Females	13,815	49.8	29,273	50.9	111.9
Persons	27,719	100.0	57,510	100.0	107.5
GEOGRAPHICAL DISTRIBUTION					
NSW	15,655	56.5	31,731	55.2	102.7
VIC	6,279	22.7	13,720	23.9	118.5
Queensland	2,223	8.0	5,222	9.1	134.9
South Australia	785	2.8	1,763	3.1	124.6
Western Australia	1,715	6.2	3,233	5.6	88.5
Tasmania	228	0.8	341	0.6	49.6
Northern Territory	179	0.6	372	0.6	107.8
Aust Capital Territory	655	2.4	1,128	2.0	72.2
Total:	27,719	100.0	57,510	100.0	107.5
AGE					
0-4 Years	922	3.3	1,459	2.5	58.2
5-14 Years	4,517	16.3	8,840	15.4	95.7
15-24 Years	6,187	22.3	15,589	27.1	152.0
25-34 Years	7,715	27.8	12,673	22.0	64.3
35-44 Years	4,705	17.0	12,384	21.5	163.2
45-54 Years	2,157	7.8	3,467	6.0	60.7
55-64 Years	910	3.3	1,787	3.1	96.4
65+ Years	606	2.2	1,311	2.3	116.3
Total:	27,719	100.0	57,510	100.0	107.5
CITIZENSHIP					
Australian	17,532	63.2	32,757	57.0	86.8
Other	10,001	36.1	23,119	40.2	131.2
Total ^b	27,779	100.2	57,496	100.0	107.0
LABOUR FORCE STATUS^c					
Employed	13,394	60.1	23,471	48.4	75.2
Unemployed	1,096	4.9	3,698	7.6	237.4
Not in Labour Force	7,616	34.2	20,932	43.2	174.8
Total ^d	22,280	100.0	48,505	100.0	117.7
<p>Notes: ^aAll figures in this table exclude overseas visitors.</p> <p>^b1986 figures include Macau, as separate figures for Hong Kong are not available. Note that in 1991 there were 1,634 persons born in Macau, that is, 2.8% of the total Hong Kong and Macau-born in Australia.</p> <p>^cLabour Force Status is defined as persons 15 years and over.</p> <p>^dIncludes not stated.</p> <p>Sources: Australian Bureau of Statistics, <i>1986 Census Australia</i>, ABS Cat. No. 2171.0, Australian Government Publishing Service, Canberra, ACT, various tables; Australian Bureau of Statistics, <i>1991 Census Australia</i>, ABS Cat. No. 2701.1, Australian Government Publishing Service, Canberra, ACT, various tables.</p>					

In 1991, 58.6% of Hong Kong-born persons had Australian citizenship, which was lower than the rate for all persons born in NES countries (72.1%) but somewhat higher than that for all persons born in MES countries (46.5%).

The Hong Kong community is predominantly a recently arrived community, with the largest numbers emigrating to Australia in the 1980s and early 1990s. In *Australia Census 1991*, 75.0% of the Hong Kong-born had settled in Australia in the last decade. In comparison, 31.2% of all overseas-born persons had settled here between 1981 and 1991. Over fifty seven per cent of the Hong Kong-born had been residents of Australia for 5 years or less.

From *Australia Census 1991*, it is clear that 57.0% of the Hong Kong-born had taken Australian citizenship; with the rate increasing significantly among those with 5 years or longer residency. Thus, the citizenship rates rose to 85.7% among those Hong Kong-born who had been in Australia 6-10 years, and to 93.4% among those who had lived here 10 years or longer.

In Australia, Hong Kong migrants are rarely singled out for particular attention or stereo-typing, except by other Chinese who often have their own, not always complimentary, stereotypes of Hong Kong Chinese. Outside the Chinese population, however, Hong Kong migrants are included in the larger Asian population, which consists primarily of those from East and Southeast Asia, with Chinese constituting the largest component, followed by Vietnamese. In a social distance attitude survey conducted by OMA in 1988, the Chinese were ranked less unfavourably than Vietnamese, Muslims and Lebanese (OMA, 1989).

The settlement experiences of Hong Kong immigrants arriving in Australia are a product of their own circumstances, as well as those of their locality and social surroundings. Key features of the host society which constitute the parameters within which settlement occurs are the provision of government services, the existence of ethnic organisations and institutions, and the more general attitudes of other communities to Hong Kong immigrants. These parameters affect the migrants' settlement, both by creating particular needs, and in providing mechanisms to satisfy them.

Many of the recent Indochinese settlers in Australia are concentrated in traditional working-class suburbs. The Hong Kong-born tendency is to locate in middle-class urban areas, which is also a characteristic of some of the more recent immigrant groups from Asia, including Indians, Sri Lankans, and the Chinese from Malaysia and Taiwan, among whom a relatively high proportion have entered as independent, skilled or business immigrants (Inglis & Wu, 1994).

In 1991, the median age of all Hong Kong-born in Australia was 27 years, with more than 70% concentrated in the age range 15-44 years (Table 7.22). In the 25-44 year age group, the majority (54.2%) were females; reflecting one of the more noticeable phenomena accompanying recent emigration from Hong Kong, that of the so-called 'astronauts' and 'parachute children' (Wong, 1994; Iredale *et al.*, 1996).

Like most immigrants, arrivals of Hong Kong settlers in Australia face settlement challenges, which include among others: securing satisfactory employment, accommodation and schooling for their children. They differ in that the majority of Hong Kong settlers have advantageous economic and occupational resources and

come from a background 'with a strongly developed culture of emigration.' The Hong Kong-born form a component within the broader Chinese community, which originates from many sources, including mainland China, Taiwan, Malaysia and Singapore, among whom indicators such as language, accent and social background may be more important bases for communality than birthplace. A Hong Kong 'community,' separate from the broader Chinese community 'exists more as an interconnected set of personal social networks than as a major structural entity' (Inglis & Wu, 1994; Larry *et al.*, 1994).

However, the most intense challenge is the phenomenon of the so-called 'astronauts' and 'parachute' children. Pe Pua *et al.* (1996) conclude that the astronaut phenomenon is either a pragmatic adaptation to cope with the realities of differing economic situations in light of the possibility of having to leave Hong Kong permanently after July 1997, or is an extension of a global mode of business operation. Disruption to family life caused by migration is not a new phenomenon. Another social issue relates to language and education. While many of the adult migrants from Hong Kong can speak English which facilitates their entry into the Australian society, they still retain and continue to use Chinese at home after their arrival. Parents and children expectations may not coincide; with their children inclination to acculturate quickly. There might be a clash with the Australian educational system philosophy, which is less competitive and elitist in orientation. Inter-generation conflicts and tensions between parents and schools may ensue, requiring mutual adjustment and accommodation.

Adequate English is especially important for those seeking white-collar positions or within areas which are outside ethnic employment niches. The problem for many Hong Kong immigrants relates to their spoken, rather than their written language. Some, especially the dependants of principal applicants who are not tested for their English ability, have significant problems with English.

In both Canada and Australia, the recession of the 1990s, with unemployment in excess of 10 per cent, has cut into job opportunities, especially for immigrants. For those who cannot find jobs, life becomes very depressing. According to an estimate of Australian arrivals who were receiving unemployment benefits, recent Hong Kong immigrants have apparently far lower rates of unemployment compared to those of other immigrants. Contrary to the interpretation that this low figure was a partial reflection of the rapid emigration of unemployed Hong Kong immigrants, the explanation is more complex (Birrell *et al.*, 1992). While some Hong Kong settlers may have emigrated, it is a fact that many have come with substantial savings to see them through their initial settlement period. An even more important explanation for the disparity is, that the Hong Kong immigrants, with their high level of skills and

knowledge of English, have actually been more successful in obtaining employment than other immigrants, including those from the United Kingdom.

To complicate matters, the Hong Kong migrants are actually more than bicultural. Not strictly Chinese or British in character, they have evolved into a distinctive breed that Baker (1983) called the 'Hong Kong Man.' Reared in a social milieu, suffused with precariousness and anxiety, they are infected with a refugee mentality (Wong, 1992). The short term orientation and impudent behaviour of Hong Kong settlers have provoked considerable criticisms abroad.

Even if their husbands remain in Australia, many women, who themselves had often held responsible, skilled and professional positions in Hong Kong, find that on migration, their immediate task is to get the family settled in a house, school and work. Only when this is done do they find it possible to seek to re-establish their own career. For these women the settlement process involves considerable strain, both because of their forgone careers and in that they play a major role in organising the details of the family's settlement.

Other problems may evolve from Australians misconstruing Hong Kong settlers' lack of understanding of their society's sensitivities. Like other settlers, Hong Kong migrants feel torn in several directions, getting apparently contradictory signals about what they should or should not do. This confusion, combined with home-sickness's pain makes successful adjustment, the more difficult.

The precise demographic characteristics of immigrants are very important in terms of adjustment. Young children tend to settle easily, while teenagers and university students have more difficulties. On the other hand, young professionals are inclined to have fewer problems while middle-aged professionals, the most. Newly settled teenagers who lack English proficiency have difficulties; at school, and later, in finding employment. Serious problems also exist for older, non-English-speaking women. The level of competence in English is a critical variable, one which can either allow people to function fully in their new country, or keeps them locked in their ethnic community. However, one very important variable, which is almost impossible to quantify, is personality.

Satisfactory adjustment is also dependent upon where the immigrant settles, and how adequately support services and assistance are available. It is perhaps paradoxical that many Hong Kong families who settle in middle-class Australian suburbs may find that these areas have fewer services that cater to the newly arrived, and those without a good command of English. The importance of access to a car or public transport becomes evident as one has to travel to other suburbs that offer better community services.

Hong Kong emigrants tend to be more mobile than previous generations of Chinese immigrants, or than many contemporary immigrants from other parts of the world. Those with good English, internationally recognised qualifications, and skills have good chances of getting jobs elsewhere, or of setting up their own businesses. They are also well informed about opportunities for immigrants elsewhere. Reliable data does not exist to indicate the extent to which Hong Kong migrants move from Australia to other countries of permanent settlement. In Australia, data on such secondary migration is unavailable, but certainly, some Hong Kong settlers do move on to other locations in South East Asia and North America, often after obtaining Australian citizenship. The most likely to follow this pattern are young professionals, without children, who move to other destinations, sometimes temporarily, in search of work.

It appears that among Hong Kong immigrants, it is more common to return to Hong Kong rather than to move to a third country. The attractions to Hong Kong may be related to family or other social ties, but far more common are the economic opportunities that exists there, especially, at a time of major labour shortage, exacerbated by extensive emigration. For former Hong Kong residents, a return to work in Hong Kong can be attractive, at a time of recession in their destination. The economic benefits can also be considerable where the former Hong Kong residents are employed on expatriate rates of pay and conditions. This practice is also facilitated as Australia, like Canada, allow its citizens to hold dual citizenship, with the stipulation that they cannot be guaranteed consular protection when they are in the country of their other citizenship. This provision is attractive to people from Hong Kong, since it allows them to return to Hong Kong, once they have got citizenship, and work in Hong Kong, as locals, without special entry procedures. As this practice suggests, Hong Kong emigrants typically stay in Australia for the relatively short time period of two years, which is necessary to acquire Australian citizenship.

Hong Kong-based companies had increased considerably their recruitment activity in Australia, by seeking to recruit former Hong Kong residents to return to work, there. An indication of the interest shown in Hong Kong jobs is the ready available, in Sydney and other major Australian cities, of the same-day edition of the *South China Morning Post*, with its extensive listings of Hong Kong positions.

7.5.2 Political Impact

On the political front, the issue of returnees is a controversial one. Hong Kong migrants are 'reluctant exiles' who show a strong desire to return after obtaining a foreign passport. Though the precise magnitude is not yet known, there is no doubt

that the number of returnees is substantial, reflecting the pervasiveness of the attitude adopted by Hong Kong migrants towards issues of nationality and passports. Such an attitude provoked popular resentment in Australia, against their apparent lack of commitment and loyalty to the host country. It challenged the established assumption of immigration as a promise of permanent settlement and the traditional conception of nationalism which insists on an exclusive form of identity. However, the instrumental approach of the Hong Kong migrants should be seen in context. They are not the only group with a high return rate. In the contemporary world, the frequent movement of people across national boundaries is a new fact of life. There are signs that notions of nationalism and identity are undergoing fundamental changes in Australia itself (Castles *et al.*, 1992).

The instrumental attitude of the Hong Kong migrants also means that they tend to be apolitical and self-contained. Attempting to keep the state at arm's length, they generally do not impose demands on the government or draw on public assistance. Being pragmatic about matters of nationality and allegiance, it is unlikely for them to form a unified political force, by merging with other settlers of Chinese descent. Left to themselves, they would probably follow the natural course, to become part of a diversified Chinese mosaic that fits into the multicultural framework of Australia.

However, the substantial number of returnees to Hong Kong carries with it a hidden political problem for Australia's future relationship with China. As Australian citizens, the returnees will become foreign nationals in Hong Kong, after 1997. But, being born in the Territory, they have a claim to be regarded as permanent residents when Hong Kong becomes a Special Administrative Region of China. Their dual identities will create ambiguities and generate tensions in the future Special Administrative Region. In times of crisis, they can demand consular protection from the Australian government which may be perceived by the Chinese government as unwarranted interference in its internal affairs.

7.5.3 Economic Impact

Along with changes in social conditions, the Chinese community in Australia has also experienced dramatic changes in their economic activities. In the past, the Chinese were labourers, skilled workers, and shopkeepers, catering to the need of the Chinese community. There were also a few entrepreneurs who gained wealth and prominence in the tea and banana trade (refer to ch. 4).

Education continued to be the main factor that changed the economic status of the Chinese community. Being highly conscious of their inferior social status in Australia, most Chinese families strove to provide their children with a good education. Their children, in turn, were keen to achieve good academic results to fulfil their obligations and honour families.

Hong Kong's migration story should be instructive as it has a general significance. Wang Gungwu (1992) suggested that there have been four main patterns of Chinese emigration in the past two hundred years: the trader pattern, the coolie pattern, the sojourner pattern, and the descent or re-migrant pattern. From the beginning, the trader pattern was the dominant one in Southeast Asia, while the coolie pattern characterised the early migration to Australasia and the Americas. Since the end of World War II, the centre of gravity for Chinese migration has shifted from the former region to the latter. Simultaneously, there was the emergence of the new pattern of remigration of the *Huayi*, foreign nationals of Chinese descent.

Hong Kong migrants are educated and highly skilled, with a significant number having considerable wealth. Among the Hong Kong migrants, there is a significant percentage who has substantial assets but only a minority who is extremely wealthy. This will be elaborated upon in chapter 8.

On the one hand, Hong Kong has been seen to have experienced a brain drain while, on the other hand, the major destination countries are seen to be competing for these brains with the intention, according to one observer from the United States, "to get as many as possible of Hong Kong's people to its shores, so that they will use their talents and energy to advance American rather than Australian or Canadian interests" (McGurn, 1992).

As elaborated upon in the previous sections, there may have been short-term gains for Australia to the detriment of Hong Kong. Once Hong Kong settlers became permanent residents or acquired a foreign passport, they returned back to Hong Kong to continue with their businesses. This might be of direct benefit to Australia - in establishing better links within the region. But at what costs?

The lack of commitment and loyalty by Hong Kong settlers has provoked resentment within Australia. The significant tax differential which exists between Australia and Hong Kong makes it advantageous for them to be assessed in Hong Kong; to Australia's detriment. It seems that in competition with the United States and Canada, in attracting the best, certain migration categories, for example, the Business Migration Program, were haphazardly implemented. While, over the 1980-1995

period, Australia might have benefited from the uncertainties of the 1983 Sino-British talks, the full implications on the return of Hong Kong to China in 1997 are still to be felt.

Will Australia not only be willing but also able to defend the rights of its citizens residing in this former British colony? Were Hong Kong citizens aware of the stipulation that in holding dual citizenship, Australia cannot guarantee them consular protection when they are in their Country- or Territory-of-birth? If so, were they made aware of this: before they obtained Australian citizenship or afterwards? Do the Hong Kong-born fully understand that their instrumental attitude in obtaining Australian citizenship, in view of Hong Kong being ceded to China in 1997, is false security as there is no guarantee of Australian consular intervention if this is so required? Under International Law, is Australia accountable or excused from any liability on account of the stipulation? What would be the international community response to inaction on Australia's part in protecting its citizens?

At the diplomatic level, will Australia's worldwide image be tarnished, with ensuing loss of standing? What are the perceived trade costs? How will the ethnic community in Australia react to the Australian Government non-intervention in protecting its citizens? Will they feel threatened and insecure towards the Nation? How will any action on Australia's part be interpreted by Beijing? As an Australian interference in the People's Republic of China's sovereignty? Will Australia be ready and able to forsake its trade with China in overseeing that its citizens be treated fairly? With Australia's trade highly dependent on mainland China, this might not be the case.

7.6 Conclusion

Over the 1980-1995 period, Australia continued in search of its identity, utilising: multiculturalism in the early 1980s, regionalism by the late 1980s and republicanism in the early nineties. In the process, the Asian component of Australian total migrant intake continued to increase.

Australia's Immigration policies continued to be 'expansionary.' The rationale of the planned immigration program was based on balancing the Humanitarian, Family Reunion, Skilled and Business categories. This entailed that Australia's total migrants intake increased from 80,748 in 1979/80 to 110,689 in 1980/81 and to a high of 145,316 in 1988/89.

The formulation of immigration policies on short-term rather than long-term objectives resulted in not only by-passing set targets, but in delimiting Australia's ability to anticipate changes; domestically, relative to ethnic communities' pressures and internationally, in relation to the closing of previous migrant source countries, e.g., the United Kingdom and Ireland and Europe, and in face of social, political and economic turmoils within the Middle East, Eastern Europe and Asian region, as a result of the political fallout which ensued from the Sino-British talks in 1982/83, the uncertainties surrounding the future prospects of Hong Kong on its reversion to China in July 1997, and the Tiananmen Square incident in 1989, which compelled people to seek and move to other countries.

As the United Kingdom and Ireland, and Europe importance as migrants' source countries continued to diminish, and in order to maintain its population levels, Australia turned to new sources for its work-force requirements. The diminishing patterns in the United Kingdom and Ireland and Europe levels of migrant intakes has been well established by mid-1970s, corresponding to an emerging growth in Australia's intake of migrants from Asia.

The Asian region share of Australia's total intake increased from 2.3% in 1960 to 50.7% in 1991, where it stabilised at 40% during the 1992-95 period. In 1990, Asia's share of Australian total migrant intake stood at 50.1%, surpassing the combined total share of the United Kingdom and Ireland, and Europe, which stood at 18.0% and 26.6%, each respectively. By 1995/96, Asia remained the dominant source of Australia's migrant intake.

With the increase in the Family Reunion category, and the reduction in the Independent category, Asians made up a larger proportion of a smaller migrant intake. In addition, as Asian migrants were less likely to return home than people from the United Kingdom, Europe and North America, their proportion in Australia's net intake was higher than their share in the gross figures.

As changes took place in Australia's migration criteria, different categories were utilised by Asian nationals seeking to attain permanent residency in Australia. While in 1982/83, Asian settler arrivals accounted for the overwhelming majority (76%) of the total refugee intake, by 1991/91, this proportion has fallen to 44% of the total intake. At the same time, as the BMP category was aggressively marketed in Asia, a greater proportion of Asians utilised this scheme that in 1991/92, the Asian-born accounted for 92% of the BMP total intake, compared to 24% in 1982/83.

During the 1980-1995 period, increases in the Asian migrant share were mainly achieved by significant increases in the intake of migrants from Hong Kong, China and Taiwan which peaked at 13,541 Hong Kong migrants and 3,491 Taiwanese migrants in 1990/91, and 11,247 mainland Chinese migrants, in 1995. The level of mainland Chinese migrants would be more pronounced if the November 1996 applicants were to be aggregated with off-shore applicants. If these on-shore applicants are also taken in consideration, over the 1990-95 period, the average yearly intake of mainland Chinese settlers would increase to over 12,800 persons.

The Hong Kong migration was a direct response to the uncertainties generated by the Sino-British talks and in anticipation of the future reversion of Hong Kong to China in 1997 - in attaining residency and a foreign passport. Until the mid-1980s, when the impending return of Hong Kong to China became a dominant concern to many Hong Kong Chinese, migration to Australia was largely due to pull factors: economic gains likely to be had in Australia. By the late 1980s, Hong Kong migrants to Australia came under the Skilled category, being admitted on the grounds of professional qualifications, skills or wealth.

Australia, in competition with Canada and the United States, was able to achieve short-term gains, in attracting the well educated and wealthy would-be migrants from Hong Kong. The Hong Kong people were not as ill-fated as it has been perceived. They had choices; choices which they used to their own best advantages: utilising Family reunion as the means of entry into Canada and the BMP in coming to Australia. Australia's gains were short-term - gaining migrant fund transfers for balance of payment purposes. New migrants' transferred funds served as a source of foreign exchange which made a positive contribution to Australia's current account.

The reasons behind the high levels of Hong Kong immigration to Canada were that they had kinship connections, which served as a means of attaining Canadian residency, by applying under Canada's Family criteria. In addition, they had greater familiarity with the Canadian environment.

On the other hand, the recent increase in the number of Hong Kong migrants to Australia were Australia's recent directions, which include a closer identification with the Asia-Pacific Region, a non-discriminatory immigration program that encourages skilled and qualified settlers and support for a multicultural society, were attractive to many considering emigration from Hong Kong. In addition, Australian immigration regulations and procedures were less stringent when compared with those of Canada and the United States, such as non-imposition of area quotas nor demand residency requirements for landed immigrants and offer a multiple re-entry visa valid for three years on entry.

Hong Kong immigrants made preferential use of the Family category for residency in Canada and Skills categories for permanent residency in Australia. Despite the importance of the Family Reunion category in Australia's total immigration program, from the mid-1980s onwards, less than 25% of Hong Kong immigrants to Australia made use of family ties as a basis for entry. Their decision to emigrate reflects less the differential economic attractiveness of traditional receiving countries, than the importance of more diverse considerations, such as the quality of life-style, future prospects for their children and immediate political concerns.

Taiwanese nationals, like Hong Kong settlers, who migrated to Australia relied mostly on the Skills category as a means of attaining permanent residency in Australia, with the great majority being highly educated, skilled and professional groups. The main factors driving those seeking alternative residencies are improvements in their economic well-being and in securing a future and an education for their children. The only exception was that a higher proportion (15.6% in 1995/96) of Taiwanese nationals were using New Zealand to enter Australia.

On the other hand, mainland Chinese migrants preference shifted from the Family, Humanitarian, and Employer Nominated categories during the 1980-1985 period to Family, Business Skills, and Independent categories over 1986-1995.

Schemes were developed and promoted, in attracting would-be migrants to Australia. The BMP was aggressively promoted in the Asian region, with the scheme becoming a very popular instrument with the Hong Kong and Taiwanese, and later mainland Chinese nationals in settling in Australia. After the Sino-British talks in 1982/83, the

levels of BMP applicants from Hong Kong, principals and dependents, entering Australia increased from around 80 settlers in 1982/83, to a high of about 3,300 migrants in 1989/90. Simultaneously, Taiwanese business migrants showed similar, though lagging patterns, when compared to Hong Kong business migrants; increasing from around 20 migrants in 1983/84 to a high of 2,900 in 1990/91. What is quite odd in the BMP intakes from Hong Kong, Taiwan and China, from 1986/87 onwards, is the fact that the patterns were synchronous.

Lack of monitoring within the established schemes and programs led to an inability to contain and evaluate irregularities. One of the reasons for the demise of the BMP program was the lack of monitoring of the scheme (Joint Committee of Public Accounts, 1992). Since the introduction of the new Business Skills program in 1992, DILGEA has only undertaken two mandatory surveys, 12 months and 18 months - both of which preclude any in-depth analysis and are open to interpretation.

Smart (1994) have argued that business interests can be associated with settlement is contradictory. Business people need to be able to oversee their investments no matter where they are. Hong Kong's migration was not simply defensive; it was part of the expansion of a global system whereby areas that, within the context of the world system paradigm were once on the periphery are now expanding into the core. Business is an economic endeavour governed by profits and opportunities with few geographical boundaries. Migration is a complex social phenomenon governed by historical, economic, political and cultural forces.

A resulting phenomenon accompanying recent migration from Hong Kong has been the astronauts children. As Pe Pua *et al.* (1996) conclude, this astronaut phenomenon is either a pragmatic adaptation to cope with the realities of differing economic situations in light of the possibility of having to leave permanently Hong Kong after July 1997, or is an extension of a global mode of business operation.

The accompanying costs were either ignored or set aside, such as the demands on services, such as English language classes for new comers, as principal applicants needed to have English language skills, while their dependants were not tested; childcare, health and education.

It remains quite unclear how effective and appropriate the migrants' uniqueness and contacts with their old country have helped to increase the inflow of trade and investment to Australia's advantage. The benefits that the Entrepreneur and the BMP schemes had on the Australian economy remain inconclusive.

While detailed data on secondary migration is unavailable, it is certain that some Hong Kong settlers do move on to other locations in South East Asia and North America, often after obtaining Australian citizenship. Most of them return to Hong Kong. The number of those who return is substantial, reflecting the pervasiveness of the attitude adopted by Hong Kong migrants towards such issues as nationality and passports. This challenges the established assumption that immigration is a promise of permanent settlement, and the traditional concept of nationalism which insists on an exclusive form of identity. However, in the contemporary world, the frequent movement of people across national boundaries is a new fact of life.

From the admittedly inadequate data available, during the 1986-1996 period, it has been estimated that at least 22% of all Hong Kong migrants were returning back to their country-of-birth, to continue with their businesses or employment. However, the highest level of turnover in Hong Kong settlers occurred during the 1992-93 period - 35.7%, at a time when the Australian economy was facing slow growth. This indicates that many are just establishing credentials before returning to Hong Kong. This might have direct benefit to Australia, in establishing better links within the region. But at what costs? Amongst the costs, there are the foregone taxes to Australia, as well as sustaining resentment in the Australian community, which may lead to racial acts or the perpetration of the racial debate.

The long-term implications as to what will succumb to those Hong Kong residents holding dual citizenships have been ignored. The diplomatic implications that this might have on the right-to-abode in Hong Kong post-1997 have not been fully comprehended. This becomes more pronounced in view of the facts that China does not recognise dual nationality and in what recourse China might take in the event Australia tries to uphold its citizens' rights.⁶ This could have a direct effect on Australia-China relations, with consequential effects on bilateral trade - an approach which would have implications to the Australian economy.

⁶ The Standing Committee of the National People's Congress' Interpretation of Several Questions of the Nationality Law of the People's Republic of China when applying in the Hong Kong SAR, and which were passed at the 19th meeting of the Standing Committee at the 8th National People's Congress on 15 May 1996, clearly states in Sec. No. 4, "Chinese nationals in the Hong Kong SAR with right of abode in foreign countries can use relevant documents issued by foreign governments for the purpose of travelling to other states and regions. *However, they will not be entitled to consular protection in the Hong Kong SAR and other parts of the PRC on account of their holding the above mentioned documents.*" (italicised my emphasis). The Australian Department of Foreign Affairs and Trade (DFAT) has been maintaining dialogue with the Chinese and Hong Kong authorities to seek clarification of how the proposed dual nationality declaration is to be implemented (Official correspondence, 5 November 1996). Until 8 May 1997, DFAT had not received any definitive information from the People's Republic of China and the Hong Kong authorities as to their precise intentions. On the 16 April 1997, DFAT had issued a *Consular Travel Advice*, alerting Australian citizens, that as of 1 July 1997, to the potential implications that the nationality declaration might have for them if they travel to the Hong Kong Special Administrative Region (HKSAR), as well as to the possible limits on the assistance which Australian consular officials can provide to dual nationals in their country of other nationality or in third countries (DFAT, Media Release D36 of 16 April, 1997).

8. CHAPTER 8 AUSTRALIA'S INVESTMENTS OUTFLOWS AND INFLOWS 1980-1995

8.1 Introduction

From the early 1980s, worldwide foreign direct investment trends continued to increase. Australia's outward direct investment position showed a distinct upward trend, which was consistent with global trends. However, Australia's investment was redirected away from its former destinations, South American, Hong Kong and ASEAN countries, towards United Kingdom, United States and New Zealand. The levels of direct investment outflows going to Taiwan and China, excluding outsourcing, remained insignificant, while that going to Hong Kong diminished to an all time low in 1994/95. On the other hand, inflows from Taiwan and China remained insignificant, by Australian standards, while those from Hong Kong continued on a growth trend. Within the limitations of the available data, this chapter will analyse the reasons behind the underlying changes in the investment patterns from the above mentioned Northeast Asian countries; how they converged or diverged from investors strategies and expectations - in the short- and long-term. The implications of direct investment on Australian government policies will also be put forth.

This chapter is composed of: Sec. 8.1 Introduction; Sec. 8.2 which gives an overview of global investment inflows, outflows and stocks, especially with reference to the major source and host countries, and how this related to Australia, China, Hong Kong, and Taiwan; Secs 8.3-8.5 cover investment outflows from Hong Kong, China, P.R. and Taiwan to Australia; Sec. 8.3 will look at and analyse Hong Kong's investment in Australia, adopting the same analytical approach for China, Sec. 8.4, and Taiwan, Sec. 8.5. Secs 8.6 to 8.9 will look at Australian direct investment abroad; with Sec. 8.6 focusing on Australia's regional and worldwide direct investment outflows, relating the factors which influenced Australian investments abroad. Sec. 8.7 will look at Australian investment in Hong Kong, analysing investment levels, by industry types and how they compared with United States and United Kingdom investments. Sec. 8.8 will study Australian investment levels in China, examining Australian direct investment not only by mode but also by industrial type. In Sec. 8.9, Australia's investment levels in Taiwan are analysed. Sec. 8.10 is the conclusion.

Chapter 8 has two appendices: Appendix B and Appendix C which corresponds to Secs 8.8 and 8.9, each respectively, within the chapter. Appendix B is an evaluation of the purposes, locations and measures and the available modes of investments in China. in respect to the Special Economic Zones (SEZs). Appendix C gives a broad picture of Taiwan's investment environment in relation to government policies, priorities and incentives.

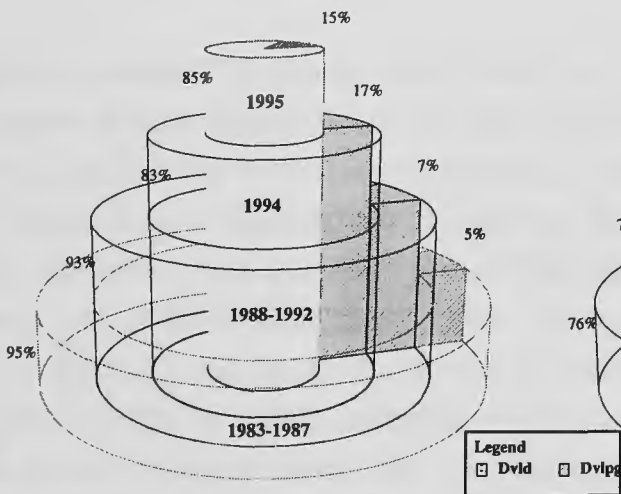
8.2 Foreign Direct Investments

8.2.1 Overview

Global foreign direct investment (FDI) inflows more than doubled, in nominal terms, between 1975 and 1985, attaining a peak in 1981, and rising thereafter at an annual average rate of 41%, to reach \$US200bn in 1989 (Figure 8.1) (United Nations, 1992c). These FDI inflow increases have been experienced by both developed and developing countries, with some year-to-year fluctuations. The 1970s and 1980s have seen considerable changes in the level and composition of FDI in the developing countries of East, South and South-East Asia. Significant changes occurred not only in the overall importance and composition of sources of FDI, but also in the recipients of those investments.

Figure 8.1 World-wide Foreign Direct Investment (FDI) Outflows And Inflows from Developed and Developing Countries Selected Years 1983-1995 (Percentages)

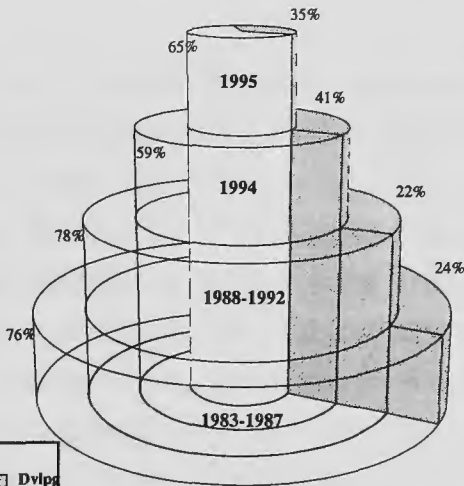
Global Foreign Direct Investment (FDI) Outflows from Developed & Developing Countries (%) 1983-1995



Notes: Central & Easter Europe percentage (%) shares of FDI outflows over the 1983-1995 period were as follows: 1983-1987 0.01%; 1988-1992 0.02%; 1994 0.24%; and 1995 0.09%. Therefore as the percentage share was insignificant, it was aggregated with the developing countries share (above figure).

Source: United Nations 1996, *World Investment Report*, United Nations, Geneva, Switzerland.

Global Foreign Direct Investment (FDI) Inflows from Developed & Developing Countries (%) 1983-1995



Notes: Central & Easter Europe percentage (%) shares of FDI inflows over the 1983-1995 period were as follows: 1983-1987 0.02%; 1988-1992 0.77%; 1994 2.60%; and 1995 3.80%. Therefore as the percentage share was insignificant, it was aggregated with the developing countries share (above figure).

Source: United Nations 1996, *World Investment Report*, United Nations, Geneva, Switzerland.

Table 8.1 Global Foreign Direct Investment Inflows And Outflows, 1983-1995 (\$US Billions)

Year	Developed Countries		Developing Countries		Central & E. Europe		All Countries	
	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows
1983-1987 ¹	58.7	72.6	18.3	4.2	0.02	0.01	77.1	76.8
1988-1992 ¹	139.1	193.3	36.8	15.2	1.36	0.04	177.3	208.5
1990	169.8	222.5	33.7	17.8	0.30	0.04	203.8	204.3
1991	114.0	201.9	41.3	8.9	2.45	0.04	157.8	210.8
1992	114.0	181.4	50.4	21.0	3.77	0.10	168.1	203.1
1993	129.3	192.4	73.1	33.0	5.59	0.20	207.9	225.5
1994	132.8	190.9	87.0	38.6	5.89	0.55	225.7	230.0
1995	203.2	270.5	99.7	47.0	12.08	0.30	314.9	317.8

Note: ¹Refers to annual average.

Source: United Nations 1996, *World Investment Report*, United Nations, Geneva, Switzerland.

In 1995, almost 90% of increases in FDI inflows (and outflows) were registered by developed countries. This resulted in the developed countries' share in world FDI inflows to increase from 59% in 1994 to 65% in 1995, while FDI outflows rose from 83% to 85% (Figure 8.1 and Table 8.1). The growth in the developed countries' FDI inflows was led by (in descending order): the United States, United Kingdom, France and Australia, while for FDI outflows (in descending order): the United States, United Kingdom and Germany were the main contenders. While American direct investment was mostly in energy distribution, telecommunications, pharmaceuticals and financial services; European direct investment was prominent in capital- and R&D- intensive industries, such as chemicals and pharmaceuticals.

Global outward FDI flows, which were on a downturn trend between 1980-82, recovered to their former levels by 1985, when annual flows totalled \$US60bn. The globalisation of the world economy began to gather pace in the mid 1980s, reflecting the deregulation of financial systems and the devaluation of the United States dollar in 1985. Between 1986 and 1990 global FDI outflows increased at the average annual growth rate of 24% (UNCTAD, 1994). As a result, global FDI outflows reached a high of \$US240.25bn in 1990 (Table 8.1). However, the annual outflows of FDI fell to \$US203.12bn in 1992, following negative growth rates in both 1991 and 1992. This decline occurred along with the downturn in world economic growth (United Nations, 1996).

Following the end of the FDI recession, in 1993, global investment inflows rose by 9%, to \$US225.7bn, in 1994, and by 40%, \$US314.9bn, in 1995, to reach a record of \$US314.9bn (Table 8.1). Investment outflows also hit new highs in 1995 - \$US317.9bn - an increase of 38% over 1994. In 1995, FDI growth was substantially higher than that of goods and non-factor services exports (18%), world output (2.4%) and gross domestic capital formation (5.3%) (United Nations, 1996).

The recent boom in direct investment flows has inevitably expanded the world's total FDI stock, which was valued at approximately \$US2.7 trillion in 1995 (UNCTAD, 1996). This stock is held by around 39,000 parent firms and their 270,000 overseas affiliates. Globally, approximately 90% of parent firms are based in developed countries, while two-fifths of foreign affiliates are located in developing countries. The global sales of foreign affiliates reached \$US6.0 trillion in 1993, which continued to exceed the value of goods and non-factor services delivered through exports (\$US4.7 trillion), of which about one quarter are intra-firm exports. In 1993, \$US1 of FDI stock produced \$US3 in goods and services abroad.

Table 8.2 Outward FDI Stocks From the Leading Developed & Developing Countries By Major Source Country And Region 1960 - 1995 (Selected Years) (\$US Billions - Current Prices)

Regions/Countries	1960	1975	1980	1985	1990	1994	1995 ^b
Total Outward Stocks^a (\$US bn)	67.7	282.0	513.7	685.6	1,684.1	2,412.2	2,730.2
Developed Countries^a	67.0	275.4	507.5	664.2	1,614.6	2,243.8	2,514.3
United States	31.9	124.2	220.2	251.0	431.7	610.1	705.6 ^c
Japan	0.5	15.9	16.6	42.0	202.5	284.3	305.6 ^c
United Kingdom	12.4	37.0	80.7	101.2	229.3	281.2	319.0 ^c
Germany	0.8	18.4	43.1	59.9	151.6	199.7 ^d	235.0 ^d
France	4.1	10.6	23.6	37.1	110.1	183.4 ^d	200.9 ^d
Netherlands	7.0	19.9	42.1	47.8	108.4	146.2 ^c	158.6 ^c
Canada	2.5	10.4	22.6	38.7	75.7	105.6	110.4 ^c
Switzerland	2.3	22.4	21.5	21.4	65.7	99.6 ^d	108.3 ^d
Italy	1.1	3.3	7.0	16.3	56.1	83.5	86.7 ^c
Sweden	0.4	4.7	5.6	12.4	49.8	51.2 ^d	61.6 ^d
Other Developed							
Australia ^f	0.02	0.17	2.3	6.7	30.1	35.9	41.3
Other Developed Countries	4.0	8.5	17.8	23.4	92.1	17.3	19.0
Developing Countries^a	0.7	6.6	6.2	21.2	69.4	167.4	214.5
Taiwan	na	na	0.1	0.2	12.9	21.5	24.3
China	na	na	—	0.1	2.5	13.8	17.3
Korea, Rep. Of	na	na	0.1	0.5	2.1	8.0	11.1
Brazil	na	na	0.7	1.4	2.4	5.1	6.5
Malaysia	na	na	0.4	0.8	2.3	6.3	8.9
Other Developing	na	na	4.9	18.2	47.2	112.7	146.4
Share in Total (%)							
Leading five Countries	85.5	78.7	80.9	74.4	68.2	64.6	64.7
Second five Countries	7.5	15.9	14.5	18.7	21.6	20.2	19.3
Leading Ten Countries	93.0	94.6	95.4	93.1	89.8	84.8	83.9
Other Countries	6.9	5.4	4.6	6.9	10.2	15.2	16.1
Total^a	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: The data presented in this table (and in the following tables and figures which have been compiled from United Nations data is to be looked at cautiously as different definitions and databases have been used by UNCTC in arriving at their figures, e.g., IMF, OECD Financial and Balance of Payments figures which, for some countries, may underestimate the corresponding totals for the respective countries.

^a Totals may not add up due to rounding error.

^b Estimates.

^c Estimated by adding flows to the stock of 1994.

^d Estimated by adding flows to the stock of 1993.

^e Estimated by adding flows to the stock of 1992.

^f For Australia, data over the 1960-1975 period was tabulated on two decimal places as the amount involved was insignificant.

na - not available.

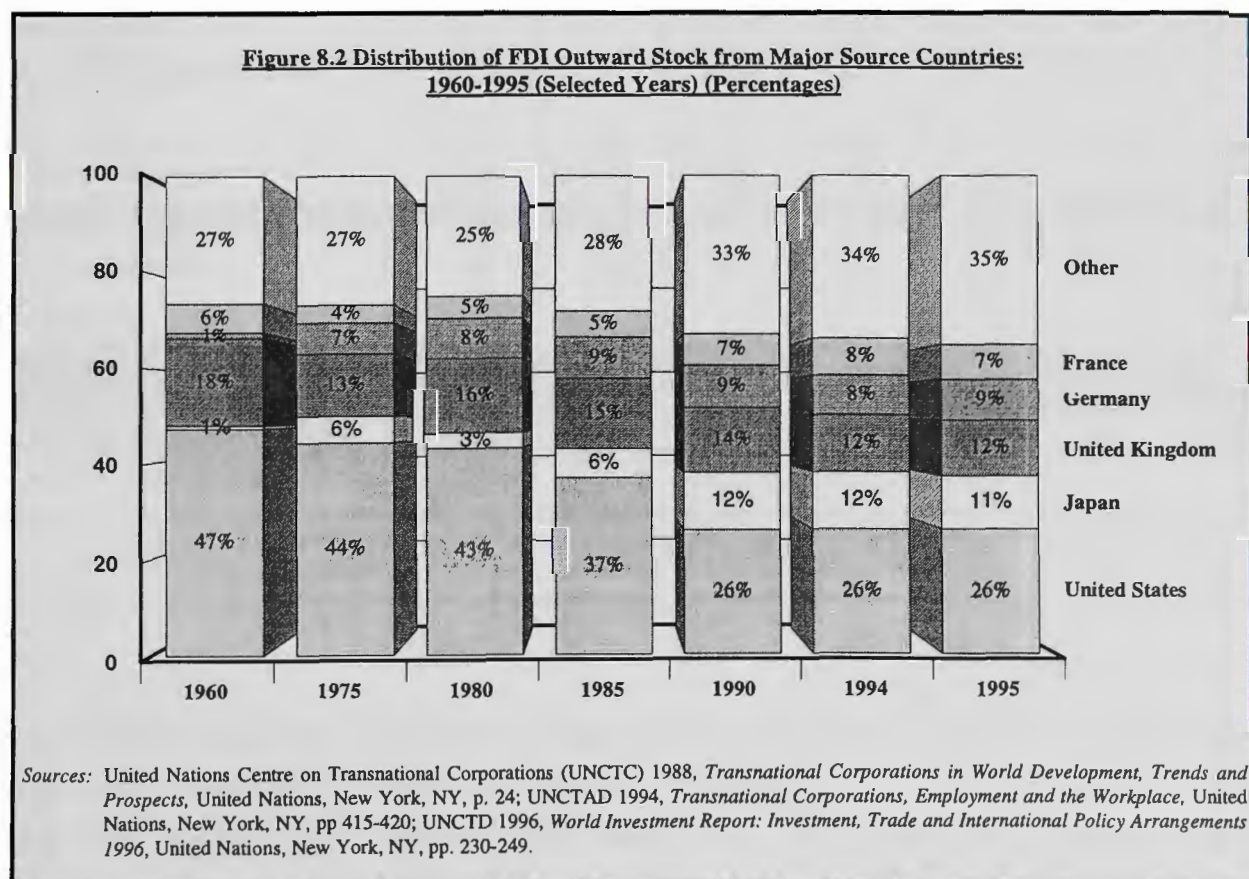
Sources: United Nations Centre on Transnational Corporations (UNCTC) 1988, *Transnational Corporations in World Development, Trends and Prospects*, United Nations, New York, NY, p. 24; UNCTAD 1994, *Transnational Corporations, Employment and the Workplace*, United Nations, New York, NY, pp 415-420; UNCTD 1996, *World Investment Report: Investment, Trade and International Policy Arrangements 1996*, United Nations, New York, NY, pp. 230-249.

Throughout the 1960-1995 period, the leading ten countries provided 90.7% of total worldwide outward FDI funds (Table 8.2). At the same time, there were some changes in the ranking of these countries, resulting in some convergence between the leading five countries and the second five countries as to their relative importance as

sources of FDI funds. While the share in outward FDI stocks held by the leading five countries declined by 21 percentage points from 85.5% to 64.7%, the share of stocks held by the second five countries increased by 14.1 percentage points from 7.5% to 19.3%. Furthermore, countries other than the leading ten developed countries increased their share of global outward FDI stocks by 11.5% over the 1960 to 1995 period. Historically, Australia's total value of outward stock had been small: \$US 0.02bn in 1960, increasing to \$US0.17bn in 1975 (Table 8.2). However, from 1980, Australia's global FDI stock increased from 0.5% to 1.5% in 1992 (refer to Section 7.6).

The relative importance of the major source countries for outward FDI changed during the period 1960-1995 period. The most significant change was the decline in the relative importance of the United States, and the increasing importance of Japan and Germany as sources of FDI. The share of world outward FDI stocks held by the United States fell from 47.1% in 1960 to 25.8% in 1995 (Figure 8.2). Despite the decline in the relative importance of the United States, it remains the country with the largest individual holdings of world outward FDI stocks.

Other significant stockholders of outward FDI included the United Kingdom, Germany and France. Between them, these countries, together with the United States and Japan, held 65% of outward FDI stocks in 1995 (Figure 8.2).



Between 1980 and 1990, the strong growth in world FDI outflows occurred during the second half of the 1980s. Similarly, during the first half of the 1980s, the five major source countries increased their outflow stocks at the average annual rate of 34.9%; during the second half of the 1980s, they averaged a growth rate of 34%, that is, the growth rate was marginally negative.

Although the United States remained the largest source of outward FDI, annual outflows of FDI from Japan overtook those of the United States in 1990 and 1991 (Table 8.3). However, annual FDI outflows for the 1990s indicate that the United States regained its standing as the major source of FDI. From Table 8.3 it becomes clear that for the 1990-95 period, the average annual FDI outflow from the United States was \$US51.6bn compared to the average annual FDI outflow from Japan of \$US28bn. Japan's outward FDI declined in 1992 and 1993 due to the downturn in the Japanese economy and the declining profitability of Japanese firms and their affiliates abroad (UNCTAD, 1994).

Table 8.3 Foreign Direct Investment Outflows, By Home Region And Economy (Selected), 1984-1995
(\$US Millions - Current Prices)

Host Region/Economy	1984-1989 (Annual Avg)	1990	1991	1992	1993	1994	1995*
TOTAL OUTFLOWS	121,630	240,253	210,821	203,115	225,544	230,014	317,849
Developed Countries	113,995	222,450	201,930	181,387	192,366	190,852	270,546
Western Europe	67,961	139,809	115,176	115,702	101,131	113,249	141,887
European Union	62,641	132,959	106,842	108,719	91,488	101,070	132,285
Germany	9,599	24,214	23,723	19,698	13,176	14,653	35,302
United Kingdom	23,283	19,327	16,304	18,982	25,671	25,334	37,839
North America	21,511	31,900	39,111	42,613	74,803	50,421	100,291
Canada	4,664	4,725	5,655	3,635	5,825	4,781	4,782
United States	16,847	27,175	33,456	38,978	68,978	45,640	95,509
Other Developed Countries	24,523	50,741	47,644	23,071	16,432	27,182	28,368
Japan	20,793	48,024	42,619	21,916	15,471	18,521	21,286
Australia	5,883	1,800	3,120	3,161	1,611	5,842	5,372
New Zealand	276	2,365	1,475	392	-1,370	2,041	1,310
Developing Countries	7,621	17,765	8,853	21,629	32,981	38,612	47,001
Asia	984	11,816	8,307	18,680	30,013	34,145	42,623
West Asia	837	-459	-344	1,301	749	1,143	1,096
S., E. & SE Asia	5,147	12,276	8,651	17,379	29,263	33,003	41,527
China	581	830	913	4,000	4,400	2,000	3,467
Hong Kong	1,833	2,448	2,825	2,544	17,713	21,437	25,000
Taiwan, Province of China	1,999	5,243	1,854	1,869	2,451	2,460	3,822
All Developing Countries minus China	7,039	16,935	7,940	17,629	28,581	36,612	43,535

Notes: * UNCTAD estimates.

Sources: UNCTAD, based on the International Monetary Fund Balance of Payments and International Financial Statistics tapes, retrieved in May 1996; data provided by the Organisation for Economic Cooperation and Development Secretariat; official national sources; United Nations 1996, *World Investment Report: Investment, Trade and International Policy Arrangements 1996*, United Nations, Geneva, Switzerland.

Developed countries were the key force behind the record 1995 flows. In 1995, developed countries' FDI outflows rose by 42% to \$US271bn while FDI inflows rose by 53% to \$US203bn (Table 8.3 and Table 8.4). The United States was the most notable performer, with \$US96 billion of FDI outflows and \$US60bn of FDI inflows.

Developing countries attracted \$US100bn worth of investment flows, an increase of 15% over 1994, though their share in global inflows declined to 32%, after having increased consecutively for the previous six years (Table 8.4) (United Nations, 1996). Developing countries' outflows stood at \$US47bn (15% of outflows) in 1995, accelerating their economic integration into the world economy (Figure 8.1 and Table 8.1). On average, over the 1990-95 period, Hong Kong FDI outflows corresponded to a 45.8% share of Asia's total FDI outflows.

Table 8.4 Foreign Direct Investment Inflows, By Host Region And Economy (Selected), 1984-1995
(\$US Millions - Current Prices)

Host Region/Economy	1984-1989 (Annual Avg)	1990	1991	1992	1993	1994	1995*
TOTAL INFLOWS	115,370	203,812	157,773	168,122	207,937	225,660	314,933
Developed Countries	93,117	169,777	114,001	114,002	129,302	132,758	203,168
Western Europe	39,755	103,393	80,567	81,879	77,484	68,401	115,630
European Union	37,702	97,387	77,715	79,812	74,467	64,017	111,920
Germany	1,833	2,689	4,071	2,370	277	-2,993	8,996
United Kingdom	13,545	32,430	16,208	14,934	14,475	10,085	29,910
Other Western Europe	2,052	6,006	2,852	2,068	3,016	4,384	3,710
N. America	48,656	55,773	24,760	22,097	46,125	55,803	71,418
Canada	4,718	7,855	2,740	4,517	4,997	6,043	11,182
United States	43,938	47,918	22,020	17,580	41,128	49,760	60,236
Other Developed Countries	4,706	10,612	8,674	10,026	5,693	8,554	16,120
Australia	4,306	7,077	4,903	4,912	2,687	4,323	13,094
New Zealand	176	1,686	1,698	1,090	2,200	2,796	2,483
Developing Countries	22,195	33,735	41,324	50,376	73,135	87,024	99,670
Asia	11,540	22,122	22,694	29,114	49,979	56,266	68,051
West Asia	1,688	2,319	1,919	1,800	3,303	2,383	2,468
S., E. & SE Asia	9,852	19,803	20,775	27,174	46,481	53,619	65,033
China	2,252	3,487	4,366	11,156	27,515	33,787	37,500
Hong Kong	1,422	1,728	538	2,051	1,667	2,000	2,100
Taiwan, Province of China	691	1,330	1,271	879	917	1,375	1,470
All Developing Countries minus China	19,912	30,248	36,958	39,220	45,620	53,237	62,170

Notes: * UNCTAD estimates.

Sources: UNCTAD, based on the International Monetary Fund Balance of Payments and International Financial Statistics tapes, retrieved in May 1996; data provided by the Organisation for Economic Cooperation and Development Secretariat; official national sources; United Nations 1996, *World Investment Report: Investment, Trade and International Policy Arrangements 1996*, United Nations, Geneva, Switzerland.

8.2.1.1 FDI Destinations

The regional distribution of outward FDI from the ten major source countries, grouped on a regional basis, for 1990 is shown in Table 8.5. Together, these ten countries held 88% of total world outward FDI stocks in 1990. Significantly, 73% of these outward stocks were hosted by North America and Europe, with only 13% hosted by East Asia and 11% by Latin America.

**Table 8.5 Percentage Shares of Outward FDI Stocks of Ten Major Investor Countries:
By Host Country And Region 1990**

Selected Investor Region /Country	Host Region/Country							Total ^b
	N. America	L. America	Europe	Africa	West Asia	South Asia	East Asia ^a	
North America	24	16	44	1	1	0	14	100
Canada	61	10	21	0	0	0	7	100
United States	17	18	48	1	1	0	15	100
Europe	34	6	49	2	1	1	8	100
United Kingdom	47	7	27	4	0	0	15	100
Germany	28	6	59	2	0	0	5	100
France	33	3	59	1	2	0	2	100
Italy	11	12	69	1	4	0	3	100
Netherlands	29	6	53	1	0	4	7	100
Sweden	20	3	77	0	0	0	0	100
East Asia	42	13	21	2	1	0	22	100
Australia	23	8	39	0	0	0	29	100
Japan	44	13	19	2	1	0	21	100
Total	32	11	41	2	1	0	13	100

Notes: ^a Including, also, South-East Asia and the Pacific.

^b Including only the ten shown countries. These ten countries represented 88% of total world outward FDI stocks in 1990.

Source: United Nations Conference on Trade and Development (UNCTAD) 1993, *Transnational Corporations and Integrated International Production*, United Nations, New York, NY, Table VII.3, p. 168.

There has been a high level of intra-regional FDI, evident from the figures presented in Table 8.5. For example, Canada invested 61% of its outward FDI stocks in the United States and the major investing European countries (Germany, France, Italy, the Netherlands and Sweden), invested more than half of their funds within Europe - as a result, 49% of European investment was within Europe.

The United Kingdom was not only the most favoured location for American direct investment, but it was also an attractive destination with Western European and Japanese firms, especially through mergers and acquisitions.¹

Germany was not a preferred location for direct investment due to the high value of the Deutsch Mark, and the relatively high corporate taxes and labour costs, which acted as disincentives to foreign investors. Although inflows to Germany rose sharply to \$US9bn, in 1995 (Table 8.4), they were mostly in real estate and holding companies, and were made in anticipation of further appreciation of the Deutsch Mark. In contrast to inflows, German direct investment outflows reached \$US35bn (Table 8.3), almost equal to the second largest outward investor, the United Kingdom. In 1995, Germany was the largest investor in the United States with \$US11bn, followed by the United Kingdom with \$US10bn. Japanese direct investment ranked fourth with almost \$US4bn.

¹ Mergers and acquisitions are a popular mode of investment for firms wishing to protect, consolidate and advance their global competitive positions, by selling off divisions that fall outside the scope of their core competence and acquiring strategic assets that enhance their competitiveness.

In 1995, the United States continued to strengthen its position as the largest host (investment inflows) and home (investment outflows) country. At \$US60bn, the United States inflows were twice that of the United Kingdom, the second largest recipient among developed countries (Table 8.4). This was reflected in the high level of mergers and acquisitions related investments by Western European multinationals, led by the United Kingdom and Germany; resulting in a 50% increase in equity flows into the United States. Reinvested earnings and intra-company loans, the other components of FDI, increased by 78% and 36%, each respectively. At the same time, the \$US95bn worth of American investment outflows reflected increases in both equity capital flows (\$US42bn) and reinvested earnings (\$US42bn); with 54% of these outflows going to Western Europe (Table 8.3).

Probably the most significant trend concerning inflows of FDI in the early 1990s was the collapse of inflows to the United States. Inflows of FDI to the United States peaked at \$US69bn in 1989, representing around 35% of total world inflows. By 1992, inflows of FDI to the United States had fallen to \$US17.6bn - only 10.5% of total world inflows.

The significance of the United States as a host country is further shown by its contribution to the decline and growth in total world inflows. World inflows of FDI peaked at \$US203.8bn in 1990, then declined by \$US35.7bn to \$US168.1bn in 1992. Over this period, inflows to the United States declined by \$US30.3bn, representing 85% of the total decline in world inflows of FDI. Consequently, world FDI inflows increased from \$US207.9bn in 1993 to \$US314bn in 1995. This was paralleled by FDI inflows to the United States increasing by \$US19.1bn, which represented a 17.9% share of total increase in world FDI inflows (Table 8.4).

8.2.1.2 Developing Countries

During the 1960s and 1970s, developing countries adopted restrictive policies to regulate the entry, activities and operations of multinational corporations. During the 1980s, however, changing world economic conditions renewed developing countries' interest in FDI as a source of capital, technological know-how and organisational and management skills. This resulted in a shift of attitudes and a gradual liberalisation of the regulatory framework for direct investment in Asia, which accelerated during the late 1980s. The degree of openness towards foreign investors varied substantially across countries.

In 1990, 48% of the United States outward FDI stocks were held in Europe, compared to 17% in Canada and 15% in East Asia (Table 8.5). East Asia invested 42% of its outward FDI stocks in North America which were mainly dominated by Japan's substantial share (44%). In addition, Japan's outward FDI stocks were held in three other major regions: East Asia (21%), Europe (19%) and Latin America (13%). In comparison, Australia's FDI stocks were mainly hosted in Europe (39%), East Asia (29%), North America (23%) and Latin America (8%).

In 1995, the global boom in FDI flows also benefited developing countries, especially South, East and South East Asian regions, with inflows reaching \$US100bn (Table 8.4). This was a reflection of these countries sustained economic growth and their continuing liberalisation and privatisation, as well as their increasing importance in multinational corporations' (MNC) investment plans. The share of developing countries in the combined outflows of the largest five developed-country outward investors rose from 18% in 1990-1992 to 28% in 1993-94. Investment from developing countries to other developing countries has also been increasing: e.g., in 1994, more than half of Asia's developing countries' direct investments were invested within their own region.

8.2.1.3 Asia Regional Trends

South, East and South East Asia continued to be the largest host developing region, with an estimated \$65bn of inflows in 1995, accounting for two thirds of all developing-countries' FDI inflows (Table 8.4). The size and dynamism of Asia's development have made it increasingly important for multinationals to service the region's rapidly expanding markets. This is particularly so for European Union multinationals, after having neglected the Asian region in the past, are now increasingly investing more of their direct investments. Since 1992, China has been the largest developing country recipient of direct investment, as well as the principal country behind Asia's foreign investment boom.

The opening of China to multinational corporations has significantly altered the region's importance in world-wide FDI flows. China's decentralisation programme and its open-door policy, initiated in 1979, with the proclamation of the Law on Sino-Foreign Joint-Venture, has had a strong impact on investment flows to the region. Special Economic Zones (SEZs)² in coastal areas, offering special incentives to foreign investors and infrastructural facilities, attracted export-oriented FDI, with export incentives further boosting Chinese export performance (refer to chs 2 & 5). In

² It has been widely argued that China's implementation of the SEZs in the early 1980s was prompted by the success of the Export Processing Zones (EPZs) in Taiwan, ROC. The zones are as follows: Shenzhen, Zhuhai, Shantou, Xiamen & Hainan SEZs; Waigaoqiao Free Trade Zone (Shanghai).

the late 1980s, as China's domestic economic situation worsened, with high inflation rates, shortages of raw materials and decreased export earnings, coupled with political unrest (Tiananmen incident), led to an attempt on the part of the PRC's government to boost foreign investors confidence, by amending the joint-venture regulation in 1990, which included, *inter alia*, guaranteed against nationalisation or expropriation of existing investments.

8.2.1.3.1 Inward FDI trends

Since 1986, the Asia-Pacific region has become the largest recipient of FDI among developing countries, accounting for about half of all flows to the third world. From the late 1980s, FDI inflows to Asia grew rapidly (Table 8.4). Averaged annual investment flows into most Asian countries increased faster between 1980-82 and 1986-88, than between the periods 1975-77 and 1980-82. In the case of the newly industrialised economies (NIEs), ASEAN countries and China flows, based on their respective domestic currencies, increased by a factor of 3 between 1980-82 and 1987-89, with the exception of Singapore, and by a factor of 13 for China during the same period.³ During the 1990-95 period, the levels of FDI inflows into the NIEs remained stable at around 1987-1989 inflow levels, while China's FDI inflows continued to increase by a factor of 10 over the same period (Table 8.6).

Table 8.6 FDI Inflows, Annual Averages in NIEs And China 1975-1995 (Selected Years) (Millions of Domestic Currency Units)					
Country/Territory	1975-1977	1980-1982	1987-1989	1990-1992	1993-1995
Newly Industrialised Economies (NIEs)					
Hong Kong	767.3	3,968.0	18,669.7	10,633.4	14,665.4
Singapore	657.7	3,194.0	6,534.0	6,940.9	7,530.9
Taiwan	2,836.7	5,206.3	30,847.3	29,419.1	32,362.5
Other Asia					
China	---	619.7	10,927.0	33,992.0	273,520.2
Sources: Taiwan, ROC: Ministry of Economic Affairs, Investment Commission, <i>Statistics on Overseas Chinese and Foreign Investment, Technical Cooperation, Outward Investment, Outward Technical Cooperation February 1989 and December 1990</i> ; Council for Economic Planning & Development, Exec Yuan, <i>Industry of Free China</i> , Vol. 67, No. 2, February 1987. Hong Kong: Report on the <i>Survey of Overseas Investment in Hong Kong's Manufacturing Industries</i> , HK Government Industry Department, 1984 and 1990. China: <i>Almanac of China's Foreign Economic Relations and Trade</i> , various issues.					

³ Differences in definition and in the coverage of data on FDI reported by different countries render cross-country comparisons difficult. Nevertheless, the presented data can provide an indication of the changing pattern of the regional and sectoral distribution of FDI in Asia in the past two decades.

During the 1980s, the growing interest in Asia, as a host to FDI, suggests the importance of certain factors which influenced foreign investors: economic growth, the size of domestic markets, the availability of natural resources, the growth of trade, the existence of adequate infrastructure and the quality of human capital. The region, as a whole, exhibited rapid economic growth in the past two decades, despite the unfavourable global economic environment of the late 1970s and early 1980s, which resulted in a slowdown in world economy. In the period 1981-1990, the growth of GDP in the Asian region was 7% (9% for China), compared to a world average of between 2.9% and 3.2% for all developing countries (United Nations, 1992a). The rapid economic growth of most Asian countries, in relation to other developing countries, has been an important factor in attracting foreign investments to the region.

Originally, FDI was attracted to Asia by the availability of natural resources and the low wages in manufacturing (UN, 1992a). The latter factor encouraged labour-intensive FDI, initially in assembly and low technology activities, and progressively in more sophisticated advanced-technology industries. Resource-based and labour-intensive export-oriented productions became the predominant areas of multinationals' involvement, in many Asian countries. Export-oriented transnational corporations (TNCs) were particularly welcomed by those host countries which, in the 1970s, had begun to switch from an import substituting to an export-promoting strategy and were eager to boost their export performance, including the establishment of EPZs. While export-oriented investments remained popular, in recent years, the growth of consumer purchasing power have led to an increasing number of investments to service domestic markets. The recent increases in the volumes of FDI flows to Asian countries reflect not only their strategic locations, but also their importance in establishing a network of foreign affiliates in the region from which to supply both domestic and foreign markets (UNCTC, 1992).

The geographical distribution of FDI sources, as reported by host countries, has experienced several changes (Table 8.7). Since the mid- 1970s, developed countries' FDI in Singapore and Taiwan, with the exception of Hong Kong, has increased steadily, as a share of total FDI. The main contributing factors have been the low production costs relative to those of developed countries, skilled labour force, availability of infrastructural facilities and their export orientation (UN, 1992). During the late 1980s, the NIEs continued to be important investment destinations for developed countries' MNCs, particularly in technologically sophisticated industries, high value-added products and increasingly, in services.

Table 8.7 The Distribution of FDI Inward Stock: NIEs And China, 1975-1989 (Various Years) (Percentage)

Host Country/Territory	Year	All Developed Areas (%) of Total Stock	Developed Areas				Developing Areas	
			N. America	W. Europe	Japan	Other Developed Countries	All Developed Areas (% of Total Stock)	Asia & Pacific (% of Stock from Developing Areas)
NIEs								
Hong Kong	1989	83.1	38.6	20.0	36.0	5.4	16.9	88.2
	1984	92.0	58.8	16.2	22.9	2.2	8.0	76.5
	1975	84.0	56.2	18.8	18.3	6.7	16.0	39.7
Singapore	1989	94.6	35.1	32.4	32.5	---	5.4	---
	1980	88.5	33.4	47.7	18.9	---	11.5	---
	1975	64.9	24.2	56.0	14.5	5.3	35.1	---
Taiwan, ROC	1988	72.3	44.4	18.5	37.1	---	27.7	61.9
	1980	63.2	55.4	15.3	29.4	---	36.8	71.6
China, People's Rep.								
	1987	35.0	48.8	27.2	20.5	3.6	65.0	98.3
	1984	41.8	45.1	34.9	13.9	6.0	58.2	96.6
	1982	58.5	48.3	36.0	8.4	7.2	41.	93.6

Source: United Nations 1992, *World Investment Directory 1992*, United Nations, New York, NY.

Since the mid-1970s, the declining importance of developed countries as sources of FDI for South and South East Asia is reflected by the growth of investments from developing countries, particularly from within the Asian region itself. In China, the only country in Asia where the share of developing countries' FDI exceeded that of developed countries, developing countries' share rose from 42% in 1982 to 65% in 1987 (Table 8.7). This reflects the predominance of investment from Hong Kong, and other countries channelling investment funds through Hong Kong into the neighbouring Chinese provinces of Guangdong and Fujian, to take advantage of the lower labour costs. Among the latter group, developed countries' firms have been particularly important, but a significant amount of cumulative flows can be traced back to Taiwan.⁴ It has been estimated that over the period 1989-1994, Hong Kong and Taiwan total FDI in China stood at \$US175.2bn (66.0%) and \$US20.9bn (8.0%), each respectively, of China's total FDI stocks. The total value of Hong Kong and Taiwan utilised FDI in China, over 1989-1994 period, stood at \$US48.6bn (63%) and \$US7.6bn (9.8%), each respectively. In 1995, China was the single largest recipient of FDI flows among developing countries, accounting for approximately 40% of total FDI flows.

Increasing transnationalisation has been reinforced by the emergence of new outward investors, some of which are from developing countries. For example, from the mid-1980s onwards, Taiwan's FDI increased rapidly. The share of outward FDI in the total capital stock of Taiwan-based firms averaged 1.8% between 1983 and 1987, and then rose to 6.1% between 1988 and 1992 (UNCTAD-DTCI). However, it was only in the late-1980s that Taiwan initially allowed foreign direct investment in its finance

⁴ An estimated \$US500m had been invested in China by Taiwan, by mid-1989, in spite of the official ban on trade and investment activities. The World Bank Industry and Energy Department, "FDI from the NIEs," World Bank, Washington D.C., Industry Series Paper No. 22, December 1989, mimeo, p. 10.

and insurance sectors - two industries traditionally closed to multinational corporations. More recently, foreign investment regulations in business services, telecommunications and transportation have also been liberalised.

Some of Asia's developing economies are increasingly becoming outward investors. This is reflected in the liberalisation of their outward FDI regimes and, in some cases, the provision of incentives for such investments (UNCTAD, 1996). In 1995, the region accounted, with \$US43bn, for 90% of all developing country outflows; Hong Kong is the single largest outward investor among the developing countries (Table 8.3). The Asian economies also played an important role in the recovery of FDI outflows from the FDI recession of 1991-92, accounting for about two-thirds of increases in outflows during 1993-94. Most of Asia's outward FDI went to other regional countries, to take advantage of cost differentials and liberal trade regimes that allow export-oriented FDI to flourish and was facilitated by ethnic and cultural links (UN, 1996a). Approximately 80% of Hong Kong's outward FDI went to China in 1995; a good part of Singapore's outward FDI was distributed to other Asian countries, especially ASEAN countries and China; and about 60% of China's outward FDI remained within the Asian region (UNCTAD, 1996). In addition, Asian multinationals are increasingly investing in other parts of the world, including developed countries.

China's FDI inflows rose by 147% between 1992 and 1993, but only by 23% in 1994, and 11% in 1995 (Table 8.8). Inflows increased from \$US28bn in 1993 to \$US38bn in 1995. The latter figure was almost equivalent to the average annual inflows of all developed countries in the first half of the 1980s. In the interim, the amount per project that foreign investment went into increased from US\$1.3m in 1993 to US\$2.5m in 1995. However, the greatest benefit which flowed from foreign investment is in the volume of exports which increased from \$US25.2bn in 1993 to \$US34.7bn in 1994.

Table 8.8 The Importance of Foreign Direct Investment in China, 1991-1995

Item	Units	1991	1992	1993	1994	1995
Actual FDI flows	\$US billions	4.4	11.2	27.5	33.8	37.5
Average amount per project	\$US millions	0.9	1.2	1.3	1.8	2.5
FDI as a ratio to gross domestic investment	Per cent	4.5	8.0	13.6	18.3	--
Volume of exports by foreign affiliates	\$US billions	12.1	17.4	25.2	34.7	--
Share of exports by foreign affiliates in total exports	Per cent	17.0	20.4	27.5	28.7	31.3
Share of industrial output by foreign affiliates in total industrial output	Per cent	5.0	6.0	9.0	11.0	13.0
Number of employees in FDI projects	Millions	4.8	6.0	10.0	14.0	16.0
Tax contribution as share of total	Per cent	--	4.1	--	--	10.0

Sources: Zhan, Jun 1993, *Ending the Chinese Civil War: Power, Commerce and Conciliation Between Beijing and Taipei*, St Martin's Press, New York, NY; data provided by MOFTEC.

On the policy front, China has been moving towards a national treatment of FDI, in an effort to level the playing field for both domestic and foreign firms and in order to facilitate its entry into the World Trade Organisation (WTO). Since 1994, the policy measures undertaken were meant to eliminate the preferences given to foreign investors, which have led to distortions in the markets and a bias against domestic firms. Amongst these policies were the unification of the tax system and the elimination of the import duties' exemptions which were granted to foreign affiliates. China has also become more selective in screening FDI projects, to ensure compliance with its economic development objectives. The PRC government has introduced measures to prevent speculative investment, e.g., in real estate, and has forced some "phantom" foreign affiliates to terminate operations.⁵

Moreover, outward FDI from Hong Kong, Macau and Taiwan, the top FDI sources for China, has been losing momentum as the transfer of labour-intensive production to China slows down. This is partly due to the fact that as most labour-intensive production has already moved out from these three economies, China's cumulative FDI inflows had in turn, declined from 72% in 1993 to 63% in 1995 (UN, 1996a). Furthermore, Hong Kong's reversion to China in 1997 may have implications for FDI flows, depending on the smoothness of the transition and China's capability of maintaining Hong Kong as a competitive international business centre.⁶

8.2.1.3.2 Australian Inward FDI trends

Table 8.9 Australia's Inward Foreign Direct Investment (FDI) Stock: Country's Percentages 1984-1993 (Selected Years)								
Year	US %	UK %	EU (Excl UK) %	Japan %	ASEAN %	New Zealand %	Other Countries %	TOTAL %
1984	33.6	31.3	9.1	7.5	5.1	1.8	11.6	100.0
1987	30.4	31.6	7.7	10.8	2.1	3.6	13.8	100.0
1989	26.1	30.7	8.6	14.9	1.3	2.5	15.9	100.0
1993	28.5	25.4	9.9	14.7	2.2	3.6	15.7	100.0

Notes: US - United States; UK - United Kingdom, EU (excluding UK) - European Union and ASEAN - Association of South East Asian Nations.

Source: Australian Bureau of Statistics, *Australia's Investment Position*, ABS Cat. No. 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues.

The main source countries of Australia's inward FDI stock has changed over the years, as is shown in Table 8.9. While the United States and the United Kingdom continued to be the main source countries over the 1984-94 period, in 1987/88 the European Union (excluding United Kingdom) was displaced by Japan, from its third

⁵ By early 1994, over 7,500 ventures had been deprived of their status as foreign affiliates, *China Economic News*, No. 18, 16 May, 1994.

⁶ According to the scenario of "one country, two systems," Hong Kong after 1997 will remain "a separate customs territory" with full membership in WTO. Within one sovereign State, there will be two separate and independent economic, financial and social systems. All trade and investment flows from Hong Kong to China will be treated as "foreign." Investments from Hong Kong into China - whether by Hong Kong TNCs or by affiliates of foreign-based TNCs in Hong Kong - will continue to enjoy the same status as before; Wang Liaoping, Deputy Director-General, Foreign Investment Administration, MOFTEC, speech at the seminar on China's FDI, Hong Kong, 11 June 1996.

position it has retained since 1984. Subsequently, Japan continued to maintain its position as the third most important source country of Australia’s inward FDI stock, followed by the European Union in fourth place. ASEAN countries share of Australia total inward FDI stock diminished from its 5.1% share in 1984 to 2.2% in 1993/94. At the same time, New Zealand share of Australia’s FDI stock increased from its 1.8% share in 1984 to 3.6% in 1993/94. It must also be noted that ‘Other Countries’ share of Australia’s inward FDI stock also increased from 11.6% share in 1984/85 to 15.7% in 1993/94.

8.3 Hong Kong Investment in Australia

8.3.1 The 1980s

Table 8.10 Hong Kong Investments in Australia (\$Am) 1982/83 to 1995/96				
Year	Hong Kong Investments in Australia			
	Direct		Total	
	Flow	Level	Flow	Level
1983/84	-12	375	249	2,467
1984/85	-38	486	81	3,416
1985/86	-10	528	-427	2,970
1986/87	-124	509	103	3,047
1987/88	98	578	1,987	4,836
1988/89	143	np	1,608	6,790
1989/90	-379	923	160	7,412
1990/91	531	765	2,217	9,430
1991/92	550	1,477	926	10,938
1992/93	-270	1,191	757	13,384
1993/94	-69	1,111	1,939	14,439
1994/95	na	849	na	14,472
1995/96	na	na	na	na

Notes: The Table shows net value of capital transactions in each year (“Flow”) and the Stock or “Level” of investment at the end of the period. Apart from capital flows, changes in level can arise from exchange rate fluctuations, market revaluations and reclassifications.

na - not available

np - not publishable

*Sources:*From 1983/84 to 1993/94 - Department of Foreign Affairs and Trade, *Trade & Investment*, DFAT, Canberra, ACT, various issues;

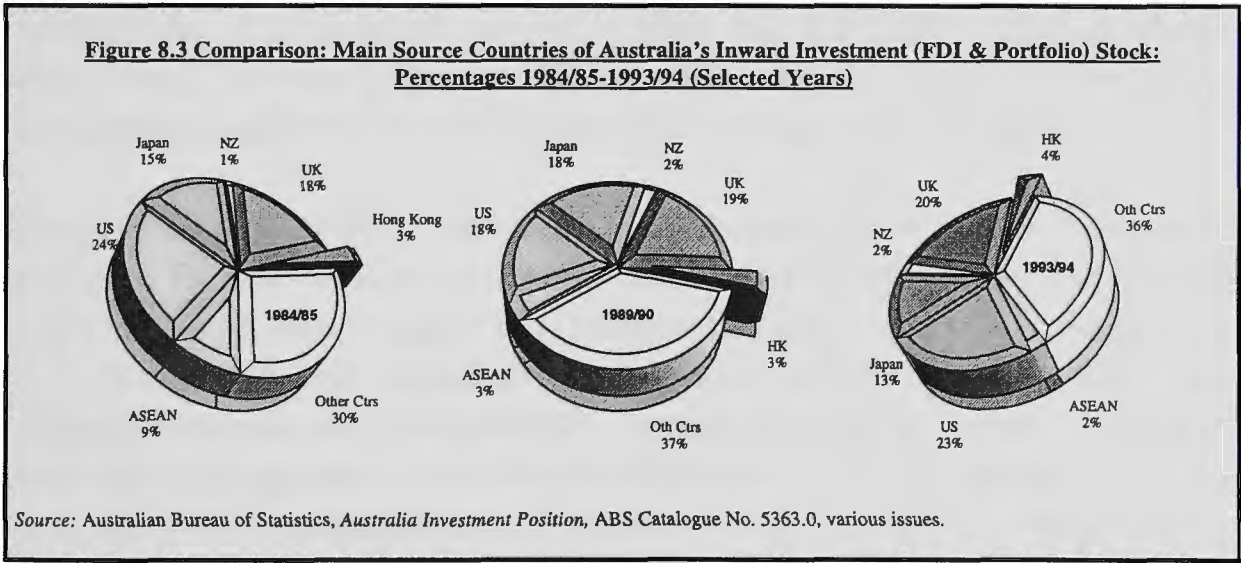
From 1994/95 to 1995/96 - Australian Bureau of Statistics, *Australia Investment Position*, ABS Catalogue No. 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues.

During the 1970s, Hong Kong’s investment inflows in Australia were small, when compared with global inflows, increasing from \$A4m (0.6%) in 1973/74 to \$A16m (1.9%) in 1975/76, then to \$A13m (0.4%) in 1977/78 and to \$A26m (0.8%) in 1978/79 (ABS, 1995) (Table 8.10).

In 1983/84, when ABS investment data was initially disaggregated into direct and portfolio categories, Hong Kong level of direct investment in Australia stood at \$A375m, while the total level of investments (direct and portfolio) stood at \$A2.5bn.

Over the 1980s, while direct investment flows were mostly negative, the stock of Hong Kong investment increased to average \$A566.5m per annum, mainly due to exchange rate fluctuations, market revaluations and reclassifications. At the same time, there was substantial activity in the inflow of portfolio investments, this investment rising from \$A249m in 1983/84 to \$1,987m in 1987/88. This means that in the 1980s, Hong Kong's portfolio investment flow into Australia stood at the annual average of \$A537.3m. Consecutively, the average annual inflow of Hong Kong direct investment in Australia decreased at the annual rate of \$A46m. That is, Hong Kong investment stocks in Australia were more portfolio oriented. This resulted in Hong Kong's total investment stocks, in Australia, increasing from \$A2.5bn in 1983/84 to \$A7.4bn in 1989/90.

During the 1990s, that is, the period 1990/91 to 1993/94 for which data are available, there were some increases in the inflow of Hong Kong direct investment in Australia, which averaged \$A185.5m per annum. However, the main trust was in the substantial increases in Hong Kong portfolio investment inflows into Australia, which stood at an annual average of \$A1.46bn. This resulted in Hong Kong's total investment stock (direct and portfolio) increasing from \$A9.4bn in 1990/91 to \$A14.5bn in 1994/95.



Over the 1984/85-1993/4 period, the changes in the composition of the main source countries of Australia's inward FDI stock meant that Hong Kong ranked fourth in 1993/94, below the United States, the United Kingdom and Japan (Figure 8.3). At the end of 1994 financial year, the cumulative value of Hong Kong investment in Australia was \$A14.5bn, a marginal increase of 0.23% over the previous year's figure of \$A14.4bn (Table 8.10). Approximately, 90% of Hong Kong's total investment was in portfolio and other investment and only 10% was in direct investment. Among the major Hong Kong investors in Australia were:

- * Jardine Pacific (food services, car dealers, property, insurance),
- * Polytek Engineering (engineering),
- * Morning Star (hotels),
- * Hutchison Whampoa (telecommunications),
- * New World Development through Ramada International (hotels),
- * Swires through HAECO (ASTA aircraft services) and,
- * Gold Peak (Clipsal electrical switches).

PRC's subsidiaries in Hong Kong were also showing a strong interest in investing in Australia. Moreover, a number of PRC's enterprises, which have been operating out of Hong Kong, have sought listing on the Australian Stock Exchange.

During 1982/83, investors from Hong Kong and ASEAN countries submitted, through the Foreign Investment Review Board (FIRB), 147 investment proposals for the value of \$A476.7m (Table 8.11). This corresponded to 15.1% and 13.4% of the total number and total value of all proposals submitted. Singapore, Malaysia, and 'Other ASEAN' countries submitted 57, 31, and 7 proposals, each respectively; corresponding to an average value per proposal of \$A4.49m, \$A3.33m and \$A1.49m, each respectively. Hong Kong submitted a total of 52 proposals for a total value of \$A107.4m. This corresponds to an average outlay of \$A2.07m per proposal. The average value of all proposals received by FIRB was of \$A2.88m. This means that Hong Kong's average proposal value was below all the average values for the corresponding ASEAN countries and the overall average for all proposals.

Comparatively, in 1985/86, while there was a decrease in the number of submitted proposals, the total value of investments increased. Thus, Hong Kong and ASEAN countries had put forward a total of 118 proposals, valued at \$A600m; corresponding to 6.1% and 11%, each respectively, of Australia's total foreign direct investment. Singapore, Malaysia and 'Other ASEAN' countries put forth 30, 21 and 11 proposals, with corresponding values of \$A116m, \$A102m and \$A25m, each respectively. Hong Kong put forth 56 proposals for the cumulative value of \$A357m. Overall, during 1985/86, globally, 1,071 proposals for the total value of \$A9.82bn were received by the FIRB. Comparatively, Hong Kong's average proposal value stood at \$A6.38m, well below the overall proposal average of \$A9.17m, but well above the average proposal value of Singapore (\$A3.87m), Malaysia (\$A4.86m) and 'Other ASEAN' countries (\$A2.27m). This means that Hong Kong's share, both in number of proposals and total value declined, when compared with 1982/83.

8.3.2 The 1990-1994 period

The 1990s saw a higher level of Asian investments in Australia, especially from Singapore, Malaysia and Hong Kong. The 1990/91 financial year proved to be a record in the totals of both the number and value of investments originating from Hong Kong and ASEAN countries, corresponding to 479 (18.3% of global number) proposals, with a total value of \$A1,260m (6.2%). The total number and value of the proposals submitted by Hong Kong and the ASEAN countries was made up of: Hong Kong 177 proposals valued at \$A380m; Singapore, 119 proposals (\$A210m), Malaysia, 89 proposals (\$A360m) and 'Other ASEAN' countries, 95 proposals, (\$A310m). On the basis of each proposal value, the overall average proposal value stood at \$A7.74m. This means that (in descending order): the Malaysian, 'Other ASEAN' countries, Hong Kong, and Singapore average proposal value was \$A4.05m, \$A3.26m, \$A2.16m and \$A1.77m respectively. This indicates that not only were ASEAN countries' proposals were below the average value per proposal, but that their investments were highly selective and strategically placed, to take advantage of the economic recession Australia was going through, e.g., the depressed property market.

There was a sharp deterioration in the global average value per proposal received by the FIRB from \$A9.17m in 1985/86 to \$A7.74 in 1990/91. However, the most significant decline in the average value per proposal was registered with the proposals submitted from Hong Kong, from \$A6.38m per proposal in 1985/86 to \$A2.16m in 1990/91. The only exception was an increase in the 'Other ASEAN' countries average value per proposal: from \$A2.27m in 1985/86 to \$A3.26m in 1990/91.

In 1994/95, Hong Kong and ASEAN countries submitted a total of 2,025 (43.96%) proposals, worth \$A4,380m (14.5%). The total number and value of all proposals originating from Hong Kong and the ASEAN countries were: Hong Kong 208 proposals, valued at \$A810m, Singapore 990 proposals (\$2.03bn), Malaysia 184 proposals (\$A1.1bn) and 'Other ASEAN countries 663 proposals (\$A440m). The Malaysian average proposal value increased from \$A4.05m in 1990/91 to \$A5.97m in 1994/95, almost on par to the overall proposal average of \$A6.58m (increasing from \$A4.05 in 1990/91).

In 1994/95, while there were some improvements in Hong Kong's average proposal value, from \$A2.16m in 1990/91 to \$A3.72m in 1994/95, there was a decrease in the ASEAN countries' average proposal value, from \$A3.26m in 1990/91 to \$0.68m in 1994/95. During 1994/95, mainland China average proposal value stood at \$A0.84m. The deterioration of the average proposal value could be explained by the loss in the 'Other ASEAN' countries average proposal value, in addition to the overall increase in the number of low-value proposals submitted by China. For the first time, in 1994/95, China submitted 267 proposals worth \$A230m.

Asian investors are particularly perceptive at taking counter-cyclical positions. The buyers' profile during the boom year 1988/89 was significantly different to that in 1991/92, the year in which Asian buyers became exceptionally active. During the boom years, when property values were at their peak, the majority of buyers were Australian investment institutions, who were acting on their own, Japanese interests, and property trusts. In contrast, in 1991/92, when office property values fell from their peak, by approximately 50%, the most active group of purchasers was from Asia. The Asian investors move into the Australian property market was not solely based on the perceived low property prices, but also, in their ability to transfer funds into Australia. As early signs of a contraction in the real estate prices, in Hong Kong and other major South East Asian markets became evident, investors shifted their profits overseas, mostly into the depressed markets of Australia, the United States and the United Kingdom.

Asian investors also have a preference for retail and office properties, as opposed to industrial properties. This probably reflects the self-perpetuating influence of local networks, and a general lack of understanding of local industrial properties that is quite different from the factories they are familiar within their countries of origin.

An important characteristic of Asian investors is their ability to make quick decisions, as opposed to Japanese consensus; facilitating quicker response as opportunities unfold. Most of these investors are entrepreneurs, whose core business may not necessarily be in property. But like most Asians, they have an affinity for property investment. This explains why the Japanese were the main buyers during the boom years, while South East Asians only became active during the 1990-1992, a period of extensive opportunities for markdowns. Most of the Asian commercial property acquisitions were in \$30m range and yielding double-digit returns. This was a reflection of the weak market conditions and the buyers' strong, bargaining positions.

8.3.3 Foreign Investment Review Board Data

Foreign Investment Review Board data is used within the analysis of foreign investment in Australia as it is the only official source with statistical data which is disaggregated by type and industry.

The Foreign Investment Review Board (FIRB) is a non-statutory body which advises the Federal Treasurer on Foreign Investment Policy, with the Executive Assistant to the Board being provided by the Foreign Investment Review Branch of Treasury Investment and Debt Division. The Foreign Investment Review Board examines proposals by foreign interests to undertake direct investment in Australia and makes recommendations to the Government on whether those proposals are suitable for approval under the Government's policy.

8.3.3.1 Statistical Qualifications

Several qualifications need to be borne in interpreting the following statistics, which merely record expected expenditure on proposed acquisitions and new business submitted by foreign interests for examination under foreign investment policy, including future known development expenditures. In particular, the recorded figures are (FIRB, 1991, p. 1):

- * 'Relate to approved proposals, which may or may not be implemented; and, if implemented, perhaps only over a period of years;
- * provide no indication of the source of funds;
- * do not necessarily reflect changes in foreign ownership, since in some cases, the vendor as well as the purchaser comes within the definition of a 'foreign interest;' and
- * exclude foreign portfolio investments, direct foreign investments below the examination thresholds, expansions of existing foreign owned businesses in Australia, and sales by foreign investors to Australian residents.'

Also, changing policies mean that statistics are not necessarily comparable over time. FIRB statistics of examined foreign investment proposals are quite different from ABS statistics of foreign investment in Australia, which seek to measure the inflow and outflow of capital across the exchanges. By contrast, the Board's statistics of approved proposals are not a guide to foreign capital inflow because, *inter-alia*, the expected investment associated with proposals is often funded from domestic borrowings or from funds already in Australia.

It must therefore be re-emphasised that the FIRB data as used in the following analysis has been undertaken with extreme caution, especially when comparison was done with previous years data.

8.3.4 Analysis of FIRB Data By Industry

On analysing the data in Table 8.11 and Table 8.12, the following points emerge:

- * Over the 1982/83 to 1994/95 period, Hong Kong and ASEAN countries investments were mostly in real estate. The percentage share of their total investments going into property changed over time, falling from 83.95% in 1982/83 to 22.95% in 1985/86, but rising to 55.89% in 1990/91 and to 59.60% in 1994/95. However, as a percentage of global foreign investments' in Australia's property market, Hong Kong and ASEAN countries share not only fluctuated over time, but was substantially less than the share of their total investments: decreasing from 43.5% in 1982/83 to 7.1% in 1985/86, increasing to 35.6% in 1990/91 and contracting to 26.7% in 1994/95.
- * Proposed investment in finance and insurance were generally small with the exceptions being in 1985/86 and 1994/95. In 1985/86, Singapore and Hong Kong invested \$A50m (43.1%) and \$A215m (60.2%) respectively of their total proposed sums.
- * Investments in the services sector were also small, with the exceptions being 1985/86 and 1994/95. While in 1985/86, Malaysia and Hong Kong invested \$A83m (81.4%) and \$A65m (18.2%) respectively in the services sector, in 1994/95, Singaporean and Malaysian interests invested \$A197m (9.7%) and \$A133m (12.1%) respectively of their total proposed investments.
- * In 1994/95, China's proposed investments were also biased towards property investments. About 60% of China's total proposed sum of \$A230m was invested in property.
- * From the early 1990s, investments from Malaysia and Other countries were channelled into the Mineral Exploration and Development sector. Over the 1980s decade, the ASEAN countries and Hong Kong did not invest in Mineral Exploration and Development, with the exception of Hong Kong's token amount of \$0.1m, in 1982/83. In 1990/91, Malaysia and 'Other ASEAN' countries invested 6.34% and 9.31% each respectively of their total investments in Australia within the Mineral Exploration and Development. During 1994/95, the percentage share of Malaysia's total investment going into the Mineral Resources sector increased to 9.02%, while Hong Kong, after a decade of abstaining from investing in this sector, placed 16.9% of its total investment in the Mineral Resources sector.

Table 8.11 Country of Investor: Total Expected Investment (\$Am), By Industry Sector 1 July 1982 to June 1995

Industry Sector	1982/83					1985/86					1990/91					1994/95					
	ASEAN					ASEAN					ASEAN					ASEAN					
	Sing	Mal	Oth ^a	HK	Total	Sing	Mal	Oth ^a	HK	Total	Sing	Mal	Oth ^a	HK	Total	Sing	Mal	Oth ^a	PRC	HK	Total
Agriculture, forestry & Fishing ^b	4.8	5.8	0.2	5.3	62.1	---	2	---	3	87	---	7	---	2	291	---	---	---	---	---	318
Mineral exploration and Development	---	---	---	0.1	495.6	---	---	---	---	566	---	23	---	---	5439	---	99	---	38	55	2562
Manufacturing	2.6	9.8	0.5	---	472.9	1	---	10	1	1570	15	26	18	26	3127	7	317	18	6	30	3249
Finance and Insurance	0.4	---	---	2.4	290.2	50	3	10	215	2776	16	---	---	16	737	7	12	2	0	208	2639
Services	28.4	7.6	3.5	5.9	544.2	19	83	---	65	2626	---	36	---	44	2270	197	133	45	31	58	9500
Tourism ^c	---	---	---	---	---	---	---	---	---	---	9	67	120	139	1859	339	137	17	---	86	1308
Real Estate ^d	219.6	80.1	6.2	93.8	918.6	45	14	4	74	1927	171	200	172	152	5648	1480	399	359	137	371	9781
Resource Processing	---	---	---	---	384.6	---	---	---	---	263	---	---	---	---	870	1	3	---	14	---	967
Total ^e (\$Am)	255.7	103.2	10.4	107.4	3168.3	116	102	25	357	9818	210	360	310	380	20241	2030	1100	440	230	810	30300
Number of Proposals ^d	57	31	7	52	1100	30	21	11	56	1071	119	89	95	176	2616	990	184	663	267	208	4606

Notes: ^aThailand, Indonesia and the Philippines; Sing is Singapore, Mal is Malaysia, HK is Hong Kong, and Oth is Other. Total refers to global expected investment in Australia.

^bincludes proposals for the acquisition of rural properties.

^cTourism proposals defined by reference to Australian Standard Industrial Classification numbers 9138, 9141, 9143, 9144, 9232, 9233, 9241, 9242.

^dThese figures indicate the total value of proposals in which investors from the particular country (or country grouping) have an interest. Proposals involving investment from more than one country count as one proposal for each of the countries concerned and, therefore, the number of proposals under "Other" is a balancing item.

^eThese figures may not add up due to rounding error.

Source: Foreign Investment Review Board, *Annual Reports 1982-83 to 1994-95*, Australian Government Publishing Service, Canberra, ACT, various issues.

Table 8.12 Investor Country: Acquisitions And New Businesses Total Expected Investment (\$Am), By Industry Sector 1 July 1982 to June 1995

Industry Sector	1982/83					1985/86					1990/91					1994/95					
	ASEAN					ASEAN					ASEAN					ASEAN					
	Sing	Mal	Oth ^a	HK	Total	Sing	Mal	Oth ^a	HK	Total	Sing	Mal	Oth ^a	HK	Total	Sing	Mal	Oth ^a	PRC	HK	Total
Acquisitions ^b	233.5	101.8	6.9	107.4	2676.9	65	93	4	170	7271	210	360	310	380	17020	2020	930	420	220	810	23100
New Businesses	22.2	1.4	3.5	---	491.4	51	9	20	188	2547	---	---	---	---	3220	10	170	20	10	---	7200
Total ^c (\$Am)	255.7	103.2	10.4	107.4	3168.3	116	102	25	357	9818	210	360	310	380	20240	2030	1100	440	230	810	30300
Number of Proposals ^c	57	31	7	52	1110	30	21	11	56	1071	119	89	95	176	2525	990	184	643	267	208	4606

Notes: ^aThailand, Indonesia and the Philippines; Sing is Singapore, Mal is Malaysia, HK is Hong Kong and Oth is Other. Total refers to global expected investment in Australia.

^bThese proposals cover a range of transactions, only a proportion of which would lead to a loss by Australians of capacity to exercise effective control of the businesses concerned.

^cThese figures may not add up due to rounding error.

Source: Foreign Investment Review Board, *Annual Reports 1982/83 to 1994/95*, Australian Government Publishing Service, Canberra, ACT, various issues; FIRB, unpublished data.

- * From the early 1990s, ASEAN and Hong Kong interests began emerging in the Tourism sector. In 1994/95, Singapore and Malaysia were the two most prominent ASEAN countries, in terms of FIRB proposals, while Hong Kong's level of investments contracted from earlier levels. In 1990/91, on the basis of the percentage share of each country's total investments going to the Tourism sector, Hong Kong and the ASEAN countries ranking was (in descending order): Hong Kong, 36.7%; Malaysia, 18.5%; 'Other ASEAN countries, 6.8%; and Singapore, 4.3%. During 1994/95, Singapore was the only country whose share increased: from 4.3% in 1990/91 to 16.7% in 1994/95. During the same year, the overall ranking, based on the percentage share of each country's total investment going to the Tourism sector, changed considerably with (in descending order): Singapore, 16.7%; Malaysia, 12.5%; Hong Kong, 10.7%; and 'Other ASEAN' countries, 3.9%.
- * From, Table 8.12 it becomes clear that from the early 1980s onwards, the main means by which Hong Kong and ASEAN countries undertook their investments in Australia was through acquisitions; the only exception being 1985/86, when Hong Kong's new businesses undertakings, 52.7% of its total investments, marginally bypassed its investments through acquisitions, at 47.3%. The trend continued into the 1990s, that in 1990/91 and 1994/95, almost all proposed investments by Hong Kong and ASEAN countries were through acquisition.
- * Investment in manufacturing was small. The only exception was Malaysia, which in 1994/95 invested 28.8% (\$A337m) of its total proposed investments in manufacturing.

8.3.5 Types of Investments

8.3.5.1 Acquisitions and Greenfield Investments

The dominant mode of investment by ASEAN and Hong Kong investors has been through acquisitions rather than greenfield investments. ASEAN countries and Hong Kong shares of their total investment going into acquisitions were 71.8% and 100%, each respectively, in 1982/83 (Table 8.12). In 1983/84, Hong Kong and ASEAN countries investments, through acquisitions, stood at 84.7% and 59.5%, each respectively. By 1985/86, the previous established trend diverged significantly, with ASEAN investments' share, through acquisitions, constituting 66.7% of their total direct investments while, for

the first time, Hong Kong investments' share, through acquisition, stood at 47.6%. In 1990/91 and 1994/95, almost all investment proposals submitted by Hong Kong and ASEAN countries were through acquisitions.

The Chinese, particularly from Malaysia, Singapore and Hong Kong, were also moving into the lucrative property industry, an area where they have gained much experience in their own countries (FEER, 1994). In April 1982, new immigration procedures were established, to attract business migrants to Australia (refer to ch. 7). Between April 1982 and June 1986, the Business Migration Program attracted 3,364 business migrants from Asia, out of a total of 6,027, mostly Chinese entrepreneurs from Hong Kong, Singapore and Malaysia. By the end of 1983, Chinese business migrants from the ASEAN countries had brought with them capital totalling \$A985 million, out of a total of \$A3.1 billion which was brought into Australia by foreign capitalists in that year. Within the same year, Hong Kong business migrants also brought into Australia, about \$A250 million. It has been estimated that in 1988/89, Australia's 145,000 migrants have brought into Australia, around \$A4.3bn (refer to ch. 7). Some of Australia's immigration categories, e.g., BMP migrants from Hong Kong and Taiwan were selected precisely with this in mind.

8.3.5.2 Real Estate And Property Investments

Hong Kong investors, alone or in syndicates, had been actively engaged in the property markets. With Malaysian partnership and finance, the Hong Kong-based Regent Hotel Ltd built the Regent Hotel in Sydney; two years later, it acquired the Wentworth Hotel in Melbourne. By the mid-1980s, Hong Kong investors built the Mandarin Hotel in Sydney. Hong Kong interests also acquired the Kingley Hotel, Sydney, for \$A3.5m.

Australia, with a time zone difference of two hours from that of Hong Kong, is an attractive destination to those organisations and individuals who must maintain close contacts with Hong Kong, on a daily basis. For example, the Royal Hong Kong Jockey Club relocated its data processing unit to Brisbane, while Cathay Pacific Airlines relocated its reservation and data processing system to Sydney. In both cases, experienced, departmental personnel had migrated to Australia and, given the more competitive salaries in Australia, the concerned organisations decided to relocate their entire units (DFAT, 1995d). Given its relative proximity to Hong Kong, Australia may be regarded as a viable site for relocating parts of an organisation's operating units.

8.3.6 Australia-Hong Kong Agreements

In order to enhance its position as a safe destination for investments, in October 1993, Australia has entered into an agreement with the Hong Kong government, in relation to the promotion and protection of investments between both countries (Dept of Foreign Affairs, 1993). What is not clear is what would happen to this Treaty on Hong Kong reversion to China in 1997. That is, notwithstanding Hong Kong's SAR becoming an integral part of China, how is it that Australia can have two similar treaties with the same country, one for the whole of China and another for the region of Hong Kong? And as *Australia-Hong Kong Promotion and Investment Treaty 1993* supersedes the one which was signed with China in 1988, is the latter retroactive over the former? (refer to Sec. 8.4).

8.4 People's Republic of China (PRC)

8.4.1 The 1980-1995 Period

Table 8.13 PRC's Investments in Australia (\$Am) 1982/83 to 1995/96

Year	PRC's Investments in Australia			
	Direct		Total	
	Flow	Level	Flow	Level
1983/84	na	na	14	41
1984/85	-1	4	-4	31
1985/86	111	202	89	209
1986/87	-115	133	-30	226
1987/88	-51	np	-135	53
1988/89	2	49	47	133
1989/90	28	79	33	117
1990/91	-31	51	93	205
1991/92	73	np	1,091	1,407
1992/93	44	303	np	np
1993/94	251	np	674	2,123
1994/95	na	na	na	1,956
1995/96	na	na	na	na

Note: The Table shows net value of capital transactions in each year ("Flow") and the Stock or "Level" of investment at the end of the period. Apart from capital flows, changes in level can arise from exchange rate fluctuations, market revaluations and reclassifications.
na - not available
np - not publishable

Sources: From 1983/84 to 1993/94 - Department of Foreign Affairs and Trade, *Trade & Investment*, DFAT, Canberra, ACT, various issues;
From 1994/95 to 1995/96 - Australian Bureau of Statistics, *Australia Investment Position*, ABS Catalogue No. 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues.

Prior to the 1990s, the total level of assets in Australia held by nationals of the People's Republic of China was small. 1983/84, China's total investment in Australia amounted only \$A41m. By 1985/86, the total level of investments, portfolio and direct, had reached \$A209m (Table 8.13). In the subsequent year, the total sum of China's investments in Australia stood at \$A226m. During 1987/88, there was a sharp contraction in China's total investments level, decreasing to \$A53m, almost on par with 1983/84 level. Over the 1988-93 period, a growth trend was established, that by the end of 1993/94, China's total investment in Australia stood at \$A2,123m. Subsequently, in 1994/95, China's total investment decreased to \$A1,956m.

From an Australian perspective, over the 1983/84 to 1993/94 period, China's investment stock in Australia was small, compared to Australia's total inward stock, e.g., \$A81.90bn in 1983/84, \$A240bn in 1988/89 and \$A370bn in 1993/94.

However, as a percentage of China's total outward stock, Australia was an important host country, accounting for a 40% share in 1983/84 (UNCTC, 1988). As China's outward investment stock increased, Australia's share of China's total outward stock decreased: from 40% in 1983/84 to 31.8% in 1991/92 and to 14.9% in 1993/94 (United Nations, 1996; ABS, 1995).

China's stock of direct investment in Australia fluctuated considerably over the 1983/84 to 1994/95 period: from a low of \$A4m in 1984/85 to a high of \$A202m in 1986/87 (Table 8.13). Subsequently, China's FDI stock in Australia dropped to two digit levels, over the 1988/89 to 1990/91 period, reaching \$A303m in 1992/93.

Mainland China investment seems to be more oriented towards portfolio investments. It was portfolio investments which have increased China's overall investment stock in Australia. For example, during 1991/92, mainland China's funds, worth \$A1.09bn, were invested in portfolio investments. Overall, during the 1983-1993 period, PRC's investment stock (FDI and portfolio) in Australia continued to grow, reaching \$A1.96bn in 1993/94.

8.4.2 Types of Investments

According to MOFTEC figures, by the end of 1994, China had invested in 134 Australian projects, worth \$A600m; making Australia the second most important destination of China's FDI, after Hong Kong. Of the total invested, the Mt. Channar project accounted for \$A120m, and China International Trade and Investment Corporation (CITIC) acquisition of a 10% share from Alcoa of Australia Ltd, in August 1986, in the Portland aluminium smelter for \$A100m.

An increasing number of Chinese organisations, both from the central and provincial units have been interested in Australia's small scale operations. There have been operational joint-ventures in restaurants, farms, paper production, garment manufacturing, mineral exploration and production, bio-pharmaceuticals, real estate, general trading, retail sales, and wool and meat processing.

8.4.3 Australia-China, P.R. Investments' Agreements

Australia has also undertaken a bilateral agreement with the People's Republic of China regarding the *Encouragement and Protection of Investments* (Dept of Foreign Affairs, 1988). In order to enhance its position as a safe destination for investments, in October 1993, Australia has entered into an agreement with the Government of Hong Kong in relation to the *Promotion and Protection of Investments* between both countries (Dept of Foreign Affairs, 1993). What is not clear is, what would happen to this *Treaty* on Hong Kong reversion to China, in 1997? As previously elaborated upon in Sec. 8.3.6, as *Australia-Hong Kong Promotion and Investment Treaty, 1993* supersedes the one which was signed with China in 1988, is the latter retroactive over the former? Will China freeze Australian assets in its Territories in the event that a dispute arises?

8.5 Taiwanese Investments in Australia

8.5.1 The 1980-1995 Period

Table 8.14 Taiwan Investments in Australia (\$Am) 1982/83 to 1995/96				
Year	Australia Investments in China			
	Direct		Total	
	Flow	Level	Flow	Level
1983/84	1	np	1	np
1984/85	-1	-5	14	11
1985/86	2	6	5	31
1986/87	1	4	294	445
1987/88	9	24	-428	33
1988/89	38	80	55	161
1989/90	25	63	58	155
1990/91	-11	54	-42	154
1991/92	-16	44	22	226
1992/93	4	20	19	195
1993/94	10	31	-16	164
1994/95	na	na	na	185
1995/96	na	na	na	na

Note: The Table shows net value of capital transactions in each year ("Flow") and the Stock or "Level" of investment at the end of the period. Apart from capital flows, changes in level can arise from exchange rate fluctuations, market revaluations and reclassification.
na - not available
np - not publishable

Sources: From 1983/84 to 1993/94 - Department of Foreign Affairs & Trade, *Trade & Investment*, DFAT, Canberra, ACT, various issues;
From 1994/95 to 1995/96 - Australian Bureau of Statistics, *Australia Investment Position*, ABS Catalogue No. 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues.

Over the 1983/84-1994/95 period, Taiwanese investment in Australia remained relatively small. In 1984, Taiwanese investment stock in Australia amounted to only \$A11m (Table 8.14). Taiwan's total investment stock in Australia peaked to \$A445m, in 1986/87, and then continued on a decline that in 1994/95, total investment stock stood at \$A185m. Investment flows between Australia and Taiwan have not been commensurate with the scale of two-way trade (refer to ch. 5).

Comparatively, while in 1984/85, Taiwanese investment stock in Australia amounted to only \$A11m, as a percentage of Taiwan's worldwide investment, it aggregated to 5.5% (UNCTC, 1988), which increased to 13.29% in 1985 (United Nations, 1996). However, by the late 1980s, with the lifting of Marshall law and the liberalisation of the economy, Taiwanese outward investment flows to Australia somewhat increased, notwithstanding that over the 1980s and early 1990s period, substantial investment funds were channelled indirectly via Hong Kong into China.

8.5.2 Reasons for Investing in Australia

The two main reasons why Taiwanese businesses were investing in Australia are:

- * to secure raw material supplies and,
- * to spread country risks

Taiwan's relative lack of natural resources makes it dependent on the imports of vast quantities of industrial raw materials, to sustain its export-oriented industrial economy. Base metals, including ferrous metals and non-ferrous metals such as aluminium, copper, brass, zinc, tin, lead, and nickel, play an indispensable role in Taiwan's economic well-being. With the continuing economic development, expanding exports, and a rising standard of living on the island, the demand for base metals has been exhibiting a steady increase over the years. However, since the island is generally poor in natural resources, almost all of these growing needs have to be met with imports. Over the 1960-1995 period, Australia had been supplying Taiwan with some of its industrial raw materials (refer to Chapters 3 and 5). However, Taiwan, in the face of increasing global industrialisation, and in order to secure a lifeline of supplies has been showing interests and investing mineral resources development. This will guarantee Taiwan some means of supply in the event of some catastrophe in its other supplies, a form of risk spreading.

There has been growing Taiwanese interests related to investment in Australian resources: timber, coal, iron ore, aluminium and agricultural products. Some interest was also shown in some forms of light industry (DFAT, 1996b). Even though Taiwan's financial and exchange controls have become more liberalised, Taiwan government enterprises' investment in Australia has been, and still is, limited. However, these state companies are involved in a number of large-scale projects which are currently under consideration. Further investments may result if the Taiwanese government privatisation program succeeds in making former state enterprises more responsive to market forces, and less to political pressures.

8.5.3 Australia-Taiwan Agreements

Even though Australia does not have any treaty agreements with Taiwan, it nevertheless has agreed on a number of bilateral agreements that create a strong infrastructure and facilitate economic relations. There have been two memorandum of understanding (MOU) with Taiwan: the *Promotion of Investment and Technology Transfer and the Protection of Industrial Property* which were signed in August 1993 by the Australian Chamber of Industry Office and the relevant Taiwanese agencies (ACIO, 1993).

8.5.4 Taiwanese Interests in Australia

Taiwan Sugar, a major state-owned enterprise, has established an office in Brisbane to supervise its investment in a plant to produce paper pulp from bagasse. Another large government enterprise, Taipower, has coal mining interests in New South Wales. In April 1995, the state-run Taiwan Salt Works signed an agreement with Dampier Salt Ltd to establish a company which will produce table-salt in Australia, for sale in Taiwan.

From within Taiwan's private sector, a Taiwanese compact disk (CD) manufacturer, Ritek, has established a \$A5m factory in Sydney, which began operations in late-1994. In 1995, Taiwan Pulp and Paper Corporation signed a memorandum of understanding with the Tasmanian government, in developing major paper and pulp plants in Tasmania. Good prospects exist for Taiwanese investments in the iron and steel sector.

Given Australia's increasing trade with China and Taiwan, and knowing that both China and Taiwan have used and manipulated trade and economic ties in the past (refer to ch. 3), Australia may be drawn into the conflict. It must be remembered that it is Australia's trade which is dependent on China and Taiwan (refer to ch. 5) and not vice-versa. As Australia has signed *Investment Protection Treaties* with Hong Kong and China, and two *MOUs* with Taiwan, in the case of conflicts or upheavals among the latter three parties, which instrument will Australia honour! Will Australia succumb to China's demands if asked to freeze Taiwanese assets in Australia?

8.6 Australian Investment Abroad

8.6.1 Regional And Worldwide

Australia's share of world-wide outward foreign direct investment (FDI) increased from approximately 0.5% in 1980 to 1.5% in 1992 (ABS, 1995a). Australia's FDI outflows increased by an average annual rate of 37% over the 1980s decade; peaking at \$A10.1bn in 1987/88, and then falling to \$A2.3bn in 1989/90. After a net withdrawal of FDI in 1990/91, there was an increase in outflows, which reached \$A4.5bn in 1993/94. During the late-1980s, the decline in FDI outflows had been associated with the downturn in economic activity, both within and outside Australia.

The gap between FDI inflows and outflows declined as outward FDI grew rapidly over the 1980s. FDI outflows exceeded inflows for the first time in 1987/88. During the 1980s, the share of outflows destined for the services sector increased from 43% in the 1970s to 64% in the 1980s, largely at the expense of manufacturing and to a lesser extent, mining. Australia's outward FDI sectoral shift was broadly in line with world trends, where, by the late-1980s, 55-60% of world FDI outflows were directed to the services sector.

In the 1980s, Australia's FDI abroad was increasingly directed to the United Kingdom and the United States, and to a lesser extent New Zealand, rather than to neighbouring ASEAN countries. Over the 1980s decade, the United Kingdom and the United States received, on an annual average, 22.1% and 25.2%, each respectively, of Australia's global FDI (direct and portfolio) outflows. By 1994/95, the United Kingdom and United States accounted for 64% of Australia's total FDI stocks abroad, while New Zealand and ASEAN countries accounted 16% and 5%, each respectively (Figure 8.4). There was a significant contraction in Australia's FDI stock in Hong Kong, which fell from 18% in 1979/80 to 1% in 1994/95.

During the 1980s, the growth of FDI outflows to the United Kingdom and the United States was largely at the expense of investment shares formerly directed to the ASEAN countries and Papua New Guinea. By the early-1990s, the pattern of investment outflows was determined by the large withdrawal of FDI from Central America and the Caribbean (BIE, 1995).

The changing direction of FDI outflows, over the 1980s, resulted in the North American and European regions becoming relatively more important, as hosts for Australia's outward FDI stock, than its neighbouring Asian and Pacific regions (Figure 8.4). In 1984, out of Australia's \$A1,743m in global FDI outflow, North America and the European Union received 53% and 28.1% each respectively (Figure 8.5). In 1987/88, of Australia's FDI outflows worth \$A10.26bn, a record sum, North America and the European Union received 15.1% and 47.6%, each respectively. In 1989/90, as a result of the economic downturn, both within and outside Australia, the level of Australian FDI outflows dropped to \$A2,265m, with North America's share decreasing to 1.1% of total outflows while European Union's share increasing to 74.4% of total outflows. However, the European Union share of Australia's total FDI outflows continued to increase, that in 1993/94, it stood at 76.9%, while North America attained a 22% share.

Figure 8.4 Australia's Outward FDI Stocks: Major Countries, 1979/80, 1987/88 and 1994/95 (\$Am, Current Prices)

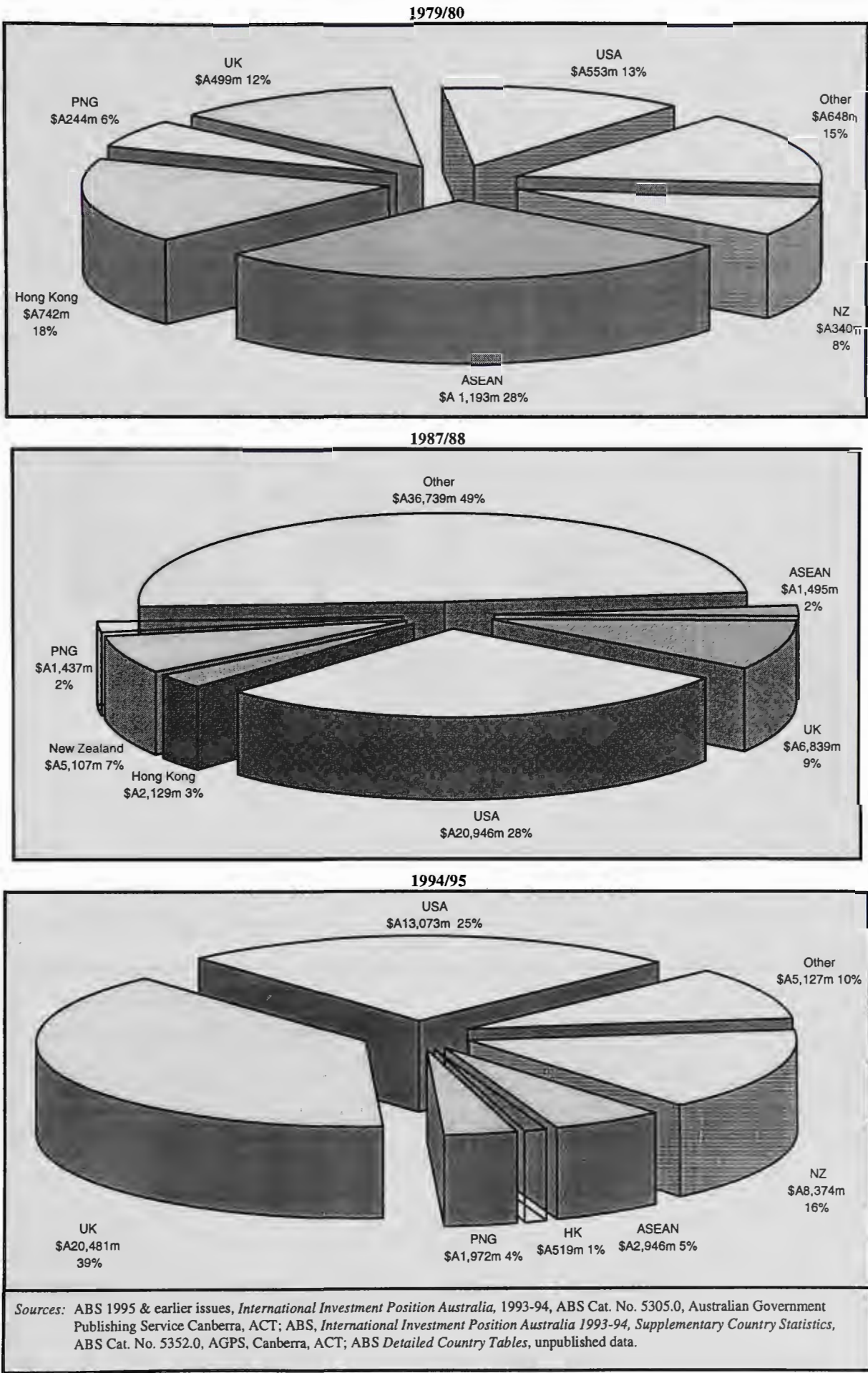
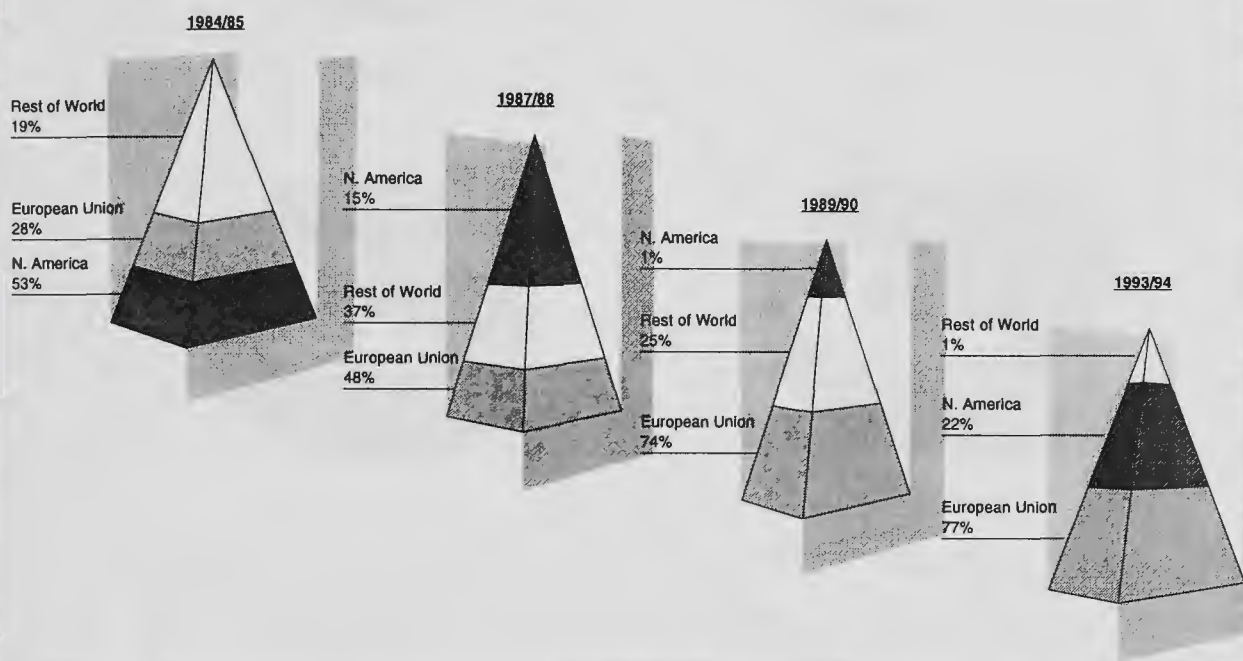


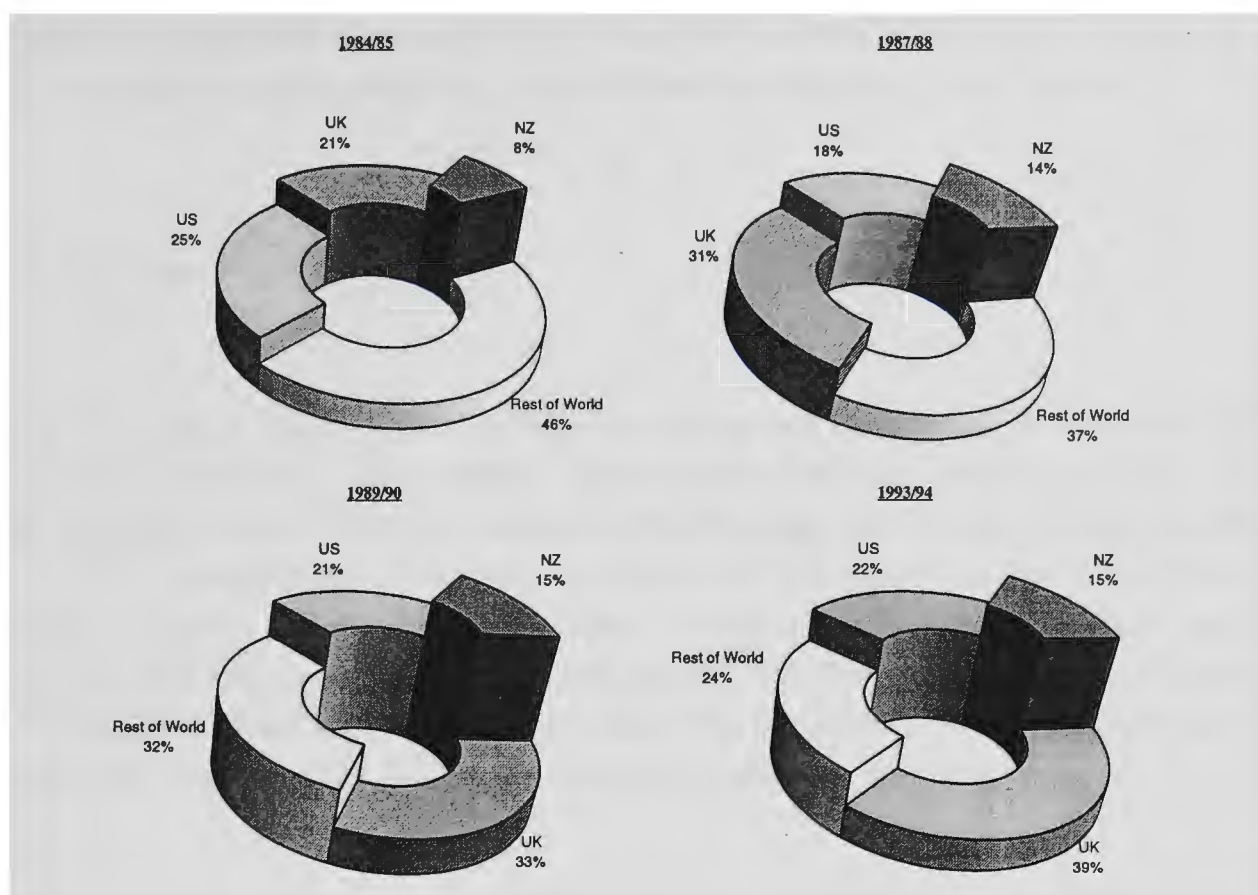
Figure 8.5 Australia's FDI Outward Flows (%): By Major Regions 1984/85 to 1993/94 (Selected Years)



Notes: N. America includes the United States & Canada.
European Union is composed of Austria, Belgium-Luxembourg, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Sources: Australian Bureau of Statistics, *Australian Investment Position*, ABS Catalogue No. 5363.0, AGPS, Canberra, ACT, various issues.
DFAT, *Trade & Investment*, Department of Foreign Affairs & Trade, Canberra, ACT, various issues.

**Figure 8.6 Australia's FDI Outward Stock: By Major Host Countries (Percentages)
1984/85 to 1993/94 (Selected Years)**



Notes: Year refers to financial year.
Direct Investment flows include Direct Investment Equity & Other Direct Investment.
Rest of the World include all countries around the world, other than the major host countries specified that were recipients of Australia's outward FDI.

Sources: Australian Bureau of Statistics, Australian Investment Position, ABS Catalogue No. 5363.0, AGPS, Canberra, ACT, various issues.
DFAT, Trade & Investment, Department of Foreign Affairs & Trade, Canberra, ACT, various issues.

In 1984/85, the United States, United Kingdom and New Zealand held 24.8%, 20.0%, and 8.1%, each respectively of Australia's global FDI stock; by 1987/88, the United Kingdom and New Zealand shares continued to increase to 30.5% and 14.4%, each respectively, of Australia's total FDI stock while the United States' share contracted to 18.3% of Australia's total FDI stock (Figure 8.6). However, in 1989/90, while the importance of the United Kingdom and the United States, as host countries of Australia's outward FDI stock continued to improve, holding 32.5% and 20.5%, each respectively, of Australia's total outward stock, New Zealand share remained at 1987/88 level, that is 14.7%. These countries' importance as hosts of Australia's outward FDI stock continued over the 1993/94-1994/95 period, as is depicted in (Figure 8.4 and Figure 8.6).

FDI stocks held in the ASEAN countries, Hong Kong, New Zealand and Papua New Guinea declined from around 60% of Australia's total outward FDI in 1979/80, to 26% by 1994/95 (Figure 8.4). By June 1995, the share of Australia's FDI stocks held in ASEAN countries had decreased to 5% (from 28% in 1979/80). Likewise, Australia's FDI levels in Hong Kong fell from their 18% share in 1979/80 to 1% in 1994/95.

8.6.1.1 Factors

A wide range of factors have influenced the extent and destination of Australian FDI outflows. These factors encompassed - the economic conditions within Australia - e.g., the deregulation of the financial markets and the floating of the Australian dollar in 1983 - and in the potential host countries, e.g., the size of the markets in the United States, United Kingdom, and the European Union, as well as their growth potential; policy settings' differences between countries and regions, e.g., the emergence of the European Union and NAFTA, and a wide range of factors which condition the risk environment for investment, e.g., historical ties, and cultural and commercial familiarity.

The Republic of China on Taiwan had been highly protective in shielding its industry sectors from foreign investments. It was not until the late-1980s that Taiwan started opening up its economy to make it accommodate foreign investment (refer to ch. 6). Taiwan's government change of heart was the result of extreme pressures which were imposed by the United States government. Thus, prior to the lowering of barriers to investments, it was extremely hard for Australian firms to penetrate the Taiwanese market. In addition, Australian firms were not familiar with the intricacies of the Taiwanese system; enforcing Australian firms' tendencies to remain focussed on more familiar markets, such as those of the United States and the United Kingdom.

Australian firms shied away from investing in China due to: disappointing profitability and investment losses; impediments such as poor infrastructure; lack of legal frameworks, and shortages of skilled labour. However, Australian firms began making more use of out sourcing as a means of investing in China (refer to Sec. 8.8).

8.6.1.2 Historical And Commercial Variables

In contrast, historical ties, and cultural and commercial familiarity have probably made the United Kingdom and the United States relatively more attractive to Australian companies. Australian companies were also at ease when investing in Hong Kong, a British colony, with English as its lingua franca and an operational common law system. The tax differential between the two countries was also a great incentive to invest in Hong Kong. However, this tax differential, proved to be a two-edged sword: on the one side, it proved to be an incentive for Australian companies to invest in Hong Kong and on the other, a disincentive, as profits attained in Hong Kong were closely scrutinised by Australian Taxation Office, through vested powers within of Section 264^A (sanctions) of the *Australian Taxation Laws* (Woellner *et al.*, 1996 & 1997).

8.7 Hong Kong

8.7.1 Australian Investment in Hong Kong

During 1983/84, Australia's outward direct investments to Hong Kong were \$A45m, or 3.6% of total FDI outflows; bringing the FDI stock level in Hong Kong to \$A303m (Table 8.15). In the subsequent year, while \$A21m of outward FDI went to Hong Kong, Australia's FDI stock level in Hong Kong had risen to \$A859m, that is, a 183.5% increase over the previous year. The big jump in evaluation of Australian assets in Hong Kong may have reflected buoyant property market conditions, foreign exchange changes and changes in the valuation methods employed by firms. This was mainly due to the 1983 implementation of the Hong Kong dollar standard which was marked by confusion, as market participants did not understand the workings of the linked rate system with the American dollar: the \$US rate closed at \$HK8.0 on 17 October 1983; and the banking crisis of 1983-86. This resulted in tangible assets to be more sought than paper-money, thus assets' investments appreciated substantially over the period.

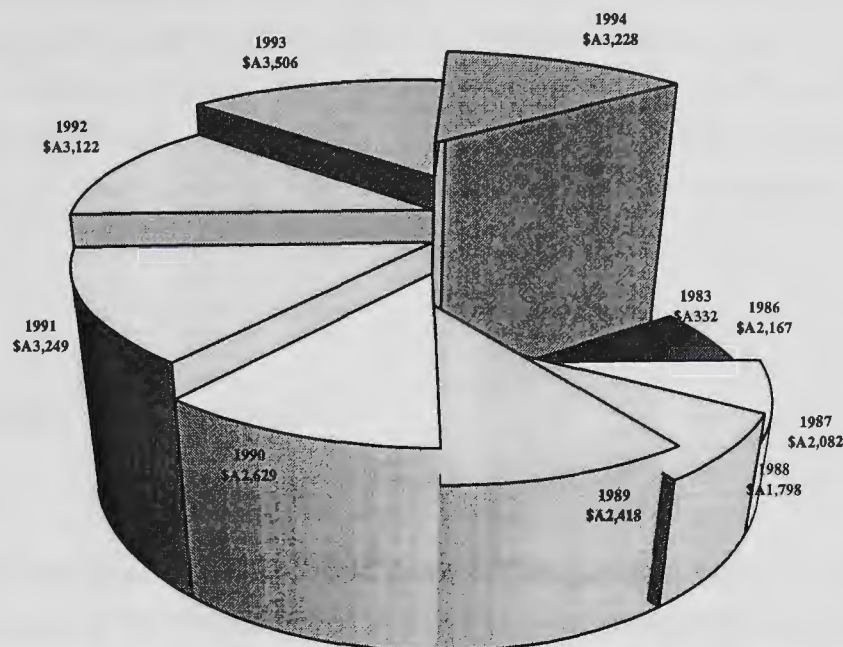
Table 8.15 Australian Investments in Hong Kong (\$Am) 1982/83 to 1995/96				
Year	Australia Investments in Hong Kong			
	Direct		Total	
	Flow	Level	Flow	Level
1983/84	45	303	36	332
1984/85	21	859	50	958
1985/86	60	1,361	217	1,747
1986/87	406	1,499	598	2,167
1987/88	480	1,444	683	2,082
1988/89	-909	850	-669	1,798
1989/90	np	848	767	2,418
1990/91	100	1,388	-198	2,629
1991/92	np	1,442	357	3,249
1992/93	-127	1,509	-515	3,122
1993/94	-179	1,326	103	3,506
1994/95	na	na	na	3,228
1995/96	na	na	na	na

Note: The Table shows net value of capital transactions in each year ("Flow") and the Stock or "Level" of investment at the end of the period. Apart from capital flows, changes in level can arise from exchange rate fluctuations, market revaluations and reclassifications.
na - not available
np - not publishable

Sources: From 1983/84 to 1993/94 - Department of Foreign Affairs & Trade, *Trade & Investment*, DFAT, Canberra, ACT, various issues;
From 1994/95 to 1995/96 - Australian Bureau of Statistics, *Australia Investment Position*, ABS Catalogue No. 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues.

Australian outward FDI to Hong Kong continued to increase that in 1987/88, \$A480m (4.7% of total outward FDI); bringing Australia’s FDI stocks in Hong Kong to \$A1.44bn (Table 8.15). As a consequence of the securities crisis of 1987 and the ensuing bearish market, Australia’s FDI stock in Hong Kong decreased by \$A909m in 1988/89, with the residual FDI stock amounting to \$A850m. From 1989/90 to 1992/93, Australia’s FDI stock in Hong Kong continued to grow at an annual average rate of 24.1%, that by 1992/93, Australia’s FDI stock in Hong Kong totalled \$A1.51bn. In 1993/94, Australia’s FDI stock in Hong Kong decreased by \$A179m to \$1.33bn. This was partly due to the worldwide currency turmoil, in August-September 1992, when the pound sterling and the Italian lira were forced to leave the European Exchange Rate Mechanism, and when other major currencies were under speculative attack of one form or another. This resulted in the exchange rates, in terms of global currencies, including the Australian dollar, to considerable fluctuations.

Figure 8.7 Australia's Investment (FDI And Portfolio) Stock Levels (\$Am) in Hong Kong 1983-1994



Sources: Australian Bureau of Statistics, *Australia Investment Position*, ABS Catalogue No. 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues; ABS, *International Investment Position Australia*, ABS Cat. No. 6305.0, AGPS, Canberra, ACT, various issues.

Overall, Australian total investment, direct and portfolio, stock in Hong Kong increased from a level of \$A332m in 1983/84 to \$A2.08bn in 1987, diminished to \$A1.80bn in 1988/89, mainly due to the October 1987 Stock Market crash, and then increased to \$A2.42bn in the following year (Figure 8.7). In 1990/91, as a consequence of the political uncertainty on mainland China, \$A198m were disinvested, but the total stock level increased to \$A2.63bn due to the improved exchange rates of the Hong Kong dollar and gains in the Hang Seng Index. In 1992, due to the world currency turmoil, Australia's stock level in Hong Kong decreased by \$A515m, to a total of \$A3.12bn. During 1993/94, Australia's total stock levels in Hong Kong reached \$A3.51bn, mainly due to the flow of \$A103m, in portfolio investments.

Australia’s total investment stock, direct and portfolio, in Hong Kong declined by 5.6% to level at \$A3.22bn in June 1995. Hong Kong was the sixth largest destination for Australian overseas investment, with projects in a number of industries, among which were: insurance, AMP and National Mutual; services, trading, steel fabrication and trading, BHP; concrete supply and quarrying, Pioneer; building and construction, Leighton; communications, Datacraft; manufacturing, Pacific Dunlop; Telstra, telecommunications; and banking, represented by four major Australian banks (Table 8.19).

8.7.1.1 Official Statistics And Data

Hong Kong does not collect official statistics on foreign investment. However, some indications of foreign investment sources can be obtained through the survey of the Hong Kong manufacturing sector. However, while establishments with overseas interests had become more capital-intensive and more automated, Australian firms investment did not upgrade in newer plant facilities, as will be shown in the next section.

Table 8.16 Australian Investment in Hong Kong’s Manufacturing Industries: By Industries 1989 to 1991 (Selected Years) \$Am			
Industry	Total Investment At Original Cost As At End of the Year		
	1989	1990	1991
Chemical Products	8.10	11.83	4.79
Metal Products	5.83	4.76	*
Others	151.24	88.36	342.65

Notes: Total investments at original cost as at end of the year were converted from \$HK to \$A using the following conversion factors (average annual exchange rates) derived from the Reserve Bank of Australia’s daily exchange rates: 1989- 6.1757; 1990 - 6.0885; and 1991 - 6.0558.

* For confidential reasons, data with less than three establishments have been suppressed and grouped under the category ‘others.’ In 1991, it covered non-metallic mineral products, printing and publishing, basic metal, paper products, metal products, plastic products, electronics, jade and jewellery, watches and clocks and photographic and optical goods.

Sources: Hong Kong Government Census and Statistics Department, *Survey of External Investment in Hong Kong’s Manufacturing Industries*, Hong Kong Government Publishing Service, Hong Kong, unpublished data; Reserve Bank of Australia, *Foreign Exchange: Spot Rates, DX Data DX13.DX*, RBA, Sydney, NSW.

8.7.2 Australia's Investments By Industry Sector

8.7.2.1 Manufacturing

In 1991, Australia was the seventh-largest foreign investor in Hong Kong's manufacturing sector. Sixty per cent of Australia's manufacturing investment was concentrated in two industries, namely the non-metallic mineral products industry (14.1%) and the printing and publishing industry (45.9%) (Table 8.16). In addition, apart from serving the Hong Kong market, many Australian investors have been using Hong Kong as a base in conducting their operations in China, Taiwan, Macau and Indochina.

Table 8.17 Australian, American And British Companies Investments in Hong Kong's Manufacturing Industries 1984 to 1991 (Selected Years) \$Am				
Country	Total Investment At Original Cost As At End of the Year			
	1984	1989	1990	1991
Australian Interest	27.53	165.16	104.95	347.44
American Interest	894.95	1,504.28	1,555.39	1,591.53
British Interest	115.53	356.24	361.34	312.26
<i>Notes:</i> Original costs of total investments at end of the year were converted from \$HK to \$A using the following conversion factors (average annual exchange rates) derived from the Reserve Bank of Australia's daily exchange rates: 1984 - 5.6772; 1989 - 6.1757; 1990 - 6.0885; and 1991 - 6.0558.				
<i>Sources:</i> Hong Kong Government Census & Statistics Department, <i>Survey of External Investment in Hong Kong's Manufacturing Industries</i> , Hong Kong Government Publishing Service, Hong Kong, unpublished data; Reserve Bank of Australia, <i>Foreign Exchange: Spot Rates, DX Data DX13.DX</i> , RBA, Sydney, NSW.				

8.7.2.1.1 Trends And Comparisons: Australia, US And UK Investments

When Australian manufacturing investment claims are compared with those of the United States and the United Kingdom, it emerges that (Table 8.17): from 1984 to 1989, the three countries increased their levels of manufacturing investments though Australian interests expanded from a low base; from 1989 to 1990, Australia's investment level contracted, while American and British levels remained at approximately the same levels. As Hong Kong labour and rental rates increased, local and foreign companies moved their processing and assembling operations into China (refer to ch. 5). By 1991, all three countries continued to increase their investment levels, with Australia surpassing the United Kingdom. It must be realised that Hong Kong's investments accounted for about 60% of total foreign investment, in China's processing and assembling operations. As more and more of the processing and assembling was undertaken in Guangdong's SEZ, Shenzhen, the main role of foreign enterprises in Hong Kong became more related to packaging, marketing and dispatching of the finished goods.

Table 8.18 Number of Hong Kong Companies with Australian & American Interests: By Employment Size 1989 to 1991 (Selected Years)							
Size - No. of Employees		Australian Interest			American Interest		
		1989	1990	1991	1989	1990	1991
1-19	} S	3	5	4	13	15	14
20-99		18	11	9	56	52	58
100-199	} M	2	3	3	41	35	29
200-499		2	2	1	20	14	14
>500	L	1	1	1	17	12	12
Total:		26	22	18	147	128	127
<i>Notes:</i> S - Small, M - Medium, L - Large <i>Source:</i> Hong Kong Government Census and Statistics Department, <i>Survey of External Investment in Hong Kong's Manufacturing Industries</i> , Hong Kong Government Publishing Service, Hong Kong, unpublished data.							

8.7.2.1.2 Enterprises Size (Based on Number of Employees)

Australian manufacturing companies were mainly composed of small and medium enterprises (Table 8.18). The number of small enterprises continued to decrease, that by 1991, there were only 13 companies. The number of medium companies remained relatively stable, accounting for 4 enterprises, in 1991. Over the 1989-91 period, Australian interests in large companies remained at one. This re-emphasises the proposition put forth in the previous page, that a trend has been established in which enterprises were closing or restructuring their Hong Kong operations; moving their operations into Guangdong's SEZs as the costs of labour and space rentals were becoming too high to keep their products competitive on the international markets.

Comparatively, American interests in manufacturing were spread over the three levels of small, medium and large sized companies. While American investment in small companies stood at 69 in 1989, it declined to 67, mainly due to Tiananmen Square effect, in 1990, and then increased significantly to 72, in 1991. However, American medium sized enterprises began decreasing: from 61 in 1989 to 49 in 1990, and to 43 in 1991. There was also a sharp decline in the number of large enterprises: from 17 in 1989 to 12 in 1990. The same economic and political pressures that were exerting pressure on Australian manufacturing firms seems to be also influencing the American counterparts.

8.7.3 Analysis of Investment Performance

By 1994, Australia was the 11th largest foreign presence in Hong Kong’s manufacturing sector, with cumulative investments worth \$A110.52m or 1.4% of Hong Kong’s total overseas investment (Table 8.19, Table 8.20, and Table 8.21). On further analysing Australian interests in Hong Kong it becomes clear that Australian manufacturing investments, on average, depreciated by 31.4%, in comparison to Hong Kong’s average of 32.0%, almost on par with Canadian investments’ depreciation, at 31.5%. On the other, American and Singaporean rates of depreciation stood at 25.7% and 25.6%, each respectively. This means that American and Singaporean plant were more modern than the average manufacturing stocks in Hong Kong, including Australian interests.

Table 8.19 List of Australian Manufacturing Companies With Investment in Hong Kong 1994	
Name of Company	Source Country/Territory
ASHER & CO., (HK) LTD.	AUSTRALIA
BHP STEEL BUILDING PRODUCTS (HK) LTD	AUSTRALIA
BURWILL HOLDINGS LTD	AUSTRALIA, SINGAPORE, MEXICO
HALVORSEN MARINE LTD	AUSTRALIA, BERMUDA
HUME STEEL PIPE CO LTD	JAPAN, AUSTRALIA
JAQUES INTERNATIONAL LTD	AUSTRALIA
MERSEY (PRODUCTION) LTD	AUSTRALIA, USA
PIONEER CONCRETE (HK) LTD	AUSTRALIA
PIONEER QUARRIES (HK) LTD	AUSTRALIA
RICHARDSON PACIFIC (ASIA) LTD	AUSTRALIA
UJT NIKKA CHEMICALS CO LTD	AUSTRALIA, JAPAN, THAILAND, FRANCE, and USA
<p><i>Note:</i> This list has been generated out of a schedule containing 195 companies which had previously agreed to have their names and source of external investment released by the Hong Kong Industry Department. Therefore, this list is not exhaustive.</p> <p><i>Source:</i> Hong Kong Government , Census and Statistics Department 1995, <i>Survey of External Investment in Hong Kong's Manufacturing Industries, 1994</i>, Hong Kong Government Publishing Service, Hong Kong.</p>	

Table 8.20 Hong Kong External Investment 1994: Value & Source Country (\$Am)

Source Country/ Territory	No. of Investments	Value of Investment (in \$Am)					
		Gross Additions to Fixed Assets (A)	Stock of Fixed Assets at Book Value (B)	Stock of Fixed Assets at Original Cost (C)	Working Capital (D)	Total Invest. At Book Value (B) + (D)	Total Invest at Original Cost (C) + (D)
Japan	146 (28.7)	338.90 (51.3)	977.24 (32.8)	1,963.12 (36.0)	633.24 (27.6)	1,610.30 (30.6)	2,596.35 (33.5)
USA	88 (17.3)	148.84 (22.6)	601.88 (20.2)	1,135.24 (20.8)	943.07 (41.1)	1,544.95 (29.3)	2,078.31 (26.8)
China	37 (7.3)	26.07 (3.9)	359.16 (12.1)	582.33 (10.7)	163.46 (7.1)	522.62 (9.9)	745.79 (9.6)
UK	42 (8.3)	21.67 (3.3)	261.75 (8.8)	409.18 (7.5)	115.72 (5.0)	375.71 (7.1)	523.15 (6.8)
Virgin Islands	22 (4.3)	5.11 (0.8)	70.81 (2.4)	114.14 (2.1)	56.19 (2.5)	126.99 (2.4)	170.33 (2.2)
Australia } [424]	509 (100.0)	-1.59 (-0.2)	39.81 (1.3)	74.51 (1.4)	35.93 (1.6)	75.92 (1.4)	110.44 (1.4)
TOTAL⁵:	[424] 509 (100.0)	660.01 (100.0)	2,975.94 (100.0)	5,451.28 (100.0)	2,293.38 (100.0)	5,269.32 (100.0)	7,744.84 (100.0)

- Notes: (1) The figures in brackets indicate the respective percentage share of the column total.
(2) The figure in square brackets denotes the total number of companies with external investment.
(3) Hong Kong financial year is a calendar year, that is January to December.
(4) Total investments were converted from \$HK to \$A by using the conversion factor of \$HK5.6772 to \$A1 by using the RBA's 1994 average annual exchange rate.
(5) Figures may not add up due to rounding error.

Sources: Hong Kong Government, Census and Statistics Department 1995, *Survey of External Investment in Hong Kong's Manufacturing Industries*, Hong Kong Government, Hong Kong; Reserve Bank of Australia, *Foreign Exchange: Spot Rates, DX Data DX13.DX*, RBA, Sydney, NSW.

**Table 8.21 Hong Kong's Number of Establishments And Total Investments Owed
By Major Overseas Countries - 1994**

Source Country Or Territory	Rank	Number of Establishments				Value of Investment (in \$A'000) ^a	
		Wholly- owned By O/S ^b Interests	J-V Without A Local Interest	J-V ^c Between HK & O/S Interests	TOTAL	Total Investment At Book Value ((\$Am))	Total Investment At Original Cost ((\$Am))
Japan	1	87	6	53	146	1,610,388.0	2,596,310.7
USA	2	60	7	21	88	1,544,963.7	2,078,310.6
China	3	17	2	18	37	522,640.2	745,778.9
UK	4	16	8	18	42	375,653.8	523,095.4
Singapore	7	8	5	11	24	137,088.0	184,263.4
Australia	11	7	4	5	16	75,871.4	110,523.3
Malaysia	12	0	2	3	5	72,544.4	88,175.0
Taiwan	18	0	2	7	9	18,401.0	29,609.7
Canada	20	1	0	10	11	17,989.9	26,248.5
Total^d		244	67	198	509	5,269,332.2	7,744,797.8

Notes: ^a Since data for source countries/territories with less than three investments have been suppressed for confidentiality reasons, the ranking according to the value of total investment of source countries/territories shown in this table is not in sequential order.

^a Total investments were converted from \$HK to \$A by using the conversion factor of \$HK5.6772 to \$A by using the RBA's 1994 average annual exchange rate.

^b O/S is overseas.

^c J-V is Joint-Venture

^d Figures may not add up due to rounding error.

Sources: Hong Kong Government, Census and Statistics Department 1995, *Survey of External Investment in Hong Kong's Manufacturing Industries, 1994*, Hong Kong Government Publishing Service, Hong Kong; Reserve Bank of Australia, *Foreign Exchange: Spot Rates, DX Data DX13.DX*, RBA, Sydney, NSW.

8.7.4 Types of Investments

In 1994, Australian manufacturing investments in Hong Kong were in 16 enterprises, namely seven wholly-owned, four joint-ventures with foreign interests and five joint-ventures with Hong Kong and overseas interests. Japanese, American and British presence was significant, with 146, 88 and 42 companies, each respectively. The percentage share of Australia's wholly-owned companies (43%) was significantly higher than that for the United Kingdom (38%). However, the majority (56.3%) of Australia's established joint-ventures were either with local interests, overseas interests, or in combination. This might be indicative of a risk averse strategy, or in Australian interests not being fully familiar with their markets, especially the Hong Kong market (Table 8.22). Comparatively, Japanese and American wholly-owned enterprises, as a share of their total number of companies stood at 59.6% and 68%, each respectively, which signify that they had not only complete management control of their products' processes but also their marketing and distribution.

Table 8.22 Australian & American Enterprises in Hong Kong Comparison: Product Sales (\$Am) By Markets 1984-1991 (Selected Years)			
	Local	Overseas	Total
Australian Interests			
1989	315.59	72.06	387.65
1990	341.79	94.61	436.40
1991	320.68	84.71	405.40
American Interests			
1984	277.32	1,492.10	1,769.39
1989	308.63	2,604.24	3,261.17
1990	822.53	2,630.37	3,452.91
1991	941.08	3,619.18	4,560.26
<i>Note:</i> Detailed statistics for Australia product sales in 1984 are not available. Figures may not add up to total due to rounding error. <i>Source:</i> Survey of External Investment in Hong Kong's Manufacturing Industry, Hong Kong.			

8.7.5 Hong Kong Regional Headquarters And Offices

In 1990, Australia's interest in Hong Kong consisted of 12 regional headquarters which decreased to 9, by June 1991. There were also 5 Australian regional offices. In comparison, American and British interests were substantially represented in Hong Kong, with 258 and 75 regional headquarters, each respectively. In addition, the Americans and the British had 62 and 25 regional offices respectively(Hong Kong Government, 1991).

Hong Kong's central location and excellent external communication links have enabled it to become a major Asia-Pacific regional centre. In recent years, this role has assumed increasing importance with the rapid economic development in the Asia Pacific region.

The 1995 Survey of Region Representation of Overseas Companies in Hong Kong identified 2,068 regional operations by overseas companies in Hong Kong (Hong Kong Government, 1995). They included 782 regional headquarters and 1,286 regional offices. Between 1980 and 1984, an average of 22 new regional headquarters were set up each year. From 1985 to 1989, the average number increased to 44, and from 1990 to 1994 the number further increased to 56. In the first five months of 1995, 12 new regional headquarters were already established. In addition, 8 companies were planning to set up regional headquarters in Hong Kong, all of which intended to do so before the end of 1996.

Table 8.23 List of Regional Headquarters set up by Australian Companies in Hong Kong (As at December 1995)¹			
Name of O/S Parent Co.	Name of Hong Kong Co.	Business in Hong Kong	Region of Responsibility
Computer Power Group	Computer Power (CP Intl. Ltd.)	Wholesale/Retail, Import/Export; Other Business Services	SE-Asia (excluding China)
Datacraft Ltd	Datacraft (HK) Ltd	Other Business Services	SE-Asia (including China)
Hawker Pacific Pty Ltd	Hawker Pacific Ltd	Wholesale/Retail, Import/Export	East Asia
Leighton Holdings Ltd	Leighton Asia Ltd	Construction, Architectural & Civil Engineering	SE Asia (including China)
Pacific Dunlop Ltd	Pacific Dunlop (Asia) Ltd	Wholesale/Retail, Import/Export; Other Business Services	Hong Kong & China
Pioneer International Ltd	Pioneer Concrete (HK) Ltd	Manufacturing	SE Asia (including China)
Qantas Airways Ltd	Qantas Airways Ltd	Transport & Related Services	East Asia
Richardson Pacific Ltd	Richardson Pacific (Asia) Ltd	Manufacturing	SE Asia (including China)
The National Mutual Life Assoc ⁿ of Australasia Ltd	National Mutual Asia Ltd	Insurance	SE Asia (including China)
<p><i>Coverages:</i> South East Asia (excluding China) refers to Hong Kong, Taiwan, the Philippines, Indonesia, Thailand, Malaysia, Singapore and Vietnam; East Asia: refers to South East Asia (including China) plus Japan and Korea;</p> <p><i>Definition:</i> A regional headquarter is defined as an organisation which has control over the operation of one or more other offices or subsidiaries in the region without the need to make frequent referrals to, or consult with, the overseas parent company or headquarters.</p> <p><i>Note:</i> This table is compiled from a list containing 489 regional headquarters which agreed to have their brief particulars released by Hong Kong Department of Industry.</p> <p><i>Source:</i> Hong Kong Government Census and Statistics Department December 1995, <i>Report on the 1995 Survey of Regional Representation by Overseas Companies in Hong Kong</i>, Hong Kong Government Publishing Service, Hong Kong.</p>			

The United States had the largest number of regional headquarters in Hong Kong, with 198 companies; followed by Japan, 116 companies; and the United Kingdom, 94 companies. Australian companies had only 9 regional headquarters (Table 8.23). Australian regional headquarters in Hong Kong included: wholesale/retail, import/export, followed by manufacturing, finance and banking, and transport and related services.

Japan had the largest number of regional offices in Hong Kong, totalling 303. The United States, with 228 regional offices, was in second position, while the United Kingdom, with 132 regional offices ranked third place, followed by China, 81 offices, and South Korea, 60 offices. Australia had 33 regional offices.

Most respondents considered that banking and financial facilities were the most important factor in choosing Hong Kong as a regional headquarters or regional office. Other important and favourable factors included Hong Kong's infrastructure and government's economic policy. Cost of office/factory space and labour were two of the factors most frequently commented on as unfavourable by respondents.

The attractiveness of Hong Kong as a regional headquarters or regional office had improved as Hong Kong had good banking and financial facilities, infrastructure, support of linkage industries, and availability of managerial and professional/technical skill. However, in 1995, Hong Kong labour and rental costs and the political climate, due to the Territory ensuing reversion to China in 1997, have deteriorated.

Hong Kong's central location and excellent external communication links have made Hong Kong attractive to overseas companies, not only for Hong Kong-related business, but also as a convenient base from which to supervise other offices in neighbouring countries. In recent years, as a result of significant economic development in the Asia Pacific region, Hong Kong's regional role has become increasingly important.

The composition of Australia's outward investment, in Hong Kong, has shifted from a high level of direct investment in the early 1980s towards portfolio investment from the late-1980s onwards. Hong Kong, as a host for Australian investments continued to diminish, with portfolio investment becoming the preferred instrument of investment; suggesting that Hong Kong is being foreseen as highly susceptible to risk, e.g., in 1988/89 Tiananmen Square incident; in 1991 Hong Kong banking crisis, with the announcement by the United Kingdom and the United States of the closures of the Bank of Credit and Commerce International (BCCI) for criminal fraud, which ensued runs on Dao Heng Bank and International Bank of Asia (Table 8.17). It is easier to sell portfolio stock,

depending on their issues, than to sell assets if the country suffers or is perceived to become unstable, such as in the case of Hong Kong reversion to mainland China in 1997. Australia’s level of investment stock in Hong Kong is sufficient to maintain a minimum presence. Australian businesses’ adopted approach had been to refrain from keeping substantial investments in Hong Kong, in view of Hong Kong being ceded back to China, in 1997.

8.8 People’s Republic of China (PRC)

8.8.1 The 1980-1995 Period

Table 8.24 Australian Investments in China (\$Am) 1982/83 to 1995/96				
Year	Australia Investments in China			
	Direct		Total	
	Flow	Level	Flow	Level
1983/84	na	na	np	np
1984/85	1	na	np	np
1985/86	na	na	-3	58
1986/87	na	na	-41	20
1987/88	np	np	-12	np
1988/89	np	np	7	44
1989/90	np	np	3	55
1990/91	np	np	10	65
1991/92	np	np	21	60
1992/93	16	30	np	np
1993/94	51	78	-226	297
1994/95	na	na	na	381
1995/96	na	na	na	na

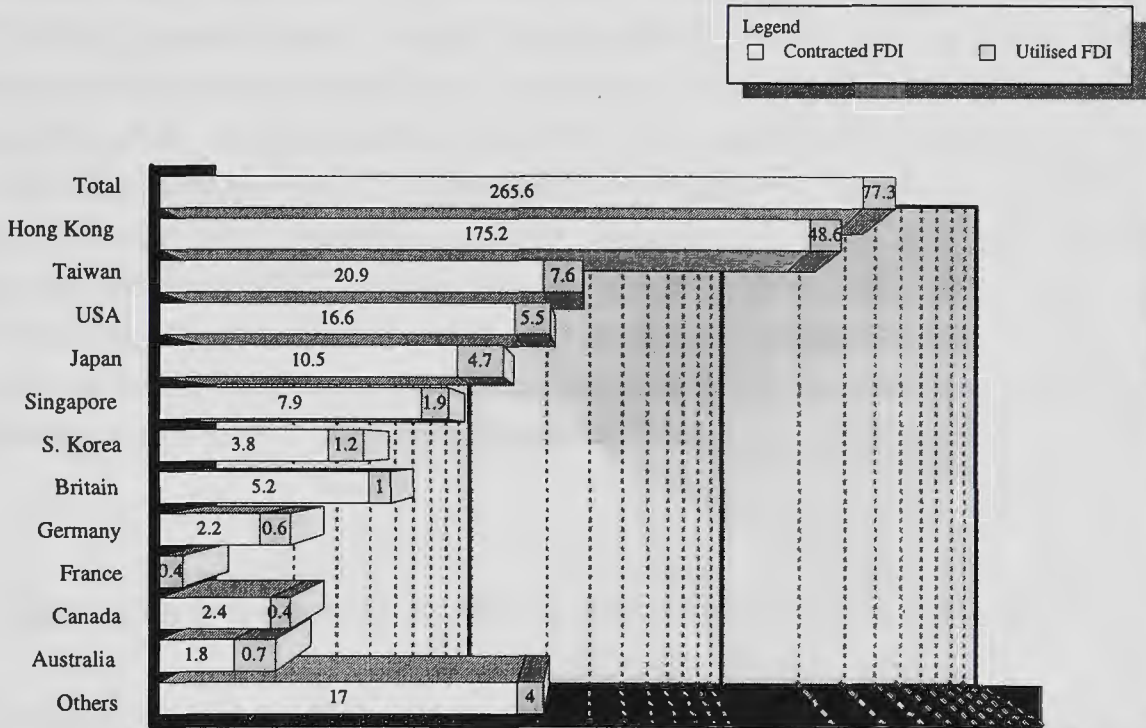
Notes: The Table shows net value of capital transactions in each year (“Flow”) and the Stock or “Level” of investment at the end of the period. Apart from capital flows, changes in level can arise from exchange rate fluctuations, market revaluations and reclassification.
na - not available
np - not publishable

Sources: **From 1983/84 to 1993/94** - Department of Foreign Affairs and Trade, *Trade & Investment*, DFAT, Canberra, ACT, various issues;
From 1994/95 to 1995/96 - Australian Bureau of Statistics, *Australia Investment Position*, ABS Catalogue No. 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues.

Australia’s investment (direct and portfolio) in China has been small indeed, both in real and absolute terms (Table 8.24). In 1985/86, Australian outward investment, direct and portfolio, stock stood at \$A58m. In the following year, disinvestments of \$A41m resulted in the total investment stock to decrease to \$20m. It was in 1988/90 that Australia’s investment stock showed signs of a slow increase, with a portfolio investment

inflow of \$A7m, bringing Australia's investment stock in China to \$A44m. However, it was not until 1989/90 that Australia's investment stock level reached \$A55m; making the stock level almost on par with 1985/86 stock level. Comparatively, it was only in 1993/94 that Australia's total investment (direct and portfolio) in China reached \$A297m. Subsequently, Australia's total investment increased by 28.28%, reaching \$A381m in 1994/95 (Table 8.24). It must be emphasised that Australian investment stocks in China, as a percentage of Australia's outward investment (direct and portfolio) stock remained very small indeed. This was also the case from China's perspective. China has been the main host country of global and regional direct investment inflows over the 1989-1994 period, as depicted in Figure 8.8.

Figure 8.8 People's Republic of China: Cumulative Foreign Direct Investment (\$USbn), 1989 - 1994



Source: State Commercial Bureau 1993, *FDI in China: Analysis of Trends & Future Directions*; MOFTEC 1994, *International Trade News*, Chinese Ministry of Foreign Trade & Economic Cooperation, Beijing, People's Republic of China.

It must be pointed out that the Chinese definition of foreign investment includes FDI and three types of commercial credits: processing/assembling operations, compensation trade

and leasing. The three types of commercial credits are included because foreign funds are involved. Thus, the Chinese definition of FDI is broader than the conventional one, and as the definition used within this chapter. This is why there is a big difference between PRC official data and ABS data (compare Table 8.24 to Figure 8.8).

8.8.2 Australian Investments in China

Australian companies have been establishing joint-ventures and wholly-owned enterprises in China's Special Economic Zones (SEZs), especially in Guangdong and Fujian provinces, with the aim of servicing both the domestic and export markets.

Australian investment covers a wide range of manufacturing activities, producing items such as steel tubing for China's automotive and whitegoods industries, telephone and electric cable, processed foods, worsted woollen fabric, socks, brass taps and valves, toilet soaps, brushes, steel gratings, metal equipment, plastic components, optical lenses, sporting equipment, and garments and footwear. But, since the mid-1980s, the most important means of investment, in China, which was utilised by Australian firms has been through contractual work, whereby Australian manufacturing firms, mostly in Textiles, Clothing and Footwear (TCF), electronics, and printing, source their labour intensive parts, in the processing and assembling of their products, to Chinese companies. The car manufacturing industries, through the Original Equipment for Manufacturing (OEM), has been sourcing a high level of their production from China.

8.8.2.1 Australian Out-sourcing (Processing And Assembling)

The Textiles, Clothing and Footwear (TCF) enterprises use three different strategies to source their products from overseas:

- a) In-house design and cutting and sewing operations undertaken in another country,
- b) In-house design and pattern making, garments produced in another country, and
- c) Designed and produced in foreign countries.

Following requests by TCF employers and unions, and the Victorian and South Australian governments, to slow down the tariff cuts, the Federal government delivered a TCF Statement on 16 July 1992,⁷ in which the requests were not granted. Instead, a package of additional initiatives was announced to assist firms restructuring their businesses. The most significant measure was the introduction of an Overseas Assembly Provision (OAP) for a trial period of three years, which was then extended, in May 1995, to the year 2000. Selected clothing manufacturers were able to send fabrics, manufactured and cut in Australia, to low cost foreign countries for assembly into garments, and on return to Australia, only pay import duty on the overseas assembly costs. The OAP was designed to assist the textile yarn and fabric sectors.

Since the Industry Statement of March 1991, more clothing and footwear firms began seeing themselves as merchandisers and not just manufacturers. As such, they have chosen to supplement local production with increasing proportions of imports. Some have set up their own factories in countries such as China, while others began having their products made by overseas contractors, especially in Guangdong, Southern China. The practice of increased sourcing from offshore sources is most noticeable in firms with strong national brands. By 1994/95, some firms were approved to participate in the OAP. Three of these seven brand name firms were sourcing their products from China. However, there has also been a category of apparel importers and manufacturers which are now concentrating more on the former, at the expense of the latter.

A similar strategy is at work within the textile trade, whereby the design and pattern are made in-house, while the labour intensive part, sewing, is done in China. When the finished products are imported and tariffs are paid, the products are still cheaper than if they were totally manufactured in Australia, even when transportation and insurance costs are included.

While a significant number of Australian companies have been sourcing their production in China, the level and extent of these activities is not known, both at State and Federal levels. It has been estimated that at the end of 1994, Australian enterprises' total contracted investment in China stood at over \$A2bn. On 4 July 1996, the Hon Alexander Downer, during a speech given in Hong Kong stated, quote:

“Over the 1993-1996 period, that is, in just three years, Australian contracted investment in China has expanded almost sixfold, from \$A800m to over \$A4.5bn.”⁸

⁷ Previous Statement was the Economic Statement, in March 1991.

⁸ 'Australia, North East Asia and China: Opportunities in a Changing World, an address given by the Hon. Alexander Downer, MP, Minister for Foreign Affairs of Australia, at a joint Asia House/Austcham luncheon, Hong Kong, 4 July 1996, Dept. of Foreign Affairs, Canberra, ACT.

Well before the introduction of the Overseas Assembly Provision in 1992, Australian firms, e.g., Pacific Dunlop Australia, had been, since the mid-1960s, sourcing from China. The 1970s witnessed Australian firms relocating their textile, clothing and footwear manufactures offshore. In the 1980s, as tariffs began to be reduced progressively, Australian firms began to source offshore, more of their textiles, clothing and footwear production. Australian firms were able to overcome a series of challenges by rethinking their investment strategies and in shifting their productions offshore, in order to attain greater flexibility, especially in relation to TCFs.

The Textiles, Clothing and Footwear Development Authority, which is responsible in advising the Australian government in relation to matters that affect TCF industry did not foresee it important to collect the relevant data on sourcing. Neither did the unions envisage the need to survey the industry as to the extent of Australian sourcing overseas. Australian Bureau of Statistics (ABS) have neither collected nor produced any statistics in reference to offshore production, through sourcing, by Australian industries. The only evidence available is through limited case studies. Governmental and private bodies had not dared to take the initiative in collecting industry data as to the number and value of contracts and the companies involved: both in Australia and China. By sourcing a substantial proportion of their production, Australian industries short-term strategies had been abetting their own long run demise, in so far as keeping their operational base in Australia. Australian firms opted to move their low-cost assembly operations to China instead of adding value to their products in order to counteract rising production costs. The result is that Australia not only lost its manufacturing operations, but it also lost much of the design, engineering and marketing capabilities in manufacturing, which are needed to compete with Asia.

8.8.2.2 Australian Joint Ventures

Australian companies are also involved in a number of joint-ventures as diverse as mineral exploration, quarrying and animal husbandry, freight forwarding, broadcasting, transportation, cold storage, legal and accountancy services, computer software developments, and banking and consultancies.

Most of the large Australian companies are represented in China. According to Austrade data, among the largest are: ACI, Fosters, BHP, CSR, Pioneer, Burns Philp (Mauri Yeast), Olex Cables, Pacific Dunlop and Bundy Tubing.

However, the majority are much smaller, with significant numbers being entirely Chinese operations where one of the principals is an Australian citizen. They are spread across a wide range of manufacturing, with only a few involved in providing services.

Interestingly, most of the Australian firms which were established in China were Equity Joint-Ventures. For example, F.H. Faulding & Co. announced, in 1994, in its acquisition of a Hong Kong-based company. Through this company, Faulding will enter a joint venture with the Chinese drug group Foshan Horizon Pharmaceutical Co Ltd, allowing it to enter the expanding Chinese pharmaceuticals market, already the world's seventh largest. There were exceptions to this, with BHP and Pacific Dunlop being among those which have Wholly Foreign Owned enterprises. There is also one large aluminium ferries' building operation, which employs 30 Australian trades people, that is wholly funded by a Hong Kong businessman.

8.8.3 Australia's Investment in China: By Region And Location

8.8.3.1 Austrade Beijing Post Area

According to Austrade data, within the Austrade Beijing Post Area, as of December 1995, there were 49 Australian representative offices. These offices incorporated a diverse range of industrial sectors, including: banking and finance, wool, mineral resources and metal and mineral products, building and transportation. But the most significant representation was within the Minerals and Metal Trading and Wool sectors which cumulated to 5 and 4 offices, each respectively.

Australia's interests in China were varied and diverse. The number of established Equity Joint-Ventures, on a provincial/area basis are:

PROVINCE/AREA	No.
Beijing Area	7
Hebei Province	3
Heilongjiang Province	1
Hubei Province	1
Shaanxi Province	1
Tianjin	7

In the Beijing area, the seven joint-ventures that Australian firms had interests in were composed of: 1 restaurant, 1 motor vehicle security, 1 shoe factory, 1 wool textiles, 1 food business, 1 investment company and 1 clothing manufacturing.

In Hebei Province, the three enterprises were made of: 1 graphite products, 1 tubing and 1 plastic pipes manufacturing.

In Heilongjiang Province, the only Australian interest was in a plastic manufacturing and glazed tile for export plant.

Hubei had only one joint-venture which was in conveyor manufacturing.

Shaanxi Province was the home of an Optical Instrument Company which was a joint-venture between Australian and Chinese interests.

On the other hand, Tianjin had seven Australian joint-ventures: 1 in a training bakery, 1 in timber and paper products warehousing, 1 in a hotel, 1 in a cable manufacturing company, 1 in an electronics enterprise, 1 in electrical goods manufacturing, and 1 in polishing.

There were also three international companies with substantial business interests in Australia, which had representative offices, namely: 1 solicitor firm and two trading companies.

8.8.3.2 Shanghai

The level of Australian representative offices in Shanghai stood at nine. These offices were made up of: 4 consultancy firms, 1 solicitor firm, 3 manufacturing and production firms, and 1 trading firm.

In addition, there were nine joint-ventures which included: 4 CFT enterprises, and one enterprise each in engineering, metals, electronics, and glass and printing.

8.8.3.3 Jiangsu Province

In Jiangsu Province there were five Joint-Ventures, namely: 2 in CFT, 2 in paper and printing, and 1 in food preparation.

8.8.3.4 Zhejiang Province

In Zhejiang Province, the two Joint-Ventures with Australian interests were in chemical companies.

8.8.3.5 South China: Guangdong And Hainan

The most significant presence of Australian companies is to be found in Guangdong Province, South China. South China, which covers Guangdong and Hainan Provinces had eight Australian representative offices, namely, two in the trade and investment sector, and one office each representing agriculture, solicitors, metals, accounting and banking sectors.

Guangdong and Hanain Provinces proved to be the most attractive for Australian investments; with 25 joint-ventures operating in Guangdong Province and 1 Joint-Venture in Hainan Province. Of the 25 joint-ventures, only 2, Pioneer Quarries (HK) and Shenzhen Olex Cables were wholly-owned subsidiaries. The remaining twenty three were joint-ventures. The other twenty three joint-ventures were not located in any distinctive industrial sector, but represented a very diverse mix. Of the twenty-five joint-ventures, three were in electrical goods manufacturing, 1 in brewery, 1 in glass bottle manufacturing, 1 in tube manufacturing, 1 in offshore oil exploration, 1 in cold stores, 1 in vegetables, 2 in moulding and heat exchanges, 1 in deep-sea fishing, 1 in quarrying, 1 in whitegoods manufacturing, 2 in construction supplies, 1 in electronics, 2 in yeast preparation, and 1 in wheat supply, 1 in bio-media, 1 in paper manufacturing, 2 in CFT manufacturing, 1 in cable manufacturing, and 1 in industrial gases.

Of the twenty five joint-ventures, five were located in Shenzhen Special Economic Zone (SEZ), 6 in Guangzhou SEZ, 2 in Zhuhai SEZ, 1 in Nanhai SEZ, and eleven spread within Guangdong Province.

There was only 1 joint-venture with Australian interests, which was located on Hainan Island. This joint-venture was in the bottling of mineral water.

There were solely three wholly-owned Australian ventures in China, as of December 1995. Of the three ventures, one was in the manufacture of corrugated cardboard, and the remaining two were in the manufacturing of mechanical and electrical goods.

8.9 Australian Investments in Taiwan

Table 8.25 Australian Investments in Taiwan (\$Am) 1982/83 to 1995/96				
Year	Australia Investments in China			
	Direct		Total	
	Flow	Level	Flow	Level
1983/84	na	na	np	np
1984/85	0	2	1	5
1985/86	0	2	62	68
1986/87	1	8	696	775
1987/88	np	np	-738	52
1988/89	np	np	-62	133
1989/90	11	np	-16	102
1990/91	np	np	-12	71
1991/92	np	np	-32	76
1992/93	np	np	8	95
1993/94	np	np	9	100
1994/95	na	na	na	156
1995/96	na	na	na	na

Note: The Table shows net value of capital transactions in each year ("Flow") and the Stock or "Level" of investment at the end of the period. Apart from capital flows, changes in level can arise from exchange rate fluctuations, market revaluations and reclassification.
na - not available
np - not publishable

Sources: From 1983/84 to 1993/94 - Department of Foreign Affairs and Trade, *Trade & Investment*, DFAT, Canberra, ACT, various issues;
From 1994/95 to 1995/96 - Australian Bureau of Statistics, *Australia Investment Position*, ABS Catalogue No. 5363.0, Australian Government Publishing Service, Canberra, ACT, various issues.

Australian investments (direct and portfolio) stock in Taiwan has fluctuated considerably over the 1984/85-1994/95 period (Table 8.25). While in 1984/85, Australia’s investment stocks in Taiwan stood at \$A5m; by 1986, they had reached \$A775m, the highest level ever recorded over the 1984-1994 period. During 1985/86, due to disinvestments of \$A738m worth of portfolio stock, the Australian investment stock in Taiwan decreased to \$A52m; increasing to \$A133m in 1988/89 and then decreasing to \$A71m in 1990.

Subsequently, Australia's investment stocks in Taiwan continued to increase: \$A76m in 1991, \$A95m in 1992, \$A100m in 1993 and \$A156m in 1994. Australia's investment stock in Taiwan continued to be small when compared to Australia's global investment stock. Comparatively, this was also the case for Taiwan when one considers that, e.g., in 1990, Taiwan inward FDI stock stood at \$US9.74bn, increasing to \$US14.2bn in 1994 and estimated at \$US15.65bn in 1995 (United Nations, 1996).

8.9.1 Australian Presence in Taiwan

8.9.1.1 Australian Representative Offices

Australian companies had 12 representative offices in Taiwan. These offices were composed of: nine in services, 1 in metal industry, 1 in rural sector and 1 in the electrical industries. The services' sector representation can be further sub-divided into: 3 Tourism offices, 2 trade and investment offices, and an office each within education, legal firm, telecommunications, and airline industry.

8.9.1.2 Australian International Companies

Nine international Australian companies were doing business in Taiwan. These companies were: 3 in banking, 2 in finance, and 4 in consultancies.

8.9.1.3 Australian Joint-Ventures

Australian investment in Taiwan was limited to 10 joint-ventures. The composition of the joint-ventures was: five companies in building materials, 1 in plastics, 1 in elevators, 1 in services, and two in general business. Generally, the structural relationships within these companies are independent of their parent company, and if more than one company is operational from within the same parent company, the relationship is horizontal, with no real vertical integration.

8.9.2 Evaluation of Australian Firms Exposures

On evaluating Australia's joint-venture companies in China, Hong Kong and Taiwan, it becomes evident that a small number were vertically integrated: two construction and building firms, 2 communications firms, and four in textiles; while the rest are either horizontally integrated or completely independent. In China, more use has and is being made of contractual investments, while in Taiwan, the services sector seem to dominate Australia's firms activities.

Hong Kong and Guangdong, in Southern China, had been an integral part of Australian companies investments in North East Asia. Any political or social instability which may arise out of Hong Kong reversion to China in 1997, would directly have drastic effects on Guangdong economic and social stability; thus on Australian investments. As Australian firms' investments are heavily concentrated in this volatile region, a number of firms have already sensed this uncertainty and took aversive actions by moving their operations elsewhere, e.g., from Hong Kong to Guangdong or South Asia.

8.10 Conclusion

Since the early 1980s, Australia's worldwide outward investment showed a distinct upward trend. This trend was broadly consistent with global increases in foreign direct investment following the relaxation of restrictions on inward capital flows by a significant number of overseas governments. However, in comparison to Australia's direct investment inflows, Australia's investment outflows were small.

The 1980-1995 period resulted in Australia's direct investment abroad being almost totally reoriented towards the United Kingdom, the United States and New Zealand. This clearly challenge the Australian government policy that Australia's position is within the Asian Region while, on the other hand, reinforces the fact that Australian companies are more confident in investing in the United Kingdom and the Western World.

Australia's direct investments in the Northeast Asian countries of China and Taiwan remained small. Concurrently, when Australian contractual investments are cumulated with those for FDI, Australia's total level of investment in China becomes highly significant, surpassing the combined stock of Australian FDI in the ASEAN countries. Hong Kong's importance as a host country for Australia's investment stock diminished in

time: from second position in 1979/80 to seventh place in 1994/95. Australia's FDI stocks in Hong Kong diminished from 18% in 1979/80 to 1% in 1994/95 of Australia's global investment stocks. This means, that in the event of a social, economical, or political calamity occurring within the Greater China triangle, that is, Hong Kong, China and Taiwan, Australia's global investments stock will not be substantially affected.

Australia's direct investment abroad was mostly market demand-driven, that is, in service sector activities, namely finance, property and business services. Northeast Asian countries share of Australia's investments not only varied by country, but also by industry sector: Taiwan, services; Hong Kong, manufacturing and services, and China - manufacturing and to a lesser extent services.

Business is an economic endeavour governed by profits and opportunities with few geographical boundaries. The choice of location of production rested on relative profitability, vis-a-vis, national government desirability to encourage foreign investment, stable political climate and a regularity system that provides certainty. The United States and the United Kingdom have been renowned throughout the world for their stable political climates and certainties within their respective regularity systems. Australian businesses' familiarity with these systems made them more at ease in investing the bulk of their investment stock in the United States and the United Kingdom.

Hong Kong colonial administration was deemed to support and encourage foreign investment but due to the political and administrative uncertainties that the colony will be facing on its reversion to China in 1997, foreign businesses, including Australians, had been pulling out their investments out of Hong Kong. Other considerations were: to secure low factor costs, with exports to home country or third countries in mind, e.g., Pacific Dunlop's gourmet factory in China; input-driven investment, such as cheap labour inputs, because of their greater relative availability, e.g., out-sourcing TCF in China, where labour costs were estimated to be 4% of those in Australia (TCFDA, 1993); and to profit by the application of a superior business system for non-tradeable goods and services, e.g., Pioneer Concrete involvement in Hong Kong.

Substantial sums (by Asian standards) of Asian investments continued to flow into Australia. In anticipation of Hong Kong reversion to China in 1 July 1997, many large Hong Kong companies have diversified their assets out of Hong Kong, investing mainly in Canada and the United States, and to a lesser extent in Australia. However, one has to question the benefits which Australia gained. Looking at the types of projects that these investments were going into, one would realise that they were mostly in the property

markets. The flow-on benefits from such investments had been minuscule. The overall effect that these investments had on the economy was a short term one - that of balancing the Australian current account.

On the other hand, while Australia's investments in Hong Kong were mainly in manufacturing industries, Hong Kong's investments in Australia, like most Asian investments, were in real estate and property. From 1987/88, Australian investment in Hong Kong became solely dependent on portfolio investment as direct investment ceased. On the other hand, Australia got a very small share of the increased investment out of Hong Kong, which went mainly to China. While mainland China and Taiwan levels of investment in Australia were insignificant (by Australian standards), as a percentage of their total worldwide investments, these continued to be high.

The increases in direct investment makes it the more important, from a government policy perspective. However, as the data available is limited, this has hindered any detailed analysis of direct investment implications. Nonetheless, it becomes evident that if government policies and business strategies do not converge, as has been the case in Australia's direct investment with the Northeast Asian countries, then, there will not only be a dissonance in the government's objective of closer ties with the region, but also the loss of standing in the eyes of the domestic, regional and international communities. This might indicate that a country's strategies and orientations are often than not (indirectly) dictated at corporate offices rather than in Parliament.

PART IV
THEMES
&
CONCLUSIONS



9. CHAPTER 9 THEMES AND CONCLUSIONS

Over the 1960-1995 period, Australian global trade, investment and immigration shifted considerably, especially in relation to Asia and most notably to China, Hong Kong and Taiwan. Changes within the North East Asian Region propelled Australia to respond to these shifts in order to maintain its economic standards and its international obligations. Greater emphasis was placed by successive Australian governments on establishing of closer ties with Asia, most notably China. However, Australia's attention (and the world) on Hong Kong emerged with the commencement of the Sino-British talks in 1983. While it is impossible to predict the future, twelve themes emerge from this work which may guide us in our attempt to understand the implications for Australia of the changes emerging from the reversion of Hong Kong to China as a Special Administrative Region of Xiang Gang in 1997.

9.1 Integration of the Economies of Hong Kong, China and Taiwan

A central trend over the past ten to fifteen years has been the growing economic integration of the region consisting of Southern China, Hong Kong and Taiwan. After the Chinese reforms of 1979, a closely integrated network of production and service activities has developed in the region, underpinned by extensive cross-regional investment and ownership. This development has been spurred by the announcement of the reversion of Hong Kong and by further reform in China, including the development of the Special Economic Zones, and is driven by the economic complementarity between the three regions.

Since the early 1980s, with China adopting a more outward-looking economic policy, the economies of China and Hong Kong became more integrated. The integration of the economies of Hong Kong and China expanded rapidly, in particular, as Hong Kong became a trading partner with China, a foreign investor in China and a recipient of investment from China. However the crucial stimulus for closer China-Hong Kong economic relations is economic complementarity. Hong Kong faces severe shortage of labour and land while China has an abundance of these factor endowments. In 1988, both local and foreign companies in Hong Kong began to move their labour-intensive production processes to Guangdong Province, leaving their Hong Kong operations which specialised in coordinating the various sub-processes of manufacturing, consignment and associated activities like procurement and sales. By 1996, about 80% of Hong Kong

manufacturing capacity had been relocated to China, directly employing six million people in Guangdong and Fujian Provinces. From the mid 1980s onwards, Taiwanese firms began relocating their manufacturing sector to Southern China in face of the sharp increases in their production costs.

The success of the SEZs in Guangdong and Fujian Provinces has facilitated the intense process of integration between Hong Kong and China - in trade and investment. The synergistic effect has been that the economies of Hong Kong and China had become symbiotically dependent on each other.

By 1993, China had become Hong Kong's primary export market, thus overtaking the United States. Hong Kong also became more dependent on China for its imports that by 1993, 37.5% of total imports were sourced from China. The increase in the percentage share of Hong Kong total re-exports imported from China has also been rapid. In the interim, Hong Kong's exports and imports continued to grow at a high rate.

The rapid contraction of Hong Kong industrial sector was accompanied by the dynamic expansion of its services sector. Hong Kong has developed into a multi-service centre, with activities ranging from finance to telecommunications, entrepôt trade, technology and regional headquarters. This development has been heavily associated with China opening up its economy.

From the mid-1980s onwards, as Taiwanese companies incurred sharp increases in their production costs, a great number of firms sought to invest overseas, especially in Southern China and South East Asia. Taiwan, though a late comer on the mainland economic boom has around 31,000 companies operating throughout China by the end of 1995, employing a total of ten million people. People's Republic of China authorities estimate that in 1994 Taiwan had invested \$US3.3bn which rose to US\$28.9bn by September 1995. This means that by 1995, the Greater China Region which is composed of Southern China, Hong Kong and Taiwan achieved complete economic integration. What is still lacking between the three entities is the political integration. However, as of 1 July 1997, Hong Kong would become a Special Administrative Region of Gang, People's Republic of China.

9.2 Hong Kong's Role as an Intermediary for Trade with China

Partly as a result of the increasing regional integration, Hong Kong's role as an intermediary for global trade with China has increased strongly from 1979 to the mid 1990s. In the decade or more prior to the reversion of Hong Kong to China, a growing proportion of China's exports from, and imports to, the world passed through Hong Kong, and trade with or on behalf of China made up a dominant share of Hong Kong's trade.

Table 9.1 Growing Intermediary Role: Share of Hong Kong Total Trade Undertaken with China 1979-1993 (Selected Years)				
Trade	1979 %	1983	1985	1993 %
Exports to China	0.2	11.2	26.0	32.3
Re-Exports to China	6.6	21.6	43.7	33.4
Imports from China	17.6	24.0	24.1	37.5
Imports from China for Re-export	28.3	35.0	32.9	57.6
Sources: Hong Kong Government 1994, Annual Review of Hong Kong External Trade 1993, Hong Kong Government, Census and Statistical Department, Hong Kong, various issues.				

The intermediary relationship which took effect between Hong Kong and China is revealed in Table 9.1. The opening up of the Chinese economy in the late 1970s has once again made Hong Kong China's window on the world. In 1983, re-exports increased to 21.6% of total exports. In 1993, 33.4% of Hong Kong's re-exports went to China and 57.6% of Hong Kong's total re-exports originated from China. Correspondingly, the relative importance of Japan as Hong Kong's re-export market has declined drastically. On the other hand, the US has always been an important market for Hong Kong's re-exports because China routes a large percentage of its manufactured exports for the US through Hong Kong. The main reason behind China's dependence on Hong Kong entrepôt role is that it does not have the container port facilities to handle the surge in exports though China is undertaking many infrastructural projects to remedy this short fall. However, China's new container port facilities will not seriously jeopardise Hong Kong's entrepôt role in the foreseeable future due to shippers loyalty to Hong Kong for its superior institutional support and professional services.

9.3 Australia-China Trade Through Hong Kong

Consistent with Hong Kong's growing intermediary role in China trade, and in spite of Australia's history of direct trade with China, the importance of Hong Kong's role as an intermediary in Australia - China trade has also increased substantially since the early 1980s. This is so in respect of both Australia's imports from and exports to China.

A central finding of this thesis is the magnitude of Hong Kong entrepôt role in respect to exports to Australia, not only in respect to Australian imports sourced from China and Taiwan, but also in respect to imports from other countries. For example, China's indirect exports to Australia, via Hong Kong, as a proportion of its total merchandise exports (direct and indirect) to Australia increased from 21.4% in 1981 to 59.7% in 1992. In addition, Australian exports to China have also become highly dependent on Hong Kong entrepôt role. While, prior to 1979, Australian indirect exports to China via Hong Kong were insignificant, as a result of China decentralisation of its trade, the share of Australian total exports to China flowing through Hong Kong increased from 1% in 1981 to 27.1% in 1995. Though Australia has a long history of trade with China, it still remains dependent on Hong Kong for this two-way trade. As China further decentralised its trade, in 1979, 1984, 1988 and 1992, it became more dependent on Hong Kong entrepôt role. This not only indicates that Australia failed to develop carefully its historic trading relationship with China but that any post-1997 instability in Hong Kong will have immediate and direct effect on Australian trade with both Hong Kong and China. However, this would have little impact on Hong Kong and China needs as they have spread and diversified their sources of imports.

9.4 Relative Importance of China in Australian Trade with the Greater China Region.

In spite of high expectations for the China market, Australia's trade performance has been better with Hong Kong and Taiwan than with China. In relation to these two countries over the period 1980-1995, Australia has had strong export growth, stable market shares and (for much of the period) trade surpluses, whereas in relation to China it has had more subdued export growth, a falling market share and (since 1989) an increasing trade deficit.

With the successful sale of large quantities of wheat to China in the early 1960s, Australian governments perceived the Chinese market as holding the greatest potential for Australian rural commodities. Australian short-term policies resulted in substantial subsidies being directed to China while the markets of Taiwan and Hong Kong were neglected. In the long-run, it was the Taiwanese and Hong Kong markets which proved to be most beneficial to the Australian economy, with Australian exports to both countries growing at the average annual rates of about 16.2%. Australia was also able to maintain its market shares in Hong Kong (4.3%) and in Taiwan (2.6%), over the 1980-1994 period. In comparison, Australian exports to China grew at the average annual rate of 10.1% and its market share in China decreased from 6.3% in 1979/80 to 1.7% in 1994. At the same time, while Australia enjoyed trade surpluses with Hong Kong (from 1983 onwards) and with Taiwan (from 1988 onwards), Australia incurred trade deficits with China, from 1989 onwards. The largest trade surplus ever recorded (\$A1.99bn) in Australian trade with the countries constituting the Greater China region was achieved with Hong Kong in 1993. In effect, the emphasis in public debate of tying the Australian economy to that of China not only did not materialise.

In the 1960s, Australia trade with China got intertwined in politics which directly involved Taiwan. This resulted in the decline of Australian wheat sales to China until they ceased altogether in 1971/72. It was only when Australia recognised the People's Republic of China on 22 December 1972 did wheat sales recommence.

During the 1950s to the 1970s, expansion of Australian wheat production remained an important policy objective. Australian governments indeterminate policies resulted not only in great inefficiencies but also in that the country was burdened with the associated costs. Politics rather than economic principles guided the formulation of Australian agricultural policies. The long-term consequence of the pricing provisions of the wheat schemes was to encourage increased production irrespective of the nature of international demand. In 1960, Australia found a new market for its wheat in China which in 1964/65, accounted for 41% of Australia's total value of wheat exports. However, over the 1960-1971 period, Australian wheat sales to China were achieved by Australia dumping wheat, at a cost of between \$A21.1m and \$A113.4m.

From early 1970s to mid 1980s, Australian export of mineral resources became prominent. On Australia's diplomatic recognition of mainland China, bilateral trade between the two countries increased significantly, with Australian exports to China exceeding those to Taiwan from 1959/60 to 1987/88 and exports to Hong Kong from 1959/60 to 1986/87. The markets of Hong Kong and Taiwan were considered to be of secondary importance.

In comparison to the other two North East Asian countries of Hong Kong and Taiwan, China was a more important market for Australian exports over the 1959/60 to 1982/83 period, with the exclusion of 1971/72. Australia maintained trade surpluses with China over the 1959/60-1988/89 period, which peaked at around \$A1.1bn in 1986/87. However, from 1989/90 to 1994/95, Australian trade with China went into deficit, reaching a high of \$A693m in 1994/95.

Over the 1967-1972 period, Australian exports to Taiwan sustained significant increases in the exports of primary produce, chemicals and manufactures as a result of Taiwanese Government stance in instigating Australia's support to retain legitimacy as the sole government on mainland China. As Australia recognised the People's Republic of China in December 1972, all diplomatic ties with Taiwan were severed. While Australian trade with Taiwan was in surplus over the 1960-1972 period, from 1973/74 to 1989/90, it turned into deficit and it was only from 1990/91 onwards that it returned into surplus.

During the 1960s, Australian exports to Hong Kong were mainly of temperate foodstuffs for the expatriate community, while STM and ETM exports started becoming prominent from the early 1970s onwards. The trade surpluses which Australia had with Hong Kong over the 1960/61 to 1971/72 turned into deficits from 1972/73 to 1982/83, peaking at \$A135.6m in 1982/83. From 1983/84 to 1994/95, Australia's trade deficits with Hong Kong turned to surpluses, reaching \$A1.99bn in 1993/94 - the highest ever recorded with any of the three countries constituting the Greater China region.

From 1959/60 to 1978/79, as a market for Australian exports, Hong Kong was more important than Taiwan. Prior to the announcement of the reversion of Hong Kong to China in 1982/83, the three countries were about of equal importance as an export destination for Australia, although Australia only had a trade surplus with China. By this time, also, the political dimension of Australia's trade with China and Taiwan had receded substantially, even though the basic conflict between China and Taiwan remained a central reality in the region. From 1979/80 to 1994/95, excluding 1987/88 and 1988/89, Taiwan, as an Australian trading partner, became more prominent than Hong Kong. Australia's trade with Taiwan, a country not recognised by Australia, surpassed total trade with China over the 1980/81 to 1990/91 period. In effect, during 1980/81 to 1994/95, Australia's combined trade with Taiwan and Hong Kong surpassed its trade with China - by a wide margin.

However, as late as 1986, Australia continued to see itself as poised to fuel China's modernisation with rural and mineral resources in ever expanding quantities, as well as provide China with industrial and technical assistance and cooperation through reciprocal investments in large-scale resource projects (Hawke, 1986). In effect, this did not materialise.

Australian imports sourced from Hong Kong continued to increase over the 1959/60 to 1994/95 period. While in the early 1960s, Australian imports from Hong Kong were mainly composed of textiles and apparel, sports goods and metal manufactures, by the late 1960s, the three major categories were manufactured goods, miscellaneous manufactured goods and machinery and transport equipment. Over the 1970s decade to 1981/82, Australian import composition from Hong Kong had shifted from simple products to ETMs, corresponding to 70.5% of imports. While, over the 1959/60 to 1978/79 period, Hong Kong's importance as a source of Australian imports surpassed those of China and Taiwan, from 1978/79 onwards, Taiwan overtook Hong Kong's lead. However, China overtook Hong Kong from 1989/90 onwards and Taiwan from 1991/92 onwards as the most important source country for Australian imports. This was mainly the result of the greater integration of the economies of Hong Kong, Taiwan and Southern China as firms from the former two countries shifted their production into Guangdong and Fujian Provinces. This resulted in Australian imports previously sourced from Hong Kong and Taiwan to be imported from China.

9.5 The Decline of Agriculture in Australian Exports to China, Hong Kong and Taiwan

Over the period since 1980 Australian agricultural exports to China, Hong Kong and Taiwan have been very weak, in spite of strong policy focus on these countries as a market for Australian agricultural products. One important factor here appears to have been the US Export Enhancement Program, and the resulting dominance by the US of a number of key product markets in these countries.

Much of the focus of Australian discussion and policy regarding the North East Asian region has been on agricultural and mineral commodities. However, one of the main themes of this thesis is that there was a substantial decline in the shares of Australian agricultural produce exports to each of the countries constituting the Greater China region. In effect, over the 1980-1994 period, the share of agricultural produce in

Australian total exports to China declined from 66% in 1980/81 to 3% in 1994/95. On the other hand, the share of agricultural exports in Australian total exports to Hong Kong and Taiwan decreased from around 26% in 1980/81 to 17% in 1994/95. The common factor responsible in each of the markets of China, Hong Kong and Taiwan which was affecting Australian agricultural exports performance is the US Export Enhancement Program. The Americans dominated the cereal markets (by volume) of China (increasing from 4% in 1986/87 to 54% in 1992/93), Hong Kong (94% in 1994) and Taiwan (86% from 1990 onwards), and the apples markets (by volume) in Hong Kong (100% in 1992) and Taiwan (100% in 1992).

9.6 ETMs in Australia's Trade With the Greater China Region

The most rapid growth in Australian exports to these countries between 1980/81 and 1994/95 occurred in elaborately transformed manufactures (ETMs), although this growth was from a very low base, particularly in the case of China and Taiwan. ETM imports from these countries also grew rapidly, especially imports from China and Hong Kong, and Australia continues to have a large and growing deficit on ETM trade with each of the three countries.

While Australia continued to emphasise agricultural and mineral exports, both in its trade talks and in its trade policy with North East Asia, much of the actual growth in exports was in ETMs. Australian export composition to China, Hong Kong and Taiwan continued to be mainly made up of mineral resources, or simply transformed manufactures (STMs), with some ETMs. Australian ETM exports to the Greater China region grew at the annual rate of 11.4% over the 1980-1994 period. However, while at first glance, the growth in Australian ETM exports to the Greater China Region may look impressive, their growth was from a small base. In contrast, Australian ETM imports from the Greater China Region continued to grow at the average annual rate of 13.2%, with their growth being from a large base.

From an Australian perspective, it is clear that there was significant growth in the exports of Machinery and Transport Equipment (Sec. 7) to the Greater China Region (Table 9.2). However, when Australian imports of Sec. 7 from China, Hong Kong and Taiwan are compared with Australian exports to each of the countries, it becomes evident that Sec. 7 imports by far surpassed exports.

In addition, Sec. 8 exports as a proportion of Australian total exports to each respective country either diminished (Hong Kong) or remained insignificant (China and Taiwan) (Table 9.2). However, when Australian Sec. 8 imports from each of the countries are compared with each other, it becomes evident that there was a simultaneous and substantial contraction in the proportion of Sec. 8 imports from Hong Kong and Taiwan and an increase in Sec. 8 imports from China. This is indicative of the ensuing shifts which were taking place as a result of the economic integration of Hong Kong and Taiwan economies with that of China. This was brought about by Hong Kong and Taiwan firms shifting their production in Southern China, resulting in what was previously sourced from each of the countries being aggregated with merchandise imported from China (country of origin).

Table 9.2 Australian ETM¹ Exports to & Imports from China, Hong Kong and Taiwan (%) 1980/81-1994/95 (Selected Years)							
Section ²	Year	Share of Total Australian Exports ³ to:			Share of Total Australian Imports ⁴ from:		
		China	Hong Kong	Taiwan	China	Hong Kong	Taiwan
Section 7 ⁵	1980/81	0	7	1	1	17	23
	1994/95	7	16	4	19	51	46
Section 8 ⁶	1980/81	0	11	1	31	51	41
	1994/95	-	6	2	55	31	17
Total ETM ¹	1980/81	0	18	2	32	68	64
	1994/95	7	22	6	74	82	63

Notes: ¹ETM - Elaborately Transformed Manufactures, Sec⁷ 7 & 8.
²As defined within the United Nations Standard International Trade Classification Revisions 2 & 3 (SITC Rev² 2 & 3).
³Respective Section exports as a proportion of Australian total exports to each of the respective countries.
⁴Respective Section imports as a proportion of Australian total exports to each of the respective countries.
⁵Sec. 7 - Machinery & Transport Equipment, in conformity with UN SITC Rev² 2 & 3.
⁶Sec. 8 - Miscellaneous Manufactures, in conformity with UN SITC Rev² 2 & 3.
Source: Australian Bureau of Statistics, Foreign Trade, Australia, Comparative and Summary Tables, ABS Cat. No. 5410.0, Australian Government Publishing Service, Canberra, ACT, various issues.

Overall, Australia’s total ETM exports seem to have performed well in the Hong Kong market, though total ETM imports from each of the Greater China Region countries form substantial proportions of Australian total imports (Table 9.2). Australian imports from these countries is heavily biased towards ETMs which have sustained real growth in prices, as opposed to Australian rural and mineral resources exports, of which prices were depressed. This may also attest to Australia becoming increasingly dependent on the Greater China region for its Sec. 7 imports when compared to Australia’s global intake of Sec. 7 (35% in 1980/81 and 47% in 1994/95).

In the short-term, Australian exports to China were strongly disadvantaged by the strong appreciation of the Australian dollar against the Yuan, from December 1993 onwards. In addition, given the emergence of China's electronics industry and Australia's strong demand for such products, not to mention other manufactured goods within Secs 7 and 8, Australian imports sourced from China are likely to sustain their relative strong growth.

9.7 Growth in Exports of Services to China, Hong Kong and Taiwan

The three countries are modest markets for Australian services. Over the 1984-1995 period Australian services exports to each of China, Hong Kong and Taiwan grew rapidly, although again starting from a small base, and Australia's share of service imports in each country increased. Educational and tourism services play a key role, although commercial services are increasing in importance. For much of the period Australia had a surplus on services trade with China and Taiwan, but a deficit with Hong Kong.

The 1984/85 to 1994/95 period saw Australian services export performance improve not only on the 1970-83 period but also relative to the world services growth rate over the latter period. This may have been the result of the Australian economy becoming more outward-oriented from the 1983 onwards. At the same time, the North East Asian countries of Hong Kong, China and Taiwan were experiencing rapid growth in demand for a whole range of services. Australian services exports to China, Hong Kong and Taiwan, not only grew in line with these countries' booming services imports but increased at the average annual rate of 21.5%, 7.4% and 42.7%, each respectively, albeit from a small base. However, over the decade, Australian services exports to China, Hong Kong and Taiwan remained small as a percentage of Australian global services exports.

Comparatively, over the 1984-1994 period, Australian total services imports grew at the average annual rate of 7.2%. However, Australian services imports from China, Hong Kong and Taiwan grew at the average annual rate of 22.5%, 34.4% and 17.8%, each respectively, albeit from a small base. This resulted in Australia's balance of trade in services being in deficit with Hong Kong during the 1983-1993 period and with China during 1983-86 period and in 1992/93 and, in surplus with China during 1987-1991 period and with Taiwan from 1986-1993 period.

Australian services exports to China were mainly influenced by an increase in demand for the export of travel services, education services and shipment services during the 1984-1988 period. However, over the 1989-1993 period, as a consequence of the Tiananmen incident, Australian services exports to China declined due to the stricter enforcement of Australian immigration controls in the processing of mainland Chinese students (an ungazetted country) and the granting of about 40,000 permanent residencies to Chinese students and their dependants. This means that education exports to China in respect to these students (credits) became accounted for as expenditure by Australians.

From 1989 onwards, with the opening of the Taiwanese market, Australian services exports began to improve, though education exports only achieved small growth rates. Australian services exports to Hong Kong were modest and there remain prospects for further growth in exports.

Over the 1983-1993 period, Australian services exports maintained, on average, their 3.2% share of Hong Kong services market. The Hong Kong market share was maintained through an increased effort, from the mid 1980s onwards, in marketing Australian education services, growth in other services category exports and, in the 1990s in the ratification of Air Services Agreements with Hong Kong over Australian airlines landing rights which resulted in a substantial increases in the export of travel services. Hong Kong proved to be a good market for Australian education services exports and other niche markets, such as engineering, design, consultancies, etc.

Though the prospects for Australian services exports to the Greater China Region remain bright, it is to be expected that Australian services providers will face stiffer competition in attaining a bigger share of this region services market.

With respect to Taiwan, over the 1983-93 period, Australian services export increased their market share from 0.2% in 1983 to 1.7% in 1993. The market share of Australian services exports in Taiwan improved mainly due to the lifting of Marshall Law in 1987, Taiwan's economy becoming more outward oriented and in the United States pressuring the Taiwanese government to make its tertiary sector more transparent. As a result of these three major factors Australian total services exports improved, as a result of growth in the export of travel and other services.

A number of questions remain unresolved in relation to Australia-Hong Kong Air Services Agreements, as well as other Agreements as previously discussed. Further to the broad identification of the sovereign power as located with the Central People's

Government, Joint Declaration on the Question of Hong Kong Sec. 3, No. 2, the Sino-British accord provides that the SAR 'will enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government. Article 153 of the Hong Kong Basic Law further reiterates that international agreements to which the People's Republic of China is not a party but which are implemented in Hong Kong may continue to be implemented in the Hong Kong SAR. It seems that the Laws of Succession do not apply to Hong Kong on its reversion to China as it is deemed that Hong Kong will be an autonomous body for 50 years.¹ However, uncertainty continues to prevail.

9.8 The Changing Pattern of Immigration and Trade

Trends in migration between Australia and the Greater China region need to be seen in the context of the broader patterns of Australia's immigration and trade. By the mid 1990s, 48% of Australia's total trade was with countries in Asia, and about 40% of Australia's gross settler intake came from Asian countries. While many factors influenced the changing regional composition of Australia's migration intake, the reorientation of trade made some change in immigration composition inevitable.

Australian governments prime strategy was to expand the domestic economy by increasing the Australian population through immigration, with trade policy aimed at creating an excess demand for labour which the government would supply through immigration. The abolishment of the 'White Australia' policy was the result of this policy implication on Australia's overall trade. With time, as a consequence of the shift in the trade patterns, Australia increased its economic linkages with Asia. The external pressures that tended to modify the 'White Australia' policy took effect by virtue of the nation's desire to build a credible diplomacy in the interests of security, with the withdrawal of the British forces from Malaysia in 1971 and the United States withdrawal from Vietnam in 1973 and trade.

The ensuing shift in sourcing settlers away from the United Kingdom and Ireland and Europe towards Asia was not intentional but the result of the Australian government short-term planning, in combination with pressure from ethnic community groups. A policy change within the Family Reunion Program precipitated a significant increase in the intake of Asian immigrants. The diminishing patterns in the United Kingdom and

¹ Interview with the North East Asian Desk of the Department of Foreign Affairs & Trade, Canberra, 3 July 1997.

Ireland and Europe migrant intakes has been well established by mid 1970s, corresponding to an emerging growth in Australia's intake of migrants from Asia. As settlers from previously established migrants source countries continued to diminish, and in order to maintain its population levels, Australia turned to new sources for its work-force requirements, which ultimately resulted in the emerging growth in Australia's intake of migrants from Asia. Australian immigration pattern has historically been linked with its commercial ties, e.g., the United Kingdom. This is also true for Asian immigration to Australia and is one of the reasons why the rise in Asian immigration to Australia was inevitable.

The formulation of immigration policies on short-term rather than long-term objectives resulted in not only by-passing set targets but in delimiting Australia's ability to anticipate changes, domestically, relative to ethnic communities' pressures and internationally in face of social, political and economic turmoils, e.g., as a result of the political fallout which ensued from the Sino-British talks in 1982/83, the uncertainties surrounding the future prospects of Hong Kong on its reversion to China in July 1997 and the Tiananmen Square incident in 1989 which compelled people to seek and move to other countries.

9.9 The Impact of the 1983 Announcement on Migration Flows

Subsequent to the 1983 announcement of Sino-British talks on the reversion of Hong Kong, many individuals and families in Hong Kong sought to emigrate, the main destinations being USA, Canada and Australia. A rising share of the total settled in Australia, with the Business Migration Program being an important vehicle for entry, although there is evidence that a significant proportion subsequently returned to Hong Kong to carry on business activities. By the mid 1990s the majority of migration from the three countries was from China, even before accounting for the number of individuals granted permanent residency as a result of the pledge to students in Australia at the time of the Tiananmen incident.

Prior to the 1983 Sino-British talks on the future of Hong Kong, the level of Hong Kong migration to Australia was very low during the 1960s, 1970s and to the mid-1980s, corresponding to an annual average rate of about 200, 800 and 2,200 settlers, respectively.

However, post-1983, as a result of the uncertainties generated by the Sino-British talks and in anticipation of the future reversion of Hong Kong to China in 1997, there was an exodus of Hong Kong migrants, mainly to the United States, Canada and Australia. Australia, in competition with the US and Canada, was able to attract well-educated migrants from Hong Kong. On their part, Hong Kong migrants were not as ill-fated as it has been perceived. They had choices which they utilised to their own best advantages: utilising Family reunion to migrate to Canada and the Skill category to settle in Australia. The BMP program, which was aggressively marketed in the Asian region not only served as an instrument for Hong Kong migrants, but also to Taiwanese and mainland Chinese to migrate to Australia.

With the marketing of Australia as a good migrant destination, through schemes such as the BMP (until its abolition in 1991), numerous Hong Kong people took the opportunity to migrate to Australia by utilising the business and independent categories rather than the family category. From February 1992 onwards, immigration from Hong Kong was mainly through the Business Skill category - the predecessor of the BMP.

From 1980 to 1995, Australian immigration policies continued to be expansionary. The rationale of the planned immigration program was based on balancing the Humanitarian, Family Reunion, Skilled and Business categories. This entailed that Australia's total migrants intake increased from 80,748 in 1979/80 to 110,689 in 1980/81 and then to reach a high of 145,316 in 1988/89.

During the 1980s, the Asian share of Australian total migrant intake increased at the detriment of United Kingdom and Ireland, and Europe shares. By 1990/91, the Asian share of Australian total settlers intake stood at 50.1%, surpassing the combined total share of the United Kingdom and Ireland and Europe settlers shares which stood at 18% and 26.6%, each respectively. During the 1980-1995 period, the increase in Asian migration was mainly achieved by significant growth in the intake of migrants from Hong Kong, China and Taiwan, with highs of 13,541 Hong Kong migrants and 3,491 Taiwanese settlers being recorded in 1990/91 and 11,247 mainland Chinese migrants during 1995/96.

The level of mainland Chinese migrants intake would be more pronounced if November 1993 applicants were to be aggregated with off-shore applicants. As there had been a substantial lag in the processing of applicants, targets have been overshoot, e.g., Prime Minister Hawke pledge of extending 4 year temporary residency to 10,000 mainland Chinese students after the Tiananmen Square incident resulted in the granting of 41,332 permanent residencies.

However, from 1991/92, the number of migrants from both Hong Kong and Taiwan decreased substantially. This was attributable to the slow-down in the Australian economy and in the demise of the BMP program which was superseded by the Business Skill category - a more closely monitored scheme. In comparison, from 1991/92 onwards, while there was a contraction in the level of Hong Kong migrants coming to Australia, their flow to Canada and the United States continued to increase.

Australia, in competition with Canada and the United States, was able to achieve short-term gains in attracting the well educated and wealth would-be migrants from Hong Kong. It also becomes evident that the Hong Kong people were not as ill-fated as previously perceived. They had choices which they used to their own best advantages. They utilised Family Reunion as the means of entry into Canada and the BMP in coming to Australia. Australia's gains were short-term in order to get migrant fund transfers for balance of payments purposes. New migrants' transferred funds served as a source of foreign exchange which made a positive contribution to Australia's current account.

A resulting phenomenon accompanying recent migration from Hong Kong has been the so-called "astronaut children," whereby the family's bread-winner just land in Australia but who then return immediately to Hong Kong to continue with his business affairs, leaving family members overseas. As Pe Pua et al. (1996) concluded, this astronaut phenomenon is either a pragmatic adaptation to cope with the realities of differing economic situations in light of the possibility of having to leave permanently Hong Kong after 1 July 1997, or is an extension of a global mode of business operations.

As a consequence of the BMP being aggressively promoted in the Asian region and the uncertainty surrounding the future outcome of Hong Kong, the levels of BMP applicants from Hong Kong, principals and dependents, entering Australia increased from 79 settlers in 1982/83 to a high of 3,254 migrants in 1989/90. Simultaneously, Taiwanese business migrants showed similar, though lagging patterns when compared to Hong Kong business migrants, increasing from 17 migrants in 1983/84 to a high of 2,909 in 1990/91. From 1986/87 onwards, the patterns observed in the BMP intakes from Hong Kong, Taiwan and China are closely synchronised; this may have been partly due to the use of common agents to facilitate migration from each of the three countries.

Lack of monitoring within the established schemes and programs led to an inability to contain and evaluate irregularities. This was one of the reasons for the demise of the BMP program was the lack of monitoring. Since the introduction of the new Business Skills program in February 1992, DILGEA has only undertaken two mandatory surveys,

12 months and 18 months - both of which preclude any in-depth analysis and are open to interpretation. A 36 month mandatory survey which is to be available in mid June 1997 should confirm whether the BMP was a success or not.

It remains quite unclear to what extent the migrants' uniqueness and contacts with their old country have helped to increase the inflow of trade and investment to Australia's advantage. The overall effect that the migrants' transferred funds had on the Australian economy was a short-term one - that of balancing the Australian current account. The benefits that the Entrepreneur and the BMP schemes had on the Australian economy remain inconclusive. Business people need to be able to oversee their investments no matter where they are. Hong Kong's migration was not simply defensive; it was part of the expansion of a global system whereby areas that, within the context of the world system paradigm were once on the periphery are now expanding into the core. Migration is a complex social phenomenon governed by historical, economic, political and cultural forces.

From the admittedly inadequate availability of data, during the 1986-1996 period, it has been estimated that at least 22% of all Hong Kong migrants were returning back to their country-of-birth to continue with their businesses or employment. However, the highest level of turnover in Hong Kong settlers occurred during the 1992-1993 period - 35.7% - at a time when the Australian economy was facing slow growth. This indicates that many are just establishing credentials before returning to Hong Kong. This might have direct benefit to Australia in establishing better links within the region. But the costs outweigh the benefits, such as the foregone taxes to Australia, as well as sustaining resentment in the Australian community which may lead to racial acts or the perpetration of the racial debate.

The long-term implications as to what will happen to Hong Kong residents holding dual citizenships have been ignored. The diplomatic implications that this might have on the right-to-abode in Hong Kong post-1997 have not been fully comprehended. This becomes more pronounced in view of the facts that China does not recognise dual nationality and in what recourse it might take in the event that the Australian government tries to uphold its citizens' rights. This could have a direct effect on Australia-China relations with consequential affects on bilateral trade - an approach which would have adverse consequences for the Australian economy.

9.10 Hong Kong's Investment Flows to Australia

From a modest level of about \$2.5 billion at the end of 1983-84, the stock of investment by Hong Kong residents in Australia has grown almost sixfold, to stand at \$14.5 billion at the end of 1994-95. However, a high proportion of this investment is in real estate and property, and has involved acquisitions of existing assets rather than the creation of new assets. There has been some increase in investment from China, but investment in Australia from Taiwan has remained low over this period.

Prior to the Sino-British talks on the Future of Hong Kong in 1983, the level of investment in Australia originating from Hong Kong was relatively small. When the Question of Hong Kong was finally sealed in 1985, that is, that it would become a Special Administrative Region of Xiang Gang in 1 July 1997, the level of Hong Kong investment, both portfolio and direct, which flowed into Australia became substantial from 1987 onwards, by Australian standards. In anticipation of Hong Kong reversion to China in 1 July 1997, many large Hong Kong companies have diversified their assets out of Hong Kong, investing mainly in China, Canada and the United States, and to a lesser extent in Australia. By 1994/95, Hong Kong's investment stock (FDI and portfolio) in Australia stood at \$A14.47bn. However, most of this investment has been in property and real estate, with little going in industrial capacity or business services. Almost all of Hong Kong's investment was through acquisition, with no major direct impact on the creation of new assets, especially in the industrial sector. However, as a proportion of Hong Kong total investment outflows, Australia's share was very small, as the main focus of investment by Hong Kong companies was in China. Uncertainties still surround the agreement which Australia reached with Hong Kong regarding the protection of investments between the two countries as Australia has a similar agreement with China.

One has to question the benefits that the Australian economy has gained. The overall effect that Hong Kong investment had on the economy was a short term one - that of balancing the Australian current account. In addition, when investments from Hong Kong are taken into account with the large capital inflows mainly from Japan, the United States and the United Kingdom, it becomes evident that these same funds stimulated a rise in Australian imports and encouraged speculations in the equity and property markets.

Australia has entered into an agreement with the Hong Kong Government in relation to Australia-Hong Kong Promotion and Investment Treaty 1993 (Foreign Affairs Department, 1993). What is not clear is what would happen to this Treaty on Hong Kong becoming the Special Administrative Region of Xiang Gang in July 1997. Notwithstanding that Hong Kong would become an integral part of the People's Republic of China, how is it that Australia can have two similar treaties with the same country - one for the whole of the People's Republic of China and another for the Hong Kong region? And as Australia-Hong Kong Promotion and Investment Treaty 1993 supersedes the Bilateral Agreement between Australia and the People's Republic of China regarding the Encouragement and Protection of Investments 1988 (Foreign Affairs Dept., 1988), is the latter retroactive over the former?

Though the level of investment from both China and Taiwan has been low, in absolute terms, some investment has also flowed indirectly, through Hong Kong, to be invested in Australia. Investment from China and Taiwan showed a similar trend observed with Asian countries, with most investment being put in the property and real estate markets. In addition, investment from China is more inclined towards portfolio investment rather than direct investment.

Increases in the global investment flow in Australia makes it the more important from a government policy perspective to have the right mechanisms in place. However, detailed analysis of the implications of investment was hindered due to the limited availability of data. As there are neither national nor states property databases, it makes it very hard for the relevant authorities to monitor the property markets for evasive or illegal activities.

9.11 The Pattern of Australian Outward Investment

In spite of the growing integration of Australia's trade and migration with Asia, the focus of Australia's growing outward foreign investment has been to USA and Europe rather than to Asia. By 1993-94, 76% of Australia's outward FDI stock was in USA, UK or New Zealand, by comparison with 54% in 1984-85. This in part reflected global trends since the upsurge in global foreign investment since 1985, which have been for increased concentration of FDI flows within the developed countries, rather than from the developed to the less developed countries.

Contrary to the growing national emphasis on Asia, Australian global investment has shifted out of the Asian region towards North America, the United Kingdom and the European Union, to the detriment of the ASEAN countries and Hong Kong. This clearly challenges Australian governments' policies that Australia's position is within the Asian Region while, on the other hand, reinforces the fact that Australian companies are more confident in investing in the United Kingdom and in the Western World.

In the 1980s, Australia's FDI abroad was increasingly directed to the United Kingdom and the United States, and to a lesser extent New Zealand, rather than to neighbouring ASEAN countries. Over the 1980s, the United Kingdom and the United States received, on an annual average, 22.1% and 25.2%, each respectively, of Australia's global FDI (direct and portfolio) outflows. By 1994/95, the United Kingdom and United States accounted for 64% of Australia's total FDI stocks abroad, while New Zealand and ASEAN countries accounted 16% and 5%, each respectively.

Concurrently, during the 1980s, the growth of FDI outflows to the United Kingdom and the United States was largely at the expense of investment shares formerly directed to the ASEAN countries and Papua New Guinea. FDI stocks held in the ASEAN countries, Hong Kong, New Zealand and Papua New Guinea declined from around 60% of Australia's total outward FDI in 1979/80 to 26% by 1994/95. By June 1995, the share of Australia's FDI stocks held in ASEAN countries had decreased to 5% (from 28% in 1979/80). Likewise, Australia's FDI levels in Hong Kong fell from their 18% share in 1979/80 to 1% in 1994/95. By the early-1990s, the pattern of Australian investment outflows was determined by the large withdrawal of FDI from Central America and the Caribbean.

The changing direction of FDI outflows, over the 1980s, resulted in the North American and European regions becoming relatively more important, as hosts for Australia's outward FDI stock, than its neighbouring Asian and Pacific regions. While, in 1984, North America and the European Union received 53% and 28.1%, each respectively, of Australian global FDI outflow, in 1993/94, it stood at 76.9%, while North America attained a 22% share.

9.12 Australian Investment in the Greater China Region

While Australian investment (FDI) in Hong Kong accounted for 18% of Australian global investment stock in 1979/80, by 1994/95 it stood at only 1% while that in the United Kingdom increased from 12% in 1979/80 to 39% in 1994/95. On one hand, while Australian governments want more Australian investments in the Asian region, on the other hand, through Australian Taxation Office, overseas investments are closely scrutinised, e.g., Section 264^A (Sanctions) of the Australian Taxation Law. These sanctions could have been a contributing factor in the fall of investment in the Asian region. Australian investments in China and Taiwan continued to be very small. The Australian investment pull-out of Hong Kong could have been in anticipation of the reversion of Hong Kong to China in 1997. In any event, Australian level of investment in Hong Kong when compared to Australian global investment stock is minimal and as such warrant no panic in the event of any social, political or economical unrest.

Over the decade (1983-1993), Australian investment in China and Taiwan have been insignificant mainly due to barriers and uncertainties in these countries. Concurrently, in China's case, when Australian contractual investments are cumulated with those for FDI, Australia's total level of investment in China becomes highly significant, surpassing the combined stock of Australian FDI in the ASEAN countries. From an Australian perspective, China was considered a risk and a hard market to operate in due to the central government controls which made operations hard to achieve and remittances difficult to repatriate, while Taiwan was highly protective in relation to foreign direct investment. Reciprocity was made even harder when Australian management attitudes and perceptions are taken into consideration.

Nonetheless, it becomes evident that if government policies and business strategies do not converge, as has been the case in Australia's direct investment with the Northeast Asian countries, then, there will be a dissonance in the government's objective of closer ties with the region. This might indicate that a country's strategies and orientations are often than not (indirectly) dictated at corporate offices rather than in Parliament.

Conclusion: The Past and Future Impact of the Reversion of Hong Kong

The most striking conclusion of this study is the extent of the adjustment to the impending reversion of Hong Kong which took place before the fact. Hong Kong and Taiwanese firms have shifted their manufacturing activities very heavily into China, and invested in many other ventures as well. This resulted in Australian imports previously sourced from Hong Kong and Taiwan to be sourced from China. The entrepôt role of Hong Kong in trade with China, for Australia and other nations, has increased rather than declined. Many Hong Kong migrants have come to Australia, and also to the USA and Canada. The stock of Australian investment in Hong Kong has been reduced sharply as a share of Australia's total investment abroad, but investment from Hong Kong in Australia, especially in acquisitions in the area of property and real estate, has increased sharply. Though major economic adjustments between China, Hong Kong and Taiwan may have taken place well before Hong Kong's reversion to China on 1 July 1997, realpolitik within the Greater China Region continue to be in a state of flux.

Over the 1960-1995 period, Australian governments established relations with China, Hong Kong and Taiwan which were based on short-term rather than long-term strategies. In the short-term, Australia gained from wheat exports to China during the 1960s and 1970s; the influx of migrants from Hong Kong and China during the 1980s; migrant fund transfers for balance of payments purposes; and a flow of Hong Kong investments over the 1985-1995 period. In the long-term, Australia had to pay dearly, losing its cereal share in the markets China, Hong Kong and Taiwan as it became dominated by US cereal exports as a result of the US EEP program (1985); Australian exports to the Greater China region were mainly composed of rural produce while Australian imports from the region were mainly made up of ETMs; slow growth in Australian services exports to the region; lack of monitoring and control resulted in set immigration targets to be overshot, with no regard to the associated costs, especially the diplomatic implications of Hong Kong dual nationality; prevailing uncertainties in relation to the protocols and agreements which Australia have with China and Hong Kong; and that Hong Kong investment stock in Australia being almost all through acquisitions and not through new businesses.

Australia is unlikely to be able to influence any part of Asia except marginally. However, Australia should look at its past in order to formulate long-term strategies in its relations with China. The future would then centre on how successfully Australia defends itself against what it does not like about Asia and how successfully it adapts itself and absorbs what it does like.

As Asia dynamism continues, changes are expected to take place which Australia would scarcely to able to avoid coming under its influence. The invisible ties of money, investment and financial linkages that have brought so many parts of the world close together and change the nature of international politics altogether. What Asians will see depends on how Asia will change in the future, on what kinds of Asians Australia will have to deal with.

What is unpredictable in the geopolitical changes which have taken place within China-Hong Kong and the Asian region, in general, is whether the new state formations can be achieved without external interference. How China see Australia will depend at least in part on Australia's role in the changes. China's politics are likely to remain unpredictable for many more decades because the massive force necessary to move China forward will always be easy to miscalculate and misunderstand. And how China tries to resolve the Taiwan Question will add to the region's uncertainty.

PART V

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PART VI
APPENDICES



APPENDIX - A



Appendix A.1. Business Migration Program (BMP)

Australia's migration program first provided a category of entry for migrants with business skills under the entrepreneur category which was introduced in November 1976 (Joint Committee of Public Accounts, 1991). The entrepreneur category existed until 1981 when it was replaced by the Business Migration Program (BMP). The new BMP continued to provide for admission under the same criteria as the previous entrepreneurial category but added self-employed people, that is, successful professionals and trades-people with their own firms, who could show that they had sufficient capital to establish a business. At the beginning of 1983 these two elements were amalgamated into a separate stream (Inglis & Wu, 1991).

Until it ceased operating, in 1991, the BMP formed part of the economic stream of migration to Australia. At the beginning of 1992 the BMP's replacement - the Independent-Business Skills category within the Skill Migration component of the migration program - became operational.

The purpose of the BMP was to attract successful business people to settle permanently and contribute their capital and expertise to commercial ventures that would benefit Australia through:

- the creation of jobs or retention of jobs that otherwise would have been lost;
- the introduction of new or improved technology;
- the stimulation of export trade; and
- the replacement of imports.

The BMP's selection criteria between 1987-1991 required that applicants had a successful business record, intended to settle permanently in Australia and owned assets which were available for transfer to Australia for both business and settlement purposes. The amounts required for business purposes were:

- \$A350,000 for applicants under 40 years of age
- \$A500,000 for applicants between 40 years and 58 years of age, and
- \$A 85,000 for applicants over 58 years of age.

The amounts required for settlement in Sydney or Melbourne was \$A150,000. If applicants intended to settle elsewhere in Australia, they required \$A100,000. In addition, applicants were required to show how they proposed to meet BMP objectives, how they would meet other regulatory requirements, and how their

business background, their proposed activities in Australia and their understanding of the Australian economic environment would satisfy the requirements of the BMP.

On 1 January 1988, as part of a progressive process of deregulating the BMP which had begun in 1985, the Federal Government introduced the Accredited Agents Scheme (AAS) to allow agents to play an active role in assessing migrants under the BMP. The AAS involved a substantial transfer of the responsibility for receiving and verifying applications from DILGEA officers based overseas to private agents who also marketed the program (Lever-Tracy, 1991). At the peak of the scheme there were about 240 agents listed; by mid-1991, there were only 130 agents - in Australia and overseas. In Australia, they included major legal and accountancy firms, appropriate State Government departments and individual business people some of whom employed sub-agents overseas.

On 25 July 1991, the Federal Government announced its decision to replace the BMP as a separate migration category. No new applications under the BMP were accepted after 2 August 1991. However, applications which had already been lodged under the BMP criteria were processed. The BMP was replaced by a new Independent-Business Skills category, a sub-category within the Independent category of the migration program. It became operational on 17 February 1992. It is targeted at an applicant's skills and experience rather than a specific business proposal or sum of money available for transfer to Australia.

Applicants under the new category are required to prove that they have attained a certain level of business experience and success according to specific criteria. Like the other Independent applicants and applicants under Canada's program, business skills applicants are now subject to a points test. Applicants must score at least 105 points. The points test includes credit for age, English language proficiency, the size of turnover of the applicant's business, the number of employees and the possession of capital available for transfer to Australia. Applicants can gain extra points if their main business background is in a field from which Australia can derive particular benefit (the manufacturing sector, traded services or the development and use of innovative technology).

Under the new category, people seeking to migrate to Australia may be able to qualify either as a shareholder or sole proprietor of a business or as a senior executive in a major corporation. Shareholders or sole proprietors must demonstrate that they:

- a) have held net assets of not less than \$A350,000 in one or more businesses for at least three of the last four years

- b) were actively involved in their principal business, and
- c) had experienced no trading losses in more than one of the last four years.

To qualify as a senior executive applicants must, among other things, have worked for at least three of the last four years in the top three management levels of a major corporation (defined as one with an annual turnover of at least \$A50 m) and demonstrate a commitment to engaging in business in Australia.

In March 1994, The Business Skills Assessment Panel¹ recommended the following changes to streamline the Business Skills category:

1. The Designated Industry Sector List (DISL) be removed from the Points Test and be replaced with additional factors in the business attributes area based on the management of labour and business assets
2. All time periods for threshold criteria and the Points Test for all BSC classes be amended to two out of four years immediately preceding the date of application, and
3. A facility be introduced to enable temporary residents legally in Australia to change their status on business skills grounds and be assessed against BSC criteria.

These changes were implemented by the Department of Immigration and Ethnic Affairs as of 1 July 1994.

With the Coalition coming into office in 1996, further changes were implemented, among which were: that as from 1 August 1996, the pass mark for the Independent Category will rise from its previous 110 points to 115 points; and the introduction of the Temporary Business Entry Sponsorship to enable businesses get quickly the overseas people it needs into Australia, for periods of stay ranging from three months to four years. Simplified rules apply, including waiver of labour market testing for personnel coming to undertake key activities, as well as simpler and faster health assessment procedures.

The new temporary business entry arrangements provide for longer-term temporary business entry of:

1. personnel for Australian based companies;
2. personnel (both executives and specialists) from offshore companies seeking to establish a branch of the company in Australia; to participate in joint ventures; or

¹ The Business Skills Assessment Panel March 1994, *Migration of Business People to Australia*, Department of Immigration and Ethnic Affairs, Canberra, ACT.

to undertake employment in relation to a contract awarded to an offshore company;

3. individual entrepreneurs seeking to establish new businesses or joining existing businesses in Australia; and
4. personnel coming under a labour or Regional Headquarters agreement.

These changes implement the recommendations of the Committee of Review of Business Temporary Entry, chaired by Mr Neville Roach.

APPENDIX - B



Appendix B. 2.

Appendix B. 2.1 China's Special Economic Zones (SEZs)

Appendix B. 2.1.1 SEZs Purposes

In 1979, China initiated a new international economic policy under which it established four SEZs: three in Guangdong province, Shenzhen, Zhuhai, and Shantou, and one in Fujian province, Xiamen. Modelled loosely on Export Processing Zones (EPZs) and Free Trade Zones (FTZs), which are found in other less developed countries, the SEZs offer a variety of financial inducements to foreign investors, in the belief that international business can be harnessed for national economic advantage. The zones were designed to provide foreign enterprises with lower taxes, reduced tariffs, more modern infrastructure, flexible labour and wage policies, and less bureaucracy. Additionally, to take maximum advantage of this “opening to the outside,” the SEZs have been laboratories for innovative domestic economic reforms.

Optimistic analysts contended that the zones would boost exports, earn foreign exchange, promote technology transfer, introduce new management techniques, and hasten local development (Sun, 1980; Xu, 1981). They were to contribute positively to China's modernisation in various ways. Indeed, early assessments of the SEZs' success were confirmed by none other than Deng Xiaoping as he gave his imprimatur to the Shenzhen, Zhuhai, and Xiamen SEZs in 1984.

Shortly afterwards, zone-like policies were extended to fourteen coastal cities. The future looked bright for SEZs. By March 1985, however, the zones were being denounced as havens for “carpet-baggers” who “made money from the rest of the country” (FBIS 85061:W2).¹ Reports of trade deficits, foreign exchange losses, financial mismanagement, and corruption led to a retrenchment of zone policy. The costs of the scandal-ridden SEZs seemed to have overwhelmed their benefits. By 1989, economic indicators showed that the SEZs have made remarkable achievements, in terms of overall economic development, utilisation of foreign capital and technology, and the growth of both exports and imports. For instance, economic indicators for 1989 indicated that the total industrial output for the four SEZs reached \$US5.7bn (*China Economic News*, April 30, 1990). In terms of the utilisation of foreign investment, a total of 1,382 contracts were signed and the amount of new pledged investments amounted to over \$US1.8bn.

¹ Foreign Broadcast Information Service (FBIS), *China Daily Report*

Appendix B. 2.1.2 Locations

The zones' location was also of great significance, in the overall decision for their establishment. The selection of Guangdong and Fujian provinces, as sites for the initial SEZs, was made for several reasons:

- * To potentially facilitate the importation of raw materials and finished products necessary for export processing and assembly operations;
- * Guangdong Province is the home of many overseas Chinese who reside in Hong Kong, Macau, and Southeast Asian countries. For these overseas Chinese, the opportunity to assist in the economic development of their home-town and, at the same time, make a profit on their investment would have both sentimental and practical appeal;
- * The proximity of the zones in Guangdong Province to Hong Kong would provide investors with easy access to the zones and would permit the SEZs to tap the infrastructural resources of Hong Kong, particularly as a transit port;
- * Guangdong Province location for three of the four SEZs was also politically motivated. Since Hong Kong shares the border with the Shenzhen SEZ (the largest of the four), promoting economic integration between Hong Kong and the southern parts of China would ultimately benefit China's move to unify Hong Kong after 1997 by accelerating the pace of economic development on the Chinese side; and
- * The rationale to designate Xiamen as a SEZ, one of the four zones in Fujian Province, was both political and economic. Politically, the Chinese government hoped to attract Taiwanese investment since many Taiwan residents had emigrated from Fujian Province and still had close family ties there. Because Fujian Province is well connected with Chinese living in other parts of the world, particularly in the United States, the zone would be attractive to them as a place to develop their investment and trade linkages.

Appendix B. 2.1.3 Investment Policies And Measures

To encourage foreign investment inflows to the SEZs, the Chinese government has undertaken numerous measures since 1979. These measures were designed to either remove regulatory restraints on foreign investment, or provide attractive incentives to foreign investors. On the regulatory side, the aim has been to reduce government intervention and to create an environment in which foreign investors could operate in a more Western market-oriented approach. Towards this end, various regulations and rules were enacted which stipulate that foreign investors in the SEZs have considerable freedom in the production, financing, and marketing activities of their companies. Incentive programs were focused on tax concessions, tax holidays, and exemptions from import and export duties. These incentives were designed to help foreign investors reduce their operating and tax cost, thus making their operations more profitable.

There are numerous factors which can affect the investment environment. A stable political situation, buttressed on a stable social order, and consistent policies to attract foreign capital are essential. Profit-making opportunities, the protection of the legitimate rights and interests of foreign entrepreneurs, and incentives should be offered.

The investment policies and incentives provided by the Chinese government were generally positive and flexible, depending on the particular investment and where it was placed. Among others, they included:

- * variances in the degree of foreign ownership
- * flexible project duration
- * free choice of investment sectors
- * flexible size of investment project
- * free choice of investment location
- * lower corporate tax rates
- * flexible policies on land use
- * relatively flexible management, employment, and wage systems
- * flexible policies on product pricing structures and,
- * variable terms for financing and remittance of profits.

Appendix B. 2.1.4 Income Tax

The non payment of company income tax was the norm in many export processing zones (EPZs) in East Asian countries (Warr, 1990). However, firms in China's special economic zones are subject to company tax. The corporate income tax is normally lower in the SEZs than in other parts of China, except for the opened cities and Hainan Island, which have almost equal preferential arrangements. The flat income tax rate was 15% for joint ventures and wholly foreign-owned companies. In most cases, foreign companies in the SEZs may also benefit from more advantageous tax holidays than those offered under the national tax legislation. Foreign firms may nevertheless use transfer pricing techniques to reduce the tax revenue benefits of the SEZs.

Firms that reinvest their profits in the SEZs are exempted from income tax on the investment amount as well. For enterprises with over \$US5m of foreign investment, involving high-technology transfer, or that may have a slower return on investment, income tax may be exempted for up to five years.

The tax on the income obtained from dividends, interest, rentals, royalties, and other sources in the SEZs by investors who do not have establishments in China is charged at a flat tax rate of 10%. Other tax rates vary with the type of investment, resources used, and other factors determined by investment regulations.

Appendix B. 2.1.5 SEZs Accomplishments

Examinations of actual economic accomplishments of the SEZs reveal, on balance, a sub-optimal performance. Early reports convey a certain optimism. It seemed as if the Shenzhen zone, in particular, was attracting foreign investment into a capital-starved economy at an impressive rate. Much of this activity appeared to be export-oriented, suggesting rising foreign exchange receipts. Moreover, the most obvious achievement was the economic transformation of a sleepy border town. The influx of Hong Kong capital and construction coincided with a significant increase in local economic growth. Shenzhen looked as though it would contribute positively to China's reintegration into the world economy.

Drawing on dramatic Chinese revelations of zone failures in 1985, many Western analysts now agree that the growth in Shenzhen has been fuelled largely by domestic rather than foreign investment. This means that significant costs, especially infrastructural development, have been borne by the national Chinese economy. Moreover, it is also evident that Shenzhen, the flagship of the SEZs, has functioned more as an entrepôt for foreign goods moving into China, than as an engine of export-led growth. Consequently, foreign exchange deficits have soared. Additionally, these losses cannot be justified in terms of technology transfer, which have been modest, at best. When local dislocations, such as inflation and corruption are factored in, it is clear that the SEZs have run into serious trouble. In sum, a consensus emerged, albeit not shared by all Chinese analysts, that the SEZ's policy has created more problems than it has solved (*Far Eastern Economic Review*, October 1, 1987).

Although the SEZs have survived, in spite of policy gyrations and poor performance, their blemished history leaves a pressing question: why the shortcomings? One answer is to blame poor economic performance on incoherent policy. In a headlong rush to reform, zone administrators lost their sense of direction and coordination. Signals emanating from Beijing have been ambiguous, and local leaders had to experiment haphazardly. In this context, economic performance has suffered as imports have leaked into the Chinese hinterland and construction projects have not been carefully monitored. This line of reasoning suggests that zones' problems may be solvable; an improved management style and heightened experience will pave the way to success. What has brought about "bad" policy from the start? It may be that the SEZs' difficulties ran deeper than deficiencies of public administration.

A more satisfying explanation of the SEZs' problems focuses on politics. Some analysts point out that serious differences of opinion exist within the Chinese leadership over zone policy. Generally, the debate is presented as a "two-line struggle" of sorts, with zone supporters drawn from the ranks of reformist leaders managing the startling changes of post-Mao China versus SEZ detractors found among the more conservative sceptics of the reform enterprise. Thus, zone advocates, trying to build up their political base and stave off a potential conservative counterattack, were under pressure to produce tangible national benefits in the SEZs. This situation has led reformers to adopt uncritically a zone strategy based on the EPZ experiences of other LDCs, but possibly unsuitable for China's circumstances (Pepper, 1986). Additionally, political pressure has confounded policy implementation as the desire for quick results has pushed zone administrators into dubious deals with both foreign and domestic economic agents. In short, it is politics that has undermined economic performance in the SEZs.

The SEZs were designed to provide both a physical and a policy enclave, in which neutral or export-promotion policies could be pursued without reforming China's trade regime. In order to achieve these goals, the government invested heavily in infrastructure and other public utilities. In return for this infrastructure investment, it was expected that the Chinese economy would benefit from the export-oriented foreign direct investment, in manufacturing, attracted to the zones. By 1990, there were four kinds of firms operating in the zones: wholly foreign-owned, joint-venture, cooperative enterprises and inland associated enterprises.

Appendix B. 2.2 Opened Cities

Based on the successful experience and remarkable performance of the SEZs, in 1984, the Chinese government took a further step in its open-door policy and liberalised fourteen coastal cities for foreign investment. Following a similar approach, as in the SEZs, the opened cities were allowed to prepare their own investment regulations and incentive programs and to operate more flexibly. Most importantly, the central government's control was relaxed and the autonomy granted to local governments substantially increased. Reflected in investment regulations, local (municipal) governments were permitted to approve all foreign investment projects within certain upper limits.

Appendix B. 2.2.1 Characteristics

At the time of their designation, these opened cities differed considerably from the SEZs in a number of ways:

- * They were far larger than the zones, in terms of: population, geographic size, industrial output, and other economic indicators;
- * Were also located in China's coastal areas but were in relatively well-developed industrial infrastructures, as well as a fairly good diversified industrial and trade base;
- * Possessed far more convenient and modern transportation facilities and communication systems;
- * Were equipped with relatively well-educated technicians and labour; and
- * Had a long tradition of being engaged in international trade and investment.

Appendix B. 2.2.2 Tax Incentives

The income tax rate was set at 15% for technology and knowledge-intensive investment projects, as well as for large-scale projects, whose total investment may exceed \$US30m. According to China's tax law, a joint-venture is exempt from income taxes during the first two years after it begins to earn a profit, and pays only half the required taxes for the third through fifth year. If a joint-venture is a high-technology enterprise, it is required to pay only half of its income taxes due during the sixth through to the eighth year.

Appendix B. 2.2.3 Industrial And Commercial Tax, And Export And Import Duties

Production facilities and equipment, parts and raw materials involved in the production of export goods, packaging materials, transportation-related equipment and office equipment, and daily necessities for foreign personnel were all exempt from industrial and commercial taxes. Exemptions of import and export duties were also available.

Appendix B. 2.3 Hainan Island

Appendix B. 2.3.1 Tax Incentives on Hainan Island

The corporate income tax rate on Hainan Island was also 15%, while the remittance tax of 10% was exempted for foreign enterprises. In addition, Hainan Island provides the following incentives for foreign investors:

- * Exemption from local income tax
- * Extended tax holidays
- * Tax refunds for reinvested profits
- * Exemption from the withholding tax
- * Sales tax exemption
- * Duty-free import of industrial machinery, equipment, raw materials, and spare parts, as well as communication and transportation equipment. Exports of goods with a 20% or more local content are also entitled to an exemption from customs duty and tax.

Appendix B. 2.4 Incentives for Export-Oriented And Technologically Advanced Projects

According to the State Council regulations of October 1986 - also known as the twenty-two regulations, joint-ventures received additional preferential treatment if they were categorised as either export-oriented or technologically advanced projects. To qualify as an export-oriented project, a joint venture must meet two primary requirements:

- a) it must export more than 50 per cent of its annual production value and,
- b) it had to have either a balance or surplus in its foreign exchange receipts and expenditures.

Foreign exchange surplus generated in the previous year may be carried over to the following year's computation of its foreign exchange balance. A technologically advanced project have to meet the following conditions:

- * Be in a sector targeted for foreign investment
- * Must process technology and have production processes and equipment that are advanced in nature
- * Its technology must be new and in short supply in China; and
- * The venture must help China produce new products, upgrade domestic products, increase exports, or produce an import substitute.

Appendix B. 2.5 Modes of Foreign Investment

Appendix B. 2.5.1 Equity Joint Ventures

Equity joint ventures (equity investment), are the most important form of foreign investment in China. In general, equity joint ventures refer to those projects established between foreign companies and/or individuals and the Chinese companies according to the Law on Joint Ventures Using Chinese and Foreign Investment promulgated in 1979. Under this law, an equity joint venture is a limited liability company with a board of directors composed of individuals selected by both the Chinese and foreign joint partners to manage operations. The number of directors representing each partner is determined by its share of capital contributed. In 1979-87, the chairman of the board was, in most cases, Chinese, while the vice-chairman and general manager were from the foreign

partner. After 1988, however, the new regulations have allowed joint ventures to be chaired by the foreign partner.

A foreign partner's capital contribution to a joint venture usually takes the form of machinery and equipment, technology, cash (in convertible currencies), industrial property rights, and managerial experience. The Chinese partner usually contributes land, factory buildings and facilities, raw materials, and cash in local currency as its share of the capital. According to Chinese investment law, the foreign partner's contribution must not be less than 25% of the total equity investment, but it has no upper share limit. In other words, the foreign partner may contribute more than 50% of the total capital required, depending on the negotiations and agreement between the two parties. In fact, foreigners can contribute up to 100% of the capital to a project, in which case the venture becomes a wholly foreign-owned enterprise. Buy-out provisions are also permitted, if agreed to and approved in advance.

An equity joint venture has two basic characteristics: the Chinese and foreign partners manage the project jointly on a daily basis, and both partners are responsible for the risks involved as well as the profits or losses of the enterprise.

Appendix B. 2.5.2 Contractual Joint Ventures

Contractual (cooperative) joint-ventures refer to an arrangement whereby the Chinese and foreign partners cooperate in joint projects and activities according to the terms and conditions stipulated in a venture agreement. These terms and conditions spell out the liabilities, rights, and obligations of each partner. The key difference between an equity joint venture and a contractual joint venture is that investment partners in the latter form of joint venture do not assume the risk or share profits according to their respective capital contributions. Rather, risks and profits are predetermined by the terms and conditions laid down in the venture agreement.

In late 1988, the Chinese government announced a set of laws governing contractual joint ventures. It is interesting to note that, in most cases, this type of joint venture does not necessarily involve the creation of a new legal entity. It can take any form agreeable to both partners. It is possible that the two partners may appoint a third party to manage the venture (often the case in the hotel industry) or that the foreign partner may entrust the

Chinese side with the management of the project and be involved in the day-to-day operations.

The major advantage of this type of joint venture is the flexibility of both partners to form a joint venture based on their common interests and needs. A contractual joint venture, however, is not as well protected in Chinese laws and regulations as is the equity joint venture. Therefore, if disputes arise, solutions may depend only on consultation and negotiation between the two partners, rather than on legal procedures and court settlement. The lack of an adequate legal framework may result in foreign investors' becoming confused about their obligations, benefits, and other rights in this type of joint venture.

Appendix B. 2.5.3 Wholly Foreign-Owned Enterprise (WFOE)

A wholly foreign-owned enterprise may be established by a foreign company using entirely its own capital, technology, and management. The enterprise is responsible for all risks, gains, and losses. The advantage of this type of enterprise is its flexibility and the ability of the foreign owner to manage and operate the enterprise as desired. Currently, priority is given to technologically advanced or knowledge-intensive projects. Certain labour intensive industries, where all production is exported, also qualify for priority benefits.

Appendix B. 2.5.4 Processing And Assembling

Under processing and assembling arrangements, the foreign firm supplies raw or intermediate materials for processing, or industrial components to be assembled or manufactured according to specifications and designs provided to the Chinese partner. The finished products are turned over to the foreign firm, and the Chinese partner receives a fee for its services. Frequently the foreign partner also supplies the Chinese enterprise with machinery, equipment, and/or technology, the value of which is deducted from the processing fee payment. As in compensation trade, the Chinese treat the value of the equipment, machinery, and/or technology supplied by foreign firms under these processing and assembling arrangements as foreign funds absorbed by China.

The advantage of this arrangement is that the foreign partner may enjoy enhanced efficiency made possible, in part, by the relatively low local labour cost. For the Chinese partner, the advantage lies in earning foreign currency without much risk, while gaining some new technologies. Consequently, this type of arrangement usually involves processing and assembling operations in labour-intensive industries to produce such products as textiles, garments, footwear, and toys, as well as related industries, including electronic component assembly.

Appendix B. 2.5.5 Recent FDI Policy Changes

Recent FDI policy changes in China may dampen these flows temporarily, however. China is moving towards national treatment, eliminating gradually some preferences for foreign investors, such as exemptions from import duties, that have distorted markets, encouraged “round-tripping,” (capital outflows that are repatriated back to China disguised as FDI, taking advantage of tax and regulatory incentives to foreign investors) speculative investments and “phantom” foreign ventures.

Among them are the unification of the tax system and the elimination of the exemption of import duties granted to foreign affiliates.

- In the tax reform undertaken in 1994, the turn-over tax regime and the individual income-tax regime were unified. As a result, both domestic and foreign firms are now governed by a unified set of rules on value-added, consumption, business operations and individual income taxation. A notable exception, however, is the corporate income tax regime, under which foreign investors still enjoy preferential treatment.
- Since April 1996, foreign affiliates face the same duties and import-related taxes as domestic firms on all imported equipment, materials and all other items (including when these imports are made by newly approved FDI projects as part of their investments). Although overall tariff rates had already been lowered considerably at the beginning of 1996 (from 35.9% to 23%), the abolition of the preferential import duties awarded to foreign investors is important, given that nearly 70% of China’s FDI is in imported capital equipment (Zhan, 1993).

- Provinces and cities are now strictly forbidden to grant tax incentives to foreign investors over and above those stipulated by the central Government.

China has also become more selective in screening FDI projects to ensure compliance with economic development objectives. This is reflected in the Government's newly adopted guidelines for FDI that are in line with the national development plan and the country's industrial policies.² In addition, the country is targeting large TNC investments. This is reflected in the incentives aimed at attracting large TNCs in capital or technology-intensive projects.³

The Government has introduced measures to prevent speculative investment, e.g., in real estate, and has forced some "phantom" foreign affiliates to terminate operations.⁴

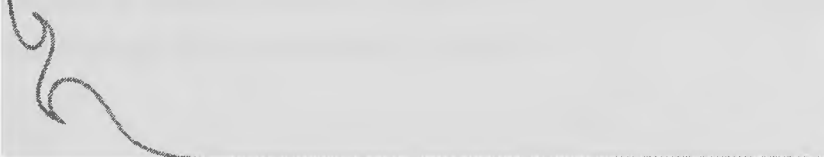
Also, it has strengthened monitoring by promulgating "Administrative procedures for appraising foreign invested property" in early 1994. The appraisals aim at preventing some foreign investors from seeking extra gains or incentives by overvaluing or over-quoting their investments, or using inferior capital equipment.

² People's Republic of China 1995, Guiding Catalogue of Industries for Foreign Investment, promulgated 27 June 1995.

³ These include measures allowing foreign firms to sell on the domestic market products that China would otherwise need to import; measures helping foreign firms to obtain foreign exchange; measures allowing large TNCs to set up investment and/or holding companies in China; and measures opening new investment areas to TNCs.

⁴ By early 1994, over 7,500 ventures had been deprived of their status as foreign affiliates, *China Economic News*, No. 18, 16 May, 1994.

APPENDIX - C



Appendix C. 3.

Appendix C. 3.1 Taiwan

An increasing amount of foreign investment has been flowing into capital-intensive, high-technology, and service industries, as well as into joint-venture projects to upgrade overall technological levels. Such investment is expected to gain momentum in the years ahead, due to a combination of foreign interest and Taiwan's government efforts to upgrade Taiwan's industrial structure. Among other things, the government has been carrying out a Six-Year Science and Technology Development Program that covers the 1991-1995 period. The objectives of this wide-ranging program are to strengthen the nation's R&D potential, promote industrial modernisation, protect the environment, and enhance overall public knowledge of science and technology.

This growing emphasis on high-technology, together with the liberalisation of foreign exchange controls (refer to Ch. 6), will undoubtedly bring changes in Taiwan's foreign investment climate.

Appendix C. 3.2 Investment Statutes

Appendix C. 3.2.1 Statute for Investment by Foreign Nationals (SIFN)

Foreign companies engaged in general manufacturing, the production of exportable products, imports and exports, or other business conducive to the development of the nation's economy or certain priority sectors, are eligible for the benefits offered under SIFN. Provisions of this statute cover such matters as investment criteria, application processes, and statutory privileges related to foreign investment projects. In order to qualify for SIFN, companies have to obtain a foreign investment approval from the Investment Commission of the Ministry of Economic Affairs.

Appendix C. 3.2.2 Statute for Investment by Overseas Chinese (SIOC)

This statute grants privileges and benefits to overseas Chinese that are similar to those extended to foreign investors under SIFN. As in the case of SIFN, applications must be made through the Investment Commission.

Appendix C. 3.2.3 Statute for Industrial Upgrading (SIU)

This statute offers incentives to any company limited by shares that is engaged in R&D, enhancement of productivity, personnel training, the establishment of international brand names, or the use of environmental protection equipment or systems. Among other things, the SIU permits companies to depreciate R&D equipment in two years. It also entitles qualified enterprises to business income tax credits on the costs of their investments in automation equipment and technologies, pollution-control equipment and technologies, R&D, personnel training, and international brand image promotion.

Appendix C. 3.3 Foreign Investment Approval (FIA)

Important FIA privileges and benefits are as follows:

- * repatriation in foreign exchange of invested capital, net profits, or interest accrued from equity and loan investment;
- * repatriation in foreign exchange of invested capital or capital gains one year after the beginning of business operations, except for profits derived from the sale of land;
- * exemption from the requirement that stock be offered to the public or employees, provided the applicant owns at least 45% of the said company's capital;
- * exemption from requisition or expropriation within 20 years of the start of business operations, provided the applicant owns at least 45% of the said company's capital;
- * reduction to 20% of income-tax withholding on dividends received by foreign investors;
- * waiving of the normal domicile, nationality and capital stock requirements covering foreigners;
- * possibility for 100% ownership by foreign investors;
- * exemption from Company Law restrictions regarding nationality of shareholders, directors and supervisors, as well as from requirements covering minimum amounts of investment by ROC nationals, employees' pre-emptive subscription rights on newly issued shares, and sites for holding shareholders' and board of directors' meetings; and
- * treatment and protection equal to that extended to a domestic company.

Appendix C. 3.4 Areas in Which Foreign Investment is Particularly Encouraged

Appendix C. 3.4.1 Ten Emerging Industries

- * telecommunications
- * information products
- * consumer electronics
- * semiconductors
- * precision machinery, and automation
- * aerospace
- * advanced materials
- * fine chemicals and pharmaceutical
- * health care
- * pollution control

Appendix C. 3.4.2 Eight Key Technologies

- * optical electronics
- * computer software
- * applications of advanced materials
- * energy conservation
- * biotechnology
- * advanced sensors
- * industrial automation
- * resource exploitation

Appendix C. 3.5 Forms of Investment And Company Organisation

There are several ways that foreign corporate entities, including both those with and those without FIA status, can establish a presence or structure an investment in Taiwan. The major alternatives include:

- * technical cooperation
- * representative offices

- * commercial agencies and distributorships
- * branch offices
- * local joint venture companies
- * subsidiaries
- * ordinary domestic companies

Certain types of profit-seeking enterprises, including shipping companies, airlines, banks, hotels, theatres, pharmaceutical companies and electronic-product manufacturers, must obtain special licenses from the appropriate authorities.

Appendix C. 3.6 Free Trade Zones And Other Special Investment Locations

Over the years, the ROC government has been pioneering the development of free trade zones. It has used them to encourage both foreign and domestic industrial investment, create vast numbers of new jobs, increase export potential, and spur technological progress.

These facilities, which include export processing zones and a science-based industrial park, continue to be of great benefit to overseas investors and buyers. They furnish excellent sites for carrying out high-tech R&D work and establishing factories to process raw materials into high value-added finished export goods. At the same time, they provide foreign and domestic buyers with an unmatched source of high-quality manufactured goods at competitive prices.

In 1995, manufacturers in the following industries were eligible to set up operations in the zones:

- * precision machinery
- * electrical and electronic appliances
- * metal products
- * mechanical instruments
- * chemical products
- * food products
- * vehicles
- * garments
- * miscellaneous industrial products
- * international trade

- * consulting
- * information services

Appendix C. 3.6.1 Export Processing Zones (EPZs)

Those companies which were located in Taiwan's EPZs were, for instance, entitled to the following benefits:

- * exemption from Customs duties on the importation of raw materials, parts and machinery for the company's own use;
- * duty-free export of finished products (this exemption does not, however, include a harbour construction fee of 0.5% that must be paid for all imports and exports shipped by ocean carrier);
- * exemption from commodity taxes;
- * business taxes levied at a zero rate;
- * repatriation of all after-tax profits and repatriation of all invested capital after one year of operation;
- * exemption from deed tax on factory buildings;
- * availability of factory-building loans at attractive rates; and
- * lower business profits tax for high-tech industries